

Redhall Group plc

2015
INTERIM REPORT

FINANCIAL HIGHLIGHTS

	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000
Group revenue	41,379	50,615
Adjusted operating (loss)/profit*	(933)	1,071
Loss before tax	(9,551)	(1,020)
Adjusted fully taxed basic earnings per share*	(2.70)p	0.60p
Adjusted fully taxed diluted earnings per share*	(2.70)p	0.60p

* Adjusted results are stated before exceptional items of £2,461,000 (31 March 2014: £1,003,000), goodwill written off relating to the disposal of Redhall Engineering Solutions Limited of £5,163,000 and amortisation of acquired intangible assets of £250,000 (31 March 2014: £250,000)

Martyn Everett, Chairman, commented:

“I am pleased to announce that the first stage of Redhall’s turnaround is complete. The management team is now focused on implementation of the strategy to grow the businesses in the nuclear, oil and gas and specialist infrastructure markets and on improving margins whilst continuing to reduce debt levels.”

CHAIRMAN'S STATEMENT

INTRODUCTION

The Group has focused on the implementation of its strategic plan during the first half of this financial year and substantial progress has been achieved. The first stage of the turnaround plan has now been completed and once Site Services is discontinued in the second half the Group will comprise two segments, Manufacturing and Specialist Services, with six operating subsidiary businesses. Each of these businesses has potential to grow and make a strong contribution to the group in the medium term.

Manufacturing is concentrating its business development activity on the sale of high integrity manufactured products predominantly in the nuclear (defence, decommissioning and new build), oil and gas and specialist infrastructure sectors. Recent contract awards amounting to £4.75m on a major rail infrastructure project are further evidence of our reputation for manufacturing high integrity doors.

The sale of Redhall Engineering Solutions Limited ("RESL") to Cape plc announced on 14 May 2015 has significantly reduced Group debt. The announcement at the same time of the closure of our site-based nuclear contracting operations means that the Group will exit from its Site Services businesses in full before the end of the current financial year. We have suffered very significant losses in site-based nuclear contracting in recent years, with further losses this year. The closure, following a managed withdrawal from a number of framework agreements, will provide the Group with a stable platform as well as improving its risk profile.

TRADING RESULTS

Revenue reduced to £41.4m from £50.6m in the first half last year and the Group incurred an adjusted operating loss, before interest, tax and amortisation of £0.9m (2014: profit of £1.1m). The continuing businesses reported revenue

of £22.7m and Site Services accounted for the remaining £18.7m. The continuing businesses reported an adjusted operating profit of £0.6m before central costs. Adjusted fully diluted loss per share of 2.7p compares with earnings per share of 0.6p for the corresponding period. The statutory loss after interest and tax, including the write off of £5.2m of goodwill relating to RESL, and amortisation of intangible assets, amounted to £9.4m.

In implementing the strategic plan, we announced in May that we would incur exceptional charges of £3.6m for the full year of which £2.5m is provided in these results. These costs relate to the removal of the old divisional structure, centralisation of certain functions and restructuring costs, including redundancy and closure costs and asset write offs associated with the closure of our nuclear contracting operations.

In Manufacturing there continues to be further delays on major customer, nuclear-related projects, due to budgetary constraints and design delays. Our forecasts remain prudent in anticipating the award of work. A protracted downturn in the oil and gas sectors has also contributed to a reduction in volumes and profitability in the first half.

Our Specialist Services businesses broke even in the first half, with the major impact being reduced volumes and conservative margin take in H1 in our Redhall Marine business.

More detail of the trading performance can be found in the Chief Executive's Review.

FINANCIAL POSITION

At the end of March our borrowings were £16.0m (September 2014: £16.0m; March 2014: £12.1m). Since then, £4.45m of borrowings have been repaid from the sale of RESL.

Our debt facility which runs to 30 November 2016 now comprises a term loan of £9.2m,

owned by funds managed by Henderson, our largest shareholder. In addition we have an overdraft facility of £6.0m.

DIVIDEND

The Board has recommended that no interim dividend will be paid in 2015.

PEOPLE

The Group has experienced significant change in recent years. The Board is greatly appreciative of the continued support of our loyal employees.

PROSPECTS

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

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

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

Martyn Everett

Chairman

11 June 2015

CHIEF EXECUTIVE'S REVIEW

We announced our strategic plan in December 2014, setting out a clear focus on creating a lower risk, higher margin, high integrity manufacturing-based organisation operating predominantly in the nuclear, oil and gas and specialist infrastructure markets, whilst also reducing our costs and debt levels.

In the six months following the announcement of our plan we have disposed of our engineering contracting business, Redhall Engineering Solutions Limited (RESL), to Cape plc for an enterprise value of £6.0m; we have withdrawn from our site-based nuclear contracting activities which had contributed substantial losses during the past two years; and we have also reduced costs and improved internal communication by removing our old divisional structure and centralising our support functions. Both the sale of RESL and the withdrawal from site-based nuclear contracting occurred after the period end.

These are significant steps in delivering our strategic goals and redefining Redhall Group plc as an established Manufacturing and Specialist Services business.

OVERVIEW

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

During this period of restructure, revenue for the six months reduced to £41.4m from £50.6m for the same period last year. Of this revenue, £22.7m was attributed to continuing activities and £18.7m was attributed to RESL and site-based nuclear contracting. The Group incurred an adjusted operating loss in the first half of £0.9m which was down from £1.1m adjusted operating profit for the same period last year. The continuing businesses reported an adjusted operating profit of £0.6m before central costs.

OPERATIONAL REVIEW

Manufacturing

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

The turnover for the six months to 31 March 2015 was £10.1m compared with £13.45m for 2014. The adjusted operating profit reduced to £0.50m from £1.26m for the same period last year. This is due to a significant reduction in capital projects in the oil and gas sector resulting from the dramatic decrease in the oil price. We have addressed this by reducing our cost base in line with market conditions and investing heavily in sales and marketing. We anticipate that the second half of the year will see an improved performance.

Whilst all areas of the nuclear market (new build, defence and decommissioning) continue to experience delays, we remain confident that we will have significant opportunities from this sector in the years ahead. We will continue to position ourselves to make the most of these opportunities and in the meantime we are targeting other significant projects that require our expertise. One of these is a major rail infrastructure project where we have recently been awarded £4.75m of contracts in Booth Industries to provide engineered doors to stations and tunnels.

Specialist Services

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

The turnover for the six months to 31 March 2015 was £12.6m compared with £14.1m for the first half of 2014. The adjusted operating profit reduced to £0.06m from £0.95m for the same period last year. With the networks infrastructure market remaining buoyant and food remaining static, this reduction was due to reduced volumes and conservative margin take in our marine business. Again we expect that this performance will improve in the second half.

Site Services

This reporting segment consists of the businesses held for strategic divestment or closure and will not form part of our continuing activities in future reports. It encompasses RESL and the site-based nuclear contracting activities of Redhall Nuclear Ltd.

The turnover from these businesses in the first half of the year was £18.7m compared with £23.7m for the same period of last year. The operating loss increased to £0.39m from £0.09m. Within this segment the site-based nuclear contracting business also accounted for the majority of exceptional costs. These principally resulted from redundancy costs, closure costs and asset write offs due to our withdrawal from this market.

Outlook

Having set out our strategic plan in December, we are pleased that we have been able to implement large elements of this ahead of programme. The sale of RESL together with the withdrawal from our site-based nuclear contracting activities post period end will reduce risk within the Group and will allow us to place more attention on our high integrity and high margin manufacturing and specialist services capability particularly in the nuclear and oil and gas markets.

We do not expect to report a profit in the second half of this financial year, although we do expect an improvement on the first half. We anticipate reporting an operating profit in our 2016 financial year. We continue to improve our pre-contract

capabilities and are focused on strengthening the relationships with our major customers such as AWE, Rolls Royce and BAE for defence, EDF for new build and plant life extension, Sellafield and Dounreay for decommissioning and HHI for capital projects in oil and gas. We are confident that there will be a significant increase in opportunities in our core markets in the next two to three years, and now that we have exited from most of our contracting activities we are well placed to capitalise on these opportunities.

Our order book currently stands at £21m (30 September 2014: £25m). This order book is of high quality and with our recent investment in pre-contract sales and bid resources we anticipate that the volume will increase.

Summary

2015 has been a year of much change for Redhall. Following a number of years of poor results we set out to remodel the Group away from a higher risk predominantly contracting business, which has been the cause of the Group's difficulties, to focus on and develop our higher margin, high integrity manufacturing activities and to reduce costs and debt. The foundations for this are now firmly in place and we look forward to rebuilding the Group around our core skills.

In view of the amount of restructuring required, 2015 was always about delivering the plan. We believe in doing this we will deliver longer term shareholder value and restore the Group to profitability.

During this period of delivering the strategic plan we have enjoyed loyal support from our customers, our people and our funders. The Group's Board is very grateful for this support and would like to thank all of our stakeholders.

Phil Brierley

Chief Executive

11 June 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000	Year to 30 September 2014 £000
Revenue - Continuing businesses		22,714	27,593	56,055
Revenue - Strategic divestment and closure		18,665	23,022	47,125
Total Revenue	3	41,379	50,615	103,180
Cost of sales		(36,062)	(42,478)	(88,659)
Gross profit		5,317	8,137	14,521
Administrative expenses		(14,124)	(8,319)	(18,498)
Loss before interest and tax	3	(8,807)	(182)	(3,977)
Continuing businesses		567	2,205	4,081
Strategic divestment and closure		(388)	(92)	(1,819)
Central costs		(1,112)	(1,042)	(2,118)
Adjusted operating (loss)/profit*		(933)	1,071	144
Continuing businesses		(687)	(362)	(1,018)
Strategic divestment and closure		(1,774)	(641)	(2,602)
Exceptional items		(2,461)	(1,003)	(3,620)
Goodwill written off	9	(5,163)	-	-
Amortisation of acquired intangible assets		(250)	(250)	(501)
Loss before interest and tax		(8,807)	(182)	(3,977)
Net interest		(744)	(838)	(1,788)
Loss before tax		(9,551)	(1,020)	(5,765)
Tax credit on loss on ordinary activities	5	143	92	85
Loss attributable to equity holders of the Parent Company		(9,408)	(928)	(5,680)
Loss per share	6			
Basic		(19.17)p	(3.06)p	(14.29)p
Diluted		(19.17)p	(3.06)p	(14.29)p

* Before exceptional items and amortisation of intangible assets acquired with business combinations.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Note	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000	Year to 30 September 2014 £000
Loss for the period	(9,408)	(928)	(5,680)
Other comprehensive income: Items that will not be reclassified to profit or loss:			
Actuarial loss on pension scheme	-	-	(594)
Tax on actuarial loss	-	-	119
Effect of tax rate change on actuarial loss	-	-	-
Tax on amortisation of property revaluation transferred between reserves	-	-	2
Effect of tax rate change on amortisation of property revaluation	-	-	-
Accelerated capital allowances	-	-	(4)
Other comprehensive income for the period net of tax	-	-	(477)
Total comprehensive income attributable to equity holders of the Parent Company	(9,408)	(928)	(6,157)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 31 March 2015 £000	As at 31 March 2014 £000	As at 30 September 2014 £000
Assets				
Non-current assets				
Property, plant and equipment		3,105	4,838	4,733
Intangible assets		3,015	5,099	4,911
Purchased goodwill		18,305	23,785	23,785
		24,425	33,722	33,429
Current assets				
Inventories		519	668	661
Trade and other receivables (of which £415,000 are due after one year (31 March 2014: £463,000; 30 September 2014: £768,000))		14,941	28,996	27,030
Cash and cash equivalents	8	2,482	4,602	-
Current tax asset		-	-	-
		17,942	34,266	27,691
Assets held for sale	9	8,019	-	-
Liabilities				
Current liabilities				
Trade and other payables		(12,241)	(21,346)	(20,122)
Borrowings	8	(7,925)	(2,000)	(2,782)
Current tax payable		(19)	(27)	(19)
		(20,185)	(23,373)	(22,923)
Liabilities associated with assets held for sale	9	(8,753)	-	-
Non-current liabilities				
Borrowings	8	(5,700)	(14,750)	(13,250)
Deferred tax liabilities		(380)	(174)	(68)
Retirement benefit obligations		(1,601)	(1,242)	(1,698)
		(7,681)	(16,166)	(15,016)
Net assets		13,767	28,449	23,181
Equity attributable to owners of the Parent Company				
Share capital		12,269	12,269	12,269
Share premium account		21,297	21,297	21,297
Merger reserve		12,679	12,679	12,679
Revaluation reserve		144	147	144
Other reserve		245	290	251
Retained earnings		(32,867)	(18,233)	(23,459)
Total equity		13,767	28,449	23,181

CONDENSED CONSOLIDATED INTERIM 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 2013	7,462	19,127	12,679	147	265	(17,305)	22,375
Share capital issued during the year net of expenses	4,807	2,170	-	-	-	-	6,977
Employee share-based compensation	-	-	-	-	(14)	-	(14)
Tax in connection with employee share-based compensation	-	-	-	-	-	-	-
Transactions with owners	4,807	2,170	-	-	(14)	-	6,963
Loss for the year	-	-	-	-	-	(5,680)	(5,680)
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(3)	-	3	-
Other comprehensive income for the year	-	-	-	-	-	(477)	(477)
Total comprehensive income for the year	-	-	-	(3)	-	(6,154)	(6,157)
At 30 September 2014	12,269	21,297	12,679	144	251	(23,459)	23,181
At 1 October 2014	12,269	21,297	12,679	144	251	(23,459)	23,181
Share capital issued during the period	-	-	-	-	-	-	-
Employee share-based compensation	-	-	-	-	(6)	-	(6)
Transactions with owners	12,269	21,297	12,679	144	245	(23,459)	23,175
Loss for the period	-	-	-	-	-	(9,408)	(9,408)
Total comprehensive income for the period	-	-	-	-	-	(9,408)	(9,408)
At 31 March 2015	12,269	21,297	12,679	144	245	(32,867)	13,767

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000	Year to 30 September 2014 £000
Cash generated from/(absorbed by) operations	7	512	869	(1,896)
Interest paid		(798)	(783)	(1,651)
Income taxes received		-	-	-
Net cash (absorbed by)/ generated from operating activities		(286)	86	(3,547)
Cash flows from investing activities				
Purchase of property, plant and equipment		(90)	(129)	(352)
Purchase of intangible assets		(19)	-	(134)
Proceeds from sale of plant and equipment		385	-	12
Net proceeds from disposal of subsidiary company		-	-	94
Interest received		-	4	4
Net cash received from/(used in) investing activities		276	(125)	(376)
Cash flows from financing activities				
Proceeds from issue of share capital		-	6,977	6,977
Proceeds from borrowings		-	750	3,000
Repayment of long term borrowing		(625)	-	(4,750)
Net cash (absorbed)/generated by financing activities		(625)	7,727	5,227
Net increase/(decrease) in cash and cash equivalents		(635)	7,688	1,304
Cash and cash equivalents at beginning of period		(1,782)	(3,086)	(3,086)
Cash and cash equivalents at end of period		(2,417)	4,602	(1,782)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements (“interim financial statements”) are for the six months ended 31 March 2015 and do not constitute statutory accounts under sections 434 and 435 of the Companies Act 2006. They do not include all of the information required for full annual financial statements. The comparative figures for the financial year ended 30 September 2014 are not the Group’s consolidated statutory accounts for that financial year. Those accounts have been reported on by the Group’s auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006. These interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2014.

These interim financial statements have been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU but not in compliance with IAS34 as adopted by the EU, and under the historical cost convention, except for the revaluation of certain non-current assets and to include fair values for share-based payments and the initial recognition of financial instruments.

These interim financial statements have been prepared in accordance with the accounting policies adopted in the latest consolidated financial statements for the year to 30 September 2014. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

As noted in note 8, the Group has agreed amendments to its banking arrangements since 30 September 2014. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of the revised facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they have continued to adopt the going concern basis in the preparation of these interim financial statements.

These interim financial statements have been reviewed, but not audited, by the Group’s auditors and their report is set out on page 20.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. PRINCIPAL OPERATING RISKS AND UNCERTAINTIES

The principal operating risks and uncertainties faced by the Group were reported in the latest consolidated financial statements of the Group for the year to 30 September 2014 and remain unchanged.

3. SEGMENT ANALYSIS

The segment information set out below reflects the information provided to the Board of Directors, which is the Chief Operating Decision Maker as described by IFRS8. As announced on 4 December 2014 the Group has changed its reporting segments to reflect the way in which the business is now managed. The previously reported segments were Manufacturing, Engineering and Nuclear. The segments now reported and described below are Manufacturing, Specialist Services and Site Services. The activities in each segment are as follows:

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, design manufacture and installation of process lines in food and pharmaceutical markets and specialist surface finishings to Astute class submarines.

Site Services

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

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

3. SEGMENT ANALYSIS (CONTINUED)

Operating segments

The revenues and profit before tax generated by each of the Group's operating segments are summarised as follows:

Six months to 31 March 2015

	Revenue £000	Group operating profit £000
Manufacturing	10,071	503
Exceptional items	-	(548)
Total Manufacturing	10,071	(45)
Specialist Services	12,643	64
Exceptional items	-	(60)
Total Specialist Services	12,643	4
Site Services	18,665	(388)
Exceptional items	-	(1,774)
Total Site Services	18,665	(2,162)
Central costs	-	(1,112)
Exceptional items	-	(5,242)
Total Central costs	-	(6,354)
Total operations before exceptional items	41,379	(933)
Exceptional items	-	(7,624)
Total operations	41,379	(8,557)
Amortisation of acquired intangible assets		(250)
Operating loss		(8,807)
Financial income		-
Financial expenses		(744)
Group loss before tax		(9,551)
Tax		143
Group loss for the period		(9,408)

Adjusted operating profit is stated before exceptional items and amortisation of intangible assets acquired with business combinations.

Exceptional items in the period totalled £7,624,000 and comprised £2,461,000 of redundancy, closure costs and asset write offs and a write off of goodwill on the disposal of Redhall Engineering Solutions Limited of £5,163,000 (see note 9).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT ANALYSIS (CONTINUED)

Six months to 31 March 2014

	Revenue £000	Group operating profit £000
Manufacturing	13,448	1,255
Exceptional items	-	-
Total Manufacturing	13,448	1,255
Specialist Services	14,145	950
Exceptional items	-	-
Total Specialist Services	14,145	950
Site Services	23,732	(92)
Exceptional items	(710)	(641)
Total Site Services	23,022	(733)
Central costs	-	(1,042)
Exceptional items	-	(362)
Total Central costs	-	(1,404)
Total operations before exceptional items	51,325	1,071
Exceptional items	(710)	(1,003)
Total operations	50,615	68
Amortisation of acquired intangible assets		(250)
Operating loss		(182)
Financial income		4
Financial expenses		(842)
Group loss before tax		(1,020)
Tax		92
Group loss for the period		(928)

Adjusted operating profit is stated before exceptional items and amortisation of intangible assets acquired with business combinations.

Exceptional items totalled £1,003,000 and comprised £871,000 of legacy contract items and a loss on the disposal of £132,000 on Chieftain Insulation (NI) Limited.

3. SEGMENT ANALYSIS (CONTINUED)

Year to 30 September 2014

	Revenue £000	Group operating profit £000
Manufacturing	28,380	2,858
Exceptional items	-	(236)
Total Manufacturing	28,380	2,622
Specialist Services	27,675	1,223
Exceptional items	-	(279)
Total Specialist Services	27,675	944
Site Services	47,125	(1,819)
Exceptional items	-	(2,323)
Total Site Services	47,125	(4,142)
Central costs	-	(2,118)
Exceptional items	-	(782)
Total Central costs	-	(2,900)
Total operations before exceptional items	103,180	144
Exceptional items	-	(3,620)
Total operations	103,180	(3,476)
Amortisation of acquired intangible assets		(501)
Operating loss		(3,977)
Financial income		4
Financial expenses		(1,792)
Group loss before tax		(5,765)
Tax		85
Group loss for the year		(5,680)

Adjusted operating profit is stated before exceptional items and amortisation of intangible assets acquired with business combinations.

Exceptional items in the period relate to redundancy and restructuring costs of £1,285,000, a loss on disposal of Chieftain Insulation (NI) Limited of £203,000, provisions against legacy contracts of £2,073,000 and other items of £59,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT ANALYSIS (CONTINUED)

Geographical segments

The following table shows the distribution of the Group's consolidated revenue by geographical market, regardless of the origin of the goods or services.

	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000	Year to 30 September 2014 £000
United Kingdom	35,794	45,404	92,849
Other European Union countries	733	701	727
Other overseas locations	4,852	4,510	9,604
	41,379	50,615	103,180

4. FINANCIAL INCOME AND EXPENSES

	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000	Year to 30 September 2014 £000
Financial income			
Interest income	-	4	4
	-	4	4
Financial expenses			
Interest on bank loans and overdrafts	(670)	(722)	(1,641)
Net finance expense on pension scheme*	(74)	(120)	(151)
	(744)	(842)	(1,792)

* Includes £45,000 of pension administration expenses paid for by the Group (31 March 2014: £75,000; 30 September 2014: £98,000).

5. TAXATION

The credit for taxation reflects an estimated current tax charge on the projected results for the year and estimated movements in the deferred tax balance.

6. EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss per share of 19.17p (31 March 2014: loss per share of 3.06p; 30 September 2014: loss per share of 14.29p) is based on 49,077,469 shares (31 March 2014: 30,375,018; 30 September 2014: 39,751,863), being the weighted average number of shares in issue throughout the period and the loss of £9,408,000 (31 March 2014: loss of £928,000; 30 September 2014: loss of £5,680,000).

Diluted (loss)/earnings per share

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per share for the period ended 31 March 2015, 31 March 2014 and for the year ended 30 September 2014 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 IAS33.

Adjusted earnings per share

The Directors believe that helpful additional earnings per share calculations are earnings per share on adjusted bases. The basic and adjusted weighted average numbers of shares and the adjusted earnings have been calculated as follows:

	Six months to 31 March 2015 Number	Six months to 31 March 2014 Number	Year to 30 September 2014 Number
Basic weighted average number of shares	49,077,469	30,375,018	39,751,863
Dilutive potential ordinary shares arising from share options	-	15,118	-
Adjusted weighted average number of shares	49,077,469	30,390,136	39,751,863
	£000	£000	£000
Earnings:			
Loss on ordinary activities before tax	(9,551)	(1,020)	(5,765)
Exceptional items	7,624	1,003	3,620
Amortisation of acquired intangible assets	250	250	501
Adjusted (loss)/profit before tax	(1,677)	233	(1,644)
Tax at 21.0% (2014: 22.0%)	352	(51)	362
Adjusted profit after tax	(1,325)	182	(1,282)
Adjusted fully taxed basic earnings per share	(2.70)p	0.60p	(3.23)p
Adjusted fully taxed diluted earnings per share	(2.70)p	0.60p	(3.23)p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 March 2015 £000	Six months to 31 March 2014 £000	Year to 30 September 2014 £000
Loss after taxation	(9,408)	(928)	(5,680)
Adjustments for:			
Depreciation	500	280	548
Amortisation of intangible assets	290	255	577
Exceptional write down of goodwill	5,163	-	-
Difference between pension charge and cash contributions	(97)	(145)	(337)
Loss on sale of property, plant and equipment	60	-	48
Loss on disposal of subsidiary company	-	-	203
Share based payments (credit)/charge	(6)	25	(14)
Financial income	-	(4)	(4)
Financial expenses	744	842	1,792
Taxation credit recognised in income statement	(143)	(92)	(85)
Decrease/(increase) in trade and other receivables	7,240	4,137	6,103
Decrease/(increase) in inventories	142	(24)	(17)
Decrease in trade and other payables	(3,973)	(3,477)	(4,733)
Net assets sold on disposal of subsidiary company	-	-	(297)
Cash generated from/(absorbed by) operations	512	869	(1,896)

8. RECONCILIATION OF NET DEBT

A reconciliation of the cash and cash equivalents reported in the condensed consolidated interim cash flow statement with the total borrowings reported in the condensed consolidated interim balance sheet as at 31 March 2015 is set out as follows:

	At start of period £000	Cash flow £000	Non-cash movement £000	At end of period £000
Cash at bank and in hand	-	2,482	-	2,482
Bank overdraft	(1,782)	(3,117)	-	(4,899)
Bank loan due within one year	(1,000)	-	(6,925)	(7,925)
Net cash and cash equivalents				
(Borrowings due within one year)	(2,782)	(635)	(6,925)	(10,342)
Bank loan due after more than one year	(13,250)	375	7,175	(5,700)
	(16,032)	(260)	250	(16,042)

The bank facilities were renegotiated in December 2014. The current facility expires in November 2016.

The bank overdraft relates to Redhall Engineering Solutions Limited and is included in liabilities held for sale.

After the balance sheet date the Group repaid £4,450,000 of the bank loan due within one year.

9. DISPOSAL OF REDHALL ENGINEERING SOLUTIONS LIMITED

On 14 May 2015 the Group announced that it had sold Redhall Engineering Solutions Limited (RESL) to Cape plc for an enterprise value of £6 million. As a consequence of the transaction the recoverable amount of fair value less costs to sell led to a write off of related goodwill in these financial statements of £5,163,000. The related assets and liabilities of RESL plus recoverable goodwill and intangible assets are included in assets and liabilities held for sale in the Group accounts.

10. DIVIDENDS ON EQUITY SHARES

There were no dividends paid during the six month period to 31 March 2015 or the year ended 30 September 2014.

The Directors do not propose the payment of an interim dividend for the six months ended 31 March 2015.

11. DISTRIBUTION OF INTERIM REPORT

Copies of this interim report are available from the Company Secretary, Redhall Group plc, 1 Red Hall Court, Wakefield, WF1 2UN and www.redhallgroup.co.uk.

INDEPENDENT REVIEW REPORT TO REDHALL GROUP PLC

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 March 2015 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim balance sheet, the condensed consolidated interim cash flow statement and the related explanatory notes.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

DIRECTORS' RESPONSIBILITIES

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 March 2015 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

David Morritt for and on behalf of KPMG LLP

Chartered Accountants

1 The Embankment, Neville Street, Leeds

11 June 2015

Amadeus Digital Silk 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.

Rechall Group plc

1 Red Hall Court, Wakefield
WF1 2UN, England, UK

T: 44 (0)1924 385386

F: 44 (0)1924 374548

E: enquiries@redhallgroup.co.uk

www.redhallgroup.co.uk