

Redhall Group plc

Redhall Group plc
("Redhall" or the "Group")

Interim Results for the six months ended 31 March 2010

Redhall Group plc, the specialist engineering support services group, announces its interim results for the six months ended 31 March 2010.

FINANCIAL HIGHLIGHTS

- Revenue increased to £65.4m (H1 2009: £64.8m)
- Adjusted operating profit increased 10% to £3.5million (H1 2009:£3.2 million)
- Adjusted profit before tax up 6% to £3.3m (H1 2009 : £3.1m)
- Adjusted fully diluted earnings per share increased to 8.0p (H1 2009: 7.9p)
- Interim dividend of 1.80p per share (H1 2009: 1.65p)
- Net cash resources of £7.5m (30 September 2009 : £6.3m)

OPERATIONAL HIGHLIGHTS

- Successful re-branding of businesses under the Redhall banner
- Energy and Defence delivering resilient performances
- Work commenced on £30m contract for BP bio-ethanol plant at Saltend
- Order book at £130m (H1 2009: £110m)
- Dr. Jim Carrick joins the Board as Non-Executive Director

David Jackson, Executive Chairman of Redhall, commented:

"We are pleased with the Group's performance in the first half of the current financial year, which demonstrates that the business has retained its ability to deliver through a testing time in our markets. We believe that the ever strengthening Redhall brand will assist us in growing our business across our target markets as economic conditions improve."

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Chairman's Statement

Introduction

We are pleased with the Group's performance in the first half of the current financial year, which demonstrates that the business has retained its ability to deliver through a testing time in our markets. We continue to anticipate year on year growth in a market where many of our competitors are showing falling revenues. Our key clients have a genuine desire to work with the Redhall Group.

We are making structural changes in the Group for the benefit of future trading. The integration of our engineering and our nuclear businesses under the Redhall banner is progressing well.

The award of the £30 million Bioethanol project for Vivergo at Saltend has contributed to a solid base going forward. This project has now commenced and is progressing satisfactorily.

Trading Results

We report marginally increased revenue for the half year to 31 March 2010 at £65.4 million compared to £64.8 million in 2009. Adjusted profit before tax increased by 6% to £3.3 million (2009: £3.1 million) and adjusted fully taxed diluted earnings per share was 8.0p, up 1% from a comparative of 7.9p.

The business incurred exceptional costs of £491k in the first half of this financial year, relating primarily to integration costs on the formation of the Redhall brand and restructuring costs in our Process division.

During the period our Energy and Defence divisions have performed well, however as previously noted Process continues to suffer from intense competition in a depressed market. Nonetheless, overall adjusted operating profit showed an increase of 10% at £3.5million (2009:£3.2 million).

Operating Review

Energy (48% of Revenue)

The Group's activity in the energy market has seen a further year of growth with adjusted operating profit increasing 18% to £2.5 million (2009: £2.1 million) on revenues up 3% at £31.1 million (2009: £30.2 million). Operating margins improved to 8.0% (2009: 7.0%) reflecting a more pronounced shift to project orientated work, particularly in oil and gas.

In civil nuclear, market conditions remain subdued as the letting of work and its execution has been slow. However, progress was made in the first half in improving order intake. In decommissioning and engineering services our key framework contracts in legacy ponds and silos have been extended and we have won project work at Sellafield, Bradwell, Hunterston and Berkeley totalling £10 million.

We believe that whilst various pressures will come to bear on budgets in the coming months, the Nuclear Decommissioning Authority will continue to view our areas of activity as key strategic priorities.

In oil and gas, we have seen positive trading in both specialist manufacturing for upstream oil and gas and downstream engineering services projects. This has led to the improvement in underlying margin. During the period we have won significant term contracts with Chevron and Ineos for oil tank build and refurbishment.

In power, we completed our waste to energy projects for Lancashire and Blackpool Councils and our term contracts in the North East of England and Northern Ireland for key power stations have performed well. We have also further developed our relationship with British Energy at Hartlepool and Dungeness on environmental projects and are looking to repeat such activities across other British Energy establishments.

Defence (18% of Revenue)

The Group's engineering services to the Ministry of Defence, particularly our work with the Atomic Weapons Establishment ("AWE") and the Astute class submarine programme, saw strong trading with a 34% increase in adjusted operating profits to £1.1 million (2009: £0.8 million) on reduced revenues of £12.3 million (£13.1 million). Margins improved to 9.3% (2009: 6.5%) reflecting a more beneficial mix of work and the targeting of improvements in performance on current major contracts, particularly those inherited with the Chieftain acquisition.

We continue to support AWE at Aldermaston and Burghfield through our re-kit contracts, which form a solid baseload of work. We have secured a new framework contract that expands the range of activities across the site, particularly in infrastructure upgrade. We are increasing our focus on new areas where our reputation for delivery can be beneficial. Major contracts in both specialist manufacture and engineering services secured in 2009 continue to run satisfactorily and will continue well into 2011. We are working with AWE on the development of the next round of major turnkey projects and are looking to play a material part in these later in the year.

Our long term submarine outfitting contract with BAE for the build of the Astute class submarine performed as anticipated. Boat One left Barrow for sea trials in December 2009 and we are presently working on Boats Two to Four. A major focus following the Chieftain acquisition has been to deliver both financial and operational improvements within the business and we are pleased to report that this is progressing to plan.

Process (34% of Revenue)

The Group's activities in turnkey design and build and term maintenance to the food, pharmaceutical and chemical sectors saw a disappointing performance in the period, with revenue increasing by 2% to £22.0 million (2009: £21.5 million) but adjusted operating profit falling 29% to £0.9 million (2009: £1.3 million). This was a small improvement on the second half of 2009. Operating margin was 4.3% (2009: 6.2%) and reflected a continuation of the highly competitive environment in the process market.

Whilst there has been some improvement in demand, on the whole our clients continue to defer spend on their major UK capital programmes. However, they are progressively redirecting spend in the short term to other growing global markets such as Eastern Europe. We are benefiting from this redirected spend by supporting these overseas projects as they prefer to use our UK engineering capability, particularly in design. We are creating plans to improve margins through the development of local overseas resource.

We believe that these subdued conditions will not continue indefinitely in this sector, but whilst the economic recovery remains fragile we continue to be cautious about opportunities for UK growth and have rightsized the business accordingly and continue to reallocate resources to other growing markets.

Financial Position

Cash inflow from operations in the first half of the current financial year was £2.9 million, representing a cash conversion rate of 83% compared to 80% in the full 2009 financial year. The average cash conversion over the past three years has been 97%. The Group ended the period with net cash resources of £7.5 million (30 September 2009:£6.3 million), unutilised bank facilities of £8.5 million (30 September 2009:£8.5 million) and nil gearing. The strength of our balance sheet position is an important factor in developing both organic and acquisitional growth opportunities for the Group.

The effective rate of corporation tax in the period under review was 25%, compared to 20.2% in the 2009 full financial year. This reflects the continuing but diminishing utilisation of historical tax losses.

Dividend

The Board has recommended an interim dividend of 1.8p per share, a 9% increase on the 2009 interim dividend of 1.65p and in line with our continuing policy of a minimum of three times cover. This increase reflects the Board's confidence in the Group's current performance, its prospects and its sustained ability to generate cash from operations. The dividend will be paid on 9 July 2010 to shareholders on the register on 11 June 2010.

Non-Executive Director Appointment

We are pleased to announce today the appointment of a new Non-Executive Director with effect from 1 October 2010. Jim Carrick worked for seven years in a senior capacity for Washington Group International, now URS Corporation, predominantly in the energy, defence, infrastructure and nuclear waste management sectors. Prior to that, he had a long and successful career in ICI, mainly in manufacturing and engineering. He is a chartered engineer with a broad technical and management background and played a significant role in Washington Group's expansion into the UK and Europe.

Prospects

The overriding objective in the current economic climate has been to keep the business on a sound financial footing. We have again improved our net cash position, despite cash generation in the current economic climate being more difficult. We are now seeking opportunities to deploy our surplus cash. We have the capacity to greatly increase earnings with the effective use of this capital and the assumption of a modest level of debt.

The integration process that we are undergoing this year enables us to handle contracts of a higher value and encourages our clients to see us in a different light. We have received a good reception to our introduction of the Redhall brand.

The nuclear new build programme is beginning to take tangible shape and we continue to explore the opportunities with several potential partners. We are reaching the stage where we have identified preferred partners for manufacturing and contracting and will be committing resource to these options once timescales have been clarified by the new Government. This programme remains a significant long-term opportunity for the Group.

Our current order book stands at £130 million (30 September 2009:£115 million). The public sector spending review to be announced in the autumn will inevitably cause short term uncertainty but it is our belief that we have positioned our order book in areas which, in the main, will be unaffected by any potential cut backs. In fact we see the spending review as an opportunity for Redhall as we believe that further outsourcing will accompany any cost reduction programme.

Redhall has continued to deliver a resilient performance in subdued trading conditions. We believe that the Redhall brand will assist us in growing our business across our target markets as economic conditions improve.

David Jackson
Executive Chairman
3 June 2010

Redhall Group plc

Consolidated Interim Income Statement

	Note	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Revenue	2	65,412	64,841	128,964
Cost of sales		(53,948)	(53,948)	(104,702)
Gross profit		11,464	10,893	24,262
Administrative expenses		(8,830)	(8,040)	(18,827)
Operating profit	2	2,634	2,853	5,435
Financial income	3	40	135	189
Financial expenses	3	(225)	(199)	(489)
Profit before tax		2,449	2,789	5,135
Adjusted operating profit*		3,481	3,171	6,765
Net financial expenses		(185)	(64)	(300)
Adjusted PBTA*		3,296	3,107	6,465
Exceptional items		(491)	-	(655)
Amortisation of acquired intangible assets		(356)	(318)	(675)
Profit before tax		2,449	2,789	5,135
Tax on profit on ordinary activities	4	(612)	(697)	(1,037)
Profit attributable to equity holders of the Parent Company		1,837	2,092	4,098
Earnings per share	5			
Basic		6.2p	7.5p	14.2p
Diluted		6.2p	7.4p	14.1p

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

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Consolidated Interim Statement of Comprehensive Income

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Profit for the period	1,837	2,092	4,098
Other comprehensive income			
Actuarial loss on pension scheme	-	-	(1,137)
Tax on actuarial loss	-	-	318
Tax on amortisation of property revaluation transferred between reserves	-	-	5
Other comprehensive income for the period net of tax	-	-	(814)
Total comprehensive income attributable to equity holders of the Parent Company	1,837	2,092	3,284

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Consolidated Interim Balance Sheet

	As at 31 March 2010 £000	As at 31 March 2009 £000	As at 30 September 2009 £000
Assets			
Non-current assets			
Property, plant and equipment	6,496	6,636	6,577
Intangible assets	7,418	8,080	7,721
Purchased goodwill	23,785	23,437	23,785
	<u>37,699</u>	<u>38,153</u>	<u>38,083</u>
Current assets			
Inventories	447	446	477
Trade and other receivables	32,410	25,672	28,823
Cash and cash equivalents	11,568	9,704	10,630
Current tax asset	-	-	39
	<u>44,425</u>	<u>35,822</u>	<u>39,969</u>
Assets held for sale	248	248	248
Liabilities			
Current liabilities			
Trade and other payables	(29,798)	(24,459)	(27,264)
Borrowings	(491)	(493)	(491)
Current tax payable	(625)	(786)	-
	<u>(30,914)</u>	<u>(25,738)</u>	<u>(27,755)</u>
Non-current liabilities			
Borrowings	(3,598)	(4,088)	(3,844)
Deferred tax liabilities	(1,657)	(1,229)	(1,657)
Retirement benefit obligations	(2,242)	(964)	(2,179)
	<u>(7,497)</u>	<u>(6,281)</u>	<u>(7,680)</u>
Net assets	<u>43,961</u>	<u>42,204</u>	<u>42,865</u>
Equity attributable to owners of the Parent Company			
Share capital	7,404	7,372	7,397
Share premium account	19,095	19,075	19,091
Merger reserve	12,679	12,679	12,679
Revaluation reserve	769	785	769
Other reserve	279	208	217
Retained earnings	3,735	2,085	2,712
Total equity	<u>43,961</u>	<u>42,204</u>	<u>42,865</u>

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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 2008	5,331	1,116	12,679	785	141	730	20,782
Changes in equity for the period							
Shares allotted in connection with acquisition	2,041	17,959	-	-	-	-	20,000
Employee share-based compensation	25	16	-	-	76	-	117
Tax in connection with employee share-based compensation	-	-	-	-	-	(94)	(94)
Dividends	-	-	-	-	-	(1,224)	(1,224)
Total comprehensive income for the period	-	-	-	5	-	3,279	3,284
Transfer between reserves in respect of depreciation on property revaluations	-	-	-	(21)	-	21	-
At 30 September 2009	<u>7,397</u>	<u>19,091</u>	<u>12,679</u>	<u>769</u>	<u>217</u>	<u>2,712</u>	<u>42,865</u>
At 1 October 2008	5,331	1,116	12,679	785	141	730	20,782
Changes in equity for the period							
Shares allotted in connection with acquisition	2,041	17,959	-	-	-	-	20,000
Employee share-based compensation	-	-	-	-	67	-	67
Dividends	-	-	-	-	-	(737)	(737)
Total comprehensive income for the period	-	-	-	-	-	2,092	2,092
At 31 March 2009	<u>7,372</u>	<u>19,075</u>	<u>12,679</u>	<u>785</u>	<u>208</u>	<u>2,085</u>	<u>42,204</u>
At 1 October 2009	7,397	19,091	12,679	769	217	2,712	42,865
Changes in equity for the period							
Shares allotted under 1999 "A" executive share option scheme	7	4	-	-	-	-	11
Employee share-based compensation	-	-	-	-	62	-	62
Dividends	-	-	-	-	-	(814)	(814)
Total comprehensive income for the period	-	-	-	-	-	1,837	1,837
At 31 March 2010	<u>7,404</u>	<u>19,095</u>	<u>12,679</u>	<u>769</u>	<u>279</u>	<u>3,735</u>	<u>43,961</u>

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Consolidated Interim Cash Flow Statement

	Note	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Cash generated from operations before exceptional items	6	2,897	1,715	5,402
Exceptional items		(491)	-	(655)
Cash generated from operations		2,406	1,715	4,747
Interest paid		(81)	(108)	(162)
Income taxes received/(paid)		53	(109)	(935)
Net cash from operating activities		2,378	1,498	3,650
Cash flows from investing activities				
Acquisition of subsidiary net of cash acquired		-	(16,224)	(16,437)
Acquired subsidiary's own costs of acquisition		-	(971)	(971)
Acquisition of trading assets		(72)	-	-
Purchase of property, plant and equipment		(314)	(432)	(798)
Purchase of intangible assets		(41)	(30)	(30)
Proceeds from sale of equipment		-	26	21
Interest received		40	135	189
Net cash used in investing activities		(387)	(17,496)	(18,026)
Cash flows from financing activities				
Proceeds from issue of share capital		11	20,000	20,041
Repayment of borrowings		(250)	(250)	(500)
Dividends paid		(814)	(737)	(1,224)
Net cash (used in)/generated by financing activities		(1,053)	19,013	18,317
Net increase in cash and cash equivalents		938	3,015	3,941
Cash and cash equivalents at beginning of period		10,630	6,689	6,689
Cash and cash equivalents at end of period		11,568	9,704	10,630

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Notes to the Consolidated Interim Financial Statements

1. Basis of preparation

These consolidated interim financial statements ("interim financial statements") are for the six months ended 31 March 2010 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 and include extracts from the consolidated financial statements for the year ended 30 September 2009. They should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2009 which have been filed with the Registrar of Companies and which received an unqualified audit report, and did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006.

These interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain non-current assets and 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 2009 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. IAS 1 (Revised 2007) affects the presentation of changes in equity and has introduced the 'Statement of changes in equity'. The new standard has also introduced the 'Statement of comprehensive income' and has removed the 'Statement of recognised income and expenses (SORIE)', as presented in the 2009 consolidated financial statements.

The adoption of IFRS 8 has not changed the segments that are disclosed in the interim financial statements.

The accounting policies have been applied consistently throughout the Group for the purposes of 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 later.

2. Segment analysis

Following the adoption of IFRS 8 Operating Segments, the operating segments under which the Group reports have remained unaltered. The segments are consistent with the analysis of operating results and other financial information reviewed by the Group's chief operating decision maker. The activities in each segment are as follows:

Energy

Energy comprises the design and manufacture of bespoke plant and equipment, repair and maintenance of production and storage infrastructure and the implementation of major mechanical engineering projects in the UK nuclear, oil and gas and power generation sectors.

Defence

Defence encompasses activities on behalf of the Ministry of Defence ("MOD"), in particular the outfitting of Astute class submarines at Barrow, West Cumbria and the design, specialist equipment manufacture and mechanical and electrical engineering activities at the Atomic Weapons Establishments at Aldermaston and Burghfield.

Process

Process comprises the design, manufacture and mechanical installation of process plant and systems to the food, chemical and pharmaceutical sectors.

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 2010

	Revenue £000	Adjusted operating profit £000	Acquired intangible asset amortisation £000	Exceptional items £000	Group operating profit £000
Energy	31,119	2,505	(185)	(107)	2,213
Defence	12,301	1,148	(62)	(65)	1,021
Process	21,992	935	(109)	(268)	558
Central costs	-	(1,107)	-	(51)	(1,158)
Total continuing operations	<u>65,412</u>	<u>3,481</u>	<u>(356)</u>	<u>(491)</u>	<u>2,634</u>
Financial income		40	-	-	40
Financial expenses		(225)	-	-	(225)
Group profit before tax		<u>3,296</u>	<u>(356)</u>	<u>(491)</u>	<u>2,449</u>
Tax		<u>(849)</u>	<u>100</u>	<u>137</u>	<u>(612)</u>
Group profit for the period		<u><u>2,447</u></u>	<u><u>(256)</u></u>	<u><u>(354)</u></u>	<u><u>1,837</u></u>

Adjusted operating profit is stated before amortisation of acquired intangible assets and exceptional items. Exceptional items relate largely to restructuring and redundancy costs.

Segment analysis continued

Six months to 31 March 2009

	Revenue £000	Adjusted operating profit £000	Acquired intangible asset amortisation £000	Exceptional items £000	Group operating profit £000
Energy	30,235	2,124	(93)	-	2,031
Defence	13,096	855	(72)	-	783
Process	21,510	1,324	(153)	-	1,171
Central costs	-	(1,132)	-	-	(1,132)
Total continuing operations	64,841	3,171	(318)	-	2,853
Financial income		135	-	-	135
Financial expenses		(199)	-	-	(199)
Group profit before tax		3,107	(318)	-	2,789
Tax		(786)	89	-	(697)
Group profit for the period		2,321	(229)	-	2,092

Adjusted operating profit is stated before amortisation of acquired intangible assets.

Year to 30 September 2009

	Revenue £000	Adjusted operating profit £000	Acquired intangible asset amortisation £000	Exceptional items £000	Group operating profit £000
Energy	65,571	4,887	(352)	(270)	4,265
Defence	24,672	1,734	(118)	-	1,616
Process	38,721	2,172	(205)	(310)	1,657
Central costs	-	(2,028)	-	(75)	(2,103)
Total continuing operations	128,964	6,765	(675)	(655)	5,435
Financial income		189	-	-	189
Financial expenses		(489)	-	-	(489)
Group profit before tax		6,465	(675)	(655)	5,135
Tax		(1,409)	189	183	(1,037)
Group profit for the year		5,056	(486)	(472)	4,098

Adjusted operating profit is stated before amortisation of acquired intangible assets and exceptional items. Exceptional items relate to the integration of Chieftain and restructuring and redundancy costs.

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 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
United Kingdom	59,471	59,902	117,494
Other European Union countries	4,195	758	3,322
Other overseas locations	1,746	4,181	8,148
	<u>65,412</u>	<u>64,841</u>	<u>128,964</u>

3. Financial income and expenses

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Financial income			
Interest income	<u>40</u>	<u>135</u>	<u>189</u>
Financial expenses			
Interest on bank loan	(85)	(113)	(170)
Net finance expense on pension scheme*	<u>(140)</u>	<u>(86)</u>	<u>(319)</u>
	<u>(225)</u>	<u>(199)</u>	<u>(489)</u>

* Includes £75,000 of pension administration expenses paid for by the Group (31 March 2009: Nil; 30 September 2009: £150,000).

4. Taxation

The charge for taxation has been based upon the estimated effective rate of tax of 25% (2009: 25%) for the current year.

5. Earnings per share

Basic earnings per share

The calculation of basic earnings per share of 6.2p (31 March 2009: 7.5p; 30 September 2009: 14.2p) is based on 29,594,085 shares (31 March 2009: 27,943,644; 30 September 2009: 28,797,206), being the weighted average number of shares in issue throughout the period and on earnings of £1,837,000, (31 March 2009: £2,092,000; 30 September 2009: £4,098,000).

Diluted earnings per share

The calculation of diluted earnings per share of 6.2p (31 March 2009: 7.4p; 30 September 2009: 14.1p) is based on profit for the period of £1,837,000 because there were no adjustments required (31 March 2009: £2,092,000; 30 September 2009: £4,098,000 - no adjustments were required for either period) and on 29,801,476 ordinary shares (31 March 2009: 28,269,512; 30 September 2009: 29,124,307) as calculated below.

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Earnings:			
Profit on ordinary activities after tax	<u>1,837</u>	<u>2,092</u>	<u>4,098</u>
Adjusted profit	<u>1,837</u>	<u>2,092</u>	<u>4,098</u>
	Number	Number	Number
Basic weighted average number of shares	29,594,085	27,943,644	28,797,206
Dilutive potential ordinary shares arising from share options	<u>207,391</u>	<u>325,868</u>	<u>327,101</u>
Adjusted weighted average number of shares	<u>29,801,476</u>	<u>28,269,512</u>	<u>29,124,307</u>

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 are set out above. The adjusted earnings have been calculated as follows:

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Earnings:			
Profit on ordinary activities before tax	2,449	2,789	5,135
Exceptional items	491	-	655
Amortisation of acquired intangible assets	<u>356</u>	<u>318</u>	<u>675</u>
Adjusted profit before tax	3,296	3,107	6,465
Tax at 28%	<u>(923)</u>	<u>(870)</u>	<u>(1,810)</u>
Adjusted profit after tax	<u>2,373</u>	<u>2,237</u>	<u>4,655</u>
Adjusted fully taxed basic earnings per share	<u>8.0p</u>	<u>8.0p</u>	<u>16.2p</u>
Adjusted fully taxed diluted earnings per share	<u>8.0p</u>	<u>7.9p</u>	<u>16.0p</u>

6. Cash flow from operating activities

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Profit after taxation	1,837	2,092	4,098
Adjustments for:			
Depreciation	427	417	808
Amortisation of intangible assets	366	318	690
Exceptional items	491	-	655
Difference between pension charge and cash contributions	(2)	34	(13)
Profit/(loss) on sale of property, plant and equipment	-	(2)	21
Share based payments charge	62	67	76
Financial income	(40)	(135)	(189)
Financial expenses	225	199	489
Taxation expense recognised in income statement	612	697	1,037
(Increase)/decrease in trade and other receivables	(3,587)	2,799	(5)
Decrease/(increase) in inventories	19	(13)	(44)
Increase/(decrease) in trade and other payables	2,487	(4,758)	(2,221)
Cash generated from operations before exceptional items	2,897	1,715	5,402

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	Year to 30 September 2009 £000
Final dividend for the year ended 30 September 2008 (2.50p per share)	-	737	737
Interim dividend for the year ended 30 September 2009 (1.65p per share)	-	-	487
Final dividend for the year ended 30 September 2009 (2.75p per share)	814	-	-
Amount recognised as distribution to equity holders in the period	814	737	1,224

The Directors have proposed an interim dividend for the six months ended 31 March 2010 of 1.80p per ordinary share. This proposed interim dividend was recommended by the Board of Directors on 3 June 2010 and has therefore not been included as a liability in these financial statements.

8. Distribution of interim report

Copies of this interim report are being sent to shareholders and are available from the Company Secretary, Redhall Group plc, 1 Red Hall Court, Wakefield, WF1 2UN.

Independent review report to Redhall Group plc

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 31 March 2010 which comprises the consolidated interim income statement, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity, the consolidated interim balance sheet, the consolidated interim cash flow statement and related explanatory notes. We have read the other information contained in the half-yearly financial report which comprises the financial highlights and chairman's statement 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 guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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 conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AiM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The financial information included in this half-yearly financial report has been prepared in accordance with the basis of preparation described in Note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the financial information in the half-yearly financial 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 United Kingdom. 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 financial information in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Grant Thornton UK LLP

Auditor
Leeds

3 June 2010.