

## Placing and Open Offer to raise £5.8 million

Released : 11/09/2015 07:00

RNS Number : 7808Y

Redhall Group PLC

11 September 2015

For immediate release

11 September 2015

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

### **Proposed Placing and Open Offer to raise up to £5.8 million Debt Conversion, Capital Reorganisation, New Articles and Notice of General Meeting**

Redhall Group plc (AIM: RHL), the manufacturing and specialist services group, is pleased to announce Proposals to restructure the Company's balance sheet and to provide additional funding to support the growth of Redhall's existing businesses following the successful completion of the first stage of the Company's turnaround.

The Proposals include the intention to raise up to £5.8 million (before expenses) through a placing and open offer of up to 115,320,814 new Ordinary Shares of 0.01 pence in the capital of the Company at a price of 5 pence per share. The new Ordinary Shares are being placed with new and existing institutional and other shareholders by WH Ireland.

In addition, as part of the Proposals, Henderson, HSBC Bank plc and the Company have entered into the Debt Conversion Agreement and agreed that, subject *inter alia* to Admission, £3 million of the Henderson Debt will be converted as consideration for the issue (credited as fully paid) of 41,500,000 Conversion Shares and the grant of the 18,500,000 Conversion Options.

#### **Transaction Highlights**

- Transaction focused on supporting the growth of Redhall's existing businesses following the successful completion of the first stage of the Group's turnaround
- The restructuring of the Company's balance sheet and additional funding will position the Group to address significant, long term market opportunities available to Redhall
- The Placing, Open Offer and Debt Conversion have the potential to reduce Group debt by up to £8.3 million (after expenses)
- Placing of up to 95,689,827 new Ordinary Shares at a price of 5 pence per new Ordinary Share to raise £4.8 million gross
- Open Offer of up to 19,630,987 new Ordinary Shares at a price of 5 pence per new Ordinary Share to raise up to £1.0 million gross
- Conversion of £3 million of the Henderson Debt as consideration for the issue of 41,500,000 Conversion Shares at the Issue Price plus 18,500,000 Conversion Options

Completion of the Proposals is subject *inter alia* to shareholder approval, which will be sought at a General Meeting of the Company to be held at Squire Patton Boggs, 2 Park Lane, Leeds at 11.00 a.m. on 28 September 2015. Dealings in the new Ordinary Shares issued under the Proposals are expected to commence on 30 September 2015.

A circular providing further details of the Proposals will be sent to Shareholders later today. Once it has been posted, a copy of the Circular will be made available on the Company's website at [www.redhallgroup.co.uk](http://www.redhallgroup.co.uk). Certain extracts from the Circular are set out below.

**Redhall's Chief Executive, Phil Brierley, said:** "We have made significant progress in the past year in transforming Redhall into a company focused on multi-disciplinary manufacturing and specialist services, which offer higher margins and lower risks. The proposals announced today, through restructuring the balance sheet and providing additional funding, will position Redhall to take advantage of the significant growth opportunities in our marketplace."

#### **Contact details:**

**Redhall Group plc**  
Phil Brierley, Chief Executive  
Chris Kelly, Group Finance Director

Tel: +44 (0) 1924 385 386

**WH Ireland, Broker**  
Adrian Hadden, Nick Prowting

Tel: +44 (0) 20 7220 1666

**Buchanan**  
Mark Court, Sophie Cowles, Jane Glover

Tel: +44 (0) 20 7466 5000

**Altium, NOMAD and Financial Advisors**  
Phil Adams, Simon Lord, Paul Lines

Tel: +44 (0) 845 505 4343

**Proposed Placing and Open Offer to raise up to £5.8 million**  
**Debt Conversion**  
**Capital Reorganisation**  
**New Articles**  
**and**  
**Notice of General Meeting**

## **1. Introduction**

The Company is pleased to announce today a number of Proposals which, if approved by Shareholders and otherwise becoming unconditional, are intended to provide the Group with additional funding and flexibility to take advantage of the commercial opportunities which the Directors have identified in the Group's chosen markets.

The Board believes that the long term market opportunities available to Redhall are significant and that the restructuring of the Company's balance sheet and additional funding will provide the platform to allow the Company to capitalise on these opportunities and create Shareholder value over the medium term.

The Proposals, whereby the Company is seeking to raise up to £5.8 million (before expenses), include a placing of up to 95,689,827 New Ordinary Shares with institutional and other investors, an Open Offer to Eligible Shareholders of up to 19,630,987 New Ordinary Shares (each at the Issue Price) and the Debt Conversion, which will convert £3 million of the Henderson Debt as consideration for the issue of 41,500,000 New Ordinary Shares and the grant of the Conversion Options.

A Circular will today be posted to shareholders, the purpose of which is, amongst other things, to provide Shareholders with details of the Proposals and to explain why the Board considers that the Fundraising is for the benefit of Shareholders as a whole and how the Board intends to develop value for Shareholders. Extracts from the Circular can be found below.

## **2. Background to, and reasons for, the Proposals**

On 4 December 2014, following the completion of a strategic business review by the Chief Executive, the Company announced its strategy to turnaround the performance of the Group, create a lower risk, higher margin, multi-disciplinary manufacturing-based organisation, and deliver a substantial improvement in profitability, earnings per share and shareholder value.

The key tenet of the strategy is a focus on high margin manufacturing, and specialist services activities, with particular emphasis on the nuclear, oil & gas and specialist infrastructure markets.

The implementation of the strategic plan has required a restructuring of the Group, removing the old divisional structure and vesting day to day management responsibility into individual businesses with support from the executive Directors, the disposal of non-core business activities, the withdrawal from certain non-commercial framework contracts, the improvement of internal communications and governance and resetting the cost base of the Group to more appropriate levels. Large elements of this implementation have been completed ahead of programme, allowing the Board to focus more fully on the Group's multi-disciplinary and high margin manufacturing and specialist services capabilities, which comprise six operating subsidiary businesses and reports in two segments as follows:

### ***Manufacturing***

Manufacturing operations encompass the design, manufacturing, installation and commissioning of high integrity products and equipment typically in the nuclear and oil & gas sectors but also in infrastructure and high end architectural metalwork. The Group has three businesses with strong brands and heritage in their respective areas: Booth Industries, Jordan Manufacturing and R Blackett Charlton.

### ***Specialist Services***

Specialist Services consists of the Group's 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 Astute class submarines. The Group delivers these services through Redhall Networks, Redhall Jex and Redhall Marine.

The Board has identified a number of commercial opportunities for the Group to enhance operating margins, increase sales volumes and access new and/or potentially expanding markets, particularly defence, nuclear decommissioning and nuclear new build.

In order to capitalise on these opportunities, the Board is proposing the Placing, the Open Offer and the Debt Conversion to strengthen the Company's balance sheet and to provide a platform which, the Board believes, will allow for:

- improved client confidence in the Group's ability to bid for new contracts;
- better trading terms with the Group's supply chain;
- investment in equipment to improve productivity and expand the business offering;
- investment in pre-contract sales, marketing and tendering;
- a reduced debt burden and a renegotiation of existing banking facilities;
- reduced short term cash pressure;
- better terms with performance bond underwriters; and
- sufficient working capital to fund growth.

In addition, the Placing will introduce further institutional Shareholders to the Company's shareholder base to support the Company's future growth.

## **3. Current trading and future prospects**

On 11 June 2015, the Company announced its unaudited results for the six months ended 31 March 2015 (the "Interim Announcement").

The Interim Announcement contained the following statement by the Chairman:

"The execution of high margin work in our Manufacturing businesses is at the heart of our strategic plan. A number of projects secured during the first half have demonstrated our capability to deliver complex projects for our key customers and we anticipate an enhanced level of profitability in the second half of the year.

Within our Manufacturing business, Booth Industries has secured £4.75m of orders for engineered doors for a major rail infrastructure project and continues to work with our major Defence customers on blast doors. We are responding to initial tenders for the Hinkley Point C new build project both at Booths and at our specialist manufacturing facility, Jordan Manufacturing, near Bristol. We executed two major complex projects at Jordan Manufacturing in the first half which were technically demanding and provided a critical and successful outcome for our customers.

Our Specialist Services businesses which provide surface coatings for Astute Class Submarines, telecom infrastructure services and process lines for food and pharmaceutical companies are expected to provide a higher level of profitability in H2, based upon the level of orders we expect to secure."

Since the date of the Interim Announcement, the Board does not believe there has been any material change to its future prospects.

#### 4. Details of the Placing and the Open Offer

The Company is proposing to raise up to £5.8 million (before expenses) in aggregate pursuant to the Placing and the Open Offer. The Issue Price of 5 pence per New Ordinary Share represents a discount of approximately 50.6 per cent. to the Closing Price of 10.125 pence on 10 September 2015, the latest trading day prior to this announcement.

##### Placing

Pursuant to the Placing, the Company, through WH Ireland, has conditionally placed the Placing Shares with institutional and other investors (including 2,200,000 Placing Shares subscribed for by certain Directors) to raise up to £4.8 million (before expenses).

Certain of the Directors are subscribing for Placing Shares as follows:

	<i>Number of Placing Shares subscribed for</i>	<i>Resultant holding of Ordinary Shares</i>
Phil Brierley	800,000	830,000
Martyn Everett	600,000	600,000
Chris Kelly	600,000	600,000
Phillip Hilling	200,000	250,891

The Placing is conditional, *inter alia*, on:

- the passing of Resolutions 1,2,4 and 5 which are set out in the Circular;
- the conditions in the Placing and Open Offer Agreement (in so far as they relate to the Placing) being satisfied or (if applicable) waived and the Placing and Open Offer Agreement not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 30 September 2015 (or such later time and/or date, being no later than 8.00 a.m. on 30 October 2015, as the Company, WH Ireland and Altium may agree).

The Placing is not conditional upon a particular level of subscriptions pursuant to the Open Offer.

The Placing is not being underwritten by WH Ireland, Altium or any other person.

The Placing and Open Offer Agreement contains customary warranties given by the Company to WH Ireland and Altium as to matters relating to the Group and its business and a customary indemnity given by the Company to WH Ireland and Altium in respect of liabilities arising out of or in connection with the Placing and the Open Offer. WH Ireland and/or Altium are entitled to terminate the Placing and Open Offer Agreement in certain circumstances prior to Admission including circumstances where the warranties are found not to be true or accurate or are misleading in any material respect or on the occurrence of certain *force majeure* events. If any of the conditions are not satisfied or waived (where capable of waiver), New Ordinary Shares will not be issued pursuant to the Placing and the Open Offer and all monies received from investors in respect of such New Ordinary Shares will be returned (at the investors' risk and without interest) as soon as possible thereafter.

Under the terms of the Placing, Ruffer LLP ("Ruffer") has agreed to subscribe for such number of Placing Shares as would give Ruffer an aggregate interest of 10 per cent. of the Enlarged Issued Share Capital.

##### Open Offer

The Open Offer is being made to allow Eligible Shareholders the opportunity to participate in the Fundraising if they so choose.

The Open Offer provides Eligible Shareholders with the opportunity to apply to acquire the Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares as at the Open Offer Record Date on the following basis:

#### 2 Open Offer Shares for every 5 Existing Ordinary Shares

and so on in proportion for any other number of Existing Ordinary Shares then held.

Entitlements to apply to acquire Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlement to Open Offer Shares will be disregarded in calculating an Open Offer Entitlement.

The Open Offer Shares will represent 9.5 per cent. of the Enlarged Issued Share Capital (assuming full take up of the Open Offer

and no exercise of Options or Conversion Options prior to Admission).

Eligible Shareholders should note that the Open Offer Shares have not been conditionally placed subject to clawback nor has the Open Offer been underwritten.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 30 September 2015 (or such later date being not later than 8.00 a.m. on 30 October 2015 as the Company may decide):

- the Placing being unconditional in all respects (save only in respect of Admission);
- the passing of Resolutions 1,2,4 and 5 which are set out in the Circular; and
- Admission becoming effective by 8.00 a.m. on 30 September 2015 (or such later time or date not being later than 8.00 a.m. on 30 October 2015 as the Company, WH Ireland and Altium may decide).

The Placing Shares and the Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the then existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

#### **Excess applications**

The Open Offer is structured to allow Eligible Shareholders to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares on the Open Offer Record Date (subject always to the sole discretion of the Board).

Eligible Shareholders may also make applications in excess of their Basic Entitlement. To the extent that Basic Entitlements are not subscribed by Eligible Shareholders, such Open Offer Shares will be available to satisfy such excess applications, subject to a maximum of 19,630,987 Open Offer Shares in aggregate. To the extent that applications are received in respect of an aggregate of more than 19,630,987 Open Offer Shares, excess applications will be scaled back accordingly *pro rata* to Basic Entitlements taken up in the Open Offer (subject always to the sole discretion of the Board).

However, excess applications will be rejected if and to the extent that acceptance would result in any Eligible Shareholders, together with those acting in concert with him or her for the purposes of the Takeover Code, holding more than the 29.9 per cent. Aggregate Limit.

**Persons who have agreed to subscribe for Placing Shares pursuant to the Placing and who are Eligible Shareholders will not be entitled to participate in the Open Offer.**

**Eligible Shareholders should note that the Open Offer is not a rights issue.** Eligible Non-CREST Shareholders should be aware that the Application Form is not a negotiable document and cannot be traded. Eligible Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Eligible Shareholders who do not apply under the Open Offer.

#### **Settlement and dealings**

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that such Admission will become effective and that dealings will commence at 8.00 a.m. on 30 September 2015.

### **5. The Debt Conversion**

As part of the Proposals, Henderson, HSBC Bank plc and the Company have entered into the Debt Conversion Agreement and agreed that, subject *inter alia* to Admission, £3 million of the Henderson Debt will be converted as consideration for the issue of the 41,500,000 Conversion Shares credited as fully paid and the grant of the 18,500,000 Conversion Options which are convertible at the Company or Henderson's option subject always to Henderson's (and its concert parties') total holdings not exceeding the 29.9 per cent. Aggregate Limit at the relevant time.

As Henderson currently holds approximately 27.7 per cent. of the Existing Ordinary Shares it is a "substantial shareholder" under the AIM Rules and the Debt Conversion constitutes a related party transaction for the purposes of AIM Rule 13. The Independent Directors consider, having consulted with Altium, the Company's nominated adviser, that the terms of Debt Conversion are fair and reasonable insofar as the Shareholders are concerned.

It is expected that Henderson and/or the Company will exercise such number of Conversion Options as would, immediately following Admission, give Henderson and its concert parties an interest in 29.9 per cent. of the Enlarged Issued Share Capital.

### **6. Relationship Agreement and Board appointment rights**

Henderson and the Company have entered into the Relationship Agreement, effective conditional upon completion of the Proposals, which will govern the relationship between the parties.

The principal purpose of the Relationship Agreement is to ensure that all transactions and relationships between the Company and Henderson are at arm's length and on a normal commercial basis. The Relationship Agreement will terminate upon Henderson ceasing to be entitled to exercise, or control the exercise of, in aggregate, 25 per cent. or more of the voting rights in the Company.

Under the terms of the Relationship Agreement, Henderson will have the right (*inter alia*) to nominate one non-executive director to the Board. In addition, the Relationship Agreement provides that the Board shall at all times include at least one independent director.

The Company has also entered in the Board Observer Agreement with Downing LLP under the terms of which Downing has the right to appoint an observer to the Board in certain circumstances.

### **7. The Capital Reorganisation**

The Issue Price is less than the current nominal value of an Existing Ordinary Share and, under the Companies Act, a company cannot issue shares at a price below their nominal value.

The Directors propose, therefore, subject to the passing of the Resolutions, that the Company effects a capital reorganisation on the basis that each of the Existing Ordinary Shares of 25 pence each will be subdivided into and reclassified as:

- (a) one Ordinary Share (being an ordinary share in the capital of the Company with a nominal value of 0.01 pence each); and
- (b) one Deferred Share (being a deferred share in the capital of the Company with a nominal value of 24.99 pence each).

The Deferred Shares will not be admitted to trading on AIM (or any other investment exchange). The Deferred Shares will have limited rights, and will be subject to the restrictions, as set out in the New Articles, proposed to be adopted at the General Meeting, and as summarised below.

The Deferred Shares will be transferable only with the consent of the Company. The holders of the Deferred Shares shall not, by virtue or in respect of their holdings of Deferred Shares, have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting.

Save as required by law, the Company will not issue share certificates to the holders of the Deferred Shares in respect of their holding thereof. The Deferred Shares will not entitle their holders to receive any dividend or other distribution. The Deferred Shares will on a return of assets in a winding up entitle the holder only to the repayment of the amounts paid up on such Deferred Shares after repayment of the capital paid up on the Ordinary Shares plus the payment of £10,000,000 per Ordinary Share.

The Company will have irrevocable authority at any time to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to the transfer of the same to such person as the Company determines as custodian thereof, without making any payment to the holders of Deferred Shares, and/or to cancel the same (in accordance with the provisions of the Companies Act) without making any payment to or obtaining the sanction of the holders thereof. The Company may, at its option at any time, purchase all or any of the Deferred Shares then in issue, at a price not exceeding 1 pence for each aggregate holding of Deferred Shares so purchased. The Directors consider the Deferred Shares, so created, to be of no economic value.

The Articles will be amended, *inter alia*, to reflect the creation of the Deferred Shares and to set out the rights attaching to them and, accordingly, Resolution 4 in the Notice seeks approval to adopt the New Articles reflecting these changes.

Existing share certificates will remain valid for the Ordinary Shares following the Capital Reorganisation as Shareholders' holdings will not change.

The Existing Ordinary Shares are currently admitted to CREST. CREST will be notified of the change in nominal value. The record date of the Capital Reorganisation is 5.00 p.m. on 29 September 2015, unless otherwise agreed by the Board.

**The rights attaching to the Ordinary Shares will be identical in all respects to those of the Existing Ordinary Shares.**

## 8. Adoption of New Articles

The Board proposes the adoption of the New Articles under the Resolutions.

A copy of the proposed New Articles is available for inspection at the offices of Squire Patton Boggs (UK) LLP, 2 Park Lane, Leeds LS3 1ES, during usual business hours on any business day up to and including the day of the General Meeting and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting.

Additionally the proposed New Articles are available for inspection on the Company's website at the following address: [www.redhallgroup.co.uk](http://www.redhallgroup.co.uk).

## 9. Long Term Incentive Plan

The Directors believe that equity incentives are and will continue to be an important means of retaining, attracting and motivating senior management and key employees. Therefore, the Board proposes to offer to senior management and key employees the opportunity to participate in the future growth of the Company through the Long Term Incentive Plan outlined below.

### *The Redhall Long Term Incentive Plan ("LTIP")*

The Company has adopted the 2007 Performance Share Plan ("PSP") under which no incentives have currently been awarded. The PSP rules will be amended to permit awards as set out below, allowing the award of free Ordinary Shares to eligible participants conditional on Admission. The vesting of awards will be subject to the satisfaction of performance conditions.

The Company is proposing to grant the following conditional on Admission:

<i>Name</i>	<i>Number of awards</i>
Phil Brierley	10,189,853
Chris Kelly	7,336,790
Martyn Everett	6,113,793
Other senior employees	6,203,324

The grant of options to Phil Brierley, Chris Kelly and Martyn Everett pursuant to the terms of the LTIP as described above is deemed to be a related party transaction under the AIM Rules. The Directors (other than Phil Brierley, Chris Kelly and Martyn Everett) having consulted with the Company's nominated adviser, Altium, consider that the grant of such options to Phil Brierley, Chris Kelly and Martyn Everett is fair and reasonable in so far as the Company's shareholders are concerned.

Further details of the LTIP and associated eligibility and performance criteria will be set out in the Circular.

## 10. Settlement and dealings

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that such Admission will become effective in accordance with Rule 6 of the AIM Rules and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 30 September 2015.

## 11. General Meeting

The circular will contain a Notice convening the General Meeting of the Company to be held at 11.00 a.m. on 28 September 2015 at the offices of Squire Patton Boggs (UK) LLP, 2 Park Lane, Leeds LS3 1ES at which the Company is proposing that Shareholders pass the Resolutions in order to:

- approve the Capital Reorganisation;
- adopt the New Articles;
- provide sufficient authority to issue the New Ordinary Shares;
- provide authority to allow the New Ordinary Shares to be issued free of pre-emption rights;
- approve the general power of the Directors to allot equity securities for non cash consideration or for cash on a pre-emptive basis up to an aggregate nominal amount of £6,850; and
- approve the general power of the Directors to allot equity securities for cash free of pre-emption rights up to an aggregate nominal amount of £1,000.

## 12. Irrevocable undertakings

The Company has received irrevocable undertakings to vote in favour of the Resolutions from Shareholders who have a beneficial interest in respect of, in aggregate, 15,706,855 Existing Ordinary Shares representing approximately 32.0 per cent. of the Existing Issued Share Capital. This includes irrevocable undertakings to vote in favour of such Resolutions received from the Directors who between them hold, in aggregate, 80,891 Existing Ordinary Shares representing approximately 0.16 per cent. of the Existing Issued Share Capital.

### 13. Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their aggregate shareholdings of 80,891 Existing Ordinary Shares representing approximately 0.16 per cent. of the Existing Issued Share Capital.

#### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2015</i>
Open Offer Record Date	5.00 p.m. on 8 September
Announcement of the Proposals	11 September
Dispatch of the Circular	11 September
Ex-Entitlement Date	11 September
Basic Entitlements and Excess Entitlements of Eligible Shareholders credited to stock accounts in CREST	As soon as possible after 8.00 a.m. on 14 September
Latest time for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 21 September
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 22 September
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 23 September
Latest time and date for receipt of Forms of Proxy for the General Meeting	11.00 a.m. on 24 September
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of CREST instructions	11.00 a.m. on 25 September
General Meeting	11.00 a.m. on 28 September
Record date for Capital Reorganisation	5.00 p.m. on 28 September
Announcement of the results of the Placing and the Open Offer	7.00 a.m. on 29 September
Admission and commencement of dealings in the New Ordinary Shares	8.00 a.m. on 30 September
CREST accounts to be credited with New Ordinary Shares in uncertificated form	8.00 a.m. on 30 September
Share certificates dispatched by	9 October

**Each of the times and dates above are subject to change. Any such change will be notified to Shareholders by an announcement on a Regulatory Information Service.**

#### PROPOSALS STATISTICS

Issue Price	5p
Basic Entitlement	2 for 5
Existing Ordinary Shares	49,077,469
Ordinary Shares in issue immediately following the Capital Reorganisation and prior to the issue of the New Ordinary Shares†	49,077,469
Placing Shares*	95,689,827
Open Offer Shares*	19,630,987

Conversion Shares	41,500,000
Conversion Options	18,500,000
Total New Ordinary Shares*	156,820,814
Number of Ordinary Shares in issue immediately following Admission*†	205,898,283
Gross proceeds of the Fundraising*	£5.8 million
Estimated net proceeds of the Fundraising*	£5.3 million

\* Assuming full subscription under the Open Offer and prior to any exercise of Conversion Options

† Assuming no Ordinary Shares are issued between the date of this announcement and Admission other than pursuant to the Proposals

## DEFINITIONS

The following definitions apply throughout this Announcement unless the context otherwise requires:

<b>"29.9 per cent. Aggregate Limit"</b>	the restriction on the number of New Ordinary Shares that each Eligible Shareholder may receive under the Open Offer (when aggregated with its concert parties' holding of Existing Ordinary Shares and New Ordinary Shares) on the basis that no Eligible Shareholder shall be entitled to receive in excess of such number of New Ordinary Shares as would bring its (together with its concert parties') aggregate interest in the Company to more than 29.9 per cent. of the Enlarged Issued Share Capital
<b>"Admission"</b>	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>"AIM Rules"</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>"AIM"</b>	the market of that name operated by the London Stock Exchange
<b>"Altium"</b>	Altium Capital Limited, nominated adviser and financial adviser to the Company
<b>"Announcement"</b>	this announcement
<b>"Application Form"</b>	the application form relating to the Open Offer for use by Eligible Non-CREST Shareholders
<b>"Articles"</b>	the articles of association of the Company (as amended from time to time)
<b>"Basic Entitlement"</b>	in relation to each Eligible Shareholder means the opportunity to acquire Open Offer Shares at the Issue Price pro rata to their holdings of Existing Ordinary Shares as at the Open Offer Record Date on the basis of 2 Open Offer Shares for every 5 Existing Ordinary Shares held at that time
<b>"Board Observer Agreement"</b>	the agreement dated 10 September 2015 between Downing LLP and the Company relating to the appointment of an observer to the Board by Downing LLP
<b>"Business Day"</b>	any day on which banks are usually open for business in England and Wales for the transaction of sterling business, other than a Saturday, Sunday or public holiday
<b>"Capita Asset Services"</b>	a trading name of Capita Registrars Limited
<b>"Capital Reorganisation"</b>	the proposed (a) sub-division and (b) re-designation of the Existing Ordinary Shares into the Ordinary Shares and Deferred Shares
<b>"certificated" or "in certificated form"</b>	an Existing Ordinary Share or an Ordinary Share recorded on the Company's share register as being held in certificated form (namely, not in CREST)
<b>"Circular"</b>	the circular in relation to the Proposals expected to be dispatched to Shareholders today
<b>"Closing Price"</b>	the closing middle market price of an Existing Ordinary Share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange

<b>"Company" or "Redhall"</b>	Redhall Group plc
<b>"Companies Act"</b>	the Companies Act 2006, as amended
<b>"Conversion Options"</b>	the put and call options between Henderson and the Company relating to 18,500,000 new Ordinary Shares (subject to Henderson's (and its concert parties') total holdings not exceeding the 29.9 per cent. Aggregate Limit at the relevant time)
<b>"Conversion Shares"</b>	the 41,500,000 New Ordinary Shares arising from the Debt Conversion
<b>"CREST"</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations)
<b>"Debt Conversion"</b>	the conversion of £3 million of the Henderson Debt as consideration for the issue of the Conversion Shares at the Issue Price and the grant of the Conversion Options
<b>"Debt Conversion Agreement"</b>	the agreement between Henderson, HSBC Bank plc and the Company dated 10 September 2015 in relation to the Debt Conversion
<b>"Deferred Shares"</b>	the new deferred shares of 24.99 pence each in the capital of the Company created pursuant to the Capital Reorganisation having the rights set out in the New Articles
<b>"Directors" or "Board"</b>	the directors of the Company or any duly authorised committee thereof
<b>"Eligible CREST Shareholders"</b>	Eligible Shareholders holding Existing Ordinary Shares in uncertificated form
<b>"Eligible Non-CREST Shareholders"</b>	Eligible Shareholders holding Existing Ordinary Shares in certificated form
<b>"Eligible Shareholders"</b>	Shareholders on the Ex-Entitlement Date who are not resident in a Restricted Jurisdiction
<b>"Enlarged Issued Share Capital"</b>	the Ordinary Shares in issue immediately following Admission, comprising the Ordinary Shares and the New Ordinary Shares
<b>"Excess Application"</b>	an application by an Eligible Shareholder in respect of Excess Entitlement
<b>"Excess Application Facility"</b>	to the extent that the Basic Entitlements are not subscribed for by Eligible Shareholders, such Open Offer Shares will be available to satisfy any excess applications, subject to a maximum of 19,630,987 Open Offer Shares, in aggregate
<b>"Excess Entitlement"</b>	in relation to each Eligible Shareholder means the opportunity to apply to acquire Open Offer Shares at the Issue Price in addition to their Basic Entitlement (subject to a maximum in respect of all Eligible Shareholders of 19,630,987 Open Offer Shares in aggregate)
<b>"Ex-Entitlement Date"</b>	the date on which the Ordinary Shares are marked "ex" for entitlement under the Open Offer, being 11 September 2015
<b>"Existing Ordinary Shares" or "Existing Issued Share Capital"</b>	the 49,077,469 ordinary shares of 25 pence each in the capital of the Company in issue at the date of this announcement
<b>"Fundraising"</b>	together the Placing and the Open Offer
<b>"General Meeting"</b>	the general meeting of the Company convened for 11.00 a.m. on 28 September 2015
<b>"Group" or "Redhall Group"</b>	the Company and its existing subsidiaries and subsidiary undertakings
<b>"Henderson"</b>	Alphagen Capital Limited (formerly Henderson Alternative Investment Advisor Limited) in its capacity as discretionary investment manager of the Alphagen Volantis Fund Limited and the Alphagen Volantis Catalyst Fund Limited of 201 Bishopsgate, London EC2M 3AE
<b>"Henderson Debt"</b>	the £9,175,000 of debt owed to Henderson by the Company as at 10 September 2015
<b>"Independent Directors"</b>	the Directors of Redhall (other than Jamie Brooke who is an employee of Henderson)
<b>"Issue Price"</b>	5 pence per New Ordinary Share
<b>"New Articles"</b>	the new articles of association of the Company proposed to be adopted at the General Meeting
<b>"New Ordinary Shares"</b>	together the Placing Shares, the Open Offer Shares, the Conversion Shares and any Ordinary Shares resulting from the exercise of Conversion Options prior to Admission
<b>"Notice"</b>	the notice of the General Meeting to be set out in the Circular
<b>"Open Offer"</b>	the conditional offer by the Company to Eligible Shareholders inviting

	them to subscribe for the Open Offer Shares on the terms and subject to the conditions to be set out in the Circular
<b>"Open Offer Entitlements"</b>	in relation to each Eligible Shareholder means the Basic Entitlement and Excess Entitlement relating thereto
<b>"Open Offer Record Date"</b>	5.00 p.m. on 8 September 2015
<b>"Open Offer Shares"</b>	up to 19,630,987 new Ordinary Shares to be issued to Eligible Shareholders pursuant to the Open Offer
<b>"Options"</b>	existing options over Existing Ordinary Shares
<b>"Ordinary Shares"</b>	ordinary shares of 0.01 pence each in the capital of the Company created pursuant to the Capital Reorganisation having the rights set out in the New Articles
<b>"Overseas Shareholders"</b>	holders of Existing Ordinary Shares who are neither resident in, nor have a registered address in, the UK
<b>"Participant ID"</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST Participant
<b>"Placing"</b>	the proposed placing of the Placing Shares by WH Ireland on behalf of the Company at the Issue Price pursuant to the Placing and Open Offer Agreement and including the conditional subscription of 2,200,000 Placing Shares at the Issue Price by certain Directors
<b>"Placing and Open Offer Agreement"</b>	the agreement dated 10 September 2015 between the Company, WH Ireland and Altium relating to the Placing and the Open Offer
<b>"Placing Shares"</b>	up to 95,689,827 new Ordinary Shares to be issued pursuant to the Placing
<b>"Proposals"</b>	the Placing, the Open Offer, the Debt Conversion and the Capital Reorganisation
<b>"Receiving Agent" and "Registrars"</b>	Capita Asset Services
<b>"Relationship Agreement"</b>	the agreement dated 10 September 2015 between Henderson and the Company governing their relationship following the Proposals
<b>"Remuneration Committee"</b>	the remuneration committee of the Board appointed in accordance with the Articles
<b>"Resolutions"</b>	the resolutions to be proposed at the General Meeting, which are set out in the Notice
<b>"Restricted Jurisdiction"</b>	each and any of Australia, Canada, Japan, the Republic of South Africa and the United States
<b>"Regulatory Information Service"</b>	one of the regulatory information services authorised by the FCA acting in its capacity as the UK listing authority to receive, process and disseminate regulatory information
<b>"Ruffer"</b>	has the meaning given in paragraph 4 of this announcement
<b>"Securities Act"</b>	the United States Securities Act of 1933, as amended
<b>"Shareholders"</b>	the holders of Existing Ordinary Shares or Ordinary Shares (as the context requires) at the relevant time
<b>"United Kingdom" or "UK"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"United States" or "US"</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and any other area subject to its jurisdiction
<b>"US Person"</b>	has the meaning set out in Regulation S of the Securities Act
<b>"WH Ireland"</b>	WH Ireland Limited, the Company's broker

END

MSCUASVRVOAKARR