Redhall Group plc

Interim Report

2018

FINANCIAL HIGHLIGHTS

	Six months to 31 March 2018 £000	Six months to 31 March 2017 £000
Group revenue - continuing business	**14,744**	18,964
Adjusted operating (loss)/profit* - continuing business	**(1,925)**	183
Loss before tax on continuing business	**(2,731)**	(619)
Loss on discontinued operations net of tax	**-**	(72)
Loss before tax	**(2,731)**	(691)
Adjusted fully taxed basic and diluted earnings per share on continuing business	**(0.52)p**	(0.10)p
Basic and diluted loss per share	**(0.73)p**	(0.39)p

* Adjusted continuing results are stated before exceptional items from continuing business of £521,000 (31 March 2017: £nil), amortisation of acquired intangible assets of £135,000 (31 March 2017: £153,000) and an IFRS 2 credit of £59,000 (31 March 2017: charge of £210,000).

Martyn Everett, Chairman, commented:

“Our order book and pipeline provide us with confidence for the Group’s future as a leading player in our core nuclear defence, decommissioning and new build markets. We also see strong demand for our food process manufacturing and installation and mobile networks businesses. We remain focused on winning work in these sectors, and in other key infrastructure markets, with the objective of returning Redhall to meaningful levels of profitability.”

CHAIRMAN'S STATEMENT

INTRODUCTION

The Group has been successful in the first half of this financial year in securing two major programmes, demonstrating the magnitude of the manufacturing opportunity in the UK's growing nuclear sector and the Group's ability to win such contracts. In December 2017 we announced that Jordan Manufacturing had secured £18 million of work under a framework with Cavendish Nuclear to manufacture containment systems and associated process equipment; and in March 2018 we announced that Balfour Beatty had placed three large contracts for specialist manufactured metal products for the marine works at Hinkley Point C.

Our businesses continue to see significant tender activity in major UK infrastructure projects and there is a very healthy pipeline of opportunities available to the Group. As at 12 June 2018, the order book stands at £37 million (excluding Jordan Manufacturing's £18 million framework award) compared with £32 million at 5 December 2017.

As previously announced in March 2018 the financial performance of the Group in the first half was impacted by delays in the timing of the Hinkley Point C awards and by progress on other contracts. This resulted in lower turnover, and as a consequence of which the Group incurred a loss in the first half. The Board is encouraged by the momentum in the Group's order book and the continued growth of a high quality pipeline of opportunities, which underpins our confidence in the future.

TRADING RESULTS

Revenue for the six months period amounted to £14.7 million (H1 2017: £19.0 million). Adjusted operating loss before interest, tax, amortisation, IFRS 2 credit and exceptional items amounted to £1.9 million (H1 2017: profit of £0.2 million). There were £0.5 million of exceptional costs in the period as we closed our Jex Grimsby site at a cost of £0.3 million and incurred other redundancy costs across the Group of £0.2 million. The adjusted fully diluted loss per share from the continuing businesses amounted to £0.52p (H1 2017: loss of 0.10p).

More detail on the trading performance is provided in the Chief Executive Officer's review.

FINANCIAL POSITION

During the first half, we made further investment in our people to provide the skills and capacity to grow the business and capitalise on the opportunities that we consider are available in our markets. This has increased overheads in the period. We also continued to invest in process improvements, which we expect to benefit from in the second half.

Net debt (excluding finance leases of £0.3 million (2017: £0.4 million)) at the end of the period was £4.2 million (30 September 2017: net cash £0.5 million). The Company's £8.0 million facilities with HSBC, consist of a £5.5 million revolving credit facility and overdraft plus a £2.5 million accordion facility. The Lombard Odier Investment Management facility of £1.7 million is fully drawn. All of the Group's loans are repayable in July 2021.

In the first half our working capital requirements were higher than anticipated due, in part, to delays in the agreement of final accounts and the requirement to carry higher work in progress on certain key contracts.

As at 31 March 2018, our defined benefit pension deficit was £0.4 million (30 September 2017: £0.5 million).

DIVIDEND

The Board is not recommending an interim dividend for the current year.

PEOPLE

Wayne Pearson succeeded Phil Brierley as Chief Executive on 1 April 2018 and, as announced on 23 April 2018, Simon Comer will take over from Chris Kelly as Finance Director on 2 July 2018. The Board would like to thank Phil and Chris for their part in the successful restructuring of the Group. In addition, we have welcomed Joe Oatley to the Board as a non-executive director and Phillip Hilling leaves the Board on 30 June 2018 after seven years as a non-executive director.

Our employees continue to support the delivery of our strategic plans and the Board is extremely grateful for their commitment. We seek to provide high levels of quality and health and safety in our businesses and the investments we have made in these areas are benefiting our entire workforce.

PROSPECTS

Our order book and pipeline provide us with confidence for the Group's future as a leading player in our core nuclear defence, decommissioning and new build markets. We also see strong demand for our food process manufacturing and installation and mobile networks businesses. We remain focused on winning work in these sectors, and in other key infrastructure markets, with the objective of returning Redhall to meaningful levels of profitability.

Martyn Everett
Chairman
13 June 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

OVERVIEW

After eight months as Redhall's Chief Operating Officer, I was very pleased in April this year to become Chief Executive Officer, to drive forward our business transformation strategy to establish a foundation for sustained growth. Following the completion last year of the corporate restructuring phase of our strategic transformation, our focus is now on driving operational excellence throughout the Group. We are already making improvements across a number of areas of our business; however, there is much work to be done and I expect this to be the key focus for the business in the near term. We expect to deliver long term growth through strong market demand and gaining market share as our focus on operational excellence delivers a more efficient business with a more competitive cost base.

Whilst the first half financial performance was disappointing, we anticipate a significant improvement in the second half of the current financial year driven by increased volume and improved margins as we start to enjoy the benefits of our business transformation efforts.

Our strategy continues to be to deliver high integrity manufactured products and services into complex, secure and hazardous environments. We are currently working on a number of the largest and most complex infrastructure projects in the UK, reflecting the quality of our products and services. It was particularly pleasing in the first half that Jordan Manufacturing secured three major marine works packages for Hinkley Point C.

The Group's order book as at 12 June, stands at £37 million (5 December 2017: £32 million), excluding the £18 million framework agreement with Cavendish Nuclear. This growth has been driven predominantly by customer orders to manufacture goods for the nuclear market. This is particularly pleasing as products for the nuclear market tend to be highly engineered and therefore have higher value added content. Behind this order book is a substantial pipeline of projects for which we have already submitted bids.

In many of our core markets we are seeing an increasing number of opportunities, which potentially offer substantial growth for Redhall in the medium and long term.

A further five nuclear power stations have been proposed for the UK which, if built, will provide sustained opportunities in this sector. The decommissioning market is dominated by Sellafield, in addition to which we are tendering for work at the Dounreay and Magnox sites, where we currently have framework agreements in place.

The Successor submarine 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 projects such as Crossrail, along with other rail projects such as the Northern Line Extension, all provide opportunities for and confidence in the future. We are also seeing some renewed tender activity in the oil and gas markets as the oil price recovers.

HEALTH & SAFETY

The health and safety of our employees and those who may be affected by our businesses remains our highest priority. All of our subsidiaries have accredited management systems to control health and safety risks to OHSAS 18001 and environmental management systems certified to BS EN ISO 14001.

I am pleased that we have delivered an improved safety performance in the first half and we expect that this year on year improvement in health and safety performance will continue as we move forward with our operational excellence journey and maintain our daily focus and awareness campaign.

All Group businesses currently hold the RoSPA (Royal Society for the Prevention of Accidents)

Gold award, which recognises high or very high levels of performance in health and safety.

TRADING

The Group made an adjusted operating loss for the first half of £1.9 million (H1 2017: £0.2 million profit) on revenue of £14.7 million (H1 2017: £19.0 million). Before deducting Group and central services costs, the adjusted operating loss was £0.8 million (H1 2017: £1.2 million profit).

The disappointing financial performance in the first half of the year was largely driven by the timing of the award of the Hinkley Point C contracts at Jordan Manufacturing, delays to other key contracts and lower than expected margins in Booth Industries due to operational inefficiencies. This highlights the need to focus on operational improvement to both improve efficiency and maximise manufacturing output. Key improvement areas have been identified and an improvement plan is now being worked on aggressively. It is pleasing to note that our lenders remain supportive of the Group and in light of losses in the first half of the financial year have agreed revised covenant arrangements in line with our forecasts and projections.

OPERATIONAL EXCELLENCE

Having completed the corporate restructuring in the previous financial year, we are now in the second phase of our business transformation, focusing on driving operational excellence across the Group to achieve a significant improvement in operational performance.

Significant progress has been made to date, automating the 3D CAD design and the tendering of our core products. Within manufacturing we have started our Lean journey by establishing 5S principles, implementing shop floor vendor managed Kanban and developing a shop floor data collection system. Establishing a "design for manufacture" process has been key to closing the communication gap between engineering and the shop floor and will provide the platform that will drive cost out of our product and waste from the shop floor.

In the near term we will focus on reducing complexity within our products and processes and introducing levels of automation where appropriate, segmenting our businesses into clearly differentiated value streams, which will allow us to better control our costs and manufacturing volumes. We will ensure that we have the right people in the right place, by developing our own people through the Redhall Academy and by hiring the best talent available.

Booth Industries

Booth Industries has been focused on the delivery of its order book and on sales and marketing efforts to drive future scale. The key project work has been on nuclear defence projects in the UK and France, on Crossrail and other infrastructure projects. Volume has been negatively impacted by orders moving through the business slower than anticipated due to detailed customer reviews and approvals at key points, which have extended the work programmes. In addition, as outlined above, there is opportunity to deliver significant operational efficiency improvements both within engineering and manufacturing. Consequently, the progression of work from engineering to production and installation has been unnecessarily complex and we are working on both improving our internal processes and also with clients to address this.

Jordan Manufacturing

The award of the Hinkley Point C works for Jordan Manufacturing was a major highlight of the first half. Jordan Manufacturing is now working with EDF and Balfour Beatty on the execution of these works and we expect a significant volume of work will be executed on this contract during the second half of the current financial year. Whilst certain other contract awards in the period were also delayed, we are now seeing clients looking to release work requirements for FY2019 and beyond.

Redhall Jex

Redhall Jex provides design, manufacture, installation, relocation and refurbishment of process equipment, principally into the food sectors. We have seen good volumes from a number of our major clients, which include Kellogg's, Mondelez, Mars and Nestlé, and projects in the half year included the completion of a £4 million relocation project and further work on the completion and installation of a rubber micronisation plant. We anticipate that volumes have the potential to improve further as we broaden our customer base and customer projects move toward order placement.

Redhall Networks

Redhall Networks provides cellular rigging installations to the mobile telecommunications network across England and Scotland. The first quarter was very strong, although we experienced a short-term slowdown in the levels of work in the second quarter which has continued into the second half. Nonetheless, with mobile communications an ever-increasing part of our national infrastructure, we are confident that the maintenance, upgrading and consolidation of the network by the operators will provide us with a return to strong volumes and growing profitability.

Outlook

The Board anticipates that the full year performance will be in line with expectations, with strong trading in the second half, in particular in the last quarter, driven by both increased volumes and improvement in margin as we start to see some of the benefits of our operational excellence programme. Nonetheless, the Group's performance remains sensitive to customer and project delays, much of which are outside our control.

We are confident that the momentum in our order book and the improvements already underway within our business transformation strategy will deliver profitable growth in the Group and create long term value for shareholders.

Wayne Pearson
Chief Executive Officer
13 June 2018

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	**Six months to 31 March 2018 £000**	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
Revenue	3	**14,744**	18,964	38,905
Cost of sales		**(12,137)**	(14,546)	(29,309)
Gross profit		**2,607**	4,418	9,596
Administrative expenses		**(5,129)**	(4,598)	(9,924)
Loss before interest and tax	3	**(2,522)**	(180)	(328)
Continuing businesses		**(806)**	1,228	3,632
Central costs		**(1,119)**	(1,045)	(2,202)
Adjusted operating (loss)/profit*		**(1,925)**	183	1,430
Exceptional items		**(521)**	-	(1,084)
Amortisation of acquired intangible assets		**(135)**	(153)	(287)
IFRS 2 credit/(charge)		**59**	(210)	(387)
Operating loss		**(2,522)**	(180)	(328)
Net financial expense		**(209)**	(439)	(857)
Loss before tax on continuing operations		**(2,731)**	(619)	(1,185)
Tax credit/(charge) on loss on ordinary activities	5	**294**	(93)	81
Loss on continuing operations		**(2,437)**	(712)	(1,104)
Loss on discontinued operations net of tax	10	**-**	(72)	(265)
Loss attributable to equity holders of the Parent Company		**(2,437)**	(784)	(1,369)
Loss per share	6			
Basic		**(0.73)p**	(0.39)p	(0.59)p
Diluted		**(0.73)p**	(0.39)p	(0.59)p

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months to 31 March 2018 £000**	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
Loss for the period		**(2,437)**	(784)	(1,369)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit liability		**-**	1,982	3,234
Tax on actuarial gain		**-**	(332)	(566)
Other comprehensive income for the period net of tax		**-**	1,650	2,668
Total comprehensive income attributable to equity holders of the Parent Company		**(2,437)**	866	1,299

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 31 March 2018 £000	As at 31 March 2017 £000	As at 30 September 2017 £000
Assets				
Non-current assets				
Property, plant and equipment		**2,304**	3,000	2,488
Intangible assets		**2,831**	2,704	2,569
Purchased goodwill		**18,305**	18,305	18,305
Deferred tax asset		**1,315**	607	1,021
		24,755	24,616	24,383
Current assets				
Inventories		**772**	582	626
Trade and other receivables (of which £76,000 are due after one year (31 March 2017: £322,000; 30 September 2017: £88,000))		**14,828**	12,371	13,778
Cash and cash equivalents	8	**-**	350	2,370
Assets held for sale		**141**	-	141
		15,741	13,303	16,915
Liabilities				
Current liabilities				
Trade and other payables		**(8,159)**	(9,930)	(8,645)
Borrowings and overdraft		**(1,450)**	(92)	(197)
Finance leases		**(72)**	-	(69)
Current tax payable		**-**	(19)	-
		(9,681)	(10,041)	(8,911)
Non-current liabilities				
Borrowings	8	**(2,715)**	(9,269)	(1,715)
Finance leases		**(217)**	(293)	(254)
Retirement benefit obligations	9	**(380)**	(1,815)	(450)
		(3,312)	(11,377)	(2,419)
Net assets		**27,503**	16,501	29,968
Equity attributable to owners of the Parent Company				
Share capital		**12,297**	12,284	12,297
Share premium account		**-**	28,326	-
Merger reserve		**-**	12,679	-
Revaluation reserve		**102**	102	102
Other reserve		**1,662**	1,499	1,690
Retained earnings		**13,442**	(38,389)	15,879
Total equity		**27,503**	16,501	29,968

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 2016	12,284	28,326	12,679	102	1,389	(39,255)	15,525
Share capital issued during the year net of expenses	13	12,608	-	-	-	-	12,621
Capital reduction net of expenses	-	(40,934)	(12,679)	-	-	53,583	(30)
Employee share-based compensation - current year	-	-	-	-	221	-	221
- prior year amounts realised	-	-	-	-	(11)	-	(11)
Employee share-based compensation - deferred tax	-	-	-	-	343	-	343
Transactions with owners	12,297	-	-	102	1,942	14,328	28,669
Loss for the year	-	-	-	-	-	(1,369)	(1,369)
Movement between reserves	-	-	-	-	(252)	252	-
Other comprehensive income for the year	-	-	-	-	-	2,668	2,668
Total comprehensive income for the year	-	-	-	-	(252)	1,551	1,299
At 30 September 2017	12,297	-	-	102	1,690	15,879	29,968
At 1 October 2017	**12,297**	**-**	**-**	**102**	**1,690**	**15,879**	**29,968**
Employee share-based compensation	**-**	**-**	**-**	**-**	**(28)**	**-**	**(28)**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(2,437)**	**(2,437)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(2,437)**	**(2,437)**
At 31 March 2018	**12,297**	**-**	**-**	**102**	**1,662**	**13,442**	**27,503**

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 (absorbed by)/generated from operations	7	**(3,846)**	87	(2,564)
Interest paid		**(244)**	(379)	(807)
Net cash absorbed by operating activities		**(4,090)**	(292)	(3,371)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(137)**	(104)	(883)
Purchase of intangible assets		**(362)**	(206)	(284)
Proceeds from sale of fixed assets		**-**	-	300
Net cash (used in)/received from investing activities		**(499)**	(310)	(867)
Cash flows from financing activities				
Proceeds from issue of share capital (net of costs incurred)		**-**	-	8,871
Finance lease borrowing		**-**	-	384
Proceeds from borrowings		**2,253**	-	197
Repayment of long term borrowing		**-**	-	(3,804)
Repayment of finance leases		**(34)**	(69)	(61)
Net cash generated by financing activities		**2,219**	(69)	5,587
Net (decrease)/increase in cash and cash equivalents		**(2,370)**	(671)	1,349
Cash and cash equivalents at beginning of period		**2,370**	1,021	1,021
Cash and cash equivalents at end of period	8	**-**	350	2,370

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 2018 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 2017 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 2017.

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 2017. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements. IFRS 15 'Revenue from Contracts with Customers' is effective from 1 January 2018. The Group is in the process of completing its impact assessment of this standard.

As noted in note 8, the Group entered into new banking arrangements in July 2017. 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 facilities. Due to losses incurred in the first half of this financial year, the Company has agreed certain covenant amendments with its lenders in line with the Group's forecasts and projections. 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.

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 2017 and remain unchanged.

3. SEGMENT ANALYSIS

The Board of Directors, which is the Chief Operating Decision Maker as described by IFRS 8 has concluded that the Group comprises one segment and this is how the CODM reviews performance and allocates resources. The Group 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 2018 £000	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
United Kingdom	**13,259**	16,782	34,318
Other European Union countries	**1,143**	904	2,794
Other overseas locations	**342**	1,278	1,793
	14,744	18,964	38,905

4. FINANCIAL INCOME AND EXPENSES

	Six months to 31 March 2018 £000	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
Financial expenses			
Interest on bank loans and overdrafts	**(151)**	(324)	(632)
Interest on finance leases	**(13)**	(10)	-
Net finance expense on pension scheme*	**(45)**	(105)	(225)
	(209)	(439)	(857)

* Includes £45,000 of pension administration expenses paid for by the Group (31 March 2017: £60,000; 30 September 2017: £135,000).

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 0.73p (31 March 2017: loss per share of 0.39p; 30 September 2017: loss per share of 0.59p) is based on 332,900,684 shares (31 March 2017: 200,250,684; 30 September 2017: 232,080,273), being the weighted average number of shares in issue throughout the period and the loss of £2,437,000 (31 March 2017: loss of £784,000; 30 September 2017: loss of £1,369,000).

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 2018, 31 March 2017 and for the year ended 30 September 2017 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 2018 Number	Six months to 31 March 2017 Number	Year to 30 September 2017 Number
Basic and adjusted weighted average number of shares	**332,900,684**	200,050,684	232,080,273
	£000	£000	£000
Earnings:			
Loss on ordinary activities before tax	**(2,731)**	(691)	(1,450)
Exceptional items	**521**	72	1,349
Amortisation of acquired intangible assets	**135**	153	287
IFRS 2 (credit)/charge	**(59)**	210	387
Adjusted (loss)/profit before tax	**(2,134)**	(256)	573
Tax at 19.5% (31 March 2017: 19.5%; 30 September 2017: 19.5%)	**416**	50	(112)
Adjusted (loss)/profit after tax	**(1,718)**	(206)	461
Adjusted fully taxed basic earnings per share	**(0.52)p**	(0.10)p	(0.20)p
Adjusted fully taxed diluted earnings per share	**(0.52)p**	(0.10)p	(0.20)p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. EARNINGS PER SHARE (CONTINUED)

Continuing operations	**Six months to 31 March 2018 £000**	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
Loss before tax	**(2,731)**	(619)	(1,185)
Exceptional items	**521**	-	1,084
Amortisation of acquired intangible assets	**135**	153	287
IFRS 2 (credit)/charge	**(59)**	210	387
Adjusted (loss)/profit before tax	**(2,134)**	(256)	573
Tax at 19.5% (31 March 2017: 19.5%; 30 September 2017: 19.5%)	**416**	50	(112)
Adjusted (loss)/profit after tax	**(1,718)**	(206)	461
Adjusted fully taxed diluted loss per share	**(0.52)p**	(0.10)p	(0.20)p

Discontinued operations	**£000**	£000	£000
Loss before tax	**-**	(72)	(265)
Exceptional items	**-**	72	265
Amortisation of acquired intangible assets	**-**	-	-
Adjusted loss before tax	**-**	-	-
Tax at 19.5% (31 March 2017: 19.5%; 30 September 2017: 19.5%)	**-**	-	-
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 2018 £000	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
Loss after taxation	**(2,437)**	(784)	(1,369)
Adjustments for:			
Depreciation	**171**	206	392
Amortisation of intangible assets	**250**	233	447
Loss on disposal of property, plant and equipment	**-**	-	210
Difference between pension charge and cash contributions	**(70)**	1	(88)
Share based payments (credit)/charge	**(59)**	110	210
Financial expenses	**209**	439	857
Taxation (credit)/charge recognised in income statement	**(294)**	93	(81)
(Increase)/decrease in trade and other receivables	**(1,050)**	(918)	(2,511)
(Increase)/decrease in inventories	**(146)**	54	10
(Decrease)/increase in trade and other payables	**(420)**	653	(641)
Cash (absorbed by)/generated from operations	**(3,846)**	87	(2,564)

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 2018 is set out as follows:

	At start of period £000	Cash flow £000	Non-cash movement £000	At end of period £000
Cash at bank and in hand	2,370	(2,370)	-	-
Bank overdraft	(197)	(1,253)	-	(1,450)
Finance leases	(69)	-	(3)	(72)
Net cash and cash equivalents				
Borrowings due within one year	-	-	-	-
Bank loan due after more than one year	-	(1,000)	-	(1,000)
Other loan due after more than one year	(1,715)	-	-	(1,715)
Finance leases	(254)	34	3	(217)
	135	(4,589)	-	(4,454)

The Group entered into new banking arrangements in July 2017. These facilities expire in July 2021. They comprise total facilities of £9,715,000, being an overdraft of £2,000,000, a revolving credit facility of £3,525,000, and an accordion facility of £2,475,000 with HSBC and a term loan of £1,715,000 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 was updated to 30 September 2017 by an independent qualified actuary. The reduction in the deficit in the period arises from deficit recovery payments.

10. DISCONTINUED OPERATIONS

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

	Six months to 31 March 2018 £000	Six months to 31 March 2017 £000	Year to 30 September 2017 £000
Revenue	**-**	273	-
Cost of sales	**-**	(261)	-
Gross profit	**-**	12	-
Administrative expenses	**-**	(12)	-
Adjusted operating loss before exceptionals	**-**	-	-
Exceptional items	**-**	(72)	(265)
Operating loss and loss before taxation	**-**	(72)	(265)
Taxation credit	**-**	-	-
Loss after taxation from discontinued operations	**-**	(72)	(265)

During the period, discontinued operations contributed a net cash inflow of £120,000 (31 March 2017: £83,000 outflow; 30 September 2017: £nil outflow) 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 2018 or the year ended 30 September 2017.

The Directors do not propose the payment of an interim dividend for the six months ended 31 March 2018.

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.

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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