

Redhall Group plc

Interim Report

/ 2017

/ Financial highlights

	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000
Group revenue - continuing business	18,964	21,352
Adjusted operating profit/(loss)* - continuing business	183	(91)
Loss before tax on continuing business	(619)	(752)
Loss on discontinued operations net of tax	(72)	(159)
Loss before tax	(691)	(911)
Adjusted fully taxed basic and diluted earnings per share on continuing business	(0.10)p	(0.20)p
Basic and diluted loss per share	(0.39)p	(0.38)p

* Adjusted continuing results are stated before exceptional items from continuing business of £nil (31 March 2016: £nil), amortisation of acquired intangible assets of £153,000 (31 March 2016: £162,000) and an IFRS 2 charge of £210,000 (31 March 2016: £101,000).

Martyn Everett, Chairman, commented:

“We have a strong order book and we are creating a platform for the Group to further its position as a leading player in its core nuclear defence, decommissioning and new build markets. We continue to respond to a very high level and value of requests for tender particularly for nuclear new build and decommissioning and infrastructure projects and we continue to focus on converting these opportunities.

“We are delighted to have obtained a number of orders for work relating to Hinkley Point C and we are confident that our capabilities will allow us to win further work on our own account and in conjunction with others.”

/ Chairman's Statement

INTRODUCTION

The Board of Redhall has announced today that it is seeking to raise up to approximately £9.5 million of new equity by way of a placing of new ordinary shares and, in addition, the conversion into new ordinary shares of £3.75 million of the debt owed by the Company to funds managed by LOIM, all at 10p per share, which is a premium of 11.1% to the closing price on 13 June 2017. This fundraising and debt conversion, which will be subject amongst other things, to shareholder approval at a General Meeting on 30 June 2017, seeks to provide the working capital and investment funds for the next stage of Redhall's strategy.

The fundraising has been launched in response to the growing momentum of the Group's recovery. During the first half we experienced a considerable level of tender and bid activity for major projects. This has resulted in an increase in the order book (on a like for like basis following the completion of the BAE contract) to £32 million from £27 million at the end of December 2016. Recent orders include £8 million of work related to the nuclear new build project at Hinkley Point C.

I am also pleased to report an adjusted profit for the first half of the year of £0.2 million. This further demonstrates improvement in the performance of the Group, which is in line to achieve market expectations for the full year.

TRADING RESULTS

Revenue for the six month period amounted to £19.0 million (2016: £21.4 million). Adjusted operating profit before interest, tax, amortisation, IFRS 2 charge and exceptional items amounted to £0.2 million (2016: loss of £0.1 million). The adjusted fully diluted loss per share from the continuing businesses amounted to £0.10p (2016: loss of 0.20p).

More detail of the trading performance is provided in the Chief Executive's review. Our results for the period are now reported in a single segment.

Following completion of work for BAE on the Astute contract, our remaining businesses are all market leaders in the provision of high integrity manufacturing and services delivered into complex and hazardous environments.

FINANCIAL POSITION

We continued to invest in the business during the period. At Booth Industries we commissioned a new press improving control over our supply chain and reducing lead times. We also invested in improvements to our engineering and design capability to further reduce lead times.

Net debt (excluding finance leases of £0.4m) at the end of the period was £8.9 million (September 2016: £8.2 million). This reflects the unwind of a favourable working capital position and expenditure on fixed assets during the period. The Group's bank facilities are being renegotiated alongside the fundraising and debt conversion. Agreement in principle has been reached with HSBC to increase the Company's facilities with HSBC from £5.525 million to £8.0 million, consisting of a £5.525 million revolving credit facility with a £2.475 million accordion facility at more favourable rates. The LOIM borrowings of £5.7 million are expected to be reduced to £2.0 million by the debt conversion.

Our defined benefit pension deficit has fallen by over 50% in the period to £1.8 million (September 2016: £3.8 million). This reflects an improvement in discount rates and changes in mortality data since the last valuation.

DIVIDEND

The Board has recommended that no interim dividend will be paid in 2017.

PEOPLE

Our employees are at the core of everything we do. The continued delivery of our strategic plans is reliant on their continued support, for which the

Board is extremely grateful. We have created a strong springboard for the future with the placing and debt conversion and look forward to working together to create a strong, growing Group with their further commitment.

PROSPECTS

We have a strong order book and we are creating a platform for the Group to further its position as a leading player in its core nuclear defence, decommissioning and new build markets. We continue to respond to a very high level and value of requests for tender particularly for nuclear new build and decommissioning and infrastructure projects at Booth Industries and Jordan Manufacturing and we continue to focus on converting these opportunities.

We are delighted to have obtained a number of orders for work relating to Hinkley Point C through Jordan Manufacturing, which is based locally in Yate. We are confident that our capabilities will allow us to win further work on our own account and in conjunction with others.

Martyn Everett

Chairman

14 June 2017

/ Chief Executive's Review

OVERVIEW

The strategic focus of the past two years has seen Redhall transform from a labour intensive contracting business into a Group delivering high integrity manufactured products and services into complex, secure and hazardous environments. We have been particularly successful in positioning the Group to benefit from the substantial opportunities that exist in the nuclear market and by the end of this financial year we will be in full production on projects in all three areas of our target nuclear sectors of defence, decommissioning and new build - most significantly being the confirmation of our preferred bid status on an early marine works package at Hinkley Point C valued at c£8 million.

This progress is reflected in a like for like improvement in our order book which now stands at £32 million (£20 million June 2016; £27 million December 2016). This growth comes from customer orders to manufacture goods for the nuclear market. This is particularly pleasing as the growth in order volume is mirrored by an improvement in quality as products for nuclear tend to be highly engineered and typically attract the highest returns.

Behind this order book is a substantial pipeline of projects already bid and we are seeing an increasing number of opportunities in many of our core markets. In previous year reviews we said we were positioning ourselves for the considerable opportunity presented by nuclear new build. It is therefore pleasing to note that Hinkley Point C is now under construction and that we are receiving orders under our confirmed preferred bid status. Opportunities also continue to grow from the increased spend in decommissioning, particularly at Sellafield; the commencement of the Successor boat programme with its 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.

The changing profile of our order book and how it is delivered also accounts for the anticipated second

half weighting of this year's revenue and profit. Last year the order growth was driven by the award of high integrity doors in our Booth Industries ("Booth") subsidiary. These products are highly engineered and can remain in design for many months. This is a high value added stage but results in low revenues and returns as it is entirely people based. Once the project moves into manufacturing and we buy in materials and sub-contract items the revenues and returns increase significantly. This will occur in Booth in the second half. More recently the order book growth has been driven by Jordan Manufacturing Ltd ("Jordan"), particularly on Hinkley Point C projects. These schemes have high value specialist materials used in manufacturing but have a lower engineering content. As a result they move into production on a shorter lead time and will commence fabrication in the second half, simultaneously with the high levels of manufacturing in Booth. We expect that this will result in sustained higher revenues and margins for the Group generated by the manufacturing businesses but with higher capital needs to sustain this growth. We are therefore delighted to announce today that we are seeking to raise, subject to shareholders approval, up to £9.5 million through a placing of new shares and £3.75 million through a debt for equity conversion. This transaction will give the Group sufficient working capital to deliver our growing order book and pipeline. It will allow us to invest for future growth, increased margins, improved customer perception and give us an ability to further position the Group to realise opportunities in our rapidly increasing core markets.

In repositioning the business we now provide manufactured products and services into the largest and most complex infrastructure projects in the UK. Our ultimate clients are, quite rightly, demanding in their requirements for quality and delivery. We recognise the importance of being a customer-focused business and have substantially increased our investment into training and development of our people, investment into product development and investment in modernising

equipment. We expect that this investment will increase further as the Group develops and grows.

The Group made an adjusted operating profit for the first half of £0.2m (H1 2016: £0.1 million loss) on revenue of £19.0 million. Before deducting Group and central services costs, the adjusted profit amounted to £1.2 million. It is important to note the contribution from the businesses as it underlines the importance of growth to gain efficiencies in our central and Group costs. The result is in line with our expectations and represents a step forward on H1 2016 with the businesses contributing an operating profit before central costs of 6.5% (H1 2016: 5.2%). We would expect this to be substantially higher in the second half of the year and into 2018. During our restructuring stage we had many exceptional costs impacting our results and consuming cash. It is therefore worthy of note that the first half accounts have no exceptional costs.

HEALTH & SAFETY

The health and safety of our employees and those who may be affected by our business remains our highest priority. All of our five 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.

OPERATIONAL REVIEW

Booth Industries Ltd

Booth has moved increasingly into its high integrity door manufacturing in the last two years. This has been part planned as it is typically the most highly engineered product that we manufacture but it has also been in response to a rapidly declining oil and

gas market into which Booth supply blast and fire products. The revenue from oil and gas has been more than replaced by the nuclear defence and decommissioning markets and large infrastructure projects, particularly Crossrail. The order book in Booth has grown significantly and the feature of the first half has been engineering these orders ready to pass through to manufacturing on the shop floor. This occurs in the second half resulting in much higher revenues and returns. Engineering works continue on incoming orders and we expect that, moving forward into 2018 there will be a regular release of work into manufacturing.

Jordan Manufacturing

Jordan has repositioned its market in the past two years from general industrial and architectural metalwork to be focused on high integrity bespoke manufactured products for complex environments. Over 80% of the work done in this subsidiary now serves the nuclear market. Due to the gestation period of many nuclear projects it can take time to achieve this transformation but as the revenue has been steadily increasing so has the proportion of nuclear orders. Until recently the vast majority of growth came from nuclear decommissioning projects on Sellafield and Dounreay. However we are now benefiting from substantial packages on Hinkley Point C relating to the early marine works. As these projects are largely “build to print”, with low engineering input but a high specialist material content, they will positively impact our revenues and returns in the second half.

R. Blckett Charlton (RBC)

As previously reported, RBC principally supplied large bore pipe to the offshore oil and gas market. This market collapsed in 2015 and we took rapid action to mothball this part of the business. The remaining small manufacturing facility operates as Chieftain Fabrications and it supports the manufacturing activities of the Group. It currently procures sufficient contracts to contribute to the overheads of the Group.

/ Chief Executive's Review (continued)

Redhall Jex

Redhall Jex provides design, manufacture, installation, relocation and refurbishment of process equipment principally into the food sectors. We anticipated that the first half of the current year would continue at the levels experienced in the second half of the 2016 year with lower demand from our principal clients. This has proved to be the case. We also anticipated however, that volumes from our major clients of Kellogg's, Mondelez, Mars and Nestle would improve as their pipeline projects move to order placement. This has been borne out by the award of a number of recent contracts valued at £2.8 million. These and other near term pipeline opportunities should underpin trading expectations for the year.

Redhall Networks

Redhall Networks provides cellular rigging installations to the mobile telecommunications network across England and Scotland. During the first half the business continued to benefit from high levels of infrastructure work. 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 and returns experienced in Redhall Networks will continue.

Outlook

When we outlined our strategic plan nearly three years ago we detailed three main stages. The first was to restructure the Group, to reduce debt, reduce risk and to focus on our high integrity, higher margin activities. Stage two concentrated on the investment, improvement and the positioning of the retained businesses ready for what we believed would be considerable growth in our core markets. We are now moving into stage three, which is one of growth in our high integrity manufacturing businesses.

We have already demonstrated our ability to secure good quality orders and believe that we

have created substantial opportunity to continue to grow these. We have now received orders and confirmed preferred bid status on significant projects on Hinkley Point C and both orders and tenders are increasing in decommissioning. Other core markets of defence, mobile communications and food all continue to have strong underlying order books and pipeline.

In the second half of the year and into 2018 the secured projects in our manufacturing businesses move through engineering and into manufacturing, which will significantly increase the revenue and margin. This shift from stage two to stage three has culminated in the announcement today that we are seeking to raise, subject to shareholders' approval, up to £9.5 million through a placing of new shares and £3.75 million through a debt for equity conversion.

Our trading remains in line with full year market expectations and we are confident that the investment and improvements already made in the business, coupled with the increasing order book and substantial improvement in capital base, will deliver profitable growth and return long term benefits for our stakeholders.

Phil Brierley

Chief Executive

14 June 2017

/ Condensed Consolidated Interim Income Statement

	Note	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
Revenue	3	18,964	21,352	43,823
Cost of sales		(14,546)	(16,897)	(33,903)
Gross profit		4,418	4,455	9,920
Administrative expenses		(4,598)	(4,809)	(10,157)
Loss before interest and tax	3	(180)	(354)	(237)
Continuing businesses		1,228	1,105	3,295
Central costs		(1,045)	(1,196)	(2,439)
Adjusted operating profit/(loss)*		183	(91)	856
Exceptional items		-	-	(397)
Amortisation of acquired intangible assets		(153)	(162)	(323)
IFRS 2 charge		(210)	(101)	(373)
Operating loss		(180)	(354)	(237)
Net financial expense		(439)	(398)	(857)
Loss before tax on continuing operations		(619)	(752)	(1,094)
Tax (charge)/credit on loss on ordinary activities	5	(93)	157	407
Loss on continuing operations		(712)	(595)	(687)
Loss on discontinued operations net of tax	10	(72)	(159)	(983)
Loss attributable to equity holders of the Parent Company		(784)	(754)	(1,670)
Loss per share	6			
Basic		(0.39)p	(0.38)p	(0.83)p
Diluted		(0.39)p	(0.38)p	(0.83)p

* Before exceptional items, amortisation of intangible assets acquired with business combinations and IFRS 2 charge.

/ Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
Loss for the period		(784)	(754)	(1,670)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit liability		1,982	-	(1,963)
Tax on actuarial adjustment		(332)	-	318
Revaluation of gains on fixed assets		-	-	46
Other comprehensive income for the period net of tax		1,650	-	(1,599)
Total comprehensive income attributable to equity holders of the Parent Company		866	(754)	(3,269)

/ Condensed Consolidated Interim Balance Sheet

	Note	As at 31 March 2017 £000	As at 31 March 2016 £000	As at 30 September 2016 £000
Assets				
Non-current assets				
Property, plant and equipment		3,000	2,601	2,648
Intangible assets		2,704	2,770	2,732
Purchased goodwill		18,305	18,305	18,305
Deferred tax asset		607	311	1,032
		24,616	23,987	24,717
Current assets				
Inventories		582	578	636
Trade and other receivables (of which £322,000 are due after one year (31 March 2016: £240,000; 30 September 2016: £78,000))		12,371	13,215	11,452
Cash and cash equivalents	8	350	1,436	1,021
		13,303	15,229	13,109
Liabilities				
Current liabilities				
Trade and other payables		(9,930)	(9,687)	(9,217)
Finance leases		(92)	-	-
Current tax payable		(19)	(19)	(19)
		(10,041)	(9,706)	(9,236)
Non-current liabilities				
Borrowings	8	(9,269)	(9,745)	(9,269)
Finance leases		(293)	-	-
Retirement benefit obligations	9	(1,815)	(1,836)	(3,796)
		(11,377)	(11,581)	(13,065)
Net assets		16,501	17,929	15,525
Equity attributable to owners of the Parent Company				
Share capital		12,284	12,284	12,284
Share premium account		28,326	28,326	28,326
Merger reserve		12,679	12,679	12,679
Revaluation reserve		102	102	102
Other reserve		1,499	1,278	1,389
Retained earnings		(38,389)	(36,740)	(39,255)
Total equity		16,501	17,929	15,525

/ 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 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
At 1 October 2016	12,284	28,326	12,679	102	1,389	(39,255)	15,525
Employee share-based compensation	-	-	-	-	110	-	110
Transactions with owners	-	-	-	-	110	-	110
Loss for the period	-	-	-	-	-	(784)	(784)
Total comprehensive income for the period	-	-	-	-	-	1,650	1,650
At 31 March 2017	12,284	28,326	12,679	102	1,499	(38,389)	16,501

/ Condensed Consolidated Interim Cash Flow Statement

	Note	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
Cash generated from/(absorbed by) operations	7	87	(2,419)	(1,575)
Interest paid		(379)	(412)	(792)
Net cash absorbed by operating activities		(292)	(2,831)	(2,367)
Cash flows from investing activities				
Purchase of property, plant and equipment		(104)	(242)	(478)
Purchase of intangible assets		(206)	(188)	(355)
Proceeds from sale of plant and equipment		-	440	440
Net cash (used in)/received from investing activities		(310)	10	(393)
Cash flows from financing activities				
Proceeds from borrowings		-	9,745	9,744
Repayment of facility		-	(5,745)	(5,745)
Repayment of long term borrowing		-	(430)	(905)
Repayment of finance leases		(69)	-	-
Net cash generated by financing activities		(69)	3,570	3,094
Net (decrease)/increase in cash and cash equivalents		(671)	749	334
Cash and cash equivalents at beginning of period		1,021	687	687
Cash and cash equivalents at end of period	8	350	1,436	1,021

/ 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 2017 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 2016 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 2016.

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 2016. 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 entered into new banking arrangements in December 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 20.

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 2016 and remain unchanged.

3. SEGMENT ANALYSIS

The Board of Directors, which is the Chief Operating Decision Maker as described by IFRS 8 has concluded, given the cessation of work by Redhall Marine, that the Group now comprises one segment and this is how the CODM reviews performance and allocates resources. The remaining businesses are all market leaders in the provision of high integrity manufacturing and services delivered into complex and hazardous environments and have similar characteristics. The segment performance is measured in accordance with IFRS and segment result is adjusted operating profit/loss on the face of the income statement.

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 10.

/ 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 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
United Kingdom	16,782	20,590	41,833
Other European Union countries	904	332	9,536
Other overseas locations	1,278	430	1,037
	18,964	21,352	43,823

4. FINANCIAL INCOME AND EXPENSES

	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
Financial expenses			
Interest on bank loans and overdrafts	(324)	(323)	(703)
Interest on finance leases	(10)	-	-
Net finance expense on pension scheme*	(105)	(75)	(154)
	(439)	(398)	(857)

* Includes £60,000 of pension administration expenses paid for by the Group (31 March 2016: £44,000; 30 September 2016: £85,000).

5. TAXATION

The charge 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 0.39p (31 March 2016: loss per share of 0.38p; 30 September 2016: loss per share of 0.83p) is based on 200,250,684 shares (31 March 2016: 200,250,684; 30 September 2016: 200,250,684), being the weighted average number of shares in issue throughout the period and the loss of £784,000 (31 March 2016: loss of £754,000; 30 September 2016: loss of £1,670,000).

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 2017, 31 March 2016 and for the year ended 30 September 2016 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.

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 2017 Number	Six months to 31 March 2016 Number	Year to 30 September 2016 Number
Basic weighted average number of shares	200,050,684	200,050,684	200,050,684
Dilutive potential ordinary shares arising from share options	-	-	-
Adjusted weighted average number of shares	200,050,684	200,050,684	200,050,684
	£000	£000	£000
Earnings:			
Loss on ordinary activities before tax	(691)	(911)	(2,077)
Exceptional items	72	159	1,380
Amortisation of acquired intangible assets	153	162	323
IFRS 2 charge	210	101	373
Adjusted loss before tax	(256)	(489)	(1)
Tax at 19.5% (31 March 2016: 20.0%; 30 September 2016: 20.0%)	50	98	-
Adjusted profit after tax	(206)	(391)	(1)
Adjusted fully taxed basic earnings per share	(0.10)p	(0.20)p	(0.00)p
Adjusted fully taxed diluted earnings per share	(0.10)p	(0.20)p	(0.00)p

/ Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. EARNINGS PER SHARE (CONTINUED)

Continuing operations	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
	Loss before tax	(619)	(752)
Exceptional items	-	-	397
Amortisation of acquired intangible assets	153	162	323
IFRS 2 charge	210	101	373
Adjusted loss before tax	(256)	(489)	(1)
Tax at 19.5% (31 March 2016: 20.0%; 30 September 2016: 20.0%)	50	98	-
Adjusted loss after tax	(206)	(489)	(1)
Adjusted fully taxed diluted loss per share	(0.10)p	(0.20)p	(0.00)p
Discontinued operations	£000	£000	£000
Loss before tax	(72)	(159)	(983)
Exceptional items	72	159	983
Amortisation of acquired intangible assets	-	-	-
Adjusted loss before tax	-	-	-
Tax at 19.5% (31 March 2016: 20.0%; 30 September 2016: 20.0%)	-	-	-
Adjusted loss after tax	-	-	-
Adjusted fully taxed diluted loss per share	0.00p	0.00p	0.00p

7. CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
Loss after taxation	(784)	(754)	(1,670)
Adjustments for:			
Depreciation	206	142	331
Amortisation of intangible assets	233	210	415
Difference between pension charge and cash contributions	1	(124)	(196)
Share based payments charge	110	101	212
Financial expenses	439	398	857
Taxation charge/(credit) recognised in income statement	93	(157)	(514)
(Increase)/decrease in trade and other receivables	(918)	1,753	3,516
Decrease/(increase) in inventories	54	(61)	(119)
Increase/(decrease) in trade and other payables	653	(3,927)	(4,407)
Cash generated from/(absorbed by) operations	87	(2,419)	(1,575)

/ 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 2017 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	1,021	(671)	-	350
Bank overdraft	-	-	-	-
Bank loan due within one year	-	-	-	-
Finance leases	-	-	(92)	(92)
<hr/>				
Net cash and cash equivalents				
(Borrowings due within one year)	-	-	-	-
Bank loan due after more than one year	(3,525)	-	-	(3,525)
Other loan due after more than one year	(5,744)	-	-	(5,744)
Finance leases	-	-	(293)	(293)
	<hr/>	<hr/>	<hr/>	<hr/>
	(8,248)	(671)	(385)	(9,304)

The Group entered into new banking arrangements in December 2015. These facilities expire in December 2018. They comprise total facilities of £11,269,000, being an overdraft of £2,000,000 and a revolving credit facility of £3,525,000 with HSBC and a term loan of £5,744,000 with funds managed by LOIM.

9. RETIREMENT BENEFIT OBLIGATIONS

The liability for retirement benefit obligations relates to the Booth Industries Group PLC Staff Pensions and Life Assurance Scheme.

The result of the most recent formal actuarial valuation which was carried out as at 6 April 2015 has been updated to 31 March 2017 by an independent qualified actuary. The reduction in the deficit arises principally from changes in the discount rate and mortality assumptions (CMI 2016).

10. DISCONTINUED OPERATIONS

Income and expenditure incurred on discontinued operations comprises the ongoing exit from Nuclear Site Services business.

	Six months to 31 March 2017 £000	Six months to 31 March 2016 £000	Year to 30 September 2016 £000
Revenue	273	234	487
Cost of sales	(261)	(222)	(487)
Gross profit	12	12	-
Administrative expenses	(12)	(12)	-
Adjusted operating loss before exceptionals	-	-	-
Exceptional items	(72)	(159)	(983)
Operating loss and loss before taxation	(72)	(159)	(983)
Taxation credit	-	-	-
Loss after taxation from discontinued operations	(72)	(159)	(983)

During the period, discontinued operations contributed a net cash inflow of £83,000 (31 March 2016: £200,000 outflow; 30 September 2016: £110,000 inflow) to the Group's operating cash flows and there were no cash flows from investing activities or from financing activities.

11. DIVIDENDS ON EQUITY SHARES

There were no dividends paid during the six month period to 31 March 2017 or the year ended 30 September 2016.

The Directors do not propose the payment of an interim dividend for the six months ended 31 March 2017.

12. DISTRIBUTION OF INTERIM REPORT

Copies of this interim report are available from the Company Secretary, Redhall Group plc, Unit 3, Calder Close, Wakefield, WF4 3BA 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 2017 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 2017 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.

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

Chartered Accountants

1 Sovereign Square, Sovereign Street, Leeds

14 June 2017

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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