

Redhall Group plc

Annual Report & Accounts

/ 2016

Redhall Group plc

/ Redhall is a leading manufacturing and specialist services group

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 global manufacturing services business, by providing high integrity products and services in demanding environments that consistently exceed our customers' expectation of quality, value and delivery.



/ Manufacturing

Manufacturing encompasses the design, manufacture and installation of bespoke specialist plant and equipment typically in the nuclear, defence, oil and gas, petrochemical, chemical, pharmaceutical and food sectors. The division has particular expertise in the design and manufacture of high integrity fire and blast resistant doors, window and wall systems.

/ Specialist Services

Specialist Services comprises our activities in installation and maintenance of the telecommunications network infrastructure and the design, manufacture and installation of process lines in food and pharmaceutical markets.

/ Financial highlights

	Year ended 30 September 2016 £000	Year ended 30 September 2015 £000
Continuing business		
Group revenue	43,823	44,704
Adjusted operating profit/(loss)*	856	(672)
Adjusted loss before tax*	(1)	(2,083)
Group loss after tax	(1,670)	(12,161)
Loss on discontinued operations before tax	(983)	(9,094)
Adjusted fully taxed basic and diluted earnings per share continuing business*	0.00p	(3.34)p
Basic and diluted loss per share	(0.83)p	(24.57)p

*Adjusted results are stated before exceptional items of £0.4 million (2015: £1.2 million), amortisation of acquired intangible assets of £0.3 million (2015: £0.3 million) and IFRS 2 charge £0.4 million (2015: credit £1,000)

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Martyn Everett
Chairman

Redhall achieved two important goals during the year in its transformation to a high integrity Manufacturing and Specialist Services group. Firstly the manufacturing order book has grown substantially and is now £23 million of the total group order book of £29 million (2015: £11 million and £21 million respectively). Secondly, the Group made an adjusted operating profit of £0.9 million before interest, tax, amortisation, exceptional items and IFRS 2 charges (2015: loss of £0.7 million).

The Board's confidence in the Group's strategy to focus on high integrity Manufacturing opportunities has been endorsed by the award of a number of major contracts in the defence, nuclear decommissioning and infrastructure sectors and the announcement in September that the UK Government has approved the investment in the nuclear new build project at Hinkley Point C. This is expected to be the first of a number of similar major projects.

The Group made a substantial investment in capital and development projects during the year. The total level of capital expenditure was £0.8 million. We have new machining

equipment at Jordan Manufacturing, which has already improved our efficiency and performance on a number of substantial projects, and we have invested in a new test facility and product development at Booth Industries ("Booths"). Product development has become key for our customers who need an increasingly high level of security, fire, acoustic and insulation properties in our products to respond to ever more stringent regulation and security requirements. Since the year end, we have approved a further £0.4 million investment at Booths for laser cutting equipment to improve efficiency and quality and to reduce manufacturing costs. This new equipment will be in operation in our second quarter.



TRADING RESULTS

Revenue in the year to 30 September 2016 from continuing operations was £43.8 million (2015: £44.7 million). Adjusted operating profit before exceptional items was £0.9 million (2015: loss of £0.7 million). Adjusted fully diluted earnings per share for the continuing business amounted to nil pence per share (2015: loss of 3.34p).

This result reflects a strong performance from our Specialist Services businesses which have provided a bridge in profitability whilst we have invested in the growth of our Manufacturing businesses during the year.

EXCEPTIONAL ITEMS

This year, the level of operating exceptional items has significantly reduced, reflecting the end of the sustained restructuring implemented in previous years. The Group has reduced its cost base by initiatives including relocating its head office, reducing the cost of central services, and relocating smaller operations to more appropriate facilities. The total operating exceptional items for the continuing business associated with this amounted to £0.4 million.

For the discontinued businesses the Group has incurred costs in exiting from contracts and agreeing final accounts. This process has been more protracted than originally anticipated and negotiations are ongoing on a small number of accounts. The total amount of these exceptional costs incurred in the discontinued businesses amounted to £1.0 million (2015: £8.1 million).

FINANCIAL POSITION

In December 2015 the Group agreed new three-year bank facilities with HSBC Bank plc and funds managed by Henderson. These facilities amounted to £11.2 million at the year end, of which £8.2 million was drawn.

Net assets at 30 September 2016 amounted to £15.5 million (2015: £18.6 million). The reduction includes an increase in the pension deficit to £3.8 million (2015: £2.0 million). The deficit increased significantly following the UK's decision on the European membership referendum in June, as a result of a material reduction in gilt yields.

DIVIDEND

The Board does not recommend a dividend (2015: nil).

PEOPLE

Our people have worked extremely hard to deliver the requirements of the second stage of our strategic plan. We are very grateful for their commitment which has achieved an operating profit for the continuing businesses and a much improved level of future orders.

PROSPECTS

The turnaround of Redhall through the creation of a high integrity Manufacturing business focused on the defence, nuclear decommissioning, infrastructure and nuclear new build sectors remains on track.

We are currently engaged in a number of very significant tenders which if successful will provide Redhall with a strong and sustainable long term order book. These tenders include major door and fabrication packages for the nuclear new build project at Hinkley Point C. They also include initial inquiries for further nuclear new build projects of which there are currently plans for a further five developments.

Our specialist fabrication manufacturing facility at Jordan Manufacturing has also seen substantial order growth in the year and is a leading fabricator for contractors in the nuclear decommissioning market. There is also a material increase in the level of tenders in this sector and, whilst this requires substantial investment in bidding resources, we are confident that these will sustain an increase in turnover in the coming years.

Our successful delivery on recent defence and rail infrastructure projects has also driven the increase we have seen in the order book and we will continue to work on these projects during the next 18 months, whilst looking to secure further similar projects.

We remain cautious about the recovery of the oil and gas sectors but once there is an improvement we are well placed to benefit from opportunities that might arise.

Our Specialist Services segment, which has served the group well for the last two years, will reduce in our 2017 financial year following BAE's decision not to renew our contract to provide blast and spray and insulation services to the Astute submarine programme. However, our telecommunications and food process businesses, Redhall Networks and Redhall Jex, are expected to continue to perform well in the new financial year.

We will focus this year on delivering further improvements in profitability and operational performance and building a robust platform for a sustainable period of growth.

Martyn Everett

Chairman

7 December 2016



Phil Brierley
Chief Executive

Our strategic focus in the 2016 financial year has been on investment, improvement and growth in our high integrity Manufacturing based business, concentrating on the key markets of defence, decommissioning, nuclear new build and major infrastructure. We have made significant strides forward and I am pleased that the Group has reported an adjusted operating profit slightly ahead of market expectations and has delivered an order book which is greatly improved in both value and quality.

The overall order book now stands at £29 million (2015: £21 million) of which £23 million (2015: £11 million) is high integrity manufacturing. This has created a solid platform for our future performance.

These improvements were enabled by our fund raising at the end of the previous financial year, which provided investment in our asset base, our bidding and pre-contract capability and research and development and gave our customers increased confidence in Redhall.

We are now moving into a period of growth for our manufacturing businesses and we are confident that we can deliver a strong performance in FY17 based on our clients' current delivery requirements.

This confidence is based on the improving order book and on the growing pipeline of opportunities we are experiencing in many of our core markets. These opportunities include: increased manufacturing spend in decommissioning at Sellafield,



Photo credit: EDF Energy

the commencement of the Successor boat programme and associated defence spending, the growing requirement for high integrity doors to combat the security threat to key infrastructure and the ongoing spend in large rail infrastructure for Crossrail, Crossrail 2 and HS2. These markets will be a source of work for many years. When coupled with the considerable opportunity presented by nuclear new build, most imminently Hinkley Point C, we believe that our strategy of focusing on high integrity manufactured products in these markets will produce long term benefits for all our stakeholders.

Our Specialist Services segment performed particularly well in the year. All businesses in the segment delivered strong operating profits and generated cash which helped facilitate our improvement plan.

The Group made an adjusted operating profit on continuing operations of £0.9 million on revenue of £43.8 million. Before deducting group and central services costs the adjusted profit amounted to £3.3 million. The result is slightly ahead of market expectations and represents a significant step forward. It is of note that the result in this financial year was despite the significant downturn in the oil and gas sector which has historically driven a large proportion of the Group's manufacturing turnover and profit.

HEALTH AND SAFETY

The health and safety of our employees and those who may be affected by our business remains our highest priority. All of our six 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, many of our subsidiaries once again applied for health and safety awards from The Royal Society for the Prevention of Accidents (RoSPA), which recognises high or very high levels of performance. All of our businesses that applied obtained a minimum of the Gold Award.

MANUFACTURING

Our Manufacturing segment made an adjusted profit of £0.9 million during the year on turnover of £17.2 million (2015: £0.3 million and £18.5 million respectively). We have worked extremely hard with our customers to develop high class products and solutions, particularly for the defence, nuclear decommissioning and infrastructure sectors. This has required substantial investment of £0.8 million in capital equipment, test facilities and product development. The requirements of our markets are changing and our customers are asking us to provide ever more sophisticated products with security, fire, blast, pressure and acoustic properties.

Booth Industries has won and delivered a substantial amount of defence and infrastructure related work in the year both in the UK and France. We are currently manufacturing and delivering doors to the majority of the new stations and the tunnels on the Crossrail project. Booths has also developed a number of market leading high integrity door and blast products during the year which keep us at the forefront of the manufacture of products that are relied upon for the UK's day to day security across a number of sectors.

Jordan Manufacturing grew significantly during the year. It is being repositioned particularly in the nuclear decommissioning, nuclear new build and high integrity fabrication markets. It is also looking to diversify into other areas where there is good demand for Jordan's skills. It has delivered a number of key and diverse projects during the year including further glovebox manufacture for Dounreay Site Restoration Limited (DSRL) and over packs and floor plates for use at Sellafield. Other fabrications have been supplied for submarines, 3D printers and offshore skids. It is pleasing to note that the relationship enjoyed with DSRL will continue. Jordan Manufacturing was awarded the minor works framework for DSRL in November, which lasts for a period of up to 4 years and has prequalified for the major works framework tender due to be submitted in the first quarter of 2017.

Our investment in key people has been significant as we build our manufacturing sales and tendering teams, our engineering and design capability and our commercial support. We are also developing a comprehensive learning and development programme. Our teams are now working extremely hard to meet and exceed the exacting standards required by our clients. The high levels of tenders we are currently experiencing are anticipated to continue for some considerable time and our focus is on identifying the opportunities to which our capabilities are best matched.

SPECIALIST SERVICES

Specialist Services consisted 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 Astute class submarines. We were informed in October 2016 that our contract for surface finishings to Astute class submarines would not be renewed. The Group was unable to submit a compliant tender as it considered that the new terms represented a material increase in the level of risk. The interim contract that Redhall Marine has been working under since December 2015 is due to end in January 2017.

Turnover in the year was £26.6 million and the segment profit was £2.4 million (2015: £26.2 million and £0.9 million respectively). All of the businesses performed ahead of the previous year and expectations.

Redhall Networks benefited from continuing high levels of infrastructure work and our number of delivery teams was increased to take advantage of the level of work available. Mobile communications is an ever increasing part of our national infrastructure and the maintenance, upgrading and consolidation of the network by the operators provides us with confidence that the volumes experienced in Redhall Networks will continue.

In the food and pharmaceutical sectors demand was maintained for the services provided by Redhall Jex in the first half. We benefited from good volumes on capital project work for major customers such as Kellogg's, Mondelez and Nestle. The second half performance was not as strong as the first half due to the completion of a number of these capital projects. We are, however, seeing an increase in opportunities as new projects are commencing and management has established new customer relationships to supplement existing ones.

Redhall Marine also performed well during the period. Our focus is now moving to the successful demobilisation and agreement of final accounts with BAE for work on boats 2 to 7.

DISCONTINUED OPERATIONS

Site Services consisted of our businesses held for strategic divestment and closure. At the year end we had completed all but one of the projects that were on site in Redhall Nuclear when we announced the closure of our site based nuclear business.

EXCEPTIONAL ITEMS

During the year we incurred £0.4 million of exceptional operating costs in our continuing businesses relating to relocation and redundancy costs as we completed the strategic restructuring. We also incurred £1.0 million of exceptional costs relating to discontinued operations due to the costs of exiting contracts and agreeing final accounts.

OUTLOOK

We are pleased that in the 2016 financial year the Group achieved another important phase of the strategic plan by delivering an adjusted operating profit and a substantially improved order book. We have now created momentum for our manufacturing businesses to deliver substantial growth. In addition, we anticipate that both our Redhall Networks and Redhall Jex businesses will continue to make a substantial contribution in the next financial year.

Further growth in our high integrity manufacturing order book is a key focus for the Group as we continue to deliver our strategic plan. We have successfully secured a number of important orders in the defence sector both in the UK and abroad and we continue to bid for sizable contracts for delivery in 2017 and 2018. We now have considerable knowledge in this sector and firmly see it as one of our core markets.

We are experiencing an increase in opportunities in the decommissioning market particularly from Sellafield Ltd and DSRL but also from Magnox. This has already resulted in an order intake of £8.8m in the year with further work packages being released for tender.

Both Booth Industries and Jordan Manufacturing have submitted important bids for Hinkley Point C the most significant of which was the recent bid for security doors which was led by Booth Industries in consortium with Baumert from France. Whilst contract awards for Hinkley Point C are not expected to commence until the middle of 2017, success in tenders for this major project will be of a long term nature and would contribute to significant increases in the order book. The nuclear new build sector could be very important for the Group if, as predicted, up to five further facilities are constructed over the next two decades.

We have established close relationships with the Centre for Protection of National Infrastructure and a number of our products have been developed to comply with their requirements in a market where security is an increasingly important element for manufactured products for the nation's infrastructure.

Booths has been active in the year in the delivery of special doors and hatches to Crossrail stations and tunnels. We have focused

heavily on product development for this type of infrastructure which led us to build the largest door test facility in Europe. We expect that the investment we have made in these products will provide further opportunities on projects such as Crossrail, HS2 and Crossrail 2 as well as with London Underground. We have also recently signed agreements to work on a major tunnel project in Israel.

Although work winning remains a clear focus for the Group, we are acutely aware of the importance of efficiently delivering the increase in production resulting from the growth in our order book. We have and will continue to invest in product development and capital equipment to keep the Group at the forefront of its chosen markets. We will also invest in the quality of our people and extend the access our people have to learning and development opportunities to create the highest calibre teams.

Our 2017 financial year is another important phase in the delivery of the Group's strategic plans and for Redhall as a high integrity manufacturing led business. We expect the Group to deliver a strong performance, further building shareholder value.

Phil Brierley

Chief Executive

7 December 2016



Chris Kelly
Group Finance Director



KEY FINANCIAL INDICATORS

	2016	2015
	£000	£000
Continuing business		
Revenue	43,823	44,704
Operating profit/(loss)		
before exceptional items, IFRS 2 and amortisation	856	(672)
after exceptional items, IFRS 2 and amortisation	(237)	(2,232)
Operating loss on discontinued operations after exceptional items	(983)	(9,094)
Operating cash flow	(2,367)	(2,816)
Adjusted fully taxed diluted earnings per share continuing business*	0.00 p	(3.34)p
Basic and diluted loss per share	(0.83)p	(24.57)p

Redhall has continued its transformation during the 2016 financial year. The Group made a profit on an adjusted operating basis of £0.9 million before exceptional costs relating principally to relocation and redundancy costs of £0.4 million on turnover of £43.8 million (2015: £44.7 million). In arriving at this profit, the Group incurred £2.4 million of central costs including the costs of the shared services function for IT, HR and finance that were previously incurred in the businesses. Adjusted operating profit after amortisation of intangible assets of £0.3 million and IFRS 2 charge of £0.4 million amounted to £0.2 million. The Group incurred financing charges of £0.9 million resulting in an adjusted loss before taxation for continuing operations of £0.7 million (2015: £2.4 million). The Group loss before taxation on continuing operations after exceptional items was £1.1 million (2015: £3.6 million).

The Group loss on discontinued operations which relates to exceptional costs primarily for the ongoing exit from the nuclear site services businesses amounted to £1.0 million.

Net borrowings, which expire in December 2018, amounted to £8.2 million (2015: £5.5 million).

OPERATING RESULTS

The trading performance of the Group is discussed in the Strategic Report.

Group revenue of £43.8 million (2015: £44.7 million) includes manufacturing revenues of £17.2 million (2015: £18.5 million) on which the businesses generated an operating profit of £0.9 million (2015: £0.3 million). Specialist Services revenues amounted to £26.6 million (2015: £26.2 million) generating a profit of £2.4 million (2015: £0.9 million).

EXCEPTIONAL ITEMS

Certain charges and credits to the income statement, which due to their size and or incidence, have been separately identified as exceptional items.

INTEREST

The net financial expense incurred in the year comprises net interest on bank borrowings of £0.7 million (2015: £1.3 million) and the pension scheme net finance charge of £154,000 (2015: £149,000).

TAXATION

The Group has incurred trading losses in the current and previous financial years and accordingly does not have a current year tax expense. The overall tax credit of £0.4 million (2015: £0.6 million) reflects the net movement in the deferred tax liability as set out in notes 6 and 12. In total the Group has losses carried forward from 2016 and earlier years amounting to £16.2 million upon which deferred tax assets have not been recognised.

DIVIDENDS

The Board is not able to recommend a dividend.

CASHFLOW AND NET BORROWINGS

Group net borrowings (net of cash balances) were £8.2 million (2015: £5.5 million). Net cash outflows from operating activities were £2.4 million.

This year the Group made significant investment in new product development of £0.4 million and in assets to improve operating effectiveness and efficiency of £0.5 million.

At the year end the Group's loan facilities comprised a term loan from funds managed by Henderson of £5.7 million and a revolving credit facility and overdraft from HSBC Bank plc of £3.5 million and £2.0 million respectively. The Group had undrawn headroom on its HSBC facilities at the year end of around £3.0 million. The current facilities are due to expire in December 2018.

GOODWILL AND IMPAIRMENT REVIEWS

An impairment review of goodwill and intangible assets was carried out at the year end which demonstrates that there has been no impairment of the amounts carried in the consolidated balance sheet. The carrying amount at the year end was £20.4 million (2015: £20.8 million). Details of the calculations and assumptions used for the impairment review are shown in Note 11.

EQUITY

Shareholders' equity decreased by £3.1 million during the year. This comprised the loss for the year of £1.7 million, the increase in the pension deficit (net of deferred tax) of £1.6 million less the movement of £0.2 million on other reserves which represents the IFRS 2 charge for the year.

PENSION SCHEME

A formal valuation of the defined benefit pension scheme was carried out as at 5 April 2015. The results of this valuation have been updated to 30 September 2016 by a qualified independent actuary

to determine the IAS 19 position. The IAS 19 net deficit at the year end has increased to £3.8 million (2015: £2.0 million). The post Brexit fall in gilt and bond yields has contributed very significantly to this movement. The deficit would have further reduced in the period prior to signing these accounts.

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 manage 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 is making payments of £140,000 per annum until 5 April 2018 and payments of £305,000 thereafter until 5 April 2027.

KEY PERFORMANCE INDICATORS

The Board monitors the activities and performance of the trading subsidiaries through a system of internal control procedures which are summarised in the statement on Corporate Governance. At the Group level the key performance indicators are summarised below.

	2016	2015
Adjusted operating profit margin		
Manufacturing	5.0%	1.7%
Specialist Services	9.1%	3.4%
Leverage ratio	1.6 times	2.8 times
Work in hand and secured orders	£29.0m	£21.0m
Adjusted fully taxed diluted earnings per share	0.00p	(4.74)p
All accident incident frequency rate	4.11	3.47

The leverage ratio is calculated as the ratio of total equity (£15.5 million) to outstanding bank borrowings including interest (£10.0 million (note 24)) plus bank overdraft (£0.0 million (note 24)) plus bank guarantees (£0.0 million (note 21)).

Chris Kelly

Group Finance Director
7 December 2016

/ Operating Environments, Risks & Uncertainties

PRINCIPAL OPERATING RISKS AND 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 and the Board has a programme of continual improvement.

This system is openly communicated to ensure its effectiveness and it is the role of management to implement the policies on risk and control.

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 such as Sellafield, AWE and BAE Systems. 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. The Group has also sought to achieve, both organically and historically through acquisition, a more diverse portfolio of clients across counter-cyclical markets, both private and public sector, and the securing of longer term foundation work.

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. It was agreed to close the scheme 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 December 2018.

DIRECTORS



M Everett BA, FCA
Chairman



P Brierley MRICS
Chief Executive



C J Kelly BA, ACA
*Group Finance Director and
Company Secretary*



P B Hilling MA, FCA
Non-Executive



J D Brooke MA, ACA
Non-Executive

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/ Report of the Directors

The Directors present their report and audited financial statements of the Group and Company for the year ended 30 September 2016.

PRINCIPAL ACTIVITY

The principal activity of the Group during the year has been manufacturing and specialist services.

RESULTS AND DIVIDENDS

The loss of the Group after taxation is £1,670,000 (2015: loss £12,161,000). The Directors do not recommend the payment of a dividend (2015: 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, Strategic Report and Financial Review which should be regarded as part of this report.

DIRECTORS

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

M Everett

P Brierley

C J Kelly

P B Hilling

J D Brooke

Profiles of each Director serving at the date of issue of this report are set out below.

M Everett – Chairman (Non-Executive)

Martyn Everett, aged 58, joined the Board in September 2014. He is a turnaround and restructuring specialist and is a Fellow of the Institute of Chartered Accountants. He is currently Chairman of Mar City PLC, Apricot Topco Limited and Aston Student Village and a Director of BICF Limited.

P Brierley – Chief Executive

Phillip Brierley, aged 52, 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 54, 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.

P B Hilling – Non-Executive Director

Phillip Hilling, aged 67, 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 D Brooke – Non-Executive Director

Jamie Brooke, aged 45, joined the Board in July 2014. Jamie is a Fund Manager at Henderson. He previously worked for Gartmore, 3i Plc and Quester. He is also a Non-Executive Director at Chapel Down Group Plc and Oryx International Growth Fund plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and 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 and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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 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.

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.

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.

DIRECTORS AND THEIR INTERESTS

The Directors at 30 September 2016 had beneficial interests in shares and share options as set out below:

Shareholdings

	At 30 September 2016	At 30 September 2015
P Brierley	830,000	830,000
P B Hilling	250,891	250,891
C J Kelly	600,000	600,000
M Everett	600,000	600,000
J D Brooke	-	-

There have been no changes to Directors' shareholdings between 30 September 2016 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 PSP, options have been 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 – 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 – 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 - 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

The beneficial interests in share options of those Directors in office at 30 September 2016 are as follows:

Director	Class	Options at 30 September 2016 Number	Options at 30 September 2015 Number	Exercise price	Earliest exercise date	Latest exercise date
P Brierley	2007 DSOP Approved	45,400	45,400	66.0p	7 December 2015	7 December 2022
	2007 DSOP Non-approved	104,600	104,600	66.0p	7 December 2015	7 December 2022
	2007 PSP	10,189,853	-	8.45p	1 October 2017	1 October 2027
C J Kelly	2007 PSP	7,336,790	-	8.45p	1 October 2017	1 October 2027
M Everett	2007 PSP	6,113,793	-	8.45p	1 October 2017	1 October 2027

Further details of the share option schemes under which options had been granted at 30 September 2016 are given in note 22.

The market price of the Company's ordinary shares on 30 September 2016 was 9.0p and the high and low prices during the year were 10.5p on 15 September 2016 and 5.375p from 2 to 3 February 2016. The share price on 6 December 2016 was 8.5p.

DIRECTORS' EMOLUMENTS

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	Share-based payments £000	2016 Total (excl. pension) £000	2015 Total (excl. pension) £000	2016 Pension £000	2015 Pension £000
Executive Director									
P Brierley	194	77	38	13	84	406	484	24	30
C J Kelly	153	63	30	13	59	318	344	18	22
Non-Executive Director									
M Everett	75	-	9	-	49	133	170	-	-
P B Hilling	40	-	4	1	-	45	45	-	-
J D Brooke	-	-	-	-	-	-	-	-	-
	462	140	81	27	192	902	1,043	42	52

During the year ended 30 September 2015, D J Jackson received fees of £48,000 including compensation of £32,000 and benefits of £1,000. From 1 October 2016, the Remuneration Committee has determined that Henderson Global Investments will receive a directors' fee of £35,000 for services provided to the Company by J D Brooke.

Executive remuneration is determined by the Remuneration Committee, details of which are set out in the report on Corporate Governance.

The amounts described as 'share-based payments' are those charged to the Income Statement in accordance with IFRS 2.

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.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified that on 6 December 2016 the following shareholders had interests of 3% or more in the issued ordinary shares of the Company:

	Number	Percentage
Henderson Global Investors	55,087,179	27.54%
Downing LLP	28,000,000	14.00%
Ruffer LLP	25,500,000	12.75%
Hargreave Hale	21,140,000	10.57%
Spreadex Limited	6,718,500	3.36%

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 publication of a bi-annual newsletter 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 AND 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 (2015: nil).

ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 1 February 2017, notice of which is set out within this Annual Report, three items of special business are to be considered:

- Resolution 4 is to grant authority to the Directors to issue shares up to a limit of £6,600 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 5 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 £1,000, 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 6 is to grant authority to the Directors to make market purchases of Ordinary Shares up to a maximum number of 20,005,068 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 7 December 2016 and signed on its behalf by:

C J Kelly
Secretary

The Board supports the principles of good corporate governance although as an AIM listed company it is not required to apply the UK Corporate Governance Code ("the Code"). However, the Board believes that the application of the Code is in the best interests of the Company and its stakeholders and has sought to apply the spirit of the Code in a manner which is appropriate for the size of the Group. This report sets out the way in which the principles are currently being applied.

THE BOARD

At 30 September 2016 the Board was comprised of two Executive and three Non-Executive Directors and was chaired by Martyn Everett.

The Board is responsible for the long term success of the Group. The Executive Directors meet on a regular and frequent basis and are in continual discussion with the operational management to ensure that the business objectives of the Group are achieved. Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully challenged.

To enable the Board to discharge its duties, all Directors receive appropriate information and are allowed sufficient time to discharge their responsibilities effectively. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings. The Chairman ensures that the Directors take independent professional advice as required.

The Company's Non-Executive Directors are considered by the Board to be independent of management and they bring a breadth of experience which is welcomed by the Executive Directors.

In considering the principles of the Code, it is recognised that Martyn Everett is not independent given his interest in share options of the Group and that Jamie Brooke is a representative of the Group's major shareholder.

SHAREHOLDER RELATIONSHIPS

The Directors seek to build on a mutual understanding of objectives shared between the Group and its principal shareholders. The Board welcomes the attendance of private shareholders at the Annual General Meeting and the opportunity to address any questions that they may have.

INTERNAL CONTROL

The Board is ultimately 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 current procedures in place are summarised as follows:

- Organisational structures established with clearly defined lines of responsibility, delegation of authority and reporting requirements to the Group Board.
- Management of operating companies are charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks.
- Regular discussions between management of the subsidiaries and the Group Executive Directors. Each operating company has at least one of the Group Executive Directors on its own board.

- An annual budget for each operating company is prepared in detail, reviewed by executive management and formally adopted by the Board. The Board also formally adopts the Group's overall budget and plans.
- Quarterly forecasts are prepared for each operating company, reviewed by executive management and reported to the Board.
- Monthly actual results of sales, profitability and cash are reported against budget, quarterly forecast 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.

AUDIT COMMITTEE

The Audit Committee currently comprises Phillip Hilling (Chairman), Martyn Everett and Jamie Brooke.

The committee, and other Board members by invitation, meets with the independent external auditor to review the Group's annual accounts and at other times, as appropriate, during the year. The committee keeps under review the nature and extent of non-audit work carried out by the external auditor with a view to maintaining the auditor's objectivity and independence.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Phillip Hilling (Chairman), Martyn Everett and Jamie Brooke.

The committee determines the remuneration and terms of service of the Executive Directors including incentive arrangements and duration of notice periods. No Director participates in the discussions regarding their own compensation.

NOMINATIONS COMMITTEE

The Nominations Committee comprises Martyn Everett (Chairman) and Phillip Hilling. The committee is responsible for proposing candidates for appointment to the Board, having regard to the balance of skills, experience, independence and knowledge of 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.

CORPORATE AND SOCIAL RESPONSIBILITY

We believe it is the Group's responsibility to behave in a manner which is both responsible and ethical and which has due regard for all its stakeholders whether that is shareholders, employees or the communities that are impacted by us or benefit from the Group's activities. In order to ensure the longer term success of the Group we have and will continue to develop areas that are key to achieving our aims.

Health and safety

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

The bonus structure for Senior Management is partially measured on health and safety performance. Group health, safety and environmental forums are chaired by our Group Health, Safety and Environmental Manager. These 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, three of the Group's subsidiaries once again applied for health and safety awards from The Royal Society for the Prevention of Accidents (RoSPA), which recognises high or very high levels of performance and developed occupational health and safety systems.

All three of our businesses achieved Gold Awards. Our goal for next year is for all group subsidiaries to apply.

Our people

Our people are our business. They are our product. 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.

Our culture is that of being truly committed to ensuring 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, BAE Systems 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. Our focus for the forthcoming year continues to be improved assessment of energy usage and reductions in our environmental impacts.

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

We have audited the financial statements of Redhall Group plc for the year ended 30 September 2016 set out on pages 18 to 68. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate

OPINION ON FINANCIAL STATEMENTS

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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Johnathan Pass (Senior Statutory Auditor)

for and on behalf of KPMG LLP,

Statutory Auditor

Chartered Accountants

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

7 December 2016

/ 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 2016.

There are no IFRS or IFRIC interpretations effective for the first time for this financial year that have had a material impact on the Group.

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.

The financial position of the Group, its trading performance and cash flows are also set out earlier and they explain the overall net borrowings of the Group. During the year the Group agreed extended facilities with its lenders (details of which are set out in note 24) and which are available to fund our ongoing working capital requirements. Note 24 also sets out our risk management objectives and policies. In September 2015 the Company undertook a share placing, open offer and debt for equity swap which reduced borrowing by £8 million.

Taking each of these factors into account the Directors believe that the Parent Company and Group are well placed to manage their business risks successfully.

The Directors have a reasonable expectation that the Parent Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

CRITICAL ACCOUNTING ESTIMATES AND 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

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 IAS 11 which requires estimates to be made for contract costs and revenues.

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

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 and 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.

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, certain new Standards, amendments and Interpretations to existing Standards have been published and endorsed but are not yet effective. The Group has not early-adopted any of these pronouncements. The new standards that are expected to be relevant to the Group's consolidated financial statements are as follows:

International Financial Reporting Standards	Effective for Redhall Group plc financial years ending 30 September
IFRS 9 'Financial Instruments'	2018
IFRS 15 'Revenue from Contracts with customers'	2018
IAS 16 and IAS 41 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation'	2017
IAS 27 (amendments) 'Equity Method in Separate Financial Statements'	2017
Annual improvements to IFRSs 2012-2015: various clarifications	2017
IFRS 16 'Leases'	2017

The application of these standards and interpretations are not anticipated to have a material effect on the Group's 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. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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 upon the performance of services or transfer of risk to the customer.

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

CONTRACTS

Revenue from fixed-price contracts represents the sales value of work done in the period. Profit is recognised when both contract costs to complete and the stage of contract completion can be measured reliably. Profit is calculated by reference to the degree of completion of the contract expressed as the percentage of costs incurred to total anticipated costs. Full provision is made for known or anticipated losses at the time they are forecast.

Revenue from cost-plus contracts represents the sales value of work done calculated as the direct costs incurred in the period plus the agreed mark-up for overhead and profit. Any irrecoverable costs are written off as incurred.

Variations in contract work and claims are only included to the extent that they are agreed with the client or there is reasonable assurance of their recovery (i.e. when negotiation is at an advanced stage and it is probable that it will be accepted).

/ Statement of Group Accounting Policies (cont.)

The gross amounts due from customers for contract work are stated at cost plus recognised profits, less provision for recognised losses and progress billings. The balance is shown as amounts recoverable on contracts within trade and other receivables. However, if progress billings exceed cost plus profits, less provision for recognised losses, the balance is shown as payments on account within trade and other payables.

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.

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.

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 AND 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 AND PROPERTY, PLANT AND 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). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. 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.

Goodwill, other individual assets or cash-generating units that include goodwill, 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 AND 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.

/ Statement of Group Accounting Policies (cont.)

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.

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. It was agreed that the Scheme would close 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 2016			Year to 30 September 2015		
		Before exceptional items £000	Exceptional items (Note 2) £000	Total £000	Before exceptional items £000	Exceptional items (Note 2) £000	Total £000
Revenue	1	43,823	-	43,823	44,704	-	44,704
Cost of sales		(33,739)	(164)	(33,903)	(34,518)	(252)	(34,770)
Gross profit		10,084	(164)	9,920	10,186	(252)	9,934
Administrative expenses		(9,924)	(233)	(10,157)	(11,178)	(988)	(12,166)
Operating profit/(loss)	1	160	(397)	(237)	(992)	(1,240)	(2,232)
Continuing businesses		3,295	(287)	3,008	1,212	(972)	240
Central costs		(2,439)	(110)	(2,549)	(1,884)	(268)	(2,152)
Adjusted operating profit/(loss)*		856	(397)	459	(672)	(1,240)	(1,912)
Amortisation of acquired intangible assets	11	(323)	-	(323)	(321)	-	(321)
IFRS 2 (charge)/credit		(373)	-	(373)	1	-	1
Operating profit/(loss)		160	(397)	(237)	(992)	(1,240)	(2,232)
Financial expenses	5	(857)	-	(857)	(1,411)	-	(1,411)
Loss before tax from continuing operations	4	(697)	(397)	(1,094)	(2,403)	(1,240)	(3,643)
Tax credit	6	407	-	407	551	-	551
Loss on continuing operations		(290)	(397)	(687)	(1,852)	(1,240)	(3,092)
Loss on discontinued operations net of tax	10	-	(983)	(983)	(964)	(8,105)	(9,069)
Loss attributable to equity holders of the Parent Company		(290)	(1,380)	(1,670)	(2,816)	(9,345)	(12,161)
Loss per share	8						
Basic				(0.83)p			(24.57)p
Diluted				(0.83)p			(24.57)p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 30 September 2016 £000	Year to 30 September 2015 £000
Loss for the year		(1,670)	(12,161)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability	20	(1,963)	(509)
Tax on actuarial loss	6	318	102
Revaluation gains on fixed assets	12	46	(1)
Other comprehensive income for the year net of tax		(1,599)	(408)
Total comprehensive income attributable to equity holders of the Parent Company		(3,269)	(12,569)

The accompanying notes form part of these financial statements.

/ Consolidated Balance Sheet

	Note	As at 30 September 2016 £000	As at 30 September 2015 £000
Assets			
Non-current assets			
Property, plant and equipment	9	2,648	2,501
Intangible assets	11	2,732	2,792
Purchased goodwill	11	18,305	18,305
Deferred tax asset	12	1,032	154
		24,717	23,752
Current assets			
Inventories	13	636	517
Trade and other receivables	14	11,452	14,968
Cash and cash equivalents		1,021	687
Assets held for sale	15	-	440
		13,109	16,612
Liabilities			
Current liabilities			
Trade and other payables	16	(9,217)	(13,628)
Current tax payable	16	(19)	(19)
		(9,236)	(13,647)
Non-current liabilities			
Borrowings	17	(9,269)	(6,175)
Deferred tax liabilities	12	-	-
Retirement benefit obligations	20	(3,796)	(1,960)
		(13,065)	(8,135)
Net assets			
		15,525	18,582
Shareholders' equity			
Share capital	18	12,284	12,284
Share premium account		28,326	28,326
Merger reserve		12,679	12,679
Revaluation reserve		102	102
Other reserve		1,389	1,177
Retained earnings		(39,255)	(35,986)
Total equity		15,525	18,582

The financial statements were approved by the Board on 7 December 2016 and signed on its behalf by:

P Brierley

Chief Executive

C J Kelly

Group Finance Director

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 2014	12,269	21,297	12,679	144	251	(23,459)	23,181
Share capital issued during the year net of expenses	15	7,029	-	-	927	-	7,971
Employee share-based compensation	-	-	-	-	(1)	-	(1)
Transactions with owners	15	7,029	-	-	926	-	7,970
Loss for the year	-	-	-	-	-	(12,161)	(12,161)
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(3)	-	3	-
Transfer between reserves following disposal	-	-	-	(39)	-	39	-
Other comprehensive income for the year	-	-	-	-	-	(408)	(408)
Total comprehensive income for the year	-	-	-	(42)	-	(12,527)	(12,569)
At 30 September 2015	12,284	28,326	12,679	102	1,177	(35,986)	18,582
Employee share-based compensation	-	-	-	-	212	-	212
Transactions with owners	-	-	-	-	212	-	212
Loss for the year	-	-	-	-	-	(1,670)	(1,670)
Other comprehensive income for the year	-	-	-	-	-	(1,599)	(1,599)
Total comprehensive income for the year	-	-	-	-	-	(3,269)	(3,269)
At 30 September 2016	12,284	28,326	12,679	102	1,389	(39,255)	15,525

Other reserves comprise share based compensation £462,000 (2015: £250,000), equity reserve relating to the grant of options on conversion of debt during the prior year £925,000 (2015: £925,000) and other reserves of £2,000 (2015: £2,000).

/ Consolidated Cash Flow Statement

	Note	Year to 30 September 2016 £000	Year to 30 September 2015 £000
Cash flows from operating activities			
Loss after taxation		(1,670)	(12,161)
Adjustments for:			
Depreciation		331	697
Amortisation of intangible assets		415	519
Difference between pension charge and cash contributions		(196)	(307)
Loss/(profit) on disposal of property, plant and equipment		-	102
Loss on sale of discontinued operations (net of tax)	25	-	5,147
Share-based payments charge/(credit)*		212	(1)
Financial income		-	-
Financial expenses		857	1,411
Deferred tax credit		(514)	(576)
Decrease in trade and other receivables		3,516	5,809
(Increase)/decrease in inventories		(119)	144
Decrease in trade and other payables		(4,407)	(2,239)
Cash absorbed by operations		(1,575)	(1,455)
Interest paid		(792)	(1,361)
Net cash absorbed by operating activities		(2,367)	(2,816)
Cash flows from investing activities			
Purchase of property, plant and equipment		(478)	(103)
Purchase of intangible assets		(355)	(17)
Proceeds from disposal of assets held for sale		440	395
Net proceeds from sale of discontinued operations (net of cash disposed of)	25	-	5,114
Interest received		-	-
Net cash used in investing activities		(393)	5,389
Cash flows from financing activities			
Proceeds from issue of share capital (net of costs incurred)		-	4,971
Proceeds from borrowings		9,744	-
Repayment of facility		(5,745)	-
Repayment of long-term borrowing		(905)	(5,075)
Net cash generated by financing activities		3,094	(104)
Net increase in cash and cash equivalents		334	2,469
Cash and cash equivalents at beginning of year		687	(1,782)
Cash and cash equivalents at end of year		1,021	687

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 Board assess the performance of the operating segments based on a measure of operating profit or loss which excludes the effects of exceptional items. Central costs and unallocated items represent head office functions and items such as amortisation of acquired intangible assets arising on the acquisition of businesses. Central costs for the period from 1 October 2015 include the costs of the Group's centralised Finance, IT and HR functions. These activities were previously incurred in the individual segments.

The activities of each business segment are as follows:

Manufacturing

Manufacturing encompasses the design, manufacture and installation of bespoke specialist plant and equipment typically in the nuclear defence, nuclear decommissioning, oil and gas, petrochemical, chemical, pharmaceutical and food sectors. The division has particular expertise in the design and manufacture of high integrity fire and blast resistant doors, window and wall systems.

Specialist Services

Specialist Services comprises 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 Astute class submarines.

Site Services

During the previous period the activities of the Site Services segment were discontinued following the Group's decision to sell its Engineering business and to close its site-based Nuclear contracting businesses. The results of these businesses are disclosed in Note 10.

OPERATING SEGMENTS

Year to 30 September 2016

	Revenue £000	Loss on continuing operations £000
Manufacturing	17,228	863
Exceptional items	-	(209)
Total Manufacturing	17,228	654
Specialist Services	26,595	2,432
Exceptional items	-	(78)
Total Specialist Services	26,595	2,354
Central costs	-	(2,439)
Exceptional items	-	(110)
Total Central costs	-	(2,549)
Total operations before exceptional items*	43,823	856
Exceptional items	-	(397)
Total operations	43,823	459
Amortisation of acquired intangible assets		(323)
IFRS 2 charge		(373)
Operating loss		(237)
Financial expenses		(857)
Group loss before tax - continuing		(1,094)
Tax		407
Group loss for the year - continuing		(687)

*Adjusted operating profit is stated before exceptional items, IFRS 2 charge and amortisation of intangible assets acquired with business combinations.

Year to 30 September 2015

	Revenue £000	Loss on continuing operations £000
Manufacturing	18,461	321
Exceptional items	-	(867)
Total Manufacturing	18,461	(546)
Specialist Services	26,243	891
Exceptional items	-	(105)
Total Specialist Services	26,243	786
Central costs	-	(1,884)
Exceptional items	-	(268)
Total Central costs	-	(2,152)
Total operations before exceptional items*	44,704	(672)
Exceptional items	-	(1,240)
Total operations	44,704	(1,912)
Amortisation of acquired intangible assets		(321)
IFRS 2 credit		1
Operating loss		(2,232)
Financial expenses		(1,411)
Group loss before tax		(3,643)
Tax		551
Group loss for the year		(3,092)

*Adjusted operating profit is stated before exceptional items, IFRS 2 charge and amortisation of intangible assets acquired with business combinations.

/ Notes to the Consolidated Financial Statements (cont.)

1. SEGMENT ANALYSIS (CONT.)

	2016 £000	2015 £000
Operating segment assets		
Manufacturing	7,477	8,881
Specialist Services	5,431	4,952
Site Services - discontinued	1,471	3,785
Head office and Central	946	1,134
Unallocated:		
- Cash and cash equivalents	1,021	687
- Acquired intangible assets	2,143	2,466
- Purchased goodwill	18,305	18,305
- Deferred tax	1,032	154
Total assets	37,826	40,364
Operating segment liabilities		
Manufacturing	3,101	4,712
Specialist Services	4,067	4,664
Site Services - discontinued	791	2,008
Head office and Central	1,258	2,244
Unallocated:		
- Current borrowings	-	-
- Non-current borrowings	9,269	6,175
- Retirement benefit obligations	3,796	1,960
- Current tax	19	19
- Deferred tax	-	-
Total liabilities	22,301	21,782
Net assets	15,525	18,582
Capital expenditure		
Manufacturing	373	20
Specialist Services	79	11
Site Services - discontinued	-	25
Head office and Central	26	47
	478	103
Depreciation		
Manufacturing	203	182
Specialist Services	71	83
Site Services - discontinued	-	385
Head office and Central	57	47
	331	697
Amortisation of intangible assets		
Manufacturing - development costs	92	78
Unallocated - acquired intangible assets	323	441
	415	519

1. SEGMENT ANALYSIS (CONT.)

Continuing operations

Geographical segments

	2016 £000	2015 £000
Revenue by destination		
United Kingdom	41,833	41,697
Other European Union countries	953	439
Other overseas locations	1,037	2,568
	43,823	44,704

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

Analysis of revenue by category

	2016 £000	2015 £000
Sales of goods manufactured by the Group	15,881	17,732
Sales of services	27,942	26,972
	43,823	44,704

Practically all of the Group's revenue is considered to be contract revenue as defined by IAS 11.

Customers accounting for more than 10% of revenue

One customer accounted for more than 10% of revenue in the year, which is a customer of the Specialist Services segment and accounted for revenue of £10.2 million (2015: one customer accounting for £9.6 million of revenue in the Specialist Services segment).

/ Notes to the Consolidated Financial Statements (cont.)

2. EXCEPTIONAL ITEMS

The Board has separately identified, by virtue of their size or incidence, certain credits and charges to the consolidated income statement that should be separately disclosed to enable users of the financial statements to better understand the underlying performance of the Group:

Continuing operations

	2016 £000	2015 £000
Cost of sales		
Redundancy and restructuring costs	15	252
Provisions against contracts	149	-
	164	252
Administrative expenses		
Redundancy and restructuring costs	233	883
Loss on disposal of properties	-	105
	233	988
Exceptional items before tax	397	1,240
Tax credit	-	-
Exceptional items after tax	397	1,240

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

Redundancy and restructuring costs of £983,000 (2015: £8,105,000) relate to the winding down and ultimate closure of those businesses which are discontinued.

3. STAFF NUMBERS AND COSTS

	2016 Number	2015 Number
Average numbers employed, including Directors		
Manufacturing	180	220
Specialist Services	260	257
Site Services	2	295
Head office and Central	22	24
	464	796
	£000	£000
Aggregate payroll costs		
Wages and salaries	18,922	33,345
Social security costs	1,979	3,564
Other pension costs	518	1,108
Share-based payments charge/(credit)	373	(1)
	21,792	38,016
	£000	£000
Key management compensation		
Emoluments for services as Directors	629	945
Social security costs	81	91
Pension contributions	42	52
Share-based payments	192	7
	944	1,095

The emoluments of the highest paid Director were £368,000 (2015: £445,000) and contributions to his pension arrangement were £24,000 (2015: £30,000). 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.

DIRECTORS' PENSION BENEFITS

The Company paid contributions of £42,000 in total into the personal pension plans of two Directors for the year ended 30 September 2016 (2015: £52,000 in respect of two Directors).

/ Notes to the Consolidated Financial Statements (cont.)

4. LOSS BEFORE TAX

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

	2016	2015
	£000	£000
Depreciation of owned property, plant and equipment	331	697
Amortisation of intangible assets	415	519
Loss on disposal of property, plant and equipment	-	102
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	24	25
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	56	70
Audit related assurance services	10	16
Corporate finance services	-	257
All other services	-	39
Hire of plant	889	1,569
Plant operating lease rentals	225	212
Other operating lease rentals	749	869
Research and development	-	-
Exceptional items (note 2) - continuing	397	1,240
Exceptional items (note 2) - discontinued	983	8,105

5. FINANCIAL INCOME AND EXPENSES

	2016	2015
	£000	£000
Financial expenses		
Interest on loans and overdrafts	(703)	(1,262)
Net finance expense on pension scheme*	(154)	(149)
	(857)	(1,411)

*Includes £85,000 of pension administration expenses paid for by the Company (2015: £89,000).

6. TAX EXPENSE

	2016 £000	2015 £000
(a) Recognised in the income statement		
Current tax charge:		
Current year	-	-
Adjustment in respect of prior years	107	-
Current tax charge	107	-
Deferred tax credit	(312)	(583)
Effect of change of tax rate	96	9
Prior years	(298)	(2)
Deferred tax credit	(514)	(576)
Tax credit in the income statement	(407)	(576)
	2016 £000	2015 £000
(b) Reconciliation of the effective tax rate		
Loss before tax - continuing operations	(1,094)	(3,643)
Loss before tax - discontinued operations	(983)	(9,094)
Loss before tax	(2,077)	(12,737)
Tax at standard rate of UK corporation tax of 20% (2015: 20.5%)	(415)	(2,611)
Expenses not deductible for tax purposes	48	131
Income not taxable for tax purposes	(31)	-
Tax losses not recognised	86	1,065
Adjustments in relation to prior periods	(191)	(2)
Change in tax rate	96	11
Non deductible loss on disposal of investment	-	830
Tax credit in the income statement	(407)	(576)
Tax credit in the income statement - continuing operations	407	551
Tax credit in the income statement - discontinued operations	-	25
	2016 £000	2015 £000
(c) Deferred tax (credit)/charge recognised in other comprehensive income		
Actuarial losses	(318)	(102)
Accelerated capital allowances	(46)	1
	(364)	(101)

7. DIVIDENDS ON EQUITY SHARES

No dividend is recommended for the year (2015: nil)

/ Notes to the Consolidated Financial Statements (cont.)

8. LOSS PER SHARE

Basic and diluted loss per share

The calculation of the basic loss per share of 0.83p (30 September 2015: loss per share 24.57p) is based on 200,050,084 shares (30 September 2015: 49,491,094) being the weighted average number of shares in issue throughout the period and on a loss of £1,670,000 (30 September 2015: loss of £12,161,000).

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 2016 and 30 September 2015 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. The dilutive potential ordinary shares are therefore not included in the table below. At 30 September 2016 there were 27,640,436 outstanding options under relevant schemes and 18.5 million shares under option to funds managed by Henderson. These may impact dilutive earnings per share in future.

Adjusted earnings per share

The Directors believe that helpful additional earnings per share calculations are earnings per share on adjusted bases (i.e. based on profit before exceptional items, IFRS 2 charge and amortisation of acquired intangible assets and on a fully taxed basis). The basic and adjusted weighted average numbers of shares and the adjusted earnings have been calculated as follows:

	2016 Number	2015 Number
Basic weighted average number of shares	200,050,684	49,491,094
Dilutive potential ordinary shares arising from share options	-	-
Adjusted weighted average number of shares	200,050,684	49,491,094
	£000	£000
Earnings:		
Loss before tax	(2,077)	(12,737)
Exceptional items	1,380	9,345
Amortisation of acquired intangible assets	323	441
IFRS 2 charge/(credit)	373	(1)
Adjusted loss before tax	(1)	(2,952)
Tax at 20% (2015: 20.5%)	-	605
Adjusted loss after tax	(1)	(2,347)
Adjusted, fully taxed basic loss per share	0.00p	(4.74)p
Adjusted, fully taxed diluted loss per share	0.00p	(4.74)p
	£000	£000
Continuing operations		
Loss before tax	(1,094)	(3,643)
Exceptional items	397	1,240
Amortisation of acquired intangible assets	323	321
IFRS 2 charge/(credit)	373	(1)
Adjusted loss before tax	(1)	(2,083)
Tax at 20% (2015: 20.5%)	-	427
Adjusted loss after tax	(1)	(1,656)
Adjusted, fully taxed diluted loss per share	0.00p	(3.34)p
	£000	£000
Discontinued operations		
Loss before tax	(983)	(9,094)
Exceptional items	983	8,105
Amortisation of acquired intangible assets	-	120
Adjusted loss before tax	-	(869)
Tax at 20% (2015: 20.5%)	-	178
Adjusted loss after tax	-	(691)
Adjusted, fully taxed diluted loss per share	0.00p	(1.40)p

9. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold land, buildings and improvements £000	Freehold land and buildings £000	Machinery, equipment and vehicles £000	Total £000
Cost or Valuation				
At 1 October 2014	2,722	1,411	8,488	12,621
Additions	3	-	100	103
Disposals	(1,543)	(422)	(1,712)	(3,677)
At 1 October 2015	1,182	989	6,876	9,047
Additions	74	-	404	478
Disposals	-	-	(181)	(181)
At 30 September 2016	1,256	989	7,099	9,344
Depreciation				
At 1 October 2014	(463)	(39)	(7,386)	(7,888)
Charge for the year	(345)	(16)	(336)	(697)
Disposals	514	14	1,511	2,039
At 1 October 2015	(294)	(41)	(6,211)	(6,546)
Charge for the year	(64)	(13)	(254)	(331)
Disposals	-	-	181	181
At 30 September 2016	(358)	(54)	(6,284)	(6,696)
Net book value				
At 30 September 2016	898	935	815	2,648
At 30 September 2015	888	948	665	2,501
At 30 September 2014	2,259	1,372	1,102	4,733

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, Nattrass 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.

Freehold land with a book amount of £301,500 (2015: £301,500) is not being depreciated. Depreciation amounting to £42,000 (2015: £20,000) has been charged to cost of sales and that amounting to £289,000 (2015: £677,000) has been charged to administrative expenses.

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	890	570
Accumulated depreciation	(172)	(165)
Net book value at 30 September 2016	718	405
Net book value at 30 September 2015	741	411

There are no assets 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.

/ Notes to the Consolidated Financial Statements (cont.)

10. DISCONTINUED OPERATIONS

Income and expenditure incurred on discontinued operations during the period comprised the Site Services business. RESL was sold on 13 May 2015 and on 14 May 2015 the Group announced the closure of its site based nuclear contracting businesses.

Site Services comprised certain engineering and nuclear related activities. These included engineering activities in industrial processes including oil and gas, petrochemical and chemical, and included design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities included mechanical design and construction, storage tank services, plant modifications and upgrades, repair and maintenance, shutdown services and offsite services.

The segment also included activities in both the civil and defence nuclear sectors and included design, project management and execution of on-site works through qualified and experienced engineers and trades personnel. Activities in the civil sector included decommissioning and waste management, support to operating nuclear power stations, and nuclear new build. Activities in the defence sector encompassed activities on behalf of the Ministry of Defence and included the design and manufacture of specialist equipment and mechanical and electrical engineering activities for the AWE establishment at Aldermaston.

The result for the current financial year related to the completion of a small number of contracts at customer sites.

	2016	2015
	£000	£000
Revenue	487	24,132
Cost of sales	(487)	(21,222)
Gross profit	-	2,910
Administrative expenses	-	(3,899)
Adjusted operating loss before exceptionals	-	(989)
Exceptional items	(983)	(2,958)
Operating loss before loss on disposal of operations	(983)	(3,947)
Loss on disposal of operations	-	(5,147)
Operating loss and loss before taxation	(983)	(9,094)
Taxation credit/(charge)	-	25
Loss after taxation from discontinued operations	(983)	(9,069)

During the period, discontinued operations contributed a net inflow of £0.11m (2015: £4.37m outflow) to the Group's operating cash flows and a net inflow of £nil (2015: £5.09m inflow) to investing activities. There were no cash flows from financing activities.

The adjusted operating loss before exceptionals is stated after amortisation of acquired intangible assets of £nil (2015: £120,000).

Geographical segments

	2016	2015
	£000	£000
Revenue by destination		
United Kingdom	487	23,302
Other European Union countries	-	-
Other overseas locations	-	830
	487	24,132

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

Analysis of revenue by category

	2016	2015
	£000	£000
Sales of goods manufactured by the Group	-	-
Sales of services	487	24,132
	487	24,132

Practically all of the Group's revenue is considered to be contract revenue as defined by IAS 11.

11. INTANGIBLE ASSETS AND PURCHASED GOODWILL

	Acquired intangible assets £000	Development costs £000	Intangible assets sub-total £000	Goodwill £000
Cost				
At 1 October 2014	8,658	629	9,287	27,013
Internally generated development costs	-	17	17	-
Disposal of RESL	(2,637)	-	(2,637)	(5,480)
At 1 October 2015	6,021	646	6,667	21,533
Internally generated development costs	-	355	355	-
At 30 September 2016	6,021	1,001	7,022	21,533
Amortisation				
At 1 October 2014	(4,134)	(242)	(4,376)	(3,228)
Charge for the year	(441)	(78)	(519)	-
Disposal of RESL	1,020	-	1,020	-
At 1 October 2015	(3,555)	(320)	(3,875)	(3,228)
Charge for the year	(323)	(92)	(415)	-
At 30 September 2016	(3,878)	(412)	(4,290)	(3,228)
Net book value				
At 30 September 2016	2,143	589	2,732	18,305
At 30 September 2015	2,466	326	2,792	18,305
At 30 September 2014	4,524	387	4,911	23,785

All amortisation has been charged to administrative expenses for each of the years ended 30 September 2016 and 2015. The amount charged to discontinued activities in 2015 is shown in note 10.

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 15 years.

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

11. INTANGIBLE ASSETS AND PURCHASED GOODWILL (CONT.)

Goodwill

The carrying amount of goodwill at 30 September 2016 relates to the acquisitions of businesses by the Group in each of the two years ended 30 September 2007 and 2009 and is attributable to cash-generating units ("CGUs") identified according to the operating segments set out below. There are no intangible assets with indefinite useful lives. The goodwill arising from those acquisitions is attributable to the workforce of those businesses and the significant synergies expected to arise after their acquisition.

	2016 £000	2015 £000
Manufacturing	6,507	6,507
Specialist Services	11,798	11,798
Site Services	-	-
	18,305	18,305

The goodwill was restated in the prior year to align with the new reporting segments.

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") as set out above, 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 longer term projections for the following four years approved by the Board. After this period growth is generally assumed to continue at no more than 2.2% pa, which is in line with longer term rates of inflation.

Manufacturing

Assumptions

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

	2016	2015
	%	%
Discount rate	9.0	9.0
Terminal value growth rate	2.2	2.2
Sales growth rate (average of next five years)	17.5	15.2

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 cash flow projections included specific estimates for four years and a terminal growth rate thereafter. The specific estimates for revenue projections reflect specific identified opportunities; nuclear new build opportunities, decommissioning and defence sectors and focused business development.

Sensitivity analysis

Revenue projections and the discount rate are the key assumptions used in the forecast for goodwill impairment for this CGU. The Directors believe that currently no reasonable possible change in these assumptions would reduce the recoverable amount to the carrying amount.

11. INTANGIBLE ASSETS AND PURCHASED GOODWILL (CONT.)

Specialist Services

Assumptions

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

	2016	2015
	%	%
Discount rate	9.0	9.0
Terminal value growth rate	2.2	2.2
Sales growth rate (average of next five years)	(5.9)	(0.5)

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 cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The specific estimates for revenue projections take into account levels experienced historically and current experience with key clients.

Sensitivity analysis

Revenue projections and the discount rate are the key assumptions used in the forecast for goodwill impairment for this CGU. The Directors believe that currently no reasonable possible change in these assumptions would reduce the recoverable amount to the carrying amount.

12. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

The net deferred tax liability at the year-end and movement during the year is analysed as follows:

	Balance as at 1 October 2015 £000	Credit/(charge) to Consolidated Income Statement £000	Credit directly to equity £000	Disposal of investment £000	Balance as at 30 September 2016 £000
Accelerated capital allowances/ revaluation gains on fixed assets	170	46	46	-	262
Short term timing differences	30	93	-	-	123
Losses	528	128	-	-	656
Buildings	(160)	160	-	-	-
Intangible assets	(803)	152	-	-	(651)
Retirement benefits	389	(65)	318	-	642
	154	514	364	-	1,032

	Balance as at 1 October 2014 £000	Credit/(charge) to Consolidated Income Statement £000	(Charge)/credit directly to equity £000	Disposal of investment £000	Balance as at 30 September 2015 £000
Accelerated capital allowances	196	124	(1)	(149)	170
Short term timing differences	56	(20)	-	(6)	30
Losses	508	320	-	(300)	528
Buildings	(275)	115	-	-	(160)
Intangible assets	(892)	89	-	-	(803)
Retirement benefits	339	(52)	102	-	389
	(68)	576	101	(455)	154

Unrecognised deferred tax assets

Deferred tax assets have not been recognised on tax losses of £16,200,000 (2015: £16,300,000) as their recovery is insufficiently certain in the longer term. £14,100,000 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 20% to 19% effective from 1 April 2015 was substantively enacted on 26 October 2015. It was further announced that the rate will be reduced to 17% effective from 6 September 2016. Accordingly, deferred tax balances have been recognised at the reduced rate of 17% in these financial statements.

13. INVENTORIES

	2016 £000	2015 £000
Raw materials	636	517

The cost of sales charge in the income statement includes £2,124,000 (2015: £2,126,000) in respect of inventory costs. No reversals of previous write-downs have been recognised as a reduction of expense in either 2016 or 2015. 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 AND OTHER RECEIVABLES

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade receivables	3,370	6,255
Amounts recoverable on contracts	6,909	7,431
Other receivables	470	244
Prepayments and accrued income	703	1,038
	11,452	14,968

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 £325,000 (2015: £1,240,000), of which £247,000 (2015: £755,000) 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:

	2016 £000	2015 £000
At start of the year	3	501
Provisions released or utilised	(3)	(501)
Provisions made	27	3
At end of the year	27	3

/ Notes to the Consolidated Financial Statements (cont.)

14. TRADE AND 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 2016. The ageing of financial assets past their due date but not impaired is as follows:

	2016	2015
	£000	£000
Not more than 3 months	64	691
More than 3 months but not more than 6 months	44	(19)
More than 6 months but not more than 1 year	59	136
More than 1 year	78	88
Total past due trade receivables	245	896
Trade receivables not yet past due	3,125	5,359
Total trade receivables	3,370	6,255

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 £51,801,000 (2015: £61,495,000). Work in progress comprises these aggregate costs less amounts billed on account of £45,230,000 (2015: £55,531,000). The net balance is analysed as follows:

	2016	2015
	£000	£000
Amounts recoverable on contracts (above)	6,909	7,431
Payments on account (note 16)	(755)	(1,467)
	6,154	5,964

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 represented in the prior year a long leasehold property for which a contract of sale was exchanged on 28 September 2015. The sale completed on 1 December 2015. The asset was valued at its carrying amount (being the lower of carrying amount and fair value less costs to sell).

16. TRADE AND OTHER PAYABLES

	2016 £000	2015 £000
Trade payables	4,649	6,783
Payments on account	755	1,467
Other tax and social security	1,457	1,281
Other payables	397	812
Accruals and deferred income	1,959	3,285
Total trade and other payables	9,217	13,628
Current tax payable	19	19
	9,236	13,647

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

17. BORROWINGS

	2016 £000	2015 £000
Non-current:		
Bank and other loans	9,269	6,175

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 4.71% (2015: 4.85%). The loans are repayable as follows:

	2016 £000	2015 £000
Less than one year	-	-
Between one and two years	9,269	6,175
	9,269	6,175

On 24 December 2015, the Group formally entered into an amended and restated facilities agreement with HSBC Bank plc. The facility provided a £4,000,000 revolving credit facility and a £2,000,000 overdraft facility. On the same day, the Group entered into a separate £5,744,000 term loan facility with funds managed by Henderson Volantis Capital. By the year end the HSBC revolving credit facility had reduced to £3,525,000 as the Group had entered into a non-recourse supplier financing arrangement which reduced the bank's security. Neither loan requires amortisation and both expire in December 2018.

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 (2015: None).

/ Notes to the Consolidated Financial Statements (cont.)

18. SHARE CAPITAL

On 30 September 2015, the Company issued 150,973,215 new ordinary shares of 0.01p at a price of 5p per share by way of a placing, open offer and debt conversion. Expenses associated with the placing, open offer and debt conversion amounted to £502,000 and were charged to the share premium account.

Allotted, called up and fully paid:

	2016 Number	£000	2015 Number	£000
At 30 September				
Ordinary shares of 0.01p each	200,050,684	20	200,050,684	20
Ordinary shares of 25p each	-	-	-	-
Deferred shares of 24.99p each	49,077,469	12,264	49,077,469	12,264
	249,128,153	12,284	249,128,153	12,284

Ordinary shares of 0.01 pence

	2016 Number	£000	2015 Number	£000
At start of year	200,050,684	20	-	-
Conversion from 25p shares	-	-	49,077,469	5
Placing and open offer	-	-	109,473,215	11
Debt conversion	-	-	41,500,000	4
At end of year	200,050,684	20	200,050,684	20

Ordinary shares of 25 pence

	2016 Number	£000	2015 Number	£000
At start of year	-	-	49,077,469	12,269
Placing	-	-	-	-
Conversion	-	-	(49,077,469)	(12,269)
At end of year	-	-	-	-

Deferred shares of 24.99 pence

	2016 Number	£000	2015 Number	£000
At start of year	49,077,469	12,264	-	-
Conversion	-	-	49,077,469	12,264
At end of year	49,077,469	12,264	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:	
		2016	2015		Earliest	Latest
2007 DSOP Approved	7/12/2012	-	45,400	66.0p	7/12/2015	7/12/2022
2007 DSOP Un-approved	7/12/2012	-	204,600	66.0p	7/12/2015	7/12/2022
2007 PSP	1/10/2015	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 PSP	1/6/2016	1,000,000	-	10.77p	1/6/2018	1/6/2028

On 30 September 2015, the Company issued options over 18,500,000 shares to funds managed by Henderson. The options are exercisable at the option of either funds managed by Henderson or the Company subject to the holding of funds managed by Henderson or other related parties of Henderson Group plc 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

<i>Capital commitments</i>	2016 £000	2015 £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:

	2016 £000		2015 £000	
	Land and buildings	Other assets	Land and buildings	Other assets
Within one year	412	216	579	155
Between two and five years	890	250	1,028	135
After more than five years	434	-	499	-
	1,736	466	2,106	290

Amounts due after more than five years includes leasehold ground rent on properties with an unexpired lease term currently of 83 years.

Lease payments recognised as an expense in the year amount to £974,000 (2015: £1,081,000). There was no sublease income during the year (2015: £nil). Operating lease agreements do not contain any contingent rent or other onerous clauses or financial restrictions.

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 2016 by an independent qualified actuary. The assumptions used were as follows:

Assumptions

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

	2016	2015
Discount rate	2.40%	3.70%
Retail Prices Index (RPI) inflation	3.00%	2.90%
Consumer Prices Index (CPI) inflation	2.00%	1.90%
Salary increases	n/a	1.90%
Rate of increases to pensions in payment subject to inflationary increases:		
- RPI capped at 5% pa	2.90%	2.80%
- RPI capped at 2.5% pa	2.30%	2.20%
- CPI capped at 3% pa	1.80%	1.70%
- CPI capped at 5% pa with minimum 3% pa	3.10%	3.10%
Revaluation of deferred pensions (non-GMP)	2.00%	1.90%
Mortality basis pre and post retirement	S2PMA/S2PFA + 2 years CMI 2015 with a long term rate of improvement of 1% pa 95% of maximum 80% for males 70% for females	S2PMA/S2PFA + 2 years CMI 2014 with a long term rate of improvement of 1% pa 95% of maximum 80% for males 70% for females
Allowance for cash commutation		
Proportion married		

Asset class	2016		2015	
	Market value £000	% of total scheme assets	Market value £000	% of total scheme assets
Equities	12,167	54%	9,657	48%
DGFs	996	5%	-	-
Bonds	2,285	10%	4,452	22%
Gilts	4,051	18%	3,747	19%
LDI	1,134	5%	-	-
Property	1,662	7%	1,877	9%
Cash	162	1%	307	2%
Total	22,457	100%	20,040	100%
Actual return on assets over period	3,029		431	

20. RETIREMENT BENEFIT OBLIGATION (CONT.)

Pension expense

Amounts recognised within administrative expenses within the income statement are:

	2016 £000	2015 £000
Charge for current service cost	(49)	(86)
Administration costs	(52)	(50)
	(101)	(136)

Following the 6 April 2015 valuation the Company 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 2016 were £297,000 (2015: £443,000).

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

	2016 £000	2015 £000
Return on assets recorded as interest*	645	687
Interest on pension scheme liabilities	(799)	(836)
Net financial expense	(154)	(149)

*Includes £85,000 of pension administration expenses paid for by the Company (2015: £89,000).

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 £4,743,000 (2015: loss £2,780,000).

Analysis of movement in retirement benefit obligation

	2016 £000	2015 £000
Retirement benefit obligation at start of the year	22,000	21,854
Current service cost	49	86
Interest cost on retirement benefit obligation	799	836
Contributions by employees	18	28
Benefits paid and transfers out	(875)	(968)
Actuarial losses	4,262	164
Retirement benefit obligation at end of year	26,253	22,000

20. RETIREMENT BENEFIT OBLIGATION (CONT.)

Change in fair value of scheme assets during the year

	2016	2015
	£000	£000
Fair value at start of the year	20,040	20,156
Interest income	730	776
Actual return on assets less interest	2,299	(345)
Employer contributions	297	443
Member contributions	18	28
Benefits paid	(875)	(968)
Administration costs	(52)	(50)
Fair value at end of the year	22,457	20,040

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	2016 Change in defined benefit obligation	Change in assumption	2015 Change in defined benefit obligation
Discount rate	+/- 0.5% pa	+ 8% / - 7%	+/- 0.5% pa	+/- 7%
RPI and CPI inflation	+/- 0.5% pa	+/- 3%	+/- 0.5% pa	+/- 3%
Future salary increases	n/a	n/a	+/- 0.5% pa	+/- 1%
Assumed life expectancy	+ 1 year	+ 4%	+ 1 year	+ 3%

b) Defined contribution schemes and personal pension plans

The Group operates a small number of defined contribution pension schemes and contributes to a number of personal pension plans. The total expense for these schemes during the year was £469,000 (2015: £1,022,000).

21. CONTINGENT LIABILITIES

The contingent liability of the Group for bank guarantees at 30 September 2016 amounted to £12,100 (2015: £18,686).

22. SHARE-BASED PAYMENTS

The Group has five share-based payment schemes for employee remuneration, although two of the schemes, the 1999 “A” and “B” Executive Share Option Schemes, are no longer used to grant options. Details of the schemes are set out below.

a) 1999 “A” Executive Share Option Scheme

Options are exercisable at a price equal to the greater of the middle market value of a share on the dealing day immediately preceding the date on which an offer of an option is made and the nominal value of a share. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are generally forfeited if the employee leaves the Redhall Group before the options vest. However in certain circumstances the option holder is entitled to exercise their options within six months of cessation of employment.

There are no share options outstanding.

No options were exercised during the year (2015: None)

b) 1999 “B” Executive Share Option Scheme

Options are exercisable at a price equal to the greater of the middle market value of a share on the dealing day immediately preceding the date on which an offer of an option is made and the nominal value of a share. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are generally forfeited if the employee leaves the Redhall Group before the options vest. However in certain circumstances the option holder is entitled to exercise their options within six months of cessation of employment.

There are no share options outstanding.

No options were exercised during the period (2015: None).

c) 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. No options were awarded under this plan during the year to 30 September 2015. Certain awards were made during the year as nominal cost options.

	2016		2015	
	Number	Weighted average exercise price - Pence	Number	Weighted average exercise price - Pence
Outstanding at 1 October	-	-	-	-
Granted	27,640,436	8.63	-	-
Outstanding at 30 September	27,640,436	8.63	-	-

22. SHARE-BASED PAYMENTS (CONT.)

d) 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

	2016		2015	
	Number	Weighted average exercise price - Pence	Number	Weighted average exercise price - Pence
Outstanding at 1 October	45,400	66.0	90,800	66.0
Forfeited	-	-	(45,400)	66.0
Outstanding at 30 September	45,400	66.0	45,400	66.0
Exercisable at 30 September	-	-	-	-

No options were exercised during the period (2015: None). The options outstanding at 30 September 2016 were exercisable at a price of 66p and had a weighted average remaining contractual life of 6.2 years.

Non-approved share options

	2016		2015	
	Number	Weighted average exercise price - Pence	Number	Weighted average exercise price - Pence
Outstanding at 1 October	204,600	66.0	309,200	66.0
Forfeited	-	-	(104,600)	66.0
Outstanding at 30 September	204,600	66.0	204,600	66.0
Exercisable at 30 September	-	-	-	-

No options were exercised during the period (2015: None). The options outstanding at 30 September 2016 were exercisable at a price of 66p and had a weighted average remaining contractual life of 6.2 years.

e) 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. Awards were made on three separate dates during the year. The estimate of the fair value received for the PSP awards made during the year is calculated using a Monte Carlo model adopting the following assumptions.

	2016
	PSP Awards
	Pence
Fair value at measurement date	1.6p
Share price at grant date	5.5p – 6.375p
Exercise price	8.45p – 10.8p
Expected volatility (based on historic volatility)	50%
Risk free interest rate	0.54%
Dividend yield	0%
Option life	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 debit of £212,000 has been recognised in the consolidated income statement for 2016 which has been credited to other reserves (2015: £1,000).

23. FINANCIAL INSTRUMENTS

The financial assets of the Group are categorised as follows:

As at 30 September 2016	Loans and receivables £000	Non-financial assets £000	Assets held for sale £000	Balance sheet total £000
Trade and other receivables	10,279	1,173	-	11,452
Other current assets	-	636	-	636
Cash and cash equivalents	1,021	-	-	1,021
Other non-financial assets	-	23,685	-	23,685
Assets held for sale	-	-	-	-
	11,300	25,494	-	36,794

As at 30 September 2015	Loans and receivables £000	Non-financial assets £000	Assets held for sale £000	Balance sheet total £000
Trade and other receivables	13,686	1,282	-	14,968
Other current assets	-	517	-	517
Cash and cash equivalents	687	-	-	687
Other non-financial assets	-	23,598	-	23,598
Assets held for sale	-	-	440	440
	14,373	25,397	440	40,210

The financial liabilities of the Group are categorised as follows:

As at 30 September 2016	Other financial liabilities at amortised cost £000	Liabilities not within scope of IAS 39 £000	Liabilities associated with assets held for sale £000	Balance sheet total £000
Trade and other payables	7,760	1,457	-	9,217
Bank overdraft	-	-	-	-
Bank loan – current	-	-	-	-
Bank loan – non current	9,269	-	-	9,269
Other non-financial liabilities	-	3,796	-	3,796
Liabilities associated with assets held for sale	-	-	-	-
	17,029	5,253	-	22,282

As at 30 September 2015	Other financial liabilities at amortised cost £000	Liabilities not within scope of IAS 39 £000	Liabilities associated with assets held for sale £000	Balance sheet total £000
Trade and other payables	12,347	1,281	-	13,628
Bank overdraft	-	-	-	-
Bank loan – current	-	-	-	-
Bank loan – non current	6,175	-	-	6,175
Other non-financial liabilities	-	1,960	-	1,960
Liabilities associated with assets held for sale	-	-	-	-
	18,522	3,241	-	21,763

24. RISK MANAGEMENT OBJECTIVES AND 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 December 2015. At 30 September 2016 there was a bank loan facility of £3,525,000 drawn and an overdraft and ancillaries facility of £2,000,000 of which nil was drawn and £12,100 was utilised for bank bonds and guarantees provided to third parties. The Group also has a term loan facility of £5,744,000 with funds managed by Henderson.

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

As at 30 September 2016	0 – 60 days £000	61 days to 6 months £000	7 months to 12 months £000	13 months to 2 years £000	Greater than 2 years up to 5 years £000	More than 5 years £000	Total £000
Trade and other payables	7,513	72	-	161	14	-	7,760
Loans	-	-	215	287	9,453	-	9,955
Bank overdraft	-	-	-	-	-	-	-
	7,513	72	215	448	9,467	-	17,715

As at 30 September 2015	0 – 60 days £000	61 days to 6 months £000	7 months to 12 months £000	13 months to 2 years £000	Greater than 2 years up to 5 years £000	More than 5 years £000	Total £000
Trade and other payables	12,247	81	19	-	-	-	12,347
Bank loan	-	152	154	6,301	-	-	6,607
Bank overdraft	-	-	-	-	-	-	-
	12,247	233	173	6,301	-	-	18,954

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 4.71% (2015: 4.85%). 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 +/-£149,000 (2015: +/-£260,000). Similarly, the impact on equity would have been +/-£119,000 (2015: +/-£207,000).

24. RISK MANAGEMENT OBJECTIVES AND 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 2016

	US Dollar £000	Euro £000	Total £000
Financial assets	9	45	54
Financial liabilities	-	-	-
	9	45	54

As at 30 September 2015

	US Dollar £000	Euro £000	Total £000
Financial assets	28	38	66
Financial liabilities	-	-	-
	28	38	66

There were no currency options or forward contracts in place at 30 September 2016 (2015: None). 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:

	2016 £000	2015 £000
Cash and cash equivalents	1,021	687
Trade receivables	3,370	6,255
Amounts recoverable on contracts	6,909	7,431
Payments on account	(755)	(1,467)
	10,545	12,906

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 amounts recoverable on contracts less payments on account, 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 12% of the total amounts due, which is consistent with the previous year. 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.

/ Notes to the Consolidated Financial Statements (cont.)

25. DISPOSAL OF SUBSIDIARY COMPANY

On 13 May 2015, the Group sold Redhall Engineering Solutions Limited to Cape plc for an enterprise value of £6.0m. The business was classified as a discontinued operation.

	£000
Property, plant and equipment	701
Amounts recoverable on contracts	3,096
Trade debtors	2,946
Prepayments and other debtors	211
Deferred tax asset	455
Trade creditors	(1,670)
Accruals and other creditors	(2,575)
Net assets sold	3,164
Goodwill and intangible assets at date of disposal	7,097
Loss on disposal	(5,147)
Proceeds, less costs of disposal	141
Debts assumed by purchaser	(5,255)

26. RELATED PARTY TRANSACTIONS

In December 2015 the Group renewed its borrowing facilities and an amount of £5,744,000 previously loaned to the Group by funds managed by Henderson by way of an inter creditor agreement with HSBC became a direct term loan arrangement. Details of the facility are given in note 17. Henderson is a major shareholder of the Group. The amount of interest payable under the facility in the period from 24 December 2015 amounts to £861,750. A facility fee of £54,495 is payable to the funds managed by Henderson. Other than remuneration paid to key management (Note 3), there are no other transactions or balances that fall due for disclosure under IAS 24.

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"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. The company intends to adopt FRS 101 in future accounting periods.

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 the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12.

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 and in preparing an opening FRS 101 IFRS balance sheet at 1 October 2014 for the purposes of the transition to FRS 101.

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.

Since the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme is accounted for by the Company as if it was 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.

/ Company Balance Sheet

	Note	2016 £000	2015 £000
Fixed assets			
Investment properties	2	585	585
Tangible assets	3	102	127
Investments in subsidiary undertakings	4	24,135	24,135
		24,822	24,847
Current assets			
Debtors – amounts due within one year	5	287	1,033
Debtors – amounts due after more than one year	5	27,764	26,817
Cash at bank		-	-
		28,051	27,850
Creditors – amounts falling due within one year	6	(1,785)	(2,576)
Net current assets		26,266	25,274
Total assets less current liabilities		51,088	50,121
Creditors – amounts falling due after more than one year	6	(29,281)	(25,793)
Net assets		21,807	24,328
Capital and reserves			
Called-up share capital	8	12,284	12,284
Share premium account		28,326	28,326
Merger reserve		12,679	12,679
Other reserve		1,389	1,177
Revaluation reserve		102	102
Profit and loss account		(32,973)	(30,240)
Shareholders' funds		21,807	24,328

The financial statements were approved by the Board on 7 December 2016 and signed on its behalf by:

P Brierley

Chief Executive

Company Registration Number - 263995

C J Kelly

Group Finance Director

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 2014	12,269	21,297	12,679	102	251	(1,979)	44,619
Share capital issued during the year net of expenses	15	7,029	-	-	927	-	7,971
Employee share-based compensation	-	-	-	-	(1)	-	(1)
Transactions with owners	15	7,029	-	-	926	-	7,970
Loss for the year	-	-	-	-	-	(28,261)	(28,261)
Total comprehensive income for the year	-	-	-	-	-	(28,261)	(28,261)
At 30 September 2015	12,284	28,326	12,679	102	1,177	(30,240)	24,328
Employee share-based compensation	-	-	-	-	212	-	212
Transactions with owners	-	-	-	-	212	-	212
Loss for the year	-	-	-	-	-	(2,733)	(2,733)
Total comprehensive income for the year	-	-	-	-	-	(2,733)	(2,733)
At 30 September 2016	12,284	28,326	12,679	102	1,389	(32,973)	21,807

Other reserves comprise share based compensation £462,000 (2015: £250,000), equity reserve relating to the grant of options on conversion of debt during the prior year £925,000 (2015: £925,000) and other reserves of £2,000 (2015: £2,000).

/ Notes to the Company Financial Statements

1. DIRECTORS' EMOLUMENTS

	2016 £000	2015 £000
Emoluments for services as Directors	629	945
Social security costs	81	91
Pension contributions	42	52
Share-based payments	192	7
	944	1,095

The emoluments of the highest paid Director were £368,000 (2015: £445,000) and contributions to his pension arrangement were £24,000 (2015: £30,000). 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 £42,000 (2015: £52,000) in total into the personal pension plans of two Directors for the year ended 30 September 2016.

2. INVESTMENT PROPERTIES

	Investment property £000	Total £000
Investment property		
Cost or Valuation		
At 1 October 2014	585	585
Additions	-	-
At 1 October 2015	585	585
Additions	-	-
At 30 September 2016	585	585
Depreciation		
At 1 October 2014	-	-
Charge for the year	-	-
At 1 October 2015	-	-
Charge for the year	-	-
Transfers from Group Companies	-	-
At 30 September 2016	-	-
Net book value		
At 30 September 2016	585	585
At 30 September 2015	585	585
At 30 September 2014	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 2016.

Freehold land with a book amount of £301,500 (2015: £301,500) is not being depreciated.

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
Tangible fixed assets		
Cost or Valuation		
At 1 October 2014	412	412
Additions	46	46
Transfers from Group Companies	99	99
At 1 October 2015	557	557
Additions	26	26
Disposals	(181)	(181)
At 30 September 2016	402	402
Depreciation		
At 1 October 2014	(336)	(336)
Charge for the year	(40)	(40)
Transfers from Group Companies	(54)	(54)
At 1 October 2015	(430)	(430)
Charge for the year	(51)	(51)
Disposals	181	181
At 30 September 2016	(300)	(300)
Net book value		
At 30 September 2016	102	102
At 30 September 2015	127	127
At 30 September 2014	76	76

/ 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 2014	47,638
Additions	4,210
Disposals	(17,344)
At 1 October 2015	34,504
At 30 September 2016	34,504
Provision	
At 1 October 2014	(10,369)
At 1 October 2015	(10,369)
At 30 September 2016	(10,369)
Net book value at 30 September 2016	24,135
Net book value at 30 September 2015	24,135
Net book value at 30 September 2014	37,269

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 13.

Redhall Nuclear Limited	Engineering and other services to the nuclear industry
Jordan Nuclear Limited	Engineering and other services to the nuclear industry
Steels Engineering Services Limited	Mechanical and electrical engineering design and installation
Redhall Marine Limited	Provision of products and services principally to the marine industry
Jordan Engineering Services Limited	Engineering fabrication and maintenance services
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 Blakett 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

	2016	2015
	£000	£000
Trade debtors	5	204
Amounts owed by subsidiary undertakings	22	586
Other debtors	-	40
Prepayments and accrued income	260	203
Debtors – amounts due within one year	287	1,033
Amounts owed by subsidiary undertakings with no fixed repayment date	27,764	26,817
	28,051	27,850

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

6. CREDITORS

	2016 £000	2015 £000
(a) Amounts falling due within one year:		
Trade creditors	234	499
Amounts owed to subsidiary undertakings	68	20
Other creditors including taxation and social security	132	758
Accruals and deferred income	742	845
Bank overdraft	609	454
	1,785	2,576
(b) Amounts falling due after more than one year:		
Amounts owed to subsidiary undertakings	19,992	19,595
Deferred tax	20	23
Loans	9,269	6,175
	29,281	25,793

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 liability included in the balance sheet is as follows:

	2016 £000	2015 £000
Accelerated capital allowances	(23)	(31)
Short term timing differences	3	8
Deferred tax liability (Note 6)	(20)	(23)

/ Notes to the Company Financial Statements (cont.)

8. CALLED-UP SHARE CAPITAL

On 30 September 2015, the Company issued 150,973,215 new ordinary shares of 0.01p at a price of 5p per share. Expenses associated with the placing, open offer and debt conversion amounted to £502,000 and were charged to the share premium account.

Allotted, called up and fully paid:

	2016 Number	£000	2015 Number	£000
At 30 September				
Ordinary shares of 0.01p each	200,050,684	20	200,050,684	20
Ordinary shares of 25p each	-	-	-	-
Deferred shares of 24.99p each	49,077,469	12,264	49,077,469	12,264
	249,128,153	12,284	249,128,153	12,284

Ordinary shares of 0.01 pence

	2016 Number	£000	2015 Number	£000
At start of year	200,050,684	20	-	-
Conversion from 25p shares	-	-	49,077,469	5
Placing and open offer	-	-	109,473,215	11
Debt conversion	-	-	41,500,000	4
At end of year	200,050,684	20	200,050,684	20

The debt converted of £3 million was satisfied by the issue of 41,500,000 shares and the issuance of 18,500,000 fully paid share options.

Ordinary shares of 25 pence

	2016 Number	£000	2015 Number	£000
At start of year	49,077,469	12,269	49,077,469	12,269
Placing	-	-	-	-
Conversion	(49,077,469)	(12,269)	(49,077,469)	(12,269)
At end of year	-	-	-	-

Deferred shares of 24.99 pence

	2016 Number	£000	2015 Number	£000
At start of year	49,077,469	12,264	-	-
Conversion	-	-	49,077,469	12,264
At end of year	49,077,469	12,264	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 2016 the Company was committed to making the following payments under non-cancellable operating leases.

	Land and buildings		Other	
	30 September 2016 £000	30 September 2015 £000	30 September 2016 £000	30 September 2015 £000
Operating leases which expire:				
Within one year	8	139	27	24
Between two and five years	19	-	35	19
	27	139	62	43

10. CONTINGENT LIABILITIES

The Company and certain subsidiaries have given parental and subsidiary guarantees in support of the loan facilities of which £9,281,000 was utilised as at 30 September 2016 comprising amounts drawn of £9,269,000 and bank bonds and guarantees provided to third parties of £12,100. The maximum amount which could be utilised as at 30 September 2016 was £11,269,000.

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.

12. IMPACT OF TRANSITION TO FRS 101

In adopting FRS 101 the Company has made an adjustment to its prior year reserves in respect of deferred tax and also in respect of the revaluation reserve, as shown below.

An asset held by the Company for use by Booth Industries Limited, which is a subsidiary company, has been reclassified as an investment property.

	£000
Opening profit and loss reserves at 1 October 2014	(2,063)
Effect of adopting FRS 101	
- Deferred taxation	(66)
- Adjustment to revaluation reserve	150
Reserves at 1 October 2014 (restated)	(1,979)

The loss for 2015 has been credited with £1,000, being the deferred tax adjustment in 2015.

13. 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

/ Notice of Annual General Meeting

Notice is hereby given that the 85th Annual General Meeting of Redhall Group plc will be held at the offices of Squire Patton Boggs, solicitors, 6 Wellington Place, Leeds on 1 February 2017 at 12.00 noon for the following purposes:

Resolution 1:

To receive and adopt the financial statements for the year ended 30 September 2016 and the reports of the Directors and auditor thereon.

Resolution 2:

To re-elect P B Hilling as a Director.

Resolution 3:

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 4 will be proposed as an Ordinary Resolution and numbers 5 and 6 as Special Resolutions.

Resolution 4:

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 £6,600, such authority to expire on 1 May 2018 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 5:

That the Directors of the Company be and they are hereby empowered pursuant to section 571 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 4 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 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 5), provided that the maximum nominal value of equity

securities so allotted does not exceed in aggregate £1,000; and so that such power shall expire on 1 May 2018 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 6:

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 20,005,068 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

C J Kelly

Secretary
Unit 3, Calder Close
Wakefield
WF4 3BA
7 December 2016

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 30 January 2017; 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 6 December 2016, the Company's issued share capital comprised 200,050,684 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 6 December 2016 is 200,050,684.

3. Proxies

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, Neville House, 18 Laurel Lane, Halesowen, B63 3DA. Multiple proxies must be returned together in the same envelope.

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 (FRS) 101

Following the publication of FRS 100 Application of Financial Reporting Requirements by the Financial Reporting Council, the Company changed its accounting framework for its entity financial statements to the FRS 101 Reduced Disclosure Framework.

/ Redhall Group plc Form of Proxy

I/We, the undersigned, being (a) Member(s) of Redhall Group plc, hereby appoint Mr Martyn Everett or failing him, Mr Christopher Kelly, both Directors of the Company (See note 1)

or

as my/our proxy to vote in my/our names and on my/our behalf at the Annual General Meeting of the Company to be held on 1 February 2017 and at any adjournment thereof.

Name (block capitals)

Signature

Date

Address

.....

Please tick here if you are appointing more than one proxy

Multiple proxies should be returned in the same envelope

Enter number of shares in relation to which your proxy is authorised or leave blank to authorise your proxy to act in relation to your full voting entitlement

Please indicate with an 'X' in the appropriate spaces below how you wish your proxy to vote. If the Form is returned duly signed but with no direction as to the manner in which your proxy is to vote, he will vote or abstain at his discretion.

RESOLUTION (See Note 2)	1	2	3	4	5	6
FOR						
DISCRETIONARY (See Note 3)						
AGAINST						
VOTE WITHHELD (See Note 4)						

Notes

1. If you want someone else to act as your proxy to exercise all or any of your rights to attend, speak and vote at the meeting, delete these names and insert the name and address of the person you want to appoint. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To be valid, this form of proxy must reach the Company's Registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA not later than 48 hours before the time appointed for the meeting or any adjournment thereof together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share. When this proxy is executed by a corporation it must be either under its Common Seal or under the hand of an officer or attorney duly authorised. In the case of joint holders the signature of any joint holder is sufficient; if more than one joint holder tenders a vote, the vote of the first named in the Register of Members will be accepted to the exclusion of the others.

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 7RA11) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

2. Please indicate how you wish your votes to be cast by inserting a cross in the relevant box.

3. If you select "discretionary" or fail to select any of the given options, the proxy can vote as he chooses or can decide not to vote at all. The proxy will act at their own discretion in relation to any other business arising at the meeting, including any resolution to adjourn the meeting. This proxy will only be used in the event of a poll being directed or demanded.

4. The "vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "for" and "against" a resolution.

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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