

Redhall Group plc

2016

Interim Report

FINANCIAL HIGHLIGHTS

	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000
Group revenue - continuing business	21,352	22,714
Adjusted operating loss* - continuing business	(91)	(551)
Loss before tax on continuing business	(752)	(2,098)
Loss before tax on discontinued operations	(159)	(7,453)
Loss before tax	(911)	(9,551)
Adjusted fully taxed basic and diluted earnings per share on continuing business	(0.24)p	(2.07)p
Basic and diluted loss per share	(0.38)p	(19.17)p

* Adjusted continuing results are stated before exceptional items from continuing business of £nil (31 March 2015: £647,000), amortisation of acquired intangible assets of £162,000 (31 March 2015: £162,000) and an IFRS 2 charge of £101,000 (31 March 2015: credit £6,000).

Martyn Everett, Chairman, commented:

“The level of new orders received for our Manufacturing businesses for defence, decommissioning and rail related infrastructure projects is very encouraging as is the pipeline of new opportunities. We anticipate an overall improvement in profitability in H2, driven by our Manufacturing businesses, with a continued strong level of profitability for our Specialist Services businesses.”

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased that the first half of this financial year has been one of further progress for Redhall against the strategic plan we set out in December 2014. The improvement in the Group's order book from £21 million at year end to £24 million, particularly at Booth Industries, provides a good platform for growth in our 2016/17 financial year. We have recently received an order for £6.9m from a major customer in the Defence sector and have increased the total orders received on major rail infrastructure projects to £6.2m with several others in the pipeline.

The breakeven result on continuing activities (loss of £91,000 before interest, tax, amortisation and IFRS2 charge) (2015: £551,000) is a sign of further improvement in the Group's performance. The businesses in our Specialist Services segment have all performed ahead of expectations. They have compensated for the lower than expected manufacturing profitability which has been impacted principally by initial design delays on some of our major projects. The continued downturn in the oil and gas sector significantly impacted Manufacturing performance compared to the same period last year, but downsizing our operations at RBC mitigated the adverse impact on the results.

The run off of our nuclear site based contracting businesses is close to completion. There is only one project still on site. Negotiations, which are ongoing to realise the remaining working capital, resulted in a small write down on contract value during the period.

TRADING RESULTS

The revenue for the 6 month period from continuing operations amounted to £21.4m compared to £22.7m in the same period last year. Adjusted operating loss before interest, tax, amortisation and IFRS2 charge and exceptional items amounted to £0.1m compared to £0.6m

last year. The adjusted fully diluted loss per share from the continuing businesses amounted to 0.24p (2015: 2.07p).

Since the year end our finance, HR and IT costs have been managed on a group basis reflecting a simplified structure and cost base. The reported central costs for this half year include the costs of finance, HR and IT, whereas in the prior period central costs included the costs of the divisional structure (which was disbanded) but did not include finance and HR costs which were reported within the segments.

The results include £0.2m (2015: £7.5m) of exceptional costs relating to discontinued operations.

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

FINANCIAL POSITION

The Group's financial position has improved following the fundraising and debt conversion in September 2015. Net debt at 31 March was £8.3m (September 2015: £5.5m; March 2015: £16.0m) with the increase reflecting movements in working capital and payments of exceptional costs provided at the year end. We also finalised the agreement of 3 year loan facilities totalling £9.7m expiring in December 2018, with HSBC and funds managed by Henderson, as well as an overdraft facility of £2m with HSBC.

We invested heavily during the first half including £0.4m on capital expenditure to enhance our manufacturing capability at Jordan Manufacturing and product range at Booth Industries including new security, acoustic and fire rated door products.

The IAS19 actuarial valuation of our defined benefit pension liability at 6 April 2015 has been completed and the deficit of £2.0m is consistent with that reported at 30 September 2015. The Trustees have agreed reduced deficit repair

contributions for the next two years in order to assist with the turnaround plans for the Group and we have obtained agreement of active members to close the pension scheme to future accrual.

DIVIDEND

The Board has recommended that no interim dividend will be paid in 2016.

PEOPLE

The group is grateful for the support of its loyal employees who have contributed to the improvement in the Group's fortunes in the first half of the year.

PROSPECTS

We continue to focus on securing projects for our higher margin Manufacturing segment businesses. The level of new orders received for our Manufacturing businesses for defence, decommissioning and rail related infrastructure projects is very encouraging as is the pipeline of new opportunities.

We are closely monitoring the progress of the political and commercial negotiations relating to the Nuclear New Build project at Hinkley Point C. Both Booth Industries and Jordan Manufacturing continue to respond to tenders for this major project.

We anticipate an overall improvement in profitability in H2, driven by our Manufacturing businesses, with a continued strong level of profitability for our Specialist Services businesses.

Martyn Everett

Chairman

8 June 2016

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

Following the successful delivery last year of the Group restructuring that was set out in Stage One of our Strategic plan, this year we have focused on the implementation of Stage Two, to invest in and improve our core businesses. As a result, we have taken further significant steps towards realising our goal of establishing Redhall as a high integrity manufacturing and specialist services business.

The actions we took in 2015 to reduce contracting risk, reduce gearing and lower costs have created a simplified and better controlled group which has reported a reduced operating loss before interest, tax, amortisation, IFRS2 charge and exceptional items on continuing business of £0.1m (2015: £0.6m), on turnover of £21.4m (2015: £22.7m). Before central costs this translates into an operating profit on continuing operations of £1.1m (2015: £0.6m).

In the first half we have increased our order book to £24m (December 2015: £21m). Of more significance is the improvement in the high integrity Manufacturing order book which increased in H1 by 55% to £17m from £11m.

Following the placing and debt conversion in September 2015 we outlined the benefits of the transaction and have made good progress in all of the following areas: improving client confidence; gaining better trading terms with our supply chain; investing in product development, capital expenditure and technology to improve efficiency and expand our offering; recruiting high calibre people to strengthen our existing senior teams (particularly in business development and tendering); people development, engineering, commercial and procurement and have increased our levels of working capital to fund growth.

OPERATIONAL REVIEW

Manufacturing

Manufacturing operations encompass the design, manufacturing and commissioning of high

integrity products and equipment for installation into complex environments. Typically this is in the nuclear, infrastructure and energy sectors. Our key businesses in these sectors are Booth Industries and Jordan Manufacturing.

Turnover for the six months to 31 March 2016 was £8.2m compared with £10.1m for 2015 and overall we broke even (2015: profit of £0.5m before exceptional costs). The reduction in turnover and profitability is largely due to the reduced levels of work in the oil and gas sector offset by a reduction in finance and HR costs which are now shown centrally.

The improvement in the order book in recent months has been very encouraging and it currently stands at £17m. This includes a major order on a defence related project for £6.9m, a number of orders amounting to £3.8m in nuclear decommissioning and further orders on rail infrastructure bringing the total secured to £6.2m.

We have invested heavily in product development at Booth Industries, building a new test facility for large heavily engineered doors, and have purchased and upgraded machinery at Jordan Manufacturing. This has increased our highly accredited product range and we believe has brought the business closer to our customers.

Although, due to the size and uncertainty of timing, we do not include nuclear new build in our forecasts, it remains a strategic focus for the Group. In support of this we have recently submitted a revalidation of our tender for doors on Hinkley Point C with our strategic partner, Baumert.

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 and insulation to Astute class submarines. We deliver these through Redhall Networks, Redhall Jex and Redhall Marine.

Turnover for the six months to 31 March 2016 was £13.2m (2015: £12.6m). Segment operating profit increased to £1.1m (2015: £0.1m before exceptional items). Networks benefitted from a 15% increase in volume during the period and maintained its operating margins at a similar level to 2015. Marine volumes were in line with last year but were higher than had been anticipated, whilst Jex executed a range of projects for its major customers with capital projects again accounting for a substantial proportion of the work done. BAE Systems is retendering work packages on Astute class submarines including the blast, spray and insulation works that sit within the scope of Redhall Marine's contract. We are unsure of the outcome of this bid but it is likely to take some months to resolve. In the meantime the volumes under our existing contract remain high.

Site Services

Site services comprised the discontinued activities of RESL which was sold in May 2015 and site based nuclear contracting. We have successfully withdrawn from our framework contract commitments and are in the process of completing our final project on site. Our key task has been resolving final accounts with our clients. Whilst we are having some success in closing out these accounts, it inevitably takes some time and is unlikely that these will be concluded before the end of the financial year. There is a small exceptional charge during the period.

Outlook

We are pleased with the progress in our key markets which has created a strong pipeline of opportunities for manufacturing, and consequently we anticipate further increases in the order book in this part of the business.

Nuclear defence and decommissioning opportunities have increased with £10.6m of orders from this sector in H1 and further tenders in progress for award in H2. We continue to see nuclear new build

as strategically important and believe that with our strategic partners we will be well placed to benefit from this at the appropriate time although we do not take account of this in our forecasts.

The outlook for oil and gas remains depressed but we have now largely replaced this work with nuclear and infrastructure projects. We have retained and redeployed the core expertise in oil and gas so that we can react when the market recovers.

In Specialist Services we anticipate that, subject to the outcome of the BAE bid process, we will maintain strong volumes. We expect that the telecoms market for our Networks business will remain particularly buoyant at least for the coming year.

Overall we remain in line with our expectations for the year and, with considerably more work secured and anticipated than at this time last year, we look forward to further improvements in our 2017 year.

Summary

The Group continues to deliver its plan and, although still in a turnaround phase, we believe that the improvement initiatives in the strategy are positively impacting the business. We have built high calibre teams, invested for the future and substantially increased the quality and size of the forward order book which we expect to continue to grow.

We have been supported in this progress by our customers, our people, our suppliers, our shareholders and our funders. The Group's Board is always very grateful for this support and would like to thank all of our stakeholders.

Phil Brierley

Chief Executive

8 June 2016

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000 Restated	Year to 30 September 2015 £000
Revenue	3	21,352	22,714	44,704
Cost of sales		(16,897)	(17,937)	(34,770)
Gross profit		4,455	4,777	9,934
Administrative expenses		(4,809)	(6,131)	(12,166)
Loss before interest and tax	3	(354)	(1,354)	(2,232)
Continuing businesses		1,105	567	1,212
Central costs		(1,196)	(1,118)	(1,884)
Adjusted operating loss*		(91)	(551)	(672)
Exceptional items		-	(647)	(1,240)
Amortisation of acquired intangible assets		(162)	(162)	(321)
IFRS2 (charge)/credit		(101)	6	1
Loss before interest and tax		(354)	(1,354)	(2,232)
Net financial expense		(398)	(744)	(1,411)
Loss before tax on continuing operations		(752)	(2,098)	(3,643)
Tax credit on loss on ordinary activities	5	157	143	551
Loss on continuing operations		(595)	(1,955)	(3,092)
Loss on discontinued operations net of tax	9	(159)	(7,453)	(9,069)
Loss attributable to equity holders of the Parent Company		(754)	(9,408)	(12,161)
Loss per share	6			
Basic		(0.38)p	(19.17)p	(24.57)p
Diluted		(0.38)p	(19.17)p	(24.57)p

* Before exceptional items, amortisation of intangible assets acquired with business combinations and IFRS2 (charge)/credits.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
Loss for the period		(754)	(9,408)	(12,161)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Actuarial loss on pension scheme		-	-	(509)
Tax on actuarial loss		-	-	102
Effect of tax rate change on actuarial loss		-	-	-
Tax on amortisation of property revaluation transferred between reserves		-	-	-
Effect of tax rate change on amortisation of property revaluation		-	-	-
Accelerated capital allowances		-	-	(1)
Other comprehensive income for the period net of tax		-	-	(408)
Total comprehensive income attributable to equity holders of the Parent Company		(754)	(9,408)	(12,569)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 31 March 2016 £000	As at 31 March 2015 £000	As at 30 September 2015 £000
Assets				
Non-current assets				
Property, plant and equipment		2,601	3,105	2,501
Intangible assets		2,770	3,015	2,792
Purchased goodwill		18,305	18,305	18,305
Deferred tax asset		311	-	154
		23,987	24,425	23,752
Current assets				
Inventories		578	519	517
Trade and other receivables (of which £240,000 are due after one year (31 March 2015: £415,000; 30 September 2015: £485,000))		13,215	14,941	14,968
Cash and cash equivalents	8	1,436	2,482	687
		15,229	17,942	16,172
Assets held for sale		-	8,019	440
Liabilities				
Current liabilities				
Trade and other payables		(9,687)	(12,241)	(13,628)
Borrowings	8	-	(7,925)	-
Current tax payable		(19)	(19)	(19)
		(9,706)	(20,185)	(13,647)
Liabilities associated with assets held for sale		-	(8,753)	-
Non-current liabilities				
Borrowings	8	(9,745)	(5,700)	(6,175)
Deferred tax liabilities		-	(380)	-
Retirement benefit obligations		(1,836)	(1,601)	(1,960)
		(11,581)	(7,681)	(8,135)
Net assets		17,929	13,767	18,582
Equity attributable to owners of the Parent Company				
Share capital		12,284	12,269	12,284
Share premium account		28,326	21,297	28,326
Merger reserve		12,679	12,679	12,679
Revaluation reserve		102	144	102
Other reserve		1,278	245	1,177
Retained earnings		(36,740)	(32,867)	(35,986)
Total equity		17,929	13,767	18,582

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 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	12,284	28,326	12,679	144	1,177	(23,459)	31,151
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
At 1 October 2015	12,284	28,326	12,679	102	1,177	(35,986)	18,582
Employee share-based compensation	-	-	-	-	101	-	101
Transactions with owners	12,284	28,326	12,679	102	1,278	(35,986)	18,683
Loss for the period	-	-	-	-	-	(754)	(754)
Total comprehensive income for the period	-	-	-	-	-	(754)	(754)
At 31 March 2016	12,284	28,326	12,679	102	1,278	(36,740)	17,929

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
Cash (absorbed by)/generated from operations	7	(2,419)	512	(1,455)
Interest paid		(412)	(798)	(1,361)
Net cash absorbed by operating activities		(2,831)	(286)	(2,816)
Cash flows from investing activities				
Purchase of property, plant and equipment		(242)	(90)	(103)
Purchase of intangible assets		(188)	(19)	(17)
Proceeds from sale of plant and equipment		440	385	395
Net proceeds from disposal of subsidiary company		-	-	5,114
Net cash received from investing activities		10	276	5,389
Cash flows from financing activities				
Proceeds from issue of share capital		-	-	4,971
Proceeds from borrowings		9,745	-	-
Repayment of facility		(5,745)	-	-
Repayment of long term borrowing		(430)	(625)	(5,075)
Net cash generated/(absorbed) by financing activities		3,570	(625)	(104)
Net increase/(decrease) in cash and cash equivalents		749	(635)	2,469
Cash and cash equivalents at beginning of period		687	(1,782)	(1,782)
Cash and cash equivalents at end of period	8	1,436	(2,417)	687

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 2016 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 2015 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 2015.

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 2015. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

The results for the period to 31 March 2015 have been restated to reflect the split of results between continuing and discontinued operations on a consistent basis with 31 March 2016 and 30 September 2015.

As noted in note 8, the Group has entered into new banking arrangements since 30 September 2015. The Group's forecasts and projections, taking account of expected 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 23.

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 2015 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. Central costs for the period from 1 October 2015 include the costs of the Group's centralised finance and HR functions. These activities were previously incurred within the individual segments.

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

During the second half of the year ended 30 September 2015 the activities of Site Services were discontinued. The Group sold its Engineering business on 13 May 2015 and on 14 May 2015 announced the closure of its site based Nuclear contracting business. The results of the discontinued activities are shown in note 9.

3. SEGMENT ANALYSIS (CONTINUED)

Operating segments

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

Six months to 31 March 2016

	Revenue £000	Group operating profit £000
Manufacturing	8,160	(32)
Exceptional items	-	-
Total Manufacturing	8,160	(32)
Specialist Services	13,192	1,137
Exceptional items	-	-
Total Specialist Services	13,192	1,137
Central costs	-	(1,196)
Exceptional items	-	-
Total Central costs	-	(1,196)
Total operations before exceptional items	21,352	(91)
Exceptional items	-	-
Total operations	21,352	(91)
Amortisation of acquired intangible assets		(162)
IFRS 2 charge		(101)
Operating loss		(354)
Financial income		-
Financial expenses		(398)
Group loss before tax - continuing		(752)
Tax		157
Group loss for the period - continuing		(595)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT ANALYSIS (CONTINUED)

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
Central costs	-	(1,118)
Exceptional items	-	(39)
Total Central costs	-	(1,157)
Total operations before exceptional items	22,714	(551)
Exceptional items	-	(647)
Total operations	22,714	(1,198)
Amortisation of acquired intangible assets		(162)
IFRS 2 credit		6
Operating loss		(1,354)
Financial income		-
Financial expenses		(744)
Group loss before tax - continuing		(2,098)
Tax		143
Group loss for the period - continuing		(1,955)

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

Exceptional items totalled £647,000 which related to redundancy and asset write offs.

3. SEGMENT ANALYSIS (CONTINUED)

Year to 30 September 2015

	Revenue £000	Group operating profit £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 income		-
Financial expenses		(1,411)
Group loss before tax - continuing		(3,643)
Tax		551
Group loss for the period - continuing		(3,092)

Segmental 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 £1,135,000 and a loss on disposal of properties of £105,000.

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 continuing consolidated revenue by geographical market, regardless of the origin of the goods or services.

	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
United Kingdom	20,590	20,408	41,697
Other European Union countries	332	138	439
Other overseas locations	430	2,168	2,568
	21,352	22,714	44,704

4. FINANCIAL INCOME AND EXPENSES

	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
Financial expenses			
Interest on bank loans and overdrafts	(323)	(670)	(1,262)
Net finance expense on pension scheme*	(75)	(74)	(149)
	(398)	(744)	(1,411)

* Includes £44,000 of pension administration expenses paid for by the Group (31 March 2015: £45,000; 30 September 2014: £89,000).

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 per share

The calculation of basic loss per share of 0.38p (31 March 2015: loss per share of 19.17p; 30 September 2015: loss per share of 24.57p) is based on 200,250,684 shares (31 March 2015: 49,077,469; 30 September 2015: 49,491,094), being the weighted average number of shares in issue throughout the period and the loss of £754,000 (31 March 2015: loss of £9,408,000; 30 September 2015: loss of £12,161,000).

Diluted loss 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 2016, 31 March 2015 and for the year ended 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 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 2016 Number	Six months to 31 March 2015 Number	Year to 30 September 2015 Number
Basic weighted average number of shares	200,050,684	49,077,469	49,491,094
Dilutive potential ordinary shares arising from share options	-	-	-
Adjusted weighted average number of shares	200,050,684	49,077,469	49,491,094
	£000	£000	£000
Earnings:			
Loss on ordinary activities before tax	(911)	(9,551)	(12,737)
Exceptional items	159	7,624	9,345
Amortisation of acquired intangible assets	162	250	441
Adjusted loss before tax	(590)	(1,677)	(2,951)
Tax at 20.0% (31 March 2015: 21.0%; 30 September 2015: 20.5%)	118	352	605
Adjusted profit after tax	(472)	(1,325)	(2,346)
Adjusted fully taxed basic earnings per share	(0.24)p	(2.70)p	(4.74)p
Adjusted fully taxed diluted earnings per share	(0.24)p	(2.70)p	(4.74)p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. EARNINGS PER SHARE (CONTINUED)

Continuing operations	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
Loss before tax	(752)	(2,098)	(3,643)
Exceptional items	-	647	1,240
Amortisation of acquired intangible assets	162	162	321
Adjusted loss before tax	(590)	(1,289)	(2,082)
Tax at 20.0% (31 March 2015: 21.0%; 30 September 2015: 20.5%)	118	271	427
Adjusted loss after tax	(472)	(1,018)	(1,655)
Adjusted fully taxed diluted loss per share	(0.24)p	(2.07)p	(3.34)p
Discontinued operations			
	£000	£000	£000
Loss before tax	(159)	(7,453)	(9,094)
Exceptional items	159	6,977	8,105
Amortisation of acquired intangible assets	-	88	120
Adjusted loss before tax	-	(388)	(869)
Tax at 20.0% (31 March 2015: 21.0%; 30 September 2015: 20.5%)	-	81	178
Adjusted loss after tax	-	(307)	(691)
Adjusted fully taxed diluted loss per share	0.00p	(0.63)p	(1.40)p

7. CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
Loss after taxation	(754)	(9,408)	(12,161)
Adjustments for:			
Depreciation	142	500	697
Amortisation of intangible assets	210	290	519
Exceptional write down of goodwill	-	5,163	-
Difference between pension charge and cash contributions	(124)	(97)	(307)
Loss on sale of property, plant and equipment	-	60	102
Loss on disposal of subsidiary company	-	-	5,147
Share based payments charge/(credit)	101	(6)	(1)
Financial expenses	398	744	1,411
Taxation credit recognised in income statement	(157)	(143)	(576)
Decrease in trade and other receivables	1,753	7,240	5,809
Increase/(decrease) in inventories	(61)	142	144
Decrease in trade and other payables	(3,927)	(3,973)	(2,239)
Net assets sold on disposal of subsidiary company	-	-	-
Cash (absorbed by)/generated from operations	(2,419)	512	(1,455)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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 2016 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	687	749	-	1,436
Bank overdraft	-	-	-	-
Bank loan due within one year	-	-	-	-
<hr/>				
Net cash and cash equivalents				
(Borrowings due within one year)	-	-	-	-
Bank loan due after more than one year	(6,175)	2,175	-	(4,000)
Other loan due after more than one year	-	(5,745)	-	(5,745)
	(5,488)	(2,821)	-	(8,309)

The Group entered into new banking arrangements in December 2015. These facilities expire in December 2018. They comprise total facilities of £11,745,000, being an overdraft of £2,000,000 and a revolving credit facility of £4,000,000 with HSBC and a term loan of £5,745,000 with funds managed by Henderson.

9. DISCONTINUED OPERATIONS

Income and expenditure incurred on discontinued operations during the period comprises 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.

9. DISCONTINUED OPERATIONS (CONTINUED)

	Six months to 31 March 2016 £000	Six months to 31 March 2015 £000	Year to 30 September 2015 £000
Revenue	234	18,665	24,132
Cost of sales	(222)	(16,772)	(21,222)
Gross profit	12	1,893	2,910
Administrative expenses	(12)	(2,369)	(3,899)
Adjusted operating loss before exceptionals	-	(476)	(989)
Exceptional items	(130)	(1,774)	(2,958)
Operating loss before impairment and loss on disposal of operations	(130)	(2,250)	(3,947)
Impairment	-	-	-
Loss on disposal of operations	(29)	(5,203)	(5,147)
Operating loss and loss before taxation	(159)	(7,453)	(9,094)
Taxation credit	-	-	25
Loss after taxation from discontinued operations	(159)	(7,453)	(9,069)

During the period, discontinued operations contributed to a net outflow of £0.2m (31 March 2015: £0.6m outflow; 30 September 2015: £4.4m outflow) to the Group's operating cash flows and there was no cash flow (31 March 2015: £0.1m outflow; 30 September 2015: £5.1m inflow) from investing activities. There were also no cash flows from financing activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. DIVIDENDS ON EQUITY SHARES

There were no dividends paid during the six month period to 31 March 2016 or the year ended 30 September 2015.

The Directors do not propose the payment of an interim dividend for the six months ended 31 March 2016.

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 2016 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 2016 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.

**John Pass for and on behalf of
KPMG LLP**

Chartered Accountants

1 Sovereign Square, Sovereign Street, Leeds
8 June 2016

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.

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