Delivering Engineering Services to UK Infrastructure

renew

Renew Holdings plc Annual Report and Accounts 2011

2011 has been transformational for Renew.

Engineering Services now accounts for over 60% of on-going Group revenue compared with 15% five years ago, repositioning Renew as an Engineering Services Group supporting UK infrastructure.

Operational highlights

- Engineering Services revenue up 39% to £176.7m (2010: £127.4m)
- Engineering Services adjusted operating profit* up 78% to £7.4m (2010: £4.2m)
- Group order book of £285m (2010: £304m) including Engineering Services order book up 118% to £179m (2010: £82m)
- Acquisition of Engineering Services business Amco now fully integrated
- Net debt of £6.8m in line with expectations following acquisition

* Pre-exceptional items and amortisation charges

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www.renewholdings.com

Financial highlights

Revenue

£356.7m

(2010: £290.4m)

Adjusted profit before income tax*

£8.1m

(2010: £4.6m)

Adjusted earnings per share*

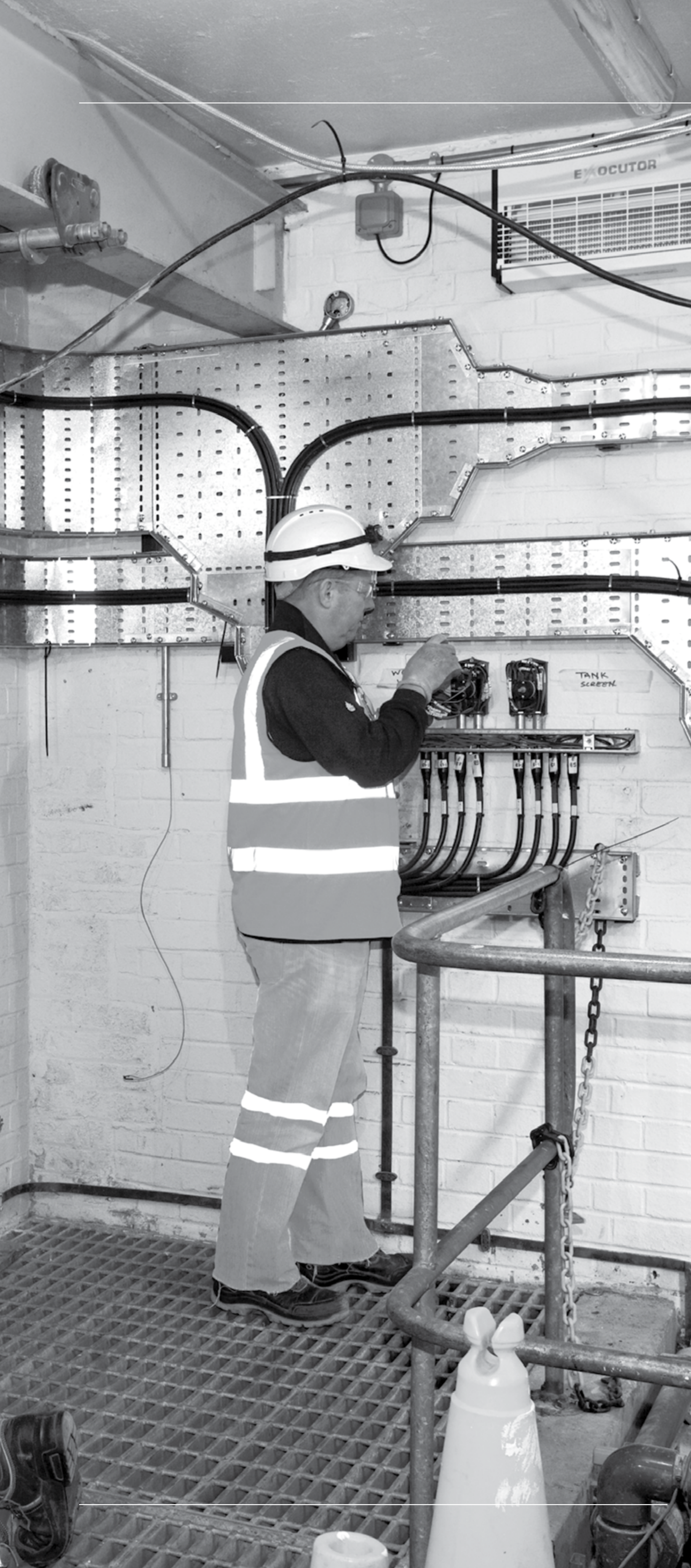
9.6p

(2010: 5.3p)

Dividend per share

3.0p

(2010: 3.0p)



Group overview

This section gives an overview of the Group, including results statements and strategy information.

Review of operations

This section looks at the Group's target markets and highlights our achievements in these markets during the year.

Corporate governance

This section outlines the Group's Corporate Governance procedures.

Accounts

This section details the Group's accounts for the year ended 30 September 2011.

We deliver Engineering Services to UK Infrastructure

For over 200 years we have been delivering our expertise in the engineering and building sectors across the UK…

Our history and where we operate

Over two centuries of expertise
Renew Holdings has a history spanning over 200 years. The company was founded in 1786 originally as YJ Lovell by Young James Lovell, a surveyor. The company went public in 1968. In the late 1990s and early part of this century the Group reorganised its activities substantially, selling and acquiring various businesses. Following the appointment of Roy Harrison as Chairman in 2004 and of Brian May as Chief Executive in 2005, the Group was renamed Renew Holdings plc. In 2006, the Group established its strategy to focus on the development of Engineering Services.

We provide our integrated Engineering Services nationwide. Find out more about our operations at **www.renewholdings.com.**

Individually branded subsidiary businesses

7

Number of employees

2,033

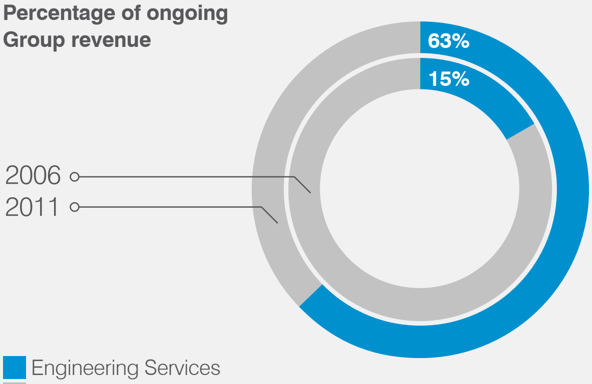
the past 5 years have seen us progressively shift the balance of our operations into higher margin Engineering Services…

Our key revenue streams

Identifying our strongest revenue streams
The Engineering Services markets in which the Group operates engage our workforce in industries which are mainly governed by regulation. Consequently, our Engineering Services activities have greater security of funding and more predictable work streams.

Our position is strengthened by targeting markets mainly governed by regulation and therefore non-discretionary spending plans. Most of our work is undertaken through long-term framework agreements which give good visibility of sustainable earnings.

Percentage of ongoing Group revenue



Engineering Services
Specialist Building

this shift in revenue, through organic growth and acquisition, has provided the opportunity to capitalise on our existing markets and beyond…

The markets we target

For a full review of our market sectors and the potential they offer, turn to the respective pages below:

Energy pages 16–17

We work across the energy sector in the nuclear, wind, hydro, biomass and traditional power generation sectors nationwide. Our skills are employed in supporting the power generation, transportation and distribution functions.

Environmental pages 18–19

We specialise in the water, flood alleviation, coastal defence and land remediation sectors. The environmental projects we undertake for our clients leave a lasting positive impact on the communities we work in.

Infrastructure pages 20–21

Working nationwide for the rail industry, our work ranges from critical and planned asset support and renewal to our market leading experience in tunnel refurbishment.

Specialist Building pages 22–23

Working in the key target markets in the south of new build social housing, high quality residential and retail, our Specialist Building operations are in stable markets with good visibility of earnings.

transforming Renew into an Engineering Services Group supporting UK infrastructure.

A multidisciplinary offering

Renew

Fully integrated multidisciplinary Engineering Services

The markets in which we operate are mainly governed by regulation, many with long-term non-discretionary spending plans

Engineering Services Group supporting UK Infrastructure

To learn more about how the transformation of our business aligns with our target market sectors, **turn to pages 16–23.**

"The strategic targets set in 2009 have been successfully achieved a year ahead of schedule."

R J Harrison OBE, Chairman

Summary

- 2011 saw a decisive shift of the balance of the Group's activities into the Engineering Services sector in line with our established strategy.
- Amco has integrated very well into the Group and has performed in line with expectations.
- The Engineering Services order book was £179m (2010: £82m), an increase of 118%.
- Looking ahead, the Board has an ambition that the Group will have turnover of over £500m by 2014, achieved by acquisition and organic growth, with a target that Engineering Services will account for at least 70% of Group revenue and with Group operating margin of more than 3%.

Introduction

2011 saw a decisive shift of the balance of the Group's activities into the Engineering Services sector in line with our established strategy.

The acquisition of Amco Group Holdings Limited ("Amco") in February 2011, together with continued organic growth and the decision to withdraw from non-specialist public sector building markets, has accelerated the Board's repositioning of Renew as an Engineering Services Group supporting UK infrastructure.

In 2009, the Board set out its strategy to deliver at least 50% of Group revenue from its Engineering Services activities with Group operating profit of over 2% by 2012. These targets have been achieved one year ahead of plan with Group operating profit margin for the year of 2.2% and Engineering Services accounting for 52% of Group revenue in the second half of the year.

Results

The Group has recorded results for the year ended 30 September 2011 which are in line with market expectations.

Group revenue was £356.7m (2010: £290.4m). Profit before income tax prior to exceptional items and amortisation charges was £8.1m (2010: £4.6m). Adjusted earnings per share, calculated prior to exceptional items and amortisation charges, was 9.6p (2010: 5.3p).

Engineering Services revenue was £176.7m (2010: £127.4m), an increase of 39%, with operating profit prior to exceptional items increasing by 78% to £7.4m (2010: £4.2m). These results include seven months of Amco's trading. Amco has integrated very well into the Group and has performed in line with expectations.

Specialist Building revenue increased to £178.9m (2010: £163.1m), with operating profit prior to exceptional items of £1.9m (2010: £1.8m).

The Group's contracted order book at 30 September 2011 stood at £285m (2010: £304m). This reduction is entirely due to our planned lower levels of activity in Specialist Building. The Engineering Services order book was £179m (2010: £82m), an increase of 118%.

At 30 September 2011, the Group's net debt was £6.8m comprising a loan of £12.5m and cash of £5.7m (2010: net cash £16.2m). The loan and the decrease in cash reflect the Amco acquisition.

Dividend

The Board is proposing a final dividend at 2.0p per share, maintaining the full year dividend at 3.0p (2010: 3.0p). The dividend will be paid on 23 February 2012 to shareholders on the register as at 27 January 2012.

Strategy

The strategic targets set in 2009 have been successfully achieved a year ahead of schedule. Looking ahead, the Board has an ambition that the Group will have turnover of over £500m by 2014, achieved by acquisition and organic growth, with a target that Engineering Services will account for at least 70% of Group revenue and with Group operating margin of more than 3%. Our emphasis is to secure sustainable positions on framework agreements, focusing on areas of non-discretionary spend and selective capital projects.

"The Board believes that spending in infrastructure markets is likely to continue to offer opportunities. The decision to focus on key markets which are mainly governed by regulation enables the Group to take advantage of growth anticipated in the Energy, Environmental and Infrastructure market sectors."

In Specialist Building, our retained businesses operate in stable markets. With reduced levels of activity and greater focus on our target markets, the Board expects this business to deliver an improvement in operating margin. We will continue to manage risk carefully, maintaining selectivity of opportunities in markets where the Group has expertise and experience.

Board
The Board welcomes David Forbes, who joined on 1 June 2011 as a non-executive director. David's extensive experience in corporate advisory services with NM Rothschild & Son Limited will assist the Board in its ambition to secure further suitable acquisitions in the Engineering Services sector.

Outlook
Although the overall economic outlook remains uncertain, the Board believes that spending in infrastructure markets is likely to continue to offer opportunities. The decision to focus on key markets which are mainly governed by regulation enables the Group to take advantage of growth anticipated in the Energy, Environmental and Infrastructure market sectors. This is evidenced by the Group's strong confirmed order book which underpins our expectation of further progress in 2012.

R J Harrison OBE
Chairman
22 November 2011

Our history

* Over 200 years of engineering expertise

1786
Founded originally as YJ Lovell, by Young James Lovell, a surveyor who in 1786 acquired the century-old Marlow building firm of Thomas Corby. Young James was a man of great flair who made the most of his opportunities and gave the company the impetus to continue developing over the next century.

1968
The company went public in 1968 and over the following years the Group's activities expanded to include a Building Division, Plant Hire Operation, Developments Division, Timber Operation, and overseas interests in land development.

1998
In the late 1990s and early part of this century, the Group reorganised its activities substantially, selling and acquiring various businesses to create a Specialist Construction Group.

2005
Following the appointment of Roy Harrison as Chairman in 2004 and of Brian May as Chief Executive in 2005, the Group was renamed Renew Holdings plc and started to develop its Specialist Engineering strategy.

2011
Following the acquisition of Amco, Renew is positioned as a Group providing Engineering Services to UK infrastructure through its individually branded businesses.

"2011 has been a significant year for the Group which, with further organic growth and the acquisition of Amco, has achieved its target of shifting the balance of operations into Engineering Services."

Brian May, Chief Executive

Summary

- Renew is now positioned as an Engineering Services Group supporting UK infrastructure.
- The Group focuses on the renewal, refurbishment and maintenance of essential operational assets.
- The development of our Engineering Services business has also improved Group operating margin.
- The Group targets earnings enhancing acquisitions in markets with long-term funding and whose skills are complementary to those already offered by the Group.

Renew is now positioned as an Engineering Services Group supporting UK infrastructure. 2011 has been a significant year for the Group which, with further organic growth and the acquisition of Amco, has achieved its target of shifting the balance of operations into Engineering Services.

Engineering Services

Engineering Services revenue was £176.7m (2010: £127.4m) and now accounts for over 60% of on-going Group revenue and over 80% of operating profit. Operating margins improved to 4.2% (2010: 3.3%).

In Engineering Services, Renew targets the key markets of Energy, Environmental and Infrastructure. These markets, which are mainly governed by regulation, benefit from non-discretionary spending patterns and long-term visibility of committed funding. The Group focuses on the renewal, refurbishment and maintenance of essential operational assets providing an integrated engineering service through its local, directly employed delivery teams. It remains the Group's strategy to grow our presence in these markets, both organically and by acquisition. The Group targets earnings enhancing acquisitions in markets with long-term funding and whose skills are complementary to those already offered by the Group.

Energy

Renew continues to operate in the nuclear, gas, coal, wind, hydro and biomass power generation sectors. Much of the work is delivered through 24 framework agreements, primarily for non-discretionary engineering maintenance work.

In the Nuclear sector, where we operate at 9 nuclear licenced sites in the UK, we have experienced record revenue during the year. The Nuclear Decommissioning Authority has confirmed expenditure of £3bn per annum for the next 4 years, underpinned by committed Government funding. The sites where the Group is active have been allocated over 66% of this funding, with over 50% at Sellafield, where we remain the largest mechanical and electrical contractor.

At Sellafield, the Multi Discipline Site Wide framework has been extended to September 2012. In addition, we were also appointed to the Decommissioning and Demolition framework, which is secured until March 2015, with an advertised spend of over £30m per annum. Work continues on major project programmes with good progress being made on the Evaporator D, Encapsulated Product Store and Separation Area Ventilation schemes.

At the Westinghouse Springfields Fuels Site, we are nearing the successful completion of a major plant outage project and, during the year, we secured a 2 year decommissioning contract associated with a redundant Fuel Manufacturing Facility.

We continue to support the consortia involved in the Nuclear New Build programme where our skills in stainless steel fabrication, materials handling and mechanical and electrical services will be increasingly in demand.

In other Energy sectors, we are currently active at 5 power stations and 2 wind farms, where framework agreements provide maintenance services and enable access to larger capital projects. There are increasing opportunities

"Over the last 5 years, our Engineering Services activities have grown organically by 93% and, when combined with our acquisitions, now represent annual revenue of more than £200m as well as providing 80% of the Group's operating profit."

in both the wind and biomass sectors and we have also recently been appointed to 2 hydroelectric generation framework agreements.

Environmental
The Group has considerable expertise in the water, flood alleviation, coastal defence and land remediation sectors, providing multidisciplinary engineering services across 16 framework agreements.

Northumbrian Water Limited remains our largest client in the Water sector where our relationship extends for over 20 years. In the year, we were reappointed under AMP5 to the major waste water project framework which runs initially to 2015, with an intention to extend for a further 6 years. Importantly, we have also been appointed to a number of non-discretionary maintenance framework agreements. These include 2 new framework agreements for trunk mains cleansing and water distribution, in addition to our established sewer maintenance framework agreement, where we are experiencing increased volumes.

In Land Remediation, VHE has recently been appointed to 3 framework agreements with National Grid, continuing our long standing relationship with this client. These framework agreements are for major and minor soils remediation projects nationwide and are for a 3 year period, with an option to renew for a further 2 years. During the year, a number of projects were undertaken involving the remediation of former gas work sites, including work at St Helier for the Royal States of Jersey. Similar work was carried out for National Grid at Neepsend and Partington in Manchester, the first large scale cluster project in the UK, under the established framework agreement.

Engineering Services performance

The development of our Engineering Services business has created a platform of sustainable revenue generated from over 50 framework agreements with major clients, most of which operate in regulated markets.

Engineering Services order book up
118%

Engineering Services revenue up
39%

Organic growth in Engineering Services since 2006
93%

Engineering Services operating profit margin
4.2%

"The acquisition of Amco has accelerated the transformation in the shape of the Group and offers Renew a range of opportunities for further growth in Engineering Services markets."

Environmental continued

We continue to provide civil, mechanical and electrical services under 5 minor works and river maintenance framework agreements for the Environment Agency. During the year, we maintained our long standing relationship with Cleveland Potash where we secured a shaft repair contract in addition to our ongoing maintenance activities.

Infrastructure

The Group continues to carry out small value highways and industrial projects across the UK, both under framework arrangements and individually.

During the year, the majority of revenue has been generated in the rail sector where we are the leading provider of engineering maintenance works to Network Rail. This has been recently recognised with the award of Infrastructure Maintenance Team of the Year at the National Rail Awards.

Our activities in the rail sector involve the Group in the provision of integrated civil, mechanical and electrical engineering services where the focus is on renewal, refurbishment and maintenance through 8 framework agreements and individual capital projects.

In May, we were appointed by Network Rail to the Building and Civils Delivery Partnership ("BCDP") framework agreements with an advertised value of £100m per annum. Amco was the only contractor appointed nationally. These framework agreements continue for 3 years, with an option to extend for a further 2 years. Amco is also one of 4 contractors on the National Electrification and Plant framework agreement, delivering a maintenance and renewal programme on the network for Network Rail throughout the UK.

YJL Infrastructure has now been successfully integrated with Amco to maximise our response to the BCDP framework and to extend our capability to deliver services to a range of clients in the South East.

During the year, a number of individual capital projects were completed, including refurbishment work at Blackburn Station and the major station modernisation schemes at Marble Arch and Notting Hill Gate for London Underground. Amco has particular expertise, and is the market leader, in tunnel refurbishment work for Network Rail, having carried out numerous schemes over the last 10 years and having recently been awarded the major repair project in the Ore Tunnel near Hastings.

Specialist Building

The Group now has three Specialist Building businesses in the South which target the New Build Social Housing, High Quality Residential and Retail markets. These markets, in which we have extensive experience and expertise, provide sustainable opportunities for the future. Specialist Building revenue was £178.9m (2010: £163.1m) with operating margin maintained at 1.1%.

In New Build Social Housing, the Government has reconfirmed its commitment to reduce the significant housing shortage in the South East, where the Group has 13 framework agreements with leading Housing Associations which provide access to a £600m annual market spend. Included are 3 new framework appointments with Estuary Housing Association, Hyde Housing Association and London and Quadrant Housing Trust, where the first project has commenced on site at Lynton Road.

> "The results of our commitment to safety can be seen in the continued improvement in the Group's Accident Incidence Rate which has progressively reduced by 77% since 2005."

In High Quality Residential, the Group's activities are focused in London and the Home Counties where the market remains strong. Our experience in this sector, in particular our temporary works engineering capability, continues to differentiate our services and provide opportunities. In the year, good progress was made on contracts in Mayfair and Belgravia, with new awards received for projects in Knightsbridge, Kensington and Chelsea.

In Retail, we were recently awarded a project to construct a new Tesco store at Widnes which is on-site and progressing well. A number of other projects were also successfully carried out during the year for Tesco at Portland, Risca and Sandwell.

People

The safety of our employees and those who work with us continues to be the Group's main priority. The results of our commitment to safety can be seen in the continued improvement in the Group's Accident Incidence Rate which has progressively reduced by 77% since 2005.

The strong financial results demonstrate the skills and determination of everyone who works for Renew. The Board would like to thank its employees for their continued hard work and commitment to the success of the Group.

Summary

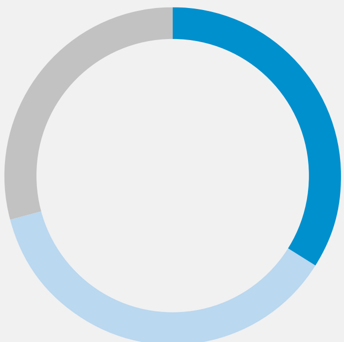
The acquisition of Amco has accelerated the transformation in the shape of the Group and offers Renew a range of opportunities for further growth in Engineering Services markets. Over the last five years, our Engineering Services activities have grown organically by 93% and, when combined with our acquisitions, now represent annual revenue of more than £200m as well as providing 80% of the Group's operating profit.

The development of our Engineering Services business has also improved Group operating margin and has created a platform of sustainable revenue generated from over 50 framework agreements with major clients, most of which operate in regulated markets. These framework agreements, together with expected extensions and renewals, provide good visibility of income and quality of earnings both for the coming year and beyond.

B. W. May

Brian May
Chief Executive
22 November 2011

Engineering Services revenue by market



Energy	34%
Infrastructure	37%
Environmental	29%

"Group revenue from ongoing operations was £356.7m (2010: £290.4m) with a profit before tax of £8.1m (2010: £4.6m) prior to exceptional items and amortisation charges."

John Samuel, Group Finance Director

Summary

- The Group arranged a £15m three year term loan to fund the acquisition of Amco, also using £7.2m of its own cash resources.
- The Group's net debt position as at 30 September 2011 is £6.8m. The Group has complied with the covenants associated with this loan.
- The Group continues to have a £5m overdraft facility which has been unused throughout the year.

Results

Group revenue from ongoing operations was £356.7m (2010: £290.4m) with a profit before tax of £8.1m (2010: £4.6m) prior to exceptional items and amortisation charges. A tax charge of £2.4m (2010: £1.4m), none of which is payable, resulted in a profit after tax for the year of £5.7m (2010: £3.2m) prior to exceptional items and amortisation charges. Exceptional items in 2011 include redundancy and restructuring costs of £3.7m associated with the decision to withdraw from non-specialist public sector building markets. £1.3m of exceptional costs were incurred in connection with the acquisition of Amco and £0.2m in connection with the Office of Fair Trading ("OFT") fine which is fully detailed in Note 23. Additionally, £0.4m (2010: £0.3m) of amortisation charges were incurred. After tax, exceptional items and amortisation, the profit for the year was £1.3m (2010: £2.7m).

Cash

The Group arranged a £15m three year term loan to fund the acquisition of Amco, also using £7.2m of its own cash resources. During the year, £2.5m of repayments have been made reducing the loan balance to £12.5m at the year end. Our cash balances stood at £5.7m (2010: £16.2m) at the year end with other non-recurring outflows being associated with the restructuring costs and the settlement of the OFT fine. As a result, the Group's net debt position as at 30 September 2011 is £6.8m. The Group has complied with the covenants associated with this loan.

The Group continues to have a £5m overdraft facility which has been unused throughout the year. As a result of the reduction in revenue in Specialist Building, amounts received in advance from construction contract customers reduced from £8.0m to £5.7m. As the balance of the Group's revenue continues to shift towards Engineering Services, the positive working capital characteristics of Specialist Building continue to be diluted, although the Group does not expect working capital to consume cash over the next year.

Acquisition of Amco Group Holdings Limited

Amco was acquired for a consideration of £27.1m with £6.2m of this being funded by the sale back to the vendors of a freehold property for £1.6m and the repayment of a debt due by a company controlled by the vendors of £4.6m, leaving the net cost to Renew at £20.9m. Professional fees of £1.3m were incurred which brings the total cash outflow on acquisition to £22.2m.

The acquisition has caused a substantial increase in the Group's intangible assets which have risen to £29.7m from £9.7m. The Board has determined that £3.0m of the intangible assets acquired with Amco represent the value of customer relationships and contractual rights and this asset is being amortised over a six year period. The Board also reviewed the assumptions adopted by the previous directors of Amco and decided to adopt different actuarial assumptions in respect of the Amco Pension Scheme, particularly in respect of mortality rates. This has given rise to a fair value adjustment which reduced the carrying value of the Amco Pension Scheme asset from £2.6m to £0.7m on acquisition. The acquisition did not give rise to any other material fair value adjustments although this will be reviewed one year after acquisition in accordance with IFRS 3.

"The distributable profits of Renew Holdings plc stood at £11.6m (2010: £9.9m) enabling the Board to recommend an unchanged final dividend of 2.0p per share."

Pension schemes

The IAS 19 valuation of the Lovell Pension Scheme, which was closed to new members in 2000, has resulted in a small deficit of £0.1m (2010: £1.1m surplus). During the year, the Board, in conjunction with the Trustees of the Lovell Scheme, completed a buy-in of part of the pensioner liabilities of the scheme. This measure, which was completed without any further cash contribution to the scheme by the Group, has reduced the risks associated with those liabilities and, at the year end, the annuities purchased represented 38% of the scheme's total liabilities. In accordance with the scheme specific funding requirements of the Pensions Act 2005, and following the triennial valuation of the scheme which was carried out as at 31 March 2009, the Board has an agreement with the Trustees of the scheme on the level of future contributions which are currently approximately £3.0m per annum inclusive of costs. The next triennial valuation will be carried out as at 31 March 2012.

The IAS 19 valuation of the Amco Pension Scheme shows a surplus of £1.1m. In accordance with the scheme specific funding requirements of the Pensions Act 2005, and following the triennial valuation of the scheme which was carried out as at 31 December 2007, the Board has an agreement with the Trustees of the scheme on the level of future contributions which are currently approximately £0.2m per annum inclusive of costs. The next triennial valuation is being carried out currently as at 31 December 2010.

Due to the impact of actuarial losses measured in these schemes in the year, £3.9m, net of deferred tax, has been charged to the statement of comprehensive income, reducing the Group's net assets accordingly. The actuarial losses reflect the reduced value of investments held partly offset by improvements in corporate bond yields.

Taxation

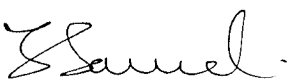
A deferred tax asset included in non-current assets of £3.1m (2010: £3.3m) is carried in the balance sheet, which principally results from the likely future utilisation of tax losses. A deferred tax liability related to the Amco defined benefit pension scheme of £0.3m is shown in non-current liabilities. The remaining deferred tax liability of £0.8m relates to fair value adjustments arising on the Amco acquisition.

The current year UK tax charge is £nil (2010: £0.6m). There is a prior year adjustment repayment leading to a total current tax credit of £0.4m (2010: £0.6m charge). The deferred tax charge of £1.6m (2010: £0.7m) is attributable primarily to the defined benefit pension schemes. The total tax charge for the year of £1.2m (2010: £1.3m) represents an effective Group tax rate of 47% (2010: 31%) none of which is corporation tax payable.

The Group has material tax losses to carry forward and the rate of corporation tax payable in each of the next few years is expected to remain below the headline rate.

Distributable profits

The distributable profits of Renew Holdings plc stood at £11.6m (2010: £9.9m) enabling the Board to recommend an unchanged final dividend of 2.0p per share.

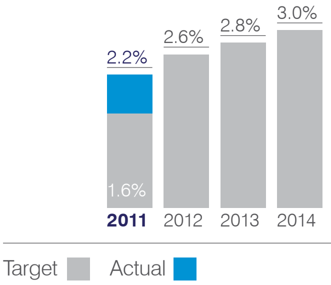


John Samuel
Group Finance Director
22 November 2011

Operating profit % of revenue

2.2%

(Target: 1.6%)



Growing our Engineering Services operations organically and by acquisition

The transformation of Renew into an Engineering Services Group combined with targeting regulated markets puts the Group in a position of strength with good opportunities for growth.

Broadening the scale of our operations

The acquisition of Amco is firmly in line with the Group's stated strategy and, as a result, 63% of on-going revenue is now derived from our Engineering Services operations.

The core of our strategy

An established plan for growth

In 2009, the Board set out its strategy to deliver at least 50% of Group revenue from its Engineering Services activities with Group operating profit of over 2% by 2012. These targets have been achieved one year ahead of plan.

The acquisition of Amco in February 2011, together with continued organic growth and the decision to withdraw from non-specialist public sector building markets, has accelerated the repositioning of Renew as an Engineering Services Group supporting UK infrastructure.

Adding value and resilience to Group operations

What we are doing to achieve our goals

Expand

Expanding our Engineering Services both organically and by acquisition whilst maintaining operating margins above 3%.

Operating margins

4.2%

Target: 3-4%

What's next?

- Identifying acquisition opportunities which provide complementary skills to those of our existing businesses, are earnings enhancing and achieve margins in our target range.
- Our integrated approach provides the opportunity for the cross selling of services from around the Group.

Identify

In Engineering Services our focus is to secure sustainable positions on framework agreements, in areas of non-discretionary spend as well as selective capital projects.

Framework agreements

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What's next?

- We will look to secure sustainable positions on framework agreements, focusing on areas of non-discretionary spend.
- We will maintain selectivity of opportunities in markets where the Group has expertise and experience.

Deliver

It is the Group's ambition to have turnover of over £500m by 2014, achieved by acquisition and organic growth, with a target that Engineering Services will account for at least 70% of Group revenue and with Group operating margin of more than 3%.

Engineering Services % of on-going Group revenue

63%

Target: 50%

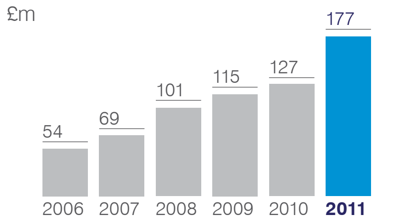
What's next?

- Group operating margin of more than 3%.
- Engineering Services accounting for at least 70% of Group revenue.
- Group turnover of over £500m.

Measuring our performance

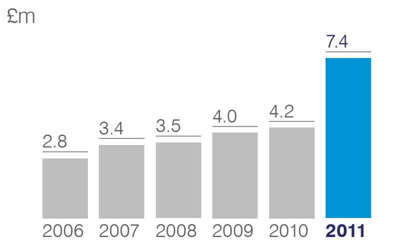
Engineering Services revenue

£177m



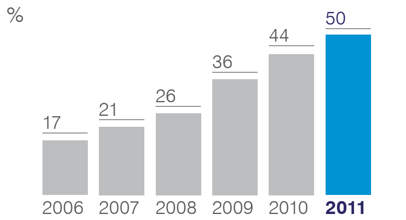
Engineering Services operating profit

£7.4m



Engineering Services % of Group revenue

50%



Review of operations*

* This section looks at the Group's target markets and highlights our achievements in these markets during the year.

In this section

Energy

This year has seen huge growth in our energy operations together with the acquisition of Amco.

The acquisition has brought additional skills to the Group, as well as longstanding relationships with blue chip clients. We operate nationwide in the UK energy market providing a range of multidisciplinary engineering services to the industry.

Our operations target the on-going maintenance and asset renewal programmes in the Energy industry, which provide the Group with a core workload and access to capital projects as they arise.

Our energy capabilities

Renew is ideally positioned to take advantage of the increase in non-discretionary spending in the energy market with an increase in skills following the acquisition of Amco alongside existing complementary skills from within the rest of the Group.

The Group has expertise in nuclear decommissioning where we currently provide mechanical and electrical construction, dismantling and decommissioning services.

We carry out installation and commissioning, operation and maintenance services, outage management and working in line processes. These services are carried out through our dedicated multi-skilled staff and operatives.

In each of the energy sub-markets we provide a range of activities including multidisciplinary civil, mechanical and electrical engineering services, critical planned and reactive maintenance services, feasibility and solution development, design and design management, project management and construction.

Our energy markets

Nuclear
Coal
Biomass
Wind
Hydro
Transmission and distribution

The UK energy market

The UK's energy sector is undergoing a period of reform as it adjusts to the changing shape of future energy provision.

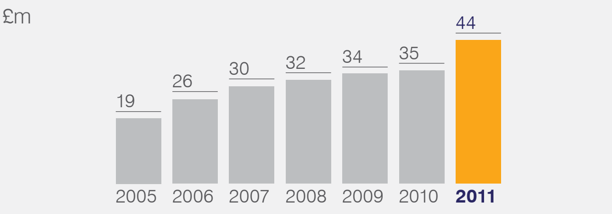
In order to achieve the Government's target of generating 20% of UK energy from renewable sources by 2020, it is estimated that more than £110bn of investment is needed in new power generation and grid upgrades over the next decade.

This increase in capacity will be provided from a combination of fossil, nuclear and renewable technologies. Where existing power generation facilities remain, these will need to meet new targets on emission controls.

Estimated investment required in new power generation and grid upgrades over the next decade

£110bn

Growth in Nuclear revenue



Our experience in the newer forms of renewable energy together with our nationwide operations gives us greater flexibility to meet demand in this sector.

Targeting the energy market

Nuclear

We provide engineering services including asset care and maintenance of operational facilities, decommissioning, clean up and all aspects of mechanical and electrical project support. We are also a supplier of high integrity fabrications for which demand will increase within the nuclear new build programme.

Over 66% of the Nuclear Decommissioning Authority funding is allocated to nuclear licenced sites where we are active.

Coal

Coal fired power stations currently provide 42% of all UK power generation. To meet the energy gap, coal generation will continue to be a major provider up to and beyond 2020. We provide embedded engineering services for the majority of the major generators and are well placed to maximise the opportunities that will arise from investment in reducing emissions.

Biomass

Government legislation has facilitated a major investment drive in biomass. Our specialist materials handling capability is well placed for market accessibility in excess of 70% of the available opportunities at power stations and ports.

Wind

Wind will play a major role in achieving the Government's renewable targets. We are strategically placed to increase our share of the resulting new build and maintenance opportunities.

Hydro

The Department of Energy and Climate Change has identified undeveloped hydro capacity of 1500MW in the UK. As a turnkey provider on existing frameworks with the major developers, we have accessibility to over 75% in a market worth £4bn.

Transmission and distribution

Significant changes in the generation mix will result in reinforcements estimated at £4.7bn over a 9 year period. With our existing frameworks with network operators in the UK we have over 22% accessibility on the non-discretionary spend as well as associated capital expenditure opportunities.

How are we capitalising on these markets?

What have we achieved?

- We operate at 9 nuclear licenced sites in the UK where work is underpinned by maintenance framework agreements and where we have experienced record volumes during the year.
- We remain the largest mechanical and electrical contractor at Sellafield where the focus is on the decommissioning and hazard reduction operations.
- Good progress was made on the major projects programme at Sellafield with the integrated approach of our businesses providing opportunities.
- We have established ourselves as a strategic provider of post warranty wind turbine operation and maintenance services with term contracts at 2 of the most efficient wind farms in Scotland.
- We have secured 3 year hydro electric development frameworks with two of the UK's water utility companies.
- We now provide integrated support services to over 10GW of the UK's thermal power station capacity.

What's next?

- There are significant opportunities for growth in the energy markets we target.
- We operate from an established platform where we have both expertise and experience.
- Continue to differentiate ourselves by integrating our generation, grid and decommissioning skills.
- Multi Discipline Site Wide framework extended to September 2012 at Sellafield.
- Undertake works on the Decommissioning and Demolition framework as part of Cumbrian Nuclear Solutions Limited secured until March 2015.
- A decommissioning project at Springfield Fuels for Westinghouse.
- We continue to support the consortia involved in the Nuclear New Build programme where we have skills in stainless steel fabrication, materials handling and mechanical and electrical services.

Environmental

We focus on the requirements for water, flood alleviation, coastal defence and land remediation expertise where we provide multidisciplinary engineering services across 16 framework agreements.

Investment in these markets is set to increase in line with demand. We have strong relationships with clients responsible for delivering infrastructure renewal and enhancement programmes.

Our Land Remediation capabilities

Land remediation

We have significant experience in brownfield development and contaminated land management nationally since 1979.

Services include site surveys and the assessment of potential risks associated with previous uses and the development of appropriate remedial strategies which maximise the efficient use of all engineering resources. This can be soil treatment by biophysical remediation, soil washing, solidification and stabilisation as well as groundwater treatment and management.

The Environment Agency estimates that there may be some 300,000 hectares of land in the UK that has been affected to some extent by natural or industrial contamination.

300,000

On average 250 new sites have been classified as contaminated each year since 2000.

250

Targeting the Land Remediation market

The UK's contaminated land sector has reportedly turned over £1bn per annum in recent years and is expected to grow by almost 3.5% annually between now and 2015.

With the removal of Landfill Tax Exemptions at the end of March 2012 the real cost of disposing of any actively contaminated soils will rise, placing even greater emphasis on retaining and reusing soils on site. Our subsidiary VHE is established as the UK's premier Part 2A contractor and holds an Environment Agency Mobile Treatment Licence enabling the treatment of contaminated soils on the site of origin or as part of a Hub and Cluster on a temporary treatment arrangement.

What have we achieved?

- Projects undertaken for National Grid, as part of the on-going framework agreement, at Neepsend and Partington in Manchester, the first large scale hub and cluster project in the UK.
- Appointed to 3 remediation frameworks with National Grid, continuing our long relationship with this client.
- Completion of the remediation of a former gas works site at St Helier in Jersey for the Royal States of Jersey.
- Provision of civil, mechanical and electrical engineering maintenance services under 5 framework agreements for the Environment Agency.

What's next?

- Development of opportunities in the waste to energy and renewables sectors.
- Continuation of our 15 year relationship with National Grid through the successful delivery of their framework agreements, for a further three years.
- Successfully secure a position on the Environment Agency framework for Part 2A works.
- Development of sustainable remediation in line with Sustainable Remediation Forum UK.

Our Environmental markets

- **Water**
- **Flood alleviation**
- **River and coastal defence**
- **Land remediation**

Our Water capabilities

Water
We have extensive expertise in water infrastructure development and maintenance, flood alleviation and river and coastal defences. We provide specialist services in mechanical and electrical installations, maintenance, pump sales and service.

Our largest client in the water sector is Northumbrian Water where work is undertaken on the AMP5 framework agreement.

Targeting the Water market

The Environment Agency estimates the investment required in building and maintaining flood defences, to manage the increasing risk of flooding and coastal erosion due to climate change and asset deterioration, will need to almost double to £1bn a year by 2035.

Flood resilience of critical assets is also a major concern for water companies. Reducing the risk of sewer flooding, controlling leakage and water main bursts, renewing treatment works and reducing environmental impact features highly in their investment programmes. It is expected this investment will take the form of a large number of capital and maintenance projects spread across the country.

What have we achieved?

- Secured a position on Northumbrian Water's ten year AMP5 framework which provides the opportunity for the selected participants to win work estimated at a total value of £1.5bn.
- Appointed to a major waste water and two non-discretionary maintenance frameworks as well as frameworks for trunk mains cleansing and water distribution as part of the AMP5 programme.
- Work in the Water sector is undertaken through framework agreements with Northumbrian Water and Scottish Water.
- Appointed to 2 exclusive regional frameworks with the Environment Agency; North East MEICA and Wales Rivers Maintenance.
- Appointed to 3 non-exclusive regional frameworks with the Environment Agency; North East Civil, Midlands Civil & Midlands MEICA.
- The award of 3 year frameworks with both Welsh Water and Scottish Water.

What's next?

- Secure further suitable framework agreements with Northumbrian Water and Local Authorities.
- Focus on the increasing number of maintenance framework opportunities in the water sector.
- Integrate our existing Environment Agency regional framework resources to position ourselves for the new larger national framework opportunities.

Infrastructure

We provide a range of civil, building, mechanical and electrical engineering and maintenance services nationally across the rail network. Our strength lies in our ability to successfully deliver a variety of integrated and sustainable solutions for our clients who include Network Rail, London Underground and the train operating companies.

How we're currently progressing

This year has seen huge growth in our Rail operations with the acquisition of Amco. The acquisition has brought additional skills to the Group as well as long standing relationships with blue chip clients.

We operate nationwide on the UK rail network providing a range of multidisciplinary engineering support services to the industry. Our operations target the on-going maintenance and asset renewal programmes of the rail industry. This provides the Group with a core workload and access to capital projects as they arise.

The UK rail market

Investment in rail remains a key part of the UK's transport investment strategy as demand for extra passenger and freight services continues to grow.

The rail market in the UK is more secure following the Government's Comprehensive Spending Review at the end of 2010 and subsequent announcements, underpinning optimism in the sector.

Network Rail is the steward of the national rail network and as such undertakes a renewal and enhancement programme to meet its obligations to its train operating customers and its stakeholders.

Our business is principally aligned with Network Rail where we are the leading provider of engineering maintenance works as well as carrying out individual capital projects.

We also work for a number of train operating companies on the UK rail network.

The general infrastructure market in the UK is forecast to grow considerably over the next 5 years. Operational and maintenance costs of the UK rail network are estimated at £4bn per year.

Targeting the infrastructure market

The general infrastructure market in the UK is forecast to grow considerably over the next 5 years. Operational and maintenance costs of the UK rail network are estimated at £4bn per year.

The Group has over 26 years' experience working in the Rail sector delivering projects for clients such as Network Rail, London Underground and a number of train operating companies.

Our experience is in providing civil, building, mechanical and electrical services across the UK rail network where our focus is on non-discretionary infrastructure renewal, enhancements and maintenance as well as capital projects under a number of framework agreements.

We are a market leader in tunnel refurbishments developed from many years experience in the mining industry.

Our infrastructure capabilities

Projects

Renewals
- Building and civils frameworks
- Building and civils projects
- Station regeneration

Enhancements
- Major building and civils renewals programmes
- Track gauging enhancement
- Station regeneration

Signalling power and communications
- Signalling
- Electrification
- Mechanical and electrical installation

Maintenance

Asset management
- Minor civil and building maintenance framework
- General maintenance

Signalling, power and communications
- Electrification and plant maintenance framework

How are we capitalising on this market?

What have we achieved?
- Recently appointed to the 3 year Buildings and Civil Delivery Partnership framework ("BCDP") for infrastructure projects and maintenance, the only company to be awarded this framework nationally. This framework has an anticipated turnover of approximately £30m per annum.
- Completion of the W10 Gauging Enhancement Scheme which involved the reconstruction of the Hassalls, Burbage and Kirby Bellars bridges as part of Network Rail's Peterborough to Nuneaton W10 upgrade.
- Successful completion of station modernisation schemes at Marble Arch and Notting Hill Gate for London Underground with a combined value of over £30m.
- Appointed to the National Electrification and Plant framework agreement, delivering a maintenance and renewal programme for Network Rail nationally.

What's next?
- Successful delivery of the BCDP framework which runs for at least the next 3 years with an option to renew for a further 2 years.
- Deliver the £5m Ore Tunnel Repair project in Hastings, where work has commenced on site utilising our market leading experience in tunnel refurbishments.
- Continue to broaden our skill base through investment in our directly employed staff and operatives with a view to maintaining our excellent record for safe and effective delivery throughout the UK.

Specialist Building

The Group's Specialist Building operations concentrate on the New Build Social Housing, High Quality Residential and Retail markets in the South, where these markets provide stable opportunities for the future.

The New Build Social Housing market

In February the Government announced the affordable homes programme where they committed to an investment of £4.5bn to deliver up to 150,000 new affordable homes between now and 2015 across the UK. In the main these new homes will be built by the Housing Associations.

Why do we target this market?

Operating in London and the South East we specialise in new build social housing and refurbishment schemes where our 13 framework agreements access a £600m annual market.

Demand for new build social housing remains high. The South has been allocated around 50% of the Homes and Communities Agency funding with a large portion shared by our existing housing association partners.

How are we capitalising on this market?

- Using traditional design and build, and partnering forms of contract, we undertake new build, refurbishment and fit out contracts within both the public and private sectors of the New Build Social Housing market.
- There are high barriers to entry in this market and we continue to develop our relationships with existing and new framework partners.
- We work with some of the largest housing associations in the South East through framework agreements including Metropolitan Housing Trust, London and Quadrant and Notting Hill Home Ownership.

What have we achieved?

- 3 new framework appointments with Estuary Housing Association, Hyde Housing Association and London and Quadrant Housing Trust where the first project has commenced on site at Lynton Road.

Investment in new affordable homes by the Homes and Communities Agency

All figures subject to change through contracting process.

Our Specialist Building markets

New Build Social Housing

High Quality Residential

Retail

The High Quality Residential market

We specialise in the new build, refurbishment and fit out of prestigious private residences in London. Our work includes listed buildings and those of historical interest, often involving challenging structural work and many specialist finishes. We specialise in the provision of temporary works engineering, design management, planning, traffic management and logistics support.

Why do we target this market?

This market has seen an increase in requirements for extensive refurbishment and development which has been largely unaffected by the economic downturn.

How are we capitalising on this market?

We have an extensive record in projects up to £60m and are able to add additional value through our engineering solutions. Our in-house expertise in challenging structural works where substantial works are often below ground as well as in tight urban areas where access is restricted, provides a key differentiator.

What have we achieved?

- Good progress was made on projects in Mayfair and Belgravia.
- New awards were received in Knightsbridge, Kensington and Chelsea.

The Retail market

With over 50 years experience we specialise in schemes ranging from multi-million pound design and build developments through to refurbishment and restoration projects. We specialise in fast-track and innovative delivery programmes.

Why do we target this market?

There continues to be a strong pipeline of retail development opportunities in planning stages in the UK.

How are we capitalising on this market?

We have strong relationships with blue chip clients in the retail sector and the demand from retailers for developments to occupy is still rising.

What have we achieved?

- Awarded the project to construct a Tesco store at Widnes; the project is on site and progressing well.
- A number of projects successfully carried out during the year for Tesco at Portland, Risca and Sandwell.

Corporate governance*

* This section outlines the Group's Corporate Governance procedures.

In this section

We are committed to acting as a responsible member of the business community

We strive to balance the Group's economic sustainability alongside our social and environmental responsibilities. It is our aim to leave a lasting positive impact in the communities in which we operate.

Our commitments to CSR in brief

Renew is committed to balancing the Group's economic sustainability alongside its social and environmental responsibilities. Our respect for people encompasses treatment of our own employees, our interaction within the communities in which we operate and the management of relationships with our clients, consultants and supply chain.

Renew endeavours to minimise the impact and maximise the social, economic and environmental benefits of the Group's operations beyond compliance with minimum legal requirements.

- Awards
- Safety
- Environment and sustainability
- Employment and training
- Community engagement and charitable giving

Safety

The Group continues to take the lead by making safety its priority.

The Renew Safety and Environmental Management Group co-ordinates activity across the Group, setting standard processes, agreeing best practice and ensuring the effective transfer of knowledge.

Find out more on page 28

Environment and sustainability

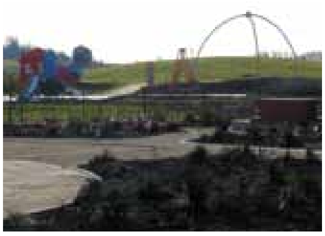
Our environmental initiatives are wide ranging and encourage our employees and sub-contractors to adopt sound environmental understanding and practices through a mixture of training and awareness.

Find out more on page 28

Community engagement and charitable giving

Our businesses are dedicated to ensuring their operations have a positive impact on communities through a variety of schemes.

Find out more on page 29



Employment and training

Our businesses offer a variety of employment and training opportunities in the communities in which they operate.

Find out more on page 29

Awards

Royal Society for the Prevention of Accidents ("RoSPA")
A number of our businesses have achieved RoSPA awards in their prestigious Occupational Health and Safety Awards 2011.

Shepley Engineers was awarded an "Order of Distinction" for achieving 15 consecutive Gold Awards. A Gold Award recognises a high level of performance underpinned by excellent management systems which deliver consistent improvements.

PPS Electrical achieved a President's Award for 11 consecutive Gold Awards. A fifth consecutive Gold Award was awarded to VHE and Britannia won a Gold Award for the second consecutive year. A Silver Award was presented to West Cumberland Engineering in only their third year of application.

Considerate Constructors Scheme
It is a requirement that all of our sites are registered with the Considerate Constructors Scheme. During the year Britannia received an "exceptionally good" Bronze Award for the Fareham Shopping Centre project. The Group sets a minimum target score of 65% on assessment which we have achieved on all our sites during the year with an average score of 83%.

Other Awards
At the National Rail Awards 2011 Amco won the "Infrastructure Maintenance Team of the Year" award for repeatedly delivering quality work on time and budget, without affecting service. The awards saw Amco compete against over 200 entrants in this category where they were able to demonstrate the highest levels of performance reflected in the exceptional KPI scores throughout the year.

VHE's Cudworth and West Green Bypass scheme was honoured with a "Certificate of Excellence" in design and execution in civil engineering works by the Yorkshire and Humber region of the Institute of Civil Engineers.

Many of our businesses participate in fundraising events for their chosen charities.

Summary

- Our Accident Incidence Rate has reduced by 12% in the year and 77% since 2005.
- On our projects, careful consideration is given to reducing waste disposal to landfill through waste reduction, reuse and recycling programmes.
- Our employees are actively encouraged to be involved in promoting and enforcing a safe working culture and practices.
- Our businesses are accredited to the ISO 14001 standard which involves biannual assessments and a commitment to continually monitoring the impact of their operations on the environment.

Safety

The Group continues to take the lead by making safety its priority. The Renew Safety and Environmental Management Group co-ordinates activity across the Group setting standard processes, agreeing best practice and ensuring the effective transfer of knowledge. Whilst the target is to achieve zero accidents, we continued to make progress towards this during the year. Our Accident Incidence Rate reduced by 12% in the year and 77% since 2005.

Our businesses work continually to improve on their individual safety records. Our Nuclear business, Shepley Engineers, has undertaken over 1.6 million man hours since a lost time RIDDOR accident occurred.

Our employees are actively encouraged to be involved in promoting and enforcing a safe working culture and practices on our sites. During the year VHE launched the Prevention of Unsafe Conditions and Acts initiative, designed to increase low level incident reporting across the workforce. As part of their commitment to improving safety, Amco has implemented a behavioural based safety leadership and safety awareness programme as well as introducing behavioural observation based inspections. Safety initiatives undertaken around the Group by our individual businesses are defined by the industries in which they operate.

Environment and sustainability

Our environmental initiatives are wide ranging and encourage our employees and subcontractors to adopt sound environmental understanding and practices through a mixture of training and awareness.

Our subsidiary businesses are accredited to the ISO 14001 standard which involves biannual assessments and a commitment to continually monitor the impact of their operations on the environment.

As part of our drive to deliver sustainable solutions we promote the efficient use of resources and raw materials and seek ways to reduce our carbon footprint and that of the projects we undertake. On our projects, careful consideration is given to reducing waste disposal to landfill through waste reduction, reuse and recycling programmes. Recently, Britannia has become one of 500 companies throughout the UK to sign up to the WRAP Construction Commitment: Halving Waste to Landfill, as part of their drive to embed sustainable practices throughout the company. By supporting and delivering against this pledge, Britannia is aiming to improve its environmental performance and reduce its carbon footprint.

Innovative solutions are part of the design process and can help our clients achieve their environmental objectives. Recent examples include a solution on a flooded landfill project where C&A used pre-cast tanks and borehole pumps to evacuate spring water from below a landfill pod. Also at Amco an innovative lifting

Consideration of the impact of our operations is especially important when we work within the community. We work hard to ensure our operations are carried out in a respectful manner.

beam solution was developed whilst working at height in wind turbines on Bow Beat Wind Farm. The lifting beam was utilised to remove significant manual handling issues which arise and the proposal may also be adopted on other wind farms.

Consideration of the impact of our operations is especially important when we work within the community. We work hard to ensure our operations are carried out in a respectful manner.

Employment and training

Our businesses offer a variety of employment and training opportunities in the communities in which they operate. The schemes range from apprenticeships and scholarships to work experience in partnership with local schools and training providers nationwide.

In the North East, Seymour partners with St Hild's specialist engineering school where work experience is provided for pupils in collaboration with Hartlepool College of Further Education and Construction Skills.

Two of our businesses, Walter Lilly and Seymour, are licenced training providers to the Engineering Construction Industry Training Board for their Supervisory Management Training and Development programme. Seymour is currently in negotiation to become a Centre of Excellence delivering placement training to engineering apprentices.

C&A has recently received an award from the National Apprenticeship Service for its commitment and support as an employer to the training and skills development of their staff.

In Cumbria, Shepley Engineers operates in the Nuclear industry where, in response to the future demand for skilled resources, it continues to make significant investments in its craft apprenticeship programme. The programme supports 40 trainees at various stages of development.

In the South, Allenbuild commits to creating and providing opportunities for young people within the industry by providing placements, trainee positions and ultimately employment. All trainees sign up to the "Achieve with Allenbuild" training programme.

Britannia is undertaking the "Think Local" approach on a site in Sandwell. The initiative has resulted in a successful apprentice scheme being implemented between Britannia and Sandwell Borough Council. The apprentices, who are all studying for NVQ qualifications at nearby Sandwell College, are undertaking training in carpentry and bricklaying and are spending twelve week periods on site under the supervision of Britannia's site team.

Community engagement and charitable giving

Our businesses are dedicated to ensuring their operations have a positive impact on communities through a variety of schemes.

Shepley Engineers continues to support the Cumbria Grassroots Endowment Fund, which provides grants for use on a range of worthy Cumbrian causes. In addition the Shepley Apprentice Scheme has community awareness training as part of the apprenticeship syllabus. In July 2010 work started with The Calvert Trust, a charity which provides exciting, challenging and enjoyable outdoor activity adventure holidays to people of all ages and abilities, helping with their mission to create a zip wire challenge. To date the second year apprentices have cleared the line of the 500m long path through heavy undergrowth and construction of the wheelchair path is now underway.

Many of our businesses participate in fundraising events for their chosen charities. Charities supported include the British Heart Foundation, the Guide Dogs, the Royal National Lifeboat Institution and Macmillan Cancer Support, where Britannia undertook a number of fundraising events in the year. The Group has also supported local charities across the country including the Hospital Heartbeat Appeal and Ilkley Candlelighters.

Directors' report

The Directors present their report and the audited accounts for the year ended 30 September 2011.

Principal activities

For the year ended 30 September 2011 the principal activity of the Group was as contractors in Engineering Services and Specialist Building. The main activities are carried out in the United Kingdom with some development activities in the USA. More details of these activities, the year's trading and future developments are contained in the Chairman's Statement, the Chief Executive's Review, the Review of Operations and the Financial Review. A list of the principal operating subsidiaries of the Group as at 30 September 2011 appears on page 73.

Results and dividends

The Group profit for the year was £1,305,000 (2010: £2,736,000). The Directors recommend the payment of a final dividend on Ordinary Shares of 2.0p (2010: 2.0p) giving a total for the year of 3.0p (2010: 3.0p).

Business review

Information that fulfils the business review requirements applicable to the Group can be found in this report, the Chief Executive's Review and the Review of Operations and is incorporated into this report by cross reference.

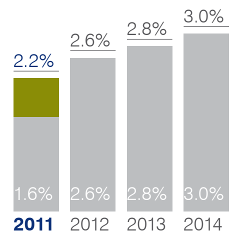
Key performance indicators

The Directors have established a number of key performance indicators which they use to measure and monitor the performance of the Group in a number of different areas. These measures are set out in the tables below. Operating profit margin is a major performance indicator and the Board has set targets for sustained improvement over the next few years. The order targets have been established as part of the Board's drive to improve the quality and sustainability of the Group's workload and to support the reliability of financial performance. The safety record improvement target is set annually and achievement of this target is an essential component of the bonus scheme for each Director and senior manager within the Group.

Operating profit % of revenue

2.2%

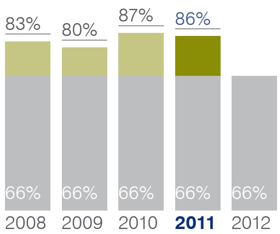
(target: 1.6%)



Percentage of orders in specialist sectors

86%

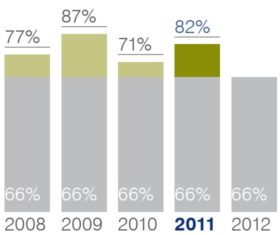
(target: 66%)



Percentage of orders from repeat clients

82%

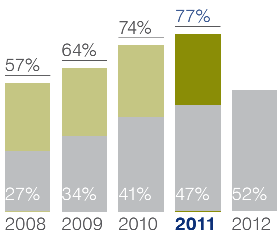
(target: 66%)



Cumulative reduction in accident incidence rate

77%

(target: 47%)



Principal risks and uncertainties

This Annual Report contains certain forward looking statements. These statements are made by the Directors in good faith, based on the information available to them up to the time of approval of this report. Actual results may differ to those expressed in such statements, depending on a variety of factors. These factors include customer acceptance of the Group's services, levels of demand in the market, restrictions to market access, competitive pressure on pricing or additional costs, failure to retain or recruit key personnel and overall economic conditions.

A risk inherent in the contracting industry occurs in the nature, timing and contractual conditions which exist at the time of contract procurement. To mitigate these risks, the Group has a system of pre-contract and pre-tender risk assessment whereby senior management, including the Executive Directors where appropriate, review and advise on specific issues arising in the contract procurement process. The Group also seeks to limit its risks by specialising in certain markets where it has extensive experience and a particular skills base.

Derivatives and other financial instruments

The Group's principal financial instruments comprise bank loans, cash and short-term deposits and obligations under finance leases. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk.

Interest rate risk

Interest bearing assets comprise cash and bank deposits and earn interest at floating rates. The Group's bank loan and overdraft facility bear interest at floating rates.

Liquidity risk

The Group's policy is to ensure availability of operating funds by maintaining an appropriate cash balance in both current and deposit accounts and, when necessary, to establish appropriate levels of borrowing facilities to provide short-term flexibility.

Foreign currency risk

As a result of the investment in operations in the United States, movements in the US dollar/sterling exchange rate could materially affect the Group's and the Company's balance sheet. As at 30 September 2011, £13,225,000 (2010: £12,863,000) of the Group's assets are denominated in foreign currency. The Group does not use derivative financial instruments in its management of foreign currency risk.

Credit risk

The Group's principal financial assets are bank balances, cash, amounts recoverable on contracts and trade receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its amounts recoverable on contracts and trade receivables.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Payment of creditors

The Group recognises the importance of good relationships with its suppliers and sub-contractors and has established the following payment policy:

(a) agree payment terms in advance of any commitment being entered into;

(b) ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract; and

(c) ensure that payments are made in accordance with the terms of the contract or order providing that the presented documentation is complete and accurate.

The Group's average creditor days during the year were 40 days (2010: 34 days).

Donations

Charitable donations made by the Group during the year amounted to £38,492 (2010: £37,589).

The Group made no political donations during the year (2010: £nil).

Employees
The Directors recognise the need for communication with employees at every level. All employees have access to a copy of the Annual Report and Accounts which, together with staff briefings, internal notice-board statements and newsletters, keeps them informed of the Group's progress. The Group produces a quarterly in-house publication, Renews, which provides information to its employees about the activities and performance of the Group.

The Group continues to be committed to the health, safety and welfare of its employees and to observe the terms of the Health and Safety at Work Act 1974, and all other relevant regulatory and legislative requirements.

It is the policy of the Group that there shall be no discrimination or less favourable treatment of employees, workers or job applicants in respect of race, colour, ethnic or national origins, religious beliefs, sex, sexual orientation, disability, political beliefs, age or marital status. Full consideration will be given to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in another position. Renew and its subsidiaries engage, promote and train staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the Group.

Health and safety management
B W May continues as the designated Board Director of Health and Safety with Group responsibility for safety and environmental management. Health, safety and environmental management issues and reports are regularly reviewed at Group Board meetings with the Head of Department in attendance when necessary.

The Executive Management Committee, chaired by the Chief Executive, discusses and progresses policy, legislative changes, best practice, training needs, inspections, audits (internal and external), performance measurement and statistical information. All topics are discussed with a specific focus on improvement.

Control at business level remains with subsidiary Managing Directors who are required to appoint a Director who is responsible for safety and environmental matters. Health, safety and environmental issues are discussed as the first agenda item at monthly Board meetings. Each business safety and environmental meeting encourages open communication between all employees and is a key part of the Group's efforts to gather and disseminate good practice for inclusion in business-based management systems. Minimum safety and environmental standards are contained within bespoke business Safety and Environmental Management Systems. This system is based on Group activities and provides specific standards, procedures, information, forms and advice which accommodate changes in legislation expected during the coming financial year. Management advice is provided by the Group Health, Safety and Environmental Department consisting of the Group Health, Safety and Environmental Director, an administrator and regional Group Safety and Environmental Advisors.

Certain Group companies employ their own specialist advisors who liaise directly with the Group HSE Director on common issues. The Group maintains its membership with the Royal Society for the Prevention of Accidents and locally based construction safety groups. All safety and environmental department personnel hold membership with the Institution of Occupational Safety and Health. Attendance on the five day Construction Industry Training Board Site Safety Management Training Scheme continues to be a requirement for all construction management personnel, with a two day refresher required every five years. A one day Directors and Senior Managers course is available internally and is used to introduce new systems and detail changes to construction legislation. Short duration "tool box talks" and "safety briefings" are used to enhance the knowledge and competence of supervisory management.

Group policy requires each business to report and record all injuries, diseases and dangerous occurrences, regardless of severity. An incident database is maintained to collate this information and provide statistical data allowing performance to be measured and determine system amendment and future training requirements. A system of Safety and Environmental Alerts ensures lessons learnt and changes to working practices are rapidly transmitted to our workforce, businesses and their contractors. The Accident Incidence Rate ("AIR") for the year ended 30 September 2011, measured on the standard base line of 100,000 persons at work, is a key area where the Group measures its performance.

Corporate social responsibility and the environment
The Group's Corporate Social Responsibility Report, which includes its report on the environment, is on pages 26 to 29.

Directors
The Directors of the Company who served throughout the year and their brief biographical details are set out below.

Non-executive Directors
John Bishop – Director, 66, was appointed to the Board as a non-executive Director in October 2006. He is a Chartered Accountant with over 20 years' PLC experience at main board level. Before retiring in 2005, John spent twelve years at Morgan Sindall Plc as Development Director and latterly as Finance Director. He is a non-executive director of Beagle Aircraft Limited.

David Forbes – Director, 51, was appointed to the Board as a non-executive Director in June 2011. He qualified as a Chartered Accountant in 1984 and has over 20 years' experience in corporate advisory services with N M Rothschild & Son Limited. He is a non-executive director of Vertu Motors plc and Chairman of Northern Ballet Theatre Limited.

Roy Harrison OBE – Director, 64, was appointed to the Board as a non-executive Director in November 2003. Subsequently, he was appointed Executive Chairman in March 2004, reverting to non-executive Chairman with effect from 1 October 2005. He is a former chief executive of the Tarmac Group, a former director of BSS Group PLC and has a number of investing director positions in private construction materials companies. He is governor and chairman of a number of City Academies.

Executive Directors

Brian May – Director, 60, was appointed to the Board as Chief Executive Officer in June 2005. He is a Chartered Civil Engineer. He progressed his career in Tarmac, subsequently holding a number of senior positions in Mowlem plc before becoming Chief Executive of Laing Construction plc and more latterly HBG Construction Ltd.

John Samuel – Director, 55, joined the Board in May 2006 as Group Finance Director. He was previously Group Finance Director at Filtronic plc from 1991 until 2004 and subsequently Chief Financial Officer of Zetex plc from July 2004 until February 2006. He qualified as a Chartered Accountant in 1981 with Deloitte, Haskins and Sells before serving as a partner with Baker Tilly from 1987 until 1991.

An organogram with the Directors' areas of responsibility can be found on the Company's website: www.renewholdings.com.

Roy Harrison OBE retires by rotation at the 2011 Annual General Meeting ("AGM") and will offer himself for reappointment. The Board recommends the reappointment of Roy Harrison as it considers that he brings considerable management and industry experience to the Group's business. Additionally, David Forbes, who was appointed as a Director on 1 June 2011, seeks reappointment at the first AGM since his appointment. The Board recommends the reappointment of David Forbes and considers that he brings considerable financial and corporate finance experience to the Group's business.

The Articles of Association provide that each Director shall be indemnified by the Company against losses, costs and expenses he may sustain or incur in connection with the performance of his duties of office, to the fullest extent permitted by law. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of its Directors.

Directors' interests

The beneficial interests of the Directors (and their immediate family members) in the shares of the Company and options for shares are set out on page 36. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on page 35.

Disclosable interests

As at the date of this report, the Company has been notified of the following disclosable interests in the voting rights of the Company:

	Number of ordinary shares	Percentage of issued share capital
Henderson Global Investors Limited	10,039,572	16.76%
Octopus Investments Nominees Limited	9,483,480	15.83%
Brewin Dolphin Limited	2,800,783	4.68%
Hargreave Hale Limited	3,008,750	5.02%

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 10p each) is 59,898,927.

During the year, the Company has not bought back any of its own shares nor issued any new share capital.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm the following:

- so far as each Director is aware, there is no relevant audit information of which the Group's Auditor is unaware; and
- each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Auditor

Resolutions will be proposed at the forthcoming AGM to re-appoint KPMG Audit Plc as Auditor to the Group and to authorise the Directors to determine their remuneration.

Approval

The Board approved the Report of the Directors on 22 November 2011.

By Order of the Board

John Samuel FCA
Company Secretary
22 November 2011

Company number 650447

The Directors present the Directors' Remuneration Report (the "Remuneration Report") for the financial year ended 30 September 2011.

As an AIM listed company, Renew is not required to prepare the Report in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"). However, the Directors recognise the importance and support the principles of the Regulations and would normally seek to follow them to the extent considered relevant for an AIM listed company. The Auditor is not required to report to the shareholders on the Directors' Remuneration Report.

Remuneration Committee

On his appointment as a Director on 1 June 2011, David Forbes assumed the Chairmanship of the Remuneration Committee which also comprises Roy Harrison and John Bishop. The Committee held 2 meetings during the financial year to discuss remuneration arrangements.

The Remuneration Committee's terms of reference include:

(a) to determine and agree with the Board the framework and policy for the remuneration packages, including bonuses, incentive payments and share options or share awards, of the Executive Directors and members of the Executive Management;

(b) to review and approve the design of all share incentive plans and performance related pay schemes for approval by the Board and shareholders as applicable;

(c) to determine targets and awards made under share incentive plans and performance related pay schemes;

(d) to determine the policy for, and scope of, pension arrangements for each Executive Director and other senior executives; and

(e) to ensure contractual terms and payments made on termination are fair to the individual and the Company and that failure is not rewarded.

Non-executive Directors do not have any personal interest in the matters to be decided by the Committee other than as shareholders, nor any potential conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the Company. The Executive Directors and other senior personnel may be invited to attend meetings when appropriate to provide advice. However, no Director is present or takes part in discussions concerning his own remuneration.

Remuneration policy

The Company's remuneration policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate Directors to achieve the Company's objectives, without making excessive payments. The remuneration and employment terms of the Executive Directors are determined by the Committee by comparison with salaries paid and terms agreed with Directors in similar companies in the same sector and of a similar size and after a review of the performance of the individual.

It is the aim of the Committee to reward Executive Directors competitively and on the broad principle that they should be in the range of median to upper quartile of remuneration paid to senior management of comparable public companies. For guidance, the Committee refers to published survey data. The Board determines the terms and conditions of non-executive Directors.

There are four main elements to the remuneration packages of the Executive Directors and other senior executives:

- basic salary, including benefits;
- annual bonus awards;
- share option plans; and
- pension arrangements.

Basic salary

Basic salaries are reviewed annually by the Remuneration Committee, and adjusted where the Committee believes that adjustments are appropriate to reflect performance, changed responsibilities and/or market conditions.

Other benefits for Executive Directors include car allowances and certain medical cover for the Director and immediate family. The Company also has a permanent health insurance policy to provide cover for the Executive Directors.

Annual bonus awards

The Company provides a bonus incentive scheme for Directors and senior executives of the operating companies, linked to the performance of the business for which they are responsible. All performance criteria are subject to approval by the Remuneration Committee before payment is made.

Share option plans

The Renew 2004 Executive Share Option Scheme (the "2004 ESOS") was approved at an Extraordinary General Meeting ("EGM") held on 11 March 2004. During the year, no options were granted under the 2004 ESOS to the Executive Directors. The performance criteria in respect of 709,140 previously granted options were not achieved and so those options lapsed during the year. There are 2,194,486 other options outstanding under the scheme of which 761,904 have vested and 120,263 will vest on 26 November 2011.

The Renew Savings Related Share Option Scheme (the "Renew SAYE") was also approved at the EGM on 11 March 2004. There are no options outstanding under this scheme. The Company's policy to grant options or awards under the above schemes is at the Remuneration Committee's discretion as and when considered appropriate.

Pension arrangements

The Group has established individual stakeholder plans for each employee who elects to join into which the Group makes contributions; B May and J Samuel receive salary in lieu of pension contributions from the Company.

Following the adoption of new Articles of Association at the AGM on 28 January 2009, the restriction on the retirement age of the Executive Directors was removed.

Service contracts and letters of appointment

The Company's policy is for all of the Directors to have twelve month rolling service contracts that provide for a twelve month notice period. The fees of non-executive Directors are determined by the full Board within the limits set out in the Articles of Association. The non-executive Directors are not eligible for bonuses, pension benefits, share options or other benefits. The Directors are indemnified to the full extent permitted by Statute under the Articles of Association.

The service contracts of the Directors, who served during the year ended 30 September 2011, include the following terms:

Directors	Executive/Non-executive	Date of contract	Unexpired term	Notice period (months)
J Bishop	Non-executive	1 September 2008	Rolling one year	12
D Forbes	Non-executive	1 June 2011	Rolling one year	12
R Harrison	Non-executive	1 February 2009	Rolling one year	12
B May	Executive	20 June 2005	Rolling one year	12
J Samuel	Executive	17 May 2006	Rolling one year	12

Directors' remuneration

Information is provided below for Directors who served during the financial year and as at 30 September 2011:

	Notes	**Salary/fees £000**	**Bonuses £000**	**Benefits £000**	**Total Emoluments 2011 £000**	Total Emoluments 2010 £000
Executive Directors						
B May	1,2,3,4	**287**	**287**	**56**	**630**	492
J Samuel	1,2,3,4	**221**	**221**	**44**	**486**	380
					1,116	872
Non-executive Directors						
R Harrison		**55**	**—**	**—**	**55**	55
J Bishop		**30**	**—**	**—**	**30**	30
D Forbes		**10**	**—**	**—**	**10**	—
					1,211	957

Notes:

1. The highest paid Director for 2011 and 2010 was B May who received emoluments of £630,000 (2010: £492,000).
2. Benefits include car allowances and certain medical cover for the Director and immediate family.
3. B May and J Samuel received payments in lieu of Company pension contributions, which are paid through payroll and taxed as salary and are included in Benefits above.
4. Bonuses were earned by B May and J Samuel during the current financial year and will be paid in the year ending 30 September 2012.

Directors' share options

Options have been granted to B May and J Samuel under the Renew 2004 ESOS as set out in the table below. During the year no options were granted under the 2004 ESOS to the Executive Directors. The performance criteria in respect of 709,140 previously granted options were not achieved and so those options lapsed during the year. There are 2,194,486 other options outstanding under the scheme of which 761,904 have vested and 120,263 will vest on 26 November 2011. The market price of the Company's shares at 30 September 2011 was 57p and the range of market prices during the year was between 31p and 83p.

Information is provided below for Directors who served during the financial year and as at 30 September 2011:

				Cumulative Total	
	2010 Award	2009 Award	2006 Award	**30 September 2011**	1 October 2010
B May	831,884	76,264	476,190	**1,384,338**	1,834,037
J Samuel	480,435	43,999	285,714	**810,148**	1,069,589
Date of award	25 November 2009	26 November 2008	7 June 2006		
Exercise price (£)	0.345	0.545	0.525		
Earliest exercise date	25 November 2012	26 November 2011	7 June 2009		
Expiry of exercise period	25 November 2019	26 November 2018	7 June 2016		

Performance criteria for the vesting of the share options is set out in Note 20 to the financial statements.

Directors' share interests

Those Directors serving at the end of the year and their immediate families had interests in the share capital of the Company at 30 September 2011 as follows:

	Ordinary Shares of £0.10 each	
	30 September 2011	30 September 2010
J Bishop	**10,000**	10,000
R Harrison	**100,000**	60,000
B May	**405,000**	355,000
J Samuel	**210,000**	210,000

Directors' pension information

No Director had pension entitlements under the Company's defined benefit pension scheme.

Approval

The Directors' Remuneration Report was approved by the Board on 22 November 2011 and signed on its behalf by:

D M Forbes
Chairman of the Remuneration Committee
22 November 2011

As an AIM listed company, Renew is not required to follow the provisions of the Combined Code, as set out in the Financial Services Authority's Listing Rules. The Directors, however, recognise the importance of, and accordingly support, the principles of good corporate governance as contained within the Combined Code. The Directors normally seek to follow the Code to the extent considered relevant for an AIM listed company but are unable to achieve compliance with the Code in a number of areas this year, primarily because of the lack of independent non-executive Directors. These matters are explained in further detail in the sections below.

The Board of Directors

The Board currently comprises the Chief Executive Officer, the non-executive Chairman, one Executive Director and two independent non-executive Directors. Brief biographies of the Directors are given on pages 32 and 33.

The Company is not compliant with the requirement of the Code that more than half of the Board should be comprised of independent non-executive Directors because R Harrison is not regarded as independent due to the period in 2004/2005 when he acted as Executive Chairman.

The composition of the Board is reviewed regularly. Appropriate training, briefings and induction are available to all Directors on appointment and subsequently as necessary, taking into account existing qualifications and experience. New Directors are subject to election by shareholders at the first AGM after their appointment.

The Board met formally ten times in the year with all Directors in attendance except that D Forbes attended 2 of the three meetings held since his appointment. Committee meetings dealing with the daily business of the Company were held as necessary. The Board receives written and oral reports from the Executive Directors ensuring matters are considered fully and enabling Directors to discharge their duties properly. There is a formal schedule of matters reserved for the Board's decision ensuring the maintenance of control over strategic, financial and operational matters.

In addition, procedures are in place for the Directors to seek independent professional advice, if necessary, at the Company's expense.

Board Committees

The Board operates with a number of Board Committees. J Bishop, the senior independent non-executive Director, acts as Chairman of the Audit Committee and D Forbes, an independent non-executive Director, acts as Chairman of the Remuneration Committee. The Nominations Committee is chaired by R Harrison.

The Board delegates clearly defined powers to its Audit, Remuneration and Nominations Committees. Each of the Board's Committees has carefully drafted terms of reference.

The Remuneration Committee, which comprises all of the non-executive Directors, determines and agrees with the Board the framework and policy of executive remuneration packages, including bonuses, incentive payments, share options or awards and pension arrangements. Further information concerning the Remuneration Committee is set out in the Directors' Remuneration Report on pages 34 to 36.

The Nominations Committee, which comprises the entire Board, monitors the composition of the Board and recommends the appointment of new Directors. The Nominations Committee, with all Directors present, has held three meetings during the year to discuss nomination matters.

The Nominations Committee terms of reference include:

(a) to review the structure, size and composition of the Board;

(b) to consider succession planning for Directors and senior executives;

(c) to identify and nominate, for approval by the Board, suitable candidates to fill Board vacancies; and

(d) to make recommendations to the Board on the contents of letters of appointment, Directors' duties, re-appointment or re-election of Directors upon conclusion of a specified term or retirement by rotation.

The Audit Committee has held three meetings to consider Audit Committee business. The Audit Committee consists of all three non-executive Directors. The Executive Directors are invited to attend Audit Committee meetings but at least two meetings are held each year with the external Auditor at which the Executive Directors are not present. The Audit Committee considers the adequacy and effectiveness of the risk management and control systems of the Group, and reports the results to the Board. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the Auditor. The Audit Committee monitors the non-audit work performed by the Auditor to help ensure that the independence of the Auditor is maintained. The Audit Committee also reviews the interim statement, the preliminary announcement and accounting policies.

The Board forms a General Purposes Committee from time it time as it deems necessary. This Committee comprises two Executive Directors and considers individual business matters, which have been specifically delegated to it by the Board.

Corporate governance continued

Internal controls

Throughout the financial year ended 30 September 2011 and up to the date of approval of the Annual Report and Accounts, the Group has fully complied with the relevant provisions of the Code and the Turnbull guidance. The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing and monitoring its effectiveness. The system of internal control is designed to manage and mitigate, rather than eliminate, the risks to which the Group is exposed and therefore provides a reasonable, but not absolute, assurance against a company failing to meet its business objectives or against material misstatement or loss. Consequently, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and that it is regularly reviewed by the Board.

The Group operates a risk management process, which is embedded in normal management and governance processes. There is a system of self-examination of risk areas and controls by subsidiaries and departments within the Group. Where significant risks are identified, the probability of those risks occurring, their potential impact and the plans for managing and mitigating each of those risks is reported. The Group operates a series of controls which include the annual strategic planning and budgeting process, short-term cash monitoring achieved by means of weekly forecasts which are compared against budget and previous forecasts, clearly defined capital investment guidelines and levels of authority and a clear organisational structure within which individuals' responsibilities are identified and monitored. These results and processes are monitored, updated, reviewed and considered by the Board. The Group has established a series of minimum standards in a number of financial and operational areas with which each business within the Group must comply. Group management monitors and reviews compliance with these requirements on a periodic basis. Due to the size and nature of the Group, the Board does not consider that a separate internal audit function is necessary. For the last four years and including 2011, the Group has carried out a programme of internal audit conducted by the Group Commercial Director and by members of the various subsidiaries' finance teams. This system of peer review promotes best practice as well as ensuring that Group minimum requirements as to procedures and internal controls are being complied with. The reports from these internal audits are made available both to the Board and to the external Auditor.

Going concern

The Directors have reviewed the budgets and forecasts prepared by the Group and its trading subsidiaries and consider that at the time of approving the financial statements, there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' remuneration

The Company's policy on the remuneration of Executive Directors, and information relating to the Directors' remuneration and their interests in share options, is included in the Directors' Remuneration Report.

Directors' and officers' indemnity

The Articles of Association provide that each Director or other officer or Auditor of the Company shall be indemnified by the Company against losses, costs and expenses he may sustain or incur in connection with the performance of his duties of office, to the fullest extent permitted by law.

Shareholder relationships

Members of the Board have dialogue with individual shareholders during the year. In addition to the Annual and Interim Report and Accounts, the Chairman addresses shareholders at the AGM and invites questions to any members of the Board.

The AGM is normally attended by all Directors and provides an opportunity for communication with those shareholders attending. Notice of the AGM is given to shareholders at least 21 days in advance and separate resolutions are proposed on each substantially separate issue. Where resolutions at the AGM are dealt with by show of hands, the results of proxy votes for and against are still announced.

Financial and other information about the Group is available on the Company's website: www.renewholdings.com, from which shareholders can also access their shareholding details via a link to the website of Capita Registrars plc.

Annual General Meeting

The AGM will be held on 25 January 2012, the Notice for which accompanies this Report and Accounts. The Notice contains special business relating to the renewal of the Board's power to allot equity shares. Brief details of the purpose and effect of the proposed resolutions are enclosed with the Notice of AGM.

Shareholders should complete the proxy form accompanying this document in accordance with the notes contained in the Notice of AGM.

Approval

The Board approved the Corporate Governance Report on 22 November 2011.

By Order of the Board

John Samuel
Company Secretary
22 November 2011

Statement of directors' responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounts*

* This section details the Group's accounts for the year ended 30 September 2011.

In this section

Independent auditor's report

to the members of Renew Holdings plc

We have audited the financial statements of Renew Holdings plc for the year ended 30 September 2011 set out on pages 43 to 73. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Chris Hearld (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

22 November 2011

Group income statement

for the year ended 30 September

	Note	Before exceptional items and amortisation of intangible assets 2011 £000	Exceptional items and amortisation of intangible assets (see Note 3) 2011 £000	Total 2011 £000	Before exceptional items and amortisation of intangible assets 2010 £000	Exceptional items and amortisation of intangible assets (see Note 3) 2010 £000	Total 2010 £000
Group revenue from continuing activities	2	**356,667**	**—**	**356,667**	290,395	—	290,395
Cost of sales		**(322,679)**	**—**	**(322,679)**	(260,804)	—	(260,804)
Gross profit		**33,988**	**—**	**33,988**	29,591	—	29,591
Administrative expenses		**(26,187)**	**(5,651)**	**(31,838)**	(25,073)	(571)	(25,644)
Operating profit	3	**7,801**	**(5,651)**	**2,150**	4,518	(571)	3,947
Finance income	4	**167**	**—**	**167**	205	—	205
Finance costs	4	**(387)**	**—**	**(387)**	(41)	—	(41)
Other finance income/(charges) – defined benefit pension schemes	4	**530**	**—**	**530**	(119)	—	(119)
Profit before income tax		**8,111**	**(5,651)**	**2,460**	4,563	(571)	3,992
Income tax expense	6	**(2,375)**	**1,220**	**(1,155)**	(1,410)	154	(1,256)
Profit for the year attributable to equity holders of the parent company		**5,736**	**(4,431)**	**1,305**	3,153	(417)	2,736
Basic earnings per share	8			**2.18p**			4.57p
Diluted earnings per share	8			**2.10p**			4.37p

Group statement of comprehensive income

for the year ended 30 September

	Note	2011 £000	2010 £000
Profit for the year attributable to equity holders of the parent company		**1,305**	2,736
Exchange movement in reserves		**123**	13
Movement in actuarial valuation of the defined benefit pension schemes	24	**(5,265)**	1,164
Movement on deferred tax relating to the defined benefit pension schemes		**1,382**	(338)
Total comprehensive income for the year attributable to equity holders of the parent company		**(2,455)**	3,575

Group statement of changes in equity

for the year ended 30 September

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Share based payments reserve £000	Retained earnings £000	Total equity £000
At 1 October 2009	5,990	5,893	3,896	1,046	162	(5,658)	11,329
Transfer from income statement for the period						2,736	2,736
Dividends paid						(1,797)	(1,797)
Recognition of share based payments					55		55
Exchange differences				13			13
Actuarial gain recognised in pension scheme						1,164	1,164
Movement on deferred tax relating to the pension scheme						(338)	(338)
At 30 September 2010	5,990	5,893	3,896	1,059	217	(3,893)	13,162
Transfer from income statement for the period						1,305	1,305
Dividends paid						(1,797)	(1,797)
Recognition of share based payments					66		66
Exchange differences				123			123
Actuarial losses recognised in pension schemes						(5,265)	(5,265)
Movement on deferred tax relating to the pension schemes						1,382	1,382
At 30 September 2011	**5,990**	**5,893**	**3,896**	**1,182**	**283**	**(8,268)**	**8,976**

Group balance sheet

at 30 September

	Note	2011 £000	2010 £000
Non-current assets			
Intangible assets – goodwill	9	**26,986**	9,558
– other	9	**2,750**	154
Property, plant and equipment	10	**4,805**	4,690
Retirement benefit assets	24	**1,089**	1,060
Deferred tax assets	6	**3,069**	3,283
		38,699	18,745
Current assets			
Inventories	11	**8,918**	8,570
Trade and other receivables	12	**84,901**	69,997
Current tax assets		**646**	169
Cash and cash equivalents	14	**5,688**	16,376
		100,153	95,112
Total assets		**138,852**	113,857
Non-current liabilities			
Borrowings	16	**(7,500)**	—
Obligations under finance leases	17	**(369)**	—
Retirement benefit obligations	24	**(119)**	—
Deferred tax liabilities	6	**(1,091)**	(424)
Provisions	18	**(566)**	(520)
		(9,645)	(944)
Current liabilities			
Borrowings	16	**(5,000)**	(131)
Trade and other payables	15	**(114,543)**	(98,175)
Obligations under finance leases	17	**(291)**	(6)
Current tax liabilities		**(231)**	(607)
Provisions	18	**(166)**	(832)
		(120,231)	(99,751)
Total liabilities		**(129,876)**	(100,695)
Net assets		**8,976**	13,162
Share capital	20	**5,990**	5,990
Share premium account	21	**5,893**	5,893
Capital redemption reserve	21	**3,896**	3,896
Cumulative translation adjustment	21	**1,182**	1,059
Share based payments reserve	21	**283**	217
Retained earnings	21	**(8,268)**	(3,893)
Total equity		**8,976**	13,162

Approved by the Board and signed on its behalf by:

R J Harrison OBE
Chairman
22 November 2011

Group cashflow statement

for the year ended 30 September

	2011 £000	2010 £000
Profit for the year	**1,305**	2,736
Amortisation of intangible assets	**404**	320
Depreciation	**1,159**	1,135
Profit on sale of property, plant and equipment	**(25)**	(22)
Increase in inventories	**(244)**	(377)
Decrease/(increase) in receivables	**8,100**	(2,674)
(Decrease)/increase in payables	**(41)**	3,945
Current service cost in respect of defined benefit pension scheme	**56**	85
Cash contribution to defined benefit pension schemes	**(4,039)**	(2,451)
Expense in respect of share options	**66**	55
Financial income	**(697)**	(205)
Financial expenses	**387**	160
Interest paid	**(387)**	(41)
Income taxes paid	**(523)**	(229)
Income tax expense	**1,155**	1,256
Net cash inflow from operating activities	**6,676**	3,693
Investing activities		
Interest received	**167**	205
Proceeds on disposal of property, plant and equipment	**1,782**	125
Purchases of property, plant and equipment	**(849)**	(560)
Acquisition of subsidiaries net of cash acquired	**(29,319)**	—
Net cash outflow from investing activities	**(28,219)**	(230)
Financing activities		
Dividends paid	**(1,797)**	(1,797)
New loan	**15,000**	—
Loan repayments	**(2,500)**	—
Inception of new leases	**396**	—
Repayments of obligations under finance leases	**(115)**	(21)
Net cash inflow/(outflow) from financing activities	**10,984**	(1,818)
Net (decrease)/increase in cash and cash equivalents	**(10,559)**	1,645
Cash and cash equivalents at beginning of year	**16,245**	14,600
Effect of foreign exchange rate changes on cash and cash equivalents	**2**	—
Cash and cash equivalents at end of year	**5,688**	16,245
Bank balances and cash	**5,688**	16,376
Overdrafts	**—**	(131)
	5,688	16,245

1 Accounting policies

Presentation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the EU ("adopted IFRSs"). The financial statements are presented in sterling since this is the currency in which the majority of the Group's transactions are denominated.

Accounting estimates and judgements

In the preparation of these financial statements the Board has made certain judgements and estimates which impact the measurement of various assets and liabilities in the Group balance sheet, the value of transactions recorded in the Group income statement and the movements in equity as shown in the Group statement of changes in equity. The actual financial outcomes may ultimately differ from that which is indicated by these judgements and estimates. Estimates and judgements are reviewed by management and the Board on an ongoing basis and changes which may arise in them are reflected in the financial statements for the period in which such changes are made.

The Board has determined that the following areas are those in which estimates and judgements have been made and where material impacts could arise in the financial statements were such estimates and judgements to be varied.

a) Accounting for construction contracts in accordance with IAS 11 "Construction Contracts"

IAS 11 requires management to estimate the total expected costs on a contract and the stage of contract completion in order to determine both the revenue and profit to be recognised in an accounting period. The Group has control and review procedures in place to monitor, and evaluate regularly, the estimates being made to ensure that they are consistent and appropriate. This includes reviewing the independent certification of the value of work done, the progress of work against contracted timescales and the costs incurred against plan.

b) Impairment of goodwill in accordance with IAS 36 "Impairment of Assets"

In accordance with IAS 36, goodwill is tested annually for impairment by comparing the carrying value of goodwill with the recoverable amount which is determined by an estimation of the value in use of the related cash generating unit to which the goodwill is attributed. The calculation of the value in use requires estimates to be made of the future cash flows of the cash generating unit and the timescale over which they will arise. Estimated growth rates and discount factors are also used in the calculation to estimate the net present value of the cash flows. More information is given in Note 9 to these financial statements.

c) Accounting for the defined benefit pension scheme in accordance with IAS 19 "Employee Benefits"

The independent actuaries calculate the Group's liability in respect of the defined benefit schemes. The actuaries make assumptions as to discount rates, salary escalations, expected returns on scheme assets, future pension increases, mortality rates applicable to members and future rates of inflation. These assumptions are made under the Board's direction. The Board determines the appropriateness of these assumptions by benchmarking them against those used by other schemes and by taking advice from the independent actuaries. If the actual experience of the scheme is different from the assumptions used then the pension liability may differ from that shown in these financial statements. More information is given in Note 24 to these financial statements.

d) Accounting for provisions in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

The Group makes provisions where the Board determines that liabilities exist but where judgements have to be made as to the quantification of such liabilities. A provision has been made for onerous lease contracts in respect of property leases where the Board has determined that the expected economic benefits to be derived from the leases are less than the unavoidable cost of meeting the Group's obligations under the lease contract. This could arise where the Group is the head lessee for a property lease contract where the property is not used by the Group and where the Group has not been able to sublet the property or has only been able to do so on terms which are less favourable than those of the head lease.

e) Accounting for deferred taxation in accordance with IAS 12 "Income Taxes"

The Group provides for deferred taxation using the balance sheet liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for each taxable entity within the Group. If the actual profits earned by the Group's taxable entities is different from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

(i) Basis of accounting and preparation

The accounts have been prepared on the going concern basis and in accordance with applicable accounting standards under the historical cost convention. In determining that the going concern basis is appropriate the Directors have reviewed budgets, including cashflow forecasts, and concluded that the Group has adequate cash resources to continue trading for the foreseeable future.

The consolidated financial statements have been prepared in accordance with IFRSs as adopted for use in the EU. The Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these financial statements.

In the current year the Group has adopted the following new accounting standards:

IFRS 3 (amendment) "Business Combinations"

IAS 24 "Related party disclosures" (revised)

IFRIC 14 IAS 19 "Prepayments of a minimum funding requirement" (amendment)

IFRIC 19 "Extinguishing financial liabilities with equity instruments"

"Improvements to International Financial Reporting Standards 2010"

These standards and interpretations have been adopted by the EU.

The application of these standards and interpretations has not had a material impact on the Group's reported financial performance or position.

1 Accounting policies continued

Accounting estimates and judgements continued

(i) Basis of accounting and preparation continued

The Group has elected not to adopt any standards or interpretations early.

A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

(ii) Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings. The results and net assets of undertakings acquired are included in the Group income statement and balance sheet using the acquisition method of accounting. The results of undertakings acquired/disposed of are included from the date the Group obtains/loses control.

(iii) Revenue

Revenue, which excludes intra-group revenue and Value Added Tax, comprises:

– value of work executed during the year on construction contracts based on monthly valuations; and

– sales of developments and land which are recorded upon legal completion.

(iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. Contract revenue and expenses are recognised in accordance with the stage of completion of the contract. The stage of completion is determined by surveys of work performed. Contract costs incurred that relate to future activities are deferred and recognised as amounts recoverable on contracts. When it is probable that the total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately. To the extent that progress billings exceed costs incurred plus recognised profits (less recognised losses) they are recognised as amounts due to construction contract customers.

(v) Segment reporting

The operating segments are based on the components that the Board, the Group's principal decision-making body (the Chief Operating Decision Maker ("CODM")), monitors in making decisions about operating matters. Such components are identified on the basis of information that is provided internally in the form of monthly management account reporting, budgets and forecasts to formulate allocation of resource to segments and assess performance. Revenue from reportable segments is measured on a basis consistent with the income statement. Revenue is principally generated from within the UK, the Group's country of domicile. Segment results show the contribution directly attributable to each segment in arriving at the Group's operating profit. Segment assets and liabilities comprise those assets and liabilities directly attributable to each segment. Group eliminations represent such consolidation adjustments that are necessary to determine the Group's assets and liabilities.

(vi) Intangible assets

a) Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

On disposal of a subsidiary undertaking, the attributable amount of unamortised goodwill which has not been subject to impairment is included in the determination of the profit or loss on disposal.

b) Other intangible assets are stated at cost less accumulated amortisation and impairment losses. The cost of intangible assets is amortised over their expected useful lives. These intangibles relate to customer relationships and contractual rights and are amortised over the period over which the Board has determined that future cash flows are likely to arise from these relationships and rights.

(vii) Property, plant and equipment

Property, plant and equipment are recorded at cost less provision for impairment if required.

Depreciation is provided on all property, plant and equipment, other than freehold land. Provision is made at rates calculated to write off the cost of each asset, less estimated residual value, evenly over its expected useful life as follows:

Group occupied property

Freehold land	– no depreciation charge
Long leasehold land and buildings	– shorter of fifty years and period of lease
Plant and vehicles	– three to ten years
Office equipment	– two to seven years

(viii) Impairments

Goodwill arising on acquisitions and other assets that have an indefinite useful life and are therefore not subject to amortisation, are reviewed at least annually for impairment. Other intangible assets and property, plant and equipment are reviewed for impairment whenever there is any indication that the carrying amount of the asset may not be recoverable. If the recoverable amount of any asset is less than its carrying amount, a loss on impairment is recognised. Recoverable amount is the higher of the fair value of the asset less any costs which would be incurred in selling the asset and its value in use. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate. For this purpose, assets are grouped into cash generating units which represent the lowest level for which there are separately identifiable cash flows. Impairment losses in respect of goodwill are not reversed in future accounting periods. Reversals of other impairment losses are recognised in income when they arise.

(ix) Inventories

Inventories comprise developments, land held for development and raw materials and are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads and excludes interest. Where necessary, provision is made for obsolete slow moving and defective inventories.

(x) Trade receivables

Trade receivables do not carry any interest and are initially recognised at their fair value and then at amortised cost.

1 Accounting policies continued

Accounting estimates and judgements continued

(xi) Trade payables

Trade payables on normal terms are not interest bearing and are initially recognised at their fair value and then at amortised cost.

(xii) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of less than three months, net of bank overdrafts. Bank overdrafts are included within borrowings within current liabilities in the balance sheet.

(xiii) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow will be required to settle that obligation and where the amount can be reliably estimated.

(xiv) Leasing commitments

Assets held under finance leases, where substantially all the benefits and risks of ownership of an asset have been transferred to the Group, are capitalised and are depreciated in accordance with the depreciation policy for the relevant class of asset or the lease term if shorter. The interest element of the rental obligation is charged to the income statement and represents a constant proportion of the balance of capital repayments outstanding. Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

(xv) Defined benefit pension schemes

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the Group's defined benefit schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Group statement of comprehensive income. Pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented on the face of the Group balance sheet.

(xvi) Defined contribution pension plans

Contributions to defined contribution pension plans are charged to the income statement as incurred.

(xvii) Taxation

The tax charge is composed of current tax and deferred tax, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Current tax and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the relevant tax is also dealt with in equity.

Current tax is based on the profit for the year. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax on such assets and liabilities is not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

(xviii) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. The income statements of overseas subsidiary undertakings are translated at the average rate of exchange ruling throughout the financial year. The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from this policy and arising on the retranslation of the opening net assets is taken directly to reserves. All other exchange differences are taken to the income statement.

(xix) Financial instruments

Financial assets are divided into the following categories: trade receivables and financial assets at fair value. The Board assigns financial assets to each category on initial recognition dependant on the purpose for which the asset was acquired. The categorisation of these assets is reconsidered at each reporting date at which a choice of categorisation or accounting treatment is available. All financial assets are recognised whenever the Group becomes party to the contractual provisions of the financial instrument. All such assets are initially recognised at fair value. Derecognition of such assets occurs when the Group's right to receive cash flows from the asset ceases or the rights and rewards of ownership have been transferred. All such assets are reviewed for impairment at least annually. Interest and other cash flows which arise from holding a financial asset is recognised in the income statement in accordance with IAS 39. Financial assets at fair value include assets classified as held for trading, and changes in fair value are recognised through the income statement. Trade receivables are non-derivative financial assets with expected receipts which are not quoted in an active market and they arise when the Group provides goods or services. A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated cash flows discounted at the original effective interest rate. All impairment losses are recognised in the income statement. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. All interest related charges are recognised as an expense in the income statement. Bank loans and hire purchase liabilities are entered into to provide financing for the Group's operations and are recognised as funds are received. Financial liabilities are measured at amortised cost.

1 Accounting policies continued

Accounting estimates and judgements continued

(xx) Share based payments

IFRS 2 "Share Based Payment" requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured using a Black-Scholes valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period based on the Directors' estimate of shares that will eventually vest.

(xxi) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding in the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(xxii) Rental income

Rental income from property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(xxiii) Finance income and expense

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in income or expense. Interest income is recognised as it accrues in income or expense, using the effective interest method. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and losses on hedging instruments that are recognised in income or expense. All borrowing costs are recognised in income or expense using the effective interest method.

2 Segmental analysis

The Chief Operating Decision Maker ("CODM") is responsible for the overall resource allocation and performance assessment of the Group. The Board approves major capital expenditure and its authority is required prior to the Group entering into any development projects. The Board assesses the performance of the Group and its progress against the strategic plan through monitoring of key performance indicators. The Board also determines key financing decisions such as raising equity, all loan or bank borrowing arrangements and the granting of security over the Group's assets. As such the Group considers that the Board is the CODM.

Operating segments have been identified based on the internal reporting information provided to the CODM. From such information Engineering Services and Specialist Building have been determined to represent operating segments. Following the identification of the operating segments the Group has assessed the similarity of the characteristics of the operating segments. Given the different performance targets and markets operated in within each operating segment it is not appropriate to aggregate the operating segments for reporting purposes and therefore both of the identified operating segments are disclosed as reportable segments. The information received by the CODM shows results both pre and post exceptional items. No customer represents more than ten percent of the Group's revenue.

These segments are:

Engineering Services, which comprises the Group's engineering activities which are characterised by the use of the Group's skilled engineering workforce, supplemented by specialist subcontractors where appropriate, in a range of civil, mechanical and electrical engineering applications and;

Specialist Building, which comprises the Group's building activities which are characterised by the use of a supply chain of subcontractors to carry out building works under the control of the Group as principal contractor.

(a) Business analysis

Revenue is analysed as follows:

	2011 £000	2010 £000
Engineering Services	**176,715**	127,382
Specialist Building	**178,902**	163,134
Inter-segment revenue	**(61)**	(191)
Segment revenue	**355,556**	290,325
Central activities	**1,111**	70
Group revenue from continuing operations	**356,667**	290,395

Analysis of operating profit

	Before exceptional items and amortisation of intangible assets 2011 £000	**Exceptional items and amortisation of intangible assets 2011 £000**	**2011 £000**	Before exceptional items and amortisation of intangible assets 2010 £000	Exceptional items and amortisation of intangible assets 2010 £000	2010 £000
Engineering Services	**7,401**	**(482)**	**6,919**	4,160	—	4,160
Specialist Building	**1,907**	**(3,332)**	**(1,425)**	1,836	—	1,836
Segment operating profit	**9,308**	**(3,814)**	**5,494**	5,996	—	5,996
Central activities	**(1,507)**	**(1,837)**	**(3,344)**	(1,478)	(571)	(2,049)
Operating profit	**7,801**	**(5,651)**	**2,150**	4,518	(571)	3,947
Net financing income	**310**	**—**	**310**	45	—	45
Profit on ordinary activities before income tax	**8,111**	**(5,651)**	**2,460**	4,563	(571)	3,992

2 Segmental analysis continued

(a) Business analysis continued

Balance sheet analysis of business segments

	2011 Assets £000	2011 Liabilities £000	2011 Net assets £000	2010 Assets £000	2010 Liabilities £000	2010 Net assets £000
Engineering Services	**68,495**	**(55,428)**	**13,067**	43,180	(35,908)	7,272
Specialist Building	**125,608**	**(145,523)**	**(19,915)**	122,146	(141,181)	(19,035)
Central activities	**263,494**	**(247,670)**	**15,824**	256,848	(231,923)	24,925
Group eliminations	**(318,745)**	**318,745**	**—**	(308,317)	308,317	—
Group net assets	**138,852**	**(129,876)**	**8,976**	113,857	(100,695)	13,162

Other information

	2011 Capital additions £000	2011 Depreciation £000	2011 Amortisation £000	2010 Capital additions £000	2010 Depreciation £000	2010 Amortisation £000
Engineering Services	**669**	**873**	**—**	294	871	—
Specialist Building	**180**	**270**	**—**	266	236	—
Central activities	**—**	**16**	**404**	—	28	320
	849	**1,159**	**404**	560	1,135	320

(b) Geographical analysis

Revenue is analysed as follows:

	2011 £000	2010 £000
UK	**355,559**	290,395
USA	**1,108**	—
Group revenue from continuing operations	**356,667**	290,395

Non-current asset analysis of geographical segments

	Assets £000	Assets £000
UK	**38,699**	18,745
USA	**—**	—
Group non-current assets	**38,699**	18,745

3 Operating profit

	2011 £000	2010 £000
Operating profit is arrived at after charging/(crediting)		
Auditor's remuneration – audit services	**215**	187
Depreciation of owned assets	**1,060**	988
Depreciation of assets held under finance leases	**99**	147
Operating lease rentals – plant and machinery	**66**	153
Operating lease rentals – motor vehicles	**757**	363
Operating lease rentals – other	**2,702**	2,493
Rental income	**(1,161)**	(1,302)
Profit on sale of property, plant and equipment	**(25)**	(22)
Foreign exchange loss	**—**	65

During the period, the following services were provided by the Group auditor:

	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of the financial statements	**63**	63
Fees payable to the Company's auditor and its associates for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**152**	124
Other services related to the acquisition	**360**	—
Other services related to employment matters	**—**	11
	575	198

Cost of sales includes £nil (2010: £nil) of inventories recognised as an expense in the period. There were no write-downs or reversal of write-downs of inventories recognised as an expense in the period (2010: £nil).

3 Operating profit continued

Exceptional items and amortisation of intangible assets

	2011 £000	2010 £000
Redundancy and restructuring costs	**3,680**	—
Amco acquisition costs	**1,357**	—
Provision for OFT fine (see Note 23)	**200**	—
Legal fees in connection with OFT fine (see Note 23)	**10**	251
Total exceptional items	**5,247**	251
Amortisation of intangible assets (see Note 9)	**404**	320
	5,651	571

The Board has determined that certain charges to the income statement should be separately identified for better understanding of the Group's results.

During the year ended 30 September 2011, the Board determined to withdraw from non-specialist public spending building markets. As a result, the Group has incurred redundancy and restructuring costs of £3,680,000 in the year.

In 2011, the Group acquired Amco Group Holdings Limited and incurred £1,357,000 of costs associated with the acquisition.

In 2009, the Group provided for a fine of £500,000 in connection with the decision of the Office of Fair Trading following its investigation into tender activities within the construction sector. The related offences occurred in 2003 and 2004 in part of the Group which has been closed. Further details of this matter are set out in Notes 18 and 23. In the year ended 30 September 2011, the Group incurred £10,000 (2010: £251,000) of legal fees in connection with its defence in respect of the Office of Fair Trading investigation. The Group's appeals were determined during the year and the fine was paid in September 2011, resulting in a further exceptional charge of £200,000.

The Board has also separately identified the charge of £404,000 (2010: £320,000) for the amortisation of the fair value ascribed to certain intangible assets other than goodwill arising from the acquisitions of Seymour (C.E.C) Holdings Limited and Amco Group Holdings Limited. Further details are given in Note 9.

4 Finance income and costs

Finance income

Finance income of £167,000 (2010: £205,000) has been earned during the year on bank deposits.

	2011 £000	2010 £000
Interest payable:		
On bank loans and overdrafts	**(379)**	(2)
Other interest payable	**(8)**	(39)
	(387)	(41)
Other finance income/(charges) – defined benefit pension schemes		
Expected return on scheme assets	**6,997**	5,657
Interest on scheme liabilities	**(6,467)**	(5,776)
	530	(119)

Further information on the defined benefit pension schemes is set out in Note 24 to the accounts.

5 Employee numbers and remuneration

	2011 Number	2010 Number
The average monthly number of employees, including Executive Directors, employed in continuing activities during the year was:	**2,036**	1,280
At 30 September:	**2,033**	1,347
Production	**1,320**	788
Administrative	**716**	492
	2,036	1,280

Cost of staff, including Executive Directors, during the year amounted to:

	2011 £000	2010 £000
Wages and salaries	**70,619**	50,836
Social security costs	**7,195**	5,337
Other pension costs	**3,126**	2,742
Share based payments	**66**	55
	81,006	58,970

Directors' emoluments

	2011 £000	2010 £000
Aggregate emoluments	**1,211**	957
Highest paid Director: aggregate emoluments	**630**	492

Details of individual Directors' emoluments can be found in the Directors' Remuneration Report on page 35.

6 Income tax expense

(a) Analysis of expense in year

	2011 £000	2010 £000
Current tax:		
UK corporation tax on profits of the year	—	(551)
Adjustments in respect of previous periods	417	(39)
Total current tax	417	(590)
Deferred tax – defined benefit pension scheme	(1,175)	(606)
Deferred tax – other timing differences	(397)	(60)
Total deferred tax	(1,572)	(666)
Income tax expense	(1,155)	(1,256)

(b) Factors affecting income tax expense for the year

	2011 £000	2010 £000
Profit before income tax	2,460	3,992
Profit multiplied by standard rate		
of corporation tax in the UK of 27% (2010: 28%)	(664)	(1,118)
Effects of:		
Expenses not deductible for tax purposes	(423)	(286)
Timing differences not provided in deferred tax	32	—
Change in tax rate	(6)	(116)
Net (charge)/credit in respect of tax losses	(511)	303
Adjustments to tax charge in respect of previous periods	417	(39)
	(1,155)	(1,256)

The Group has available further unused UK tax losses of £64m (2010: £61m) to carry forward against future taxable profits. The Group also has unused USA tax losses of $31m (£19.4m) (2010: $29m (£18.4m)) to carry forward against future taxable profits in the USA. A substantial element of these losses relates to activities which are not forecast to generate the level of profits needed to utilise these losses. A deferred tax asset has been provided to the extent considered reasonable by the Directors, where recovery is expected to be recognisable within the foreseeable future. The unrecognised deferred tax asset in respect of these losses amounts to £21.7m (2010: £20.6m).

(c) Deferred tax asset

	2011 £000	2010 £000
Defined benefit pension scheme	31	—
Accelerated capital allowances	703	660
Other timing differences	308	157
Future tax losses	2,027	2,466
	3,069	3,283

(d) Deferred tax liabilities

	2011 £000	2010 £000
Defined benefit pension scheme	(283)	(286)
Fair value adjustments	(808)	(138)
	(1,091)	(424)

6 Income tax expense continued

(e) Reconciliation of deferred tax asset

	2011 £000	2010 £000
As at 1 October	3,283	4,097
Acquisition of Amco Group Holdings Limited	264	—
Origination of timing differences	(464)	(40)
Change of deferred tax rate to 26%	(46)	(116)
Defined benefit pension scheme – income statement	(1,033)	(606)
Defined benefit pension scheme – SOCI	1,065	(52)
At 30 September	3,069	3,283

(f) Reconciliation of deferred tax liability

	2011 £000	2010 £000
As at 1 October	(424)	(233)
Acquisition of Amco Group Holdings Limited	(952)	—
Arising on fair value adjustments	50	95
Change of deferred tax rate to 26%	60	—
Defined benefit pension scheme – income statement	(142)	—
Defined benefit pension scheme – SOCI	317	(286)
At 30 September	(1,091)	(424)

7 Dividends

	2011 Pence/share	2010 Pence/share
Interim (related to the year ended 30 September 2011)	1.00	1.00
Final (related to the year ended 30 September 2010)	2.00	2.00
Total dividend paid	3.00	3.00

	£000	£000
Interim (related to the year ended 30 September 2011)	598	598
Final (related to the year ended 30 September 2010)	1,199	1,199
Total dividend paid	1,797	1,797

Dividends are recorded only when authorised and are shown as a movement in equity rather than as a charge in the income statement. The Directors are proposing that a final dividend of 2.0p per Ordinary Share be paid in respect of the year ended 30 September 2011. This will be accounted for in the 2011/12 financial year.

8 Earnings per share

	2011			2010		
	Earnings £000	EPS Pence	DEPS Pence	Earnings £000	EPS Pence	DEPS Pence
Earnings before exceptional costs	5,736	9.58	9.24	3,153	5.26	5.04
Exceptional costs and amortisation	(4,431)	(7.40)	(7.14)	(417)	(0.69)	(0.67)
Basic earnings per share	1,305	2.18	2.10	2,736	4.57	4.37
Weighted average number of shares		59,899	62,093		59,899	62,584

The dilutive effect of share options is to increase the number of shares by 2,194,000 (2010: 2,685,000) and reduce basic earnings per share by 0.08p (2010: 0.20p).

9 Intangible assets

	Goodwill £000	Contractual rights and customer relationships £000
Cost:		
At 1 October 2009	9,558	1,072
Additions	—	—
At 30 September 2010	9,558	1,072
Additions	17,428	3,000
At 30 September 2011	**26,986**	**4,072**
Impairment losses/amortisation:		
At 1 October 2009	—	598
Charge for year	—	320
At 30 September 2010	—	918
Charge for year	—	404
At 30 September 2011	**—**	**1,322**
Carrying amount:		
At 30 September 2011	**26,986**	**2,750**
At 30 September 2010	9,558	154
At 1 October 2009	9,558	474

The carrying amounts of goodwill by operating segment are as follows:

	2011 £000	2010 £000
Specialist Building	**2,503**	2,503
Engineering Services	**24,483**	7,055
	26,986	9,558

Goodwill of £17,428,000 arose on the acquisition of Amco Group Holdings Limited and will be reviewed for impairment one year after the acquisition and then on an ongoing basis as required by IFRS 3 (see Note 26).

Amortisation charges in respect of intangible assets with a finite life are recorded within administrative expenses in the income statement. The amortisation policy is disclosed in the accounting policies and approximates to a period of 6 years.

In order to test goodwill for impairment the Group performs value in use calculations by preparing cash flow forecasts for each cash generating unit derived from the most recent financial budgets and strategic plans approved by management going forward 3 years, and then extrapolates cash flows based on conservative estimated growth rates which do not exceed GDP growth in the longer term according to management's view of longer term prospects for each cash generating unit. The cash generating units are deemed to be the subsidiaries to which the goodwill relates. Management used growth rates deemed to be appropriate to each cash generating unit after reviewing the particular market conditions related to the sector in which the cash generating unit operates. The growth rates used range from +3% to +5%. The rate used to discount the forecast cash flows is 8% as the Board considers the rate appropriate in the current financial market as an approximation to the cost of funds to the Group. The calculation shows that there is substantial headroom and the impairment calculations are not particularly sensitive to changes in the discount rate applied.

10 Property, plant and equipment

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant, vehicles and equipment £000	Total £000
Cost:				
At 1 October 2009	1,821	789	5,024	7,634
Additions	—	—	560	560
Disposals	—	—	(623)	(623)
At 1 October 2010	1,821	789	4,961	7,571
Additions	5	—	844	849
Disposals	(1,580)	(714)	(952)	(3,246)
Acquisition of subsidiary	1,580	—	602	2,182
At 30 September 2011	**1,826**	**75**	**5,455**	**7,356**
Depreciation:				
At 1 October 2009	18	660	1,588	2,266
Charge for year	19	5	1,111	1,135
Disposals	—	—	(520)	(520)
At 1 October 2010	37	665	2,179	2,881
Charge for year	19	1	1,139	1,159
Disposals	—	(591)	(898)	(1,489)
At 30 September 2011	**56**	**75**	**2,420**	**2,551**
Net book value:				
At 30 September 2011	**1,770**	**—**	**3,035**	**4,805**
At 30 September 2010	1,784	124	2,782	4,690
At 30 September 2009	1,803	129	3,436	5,368

The net book value of assets under finance leases at 30 September 2011 was £655,000 (2010: £149,000). During the year £99,000 (2010: £147,000) of depreciation was charged against assets held under finance leases.

11 Inventories

	2011 £000	2010 £000
Developments and undeveloped land	**8,779**	8,392
Raw materials	**139**	178
	8,918	8,570

£0.9m (2010: £0.8m) of inventories are pledged as security for liabilities.

12 Trade and other receivables

	2011 £000	2010 £000
Trade receivables	**233**	169
Amounts due from construction contract customers	**74,518**	60,822
Other receivables	**8,624**	6,037
Prepayments and accrued income	**1,526**	2,969
	84,901	69,997

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Included in trade and other receivables are debtors with a carrying value of £3.9m (2010: £3.2m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable since there is no objective evidence that these financial assets are impaired. The Group does not hold any collateral over these balances. The average age of these receivables is 303 days (2010: 293 days).

Ageing of past due but not impaired receivables:

	2011 £000	2010 £000
30–180 days	**1,185**	866
180–365 days	**1,174**	1,369
Greater than 1 year	**1,540**	1,013
	3,899	3,248

13 Construction contracts

	2011 £000	2010 £000
Contracts in progress at balance sheet date:		
Amounts due from construction contract customers included in trade and other receivables	**74,518**	60,822
Amounts due to construction contract customers included in trade and other payables	**(5,654)**	(8,025)
	68,864	52,797
Contract costs incurred plus recognised profits less recognised losses to date	**3,249,997**	2,826,312
Less: progress billings	**(3,181,133)**	(2,773,515)
	68,864	52,797

At 30 September 2011 retentions held by customers amounted to £17.8m (2010: £14.8m). Advances received from customers for contract work amounted to £5.7m (2010: £8.0m).

Amounts due from construction contract customers which are past due at the reporting date amounted to £3.9m (2010: £3.2m).

This amount includes retention balances of £3.1m (2010: £2.5m). The Group does not hold any collateral over these balances or other trade and other receivables.

Contract revenue recognised in the year amounted to £355.6m (2010: £290.3m).

14 Cash and cash equivalents

	2011 £000	2010 £000
Cash at bank	**5,681**	16,369
Cash in hand	**7**	7
	5,688	16,376

15 Trade and other payables

	2011 £000	2010 £000
Amounts due to construction contract customers	**5,654**	8,025
Trade payables	**42,115**	28,700
Other taxation and social security	**2,921**	1,873
Other payables	**5,119**	2,878
Accruals and deferred income	**58,734**	56,699
	114,543	98,175

16 Borrowings

	2011 £000	2010 £000
Bank loans and overdrafts repayable:		
Within one year	**5,000**	131
Within two to five years	**7,500**	—
	12,500	131

The bank loans and overdrafts are secured by a fixed and floating charge over the Group's assets.

17 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts payable under finance leases:				
Within one year	**308**	7	**291**	6
Within two to five years	**376**	—	**369**	—
	684	7	**660**	6
Less: future finance charges	**(24)**	(1)	**—**	—
Present value of lease obligations	**660**	6	**660**	6
Less: amount due for settlement within twelve months			**(291)**	(6)
Amount due for settlement after twelve months			**369**	—

It is the Group's policy to lease certain of its plant, vehicles and equipment under finance leases. The average outstanding lease term is 2 years (2010: 1 year). For the year ended 30 September 2011, the average effective borrowing rate was 3% (2010: 7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured on the asset to which the lease relates.

18 Provisions

	Property obligations £000	Other £000	Total £000
At 1 October 2010	852	500	1,352
Provision decrease during year	(120)	(500)	(620)
At 30 September 2011	**732**	**—**	**732**
Non-current liabilities	566	—	566
Current liabilities	166	—	166
At 30 September 2011	**732**	**—**	**732**

Property obligations represent commitments on leases for properties which the Group does not occupy where the Group does not expect to receive income sufficient to cover the full commitment. The provision represents outflows which are expected to occur over the next five years. The provision has decreased during the year as the Group has been able to terminate a number of lease positions.

Other provisions was in respect of the fine levied by the Office of Fair Trading, details of which are given in Note 23.

19 Other financial instruments

The Group's principal financial instruments comprise bank loans, cash and short-term deposits and obligations under finance leases. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The disclosures below provide information about the contractual terms of the Group's interest bearing deposits, loans and borrowings.

Interest rate profile of financial assets and liabilities

		Financial assets/(liabilities)		
	Fixed rate interest rate %	Fixed rate £000	Floating rate £000	Total £000
2011				
Assets				
Sterling	**—**	**—**	**5,522**	**5,522**
Dollar	**—**	**—**	**159**	**159**
		—	**5,681**	**5,681**
Liabilities				
Sterling	**3.0**	**(660)**	**(12,500)**	**(13,160)**
Dollar	**—**	**—**	**—**	**—**
		(660)	**(12,500)**	**(13,160)**

		Financial assets/(liabilities)		
	Fixed rate interest rate %	Fixed rate £000	Floating rate £000	Total £000
2010				
Assets				
Sterling	—	—	16,221	16,221
Dollar	—	—	148	148
		—	16,369	16,369
Liabilities				
Sterling	7.0	(6)	—	(6)
Dollar	—	—	(131)	(131)
		(6)	(131)	(137)

The interest bearing assets accrue interest at prevailing market rates. Generally the Group holds deposits which are repayable on demand.

The sterling interest bearing liabilities accrue interest at a rate which is linked to the lender's base rate or LIBOR.

The maturity of the fixed rate financial liabilities is disclosed in Note 17. The fixed rate liabilities have a weighted average period of 2 years (2010: 1 year).

19 Other financial instruments continued

Fair value of financial assets and liabilities

There are no material differences between fair value and the book value of the Group's financial assets and liabilities.

Financial risks

The Group has exposure to a number of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, guidelines and authorisation procedures which are outlined in the Corporate governance statement. The key financial risks resulting from financial instruments are credit, liquidity, currency and market risk.

a) Credit risk

Credit risk is the risk of loss if a customer fails to meet its financial obligations and results primarily from the Group's trade and other receivables. The degree to which the Group is exposed to this risk depends on the individual financial situation of each specific customer. The Group does not have any risk from a concentration of trade or other receivables in any customer or group of customers. The Group assesses the credit worthiness of every customer prior to entering into any contract and requires appropriate evidence of financial capability on a case by case basis. The Group reviews trade and other receivables for impairment on a regular basis and information relating to the ageing of receivables is provided in Note 12.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cashflow forecasts and budgets. The Board has considered the cashflow forecasts for the next twelve months which show that the Group is expected to maintain positive cash balances throughout the year.

The Board aims to maintain a strong capital base so as to ensure investor and market confidence and to sustain the future of the business. The capital structure of the Group consists of equity attributable to equity holders of the Company as disclosed in Note 20 and reserves as disclosed in Note 21. The Group arranges loans and short term overdraft facilities and hire purchase facilities as the Board deems necessary. The Group does not have any derivative or non-derivative financial liabilities other than those disclosed in Notes 15 to 17 and the retirement benefit obligations disclosed in Note 24.

An analysis of the maturity profile for finance lease liabilities is given in Note 17.

c) Currency risk

The only exposure of the Group to currency risk (i.e. exposure to gains or losses on foreign exchange which would be recognised in the income statement) is in respect of the unhedged portion of an inter-company loan. At 30 September 2011 the unhedged portion of the inter-company was $1,520,000 (2010: $470,000). The dollar closing exchange rate was $1.56:£1 (2010: $1.58:£1) resulting in a foreign exchange loss of £6,000 being charged to finance costs.

Consequently, to the extent that the inter-company loan is not fully hedged, the income statement may be impacted by exchange rate movements. Exchange rate movement on translation of Lovell America, Inc's net assets are charged to the cumulative translation adjustment within total equity. The exchange gain arising on the translation of Lovell America Inc's net assets was £123,000. The total equity statement would be impacted by £40,000 for each $0.01 movement in exchange rates.

All functional currencies of the Group operations are denominated in sterling, with the exception of the US operations whose functional currency is the US dollar.

d) Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the carrying amount of its holding of financial instruments. The principal risk relates to interest rates where the Group's risk is limited to the rates applying to its interest bearing short-term deposits and its bank loan. A reduction in market interest rates could lead to a reduction in the Group's interest income and a reduction in its interest costs. Consequently a 1% decrease in market interest rates would reduce annual finance costs by £10,000 for every £1m of outstanding loan.

The Group's hire purchase financial liabilities are all at fixed rates of interest.

20 Share capital

	2011 £000	2010 £000
Allotted, called up and fully paid:		
59,898,927 (2010: 59,898,927) Ordinary Shares of 10p each	**5,990**	5,990

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

There were no Ordinary Shares issued in either year ending September 2011 or 2010.

20 Share capital continued

Share options

The Group operates a share option scheme, the Renew Holdings 2004 Executive Share Option Scheme. The scheme has both an Approved and Unapproved element. The difference between the two elements is that the Approved scheme has the advantage of certain HMRC approved tax benefits.

Both elements have the same general terms and conditions. Options issued under the scheme must be held for three years before they can vest and become exercisable. They must be exercised within ten years from the date of grant.

Vesting of options is dependant on the achievement of certain performance criteria which are established by the Remuneration Committee at the point of grant. 761,904 of the options granted in the 2006 financial year have vested. In respect of the options granted during the 2007 and 2008 financial years, the performance criteria were not met and so 940,252 of previously granted options have lapsed. In respect of the options granted during the 2009 financial year, 120,263 of the options will vest with 709,140 having lapsed due to the performance criteria not being met.

In respect of the options granted in the 2010 financial year, 25% of the options will vest if the Group's earnings per share for the year ended 30 September 2012 exceed 6.95p. For 100% vesting to occur, the Group's earnings per share for that year must be at least 8.5p.

The scheme does not permit retesting of performance conditions and if the performance criteria are not achieved then the options will lapse.

The number of options in issue and their exercise price is given in Note 21.

21 Reserves

	Share premium account £000	Capital redemption reserve £000	Cumulative translation reserve £000	Share based payments reserve £000	Retained earnings £000
At 1 October 2009	5,893	3,896	1,046	162	(5,658)
Transfer from income statement for the year					2,736
Dividends paid					(1,797)
Recognition of share based payments				55	
Exchange differences			13		
Actuarial gain recognised in pension scheme					1,164
Movement on deferred tax relating to the pension scheme					(338)
At 1 October 2010	5,893	3,896	1,059	217	(3,893)
Transfer from income statement for the year					1,305
Dividends paid					(1,797)
Recognition of share based payments				66	
Exchange differences			123		
Actuarial gain recognised in pension scheme					(5,265)
Movement on deferred tax relating to the pension scheme					1,382
At 30 September 2011	**5,893**	**3,896**	**1,182**	**283**	**(8,268)**

There is no available analysis of goodwill written off against reserves in respect of existing subsidiaries that were acquired prior to 1989 and therefore, in accordance with the guidance of IFRS 3, the Directors are not able to state this figure.

Capital redemption reserve

Reserve represents the combined impact of share buy-backs in previous years.

Cumulative translation reserve

Reserve represents the foreign exchange movement on translating the opening net assets of Lovell America Inc.

Share based payments reserve

IFRS 2 "Share Based Payment" requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured by Baker Tilly, Chartered Accountants, using a Black-Scholes valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

£66,000 has been charged (2010: £55,000) to administrative expenses.

There is no impact on net assets since an equivalent amount has been credited against the share based payments reserve.

No options were exercised during the year.

The value per option represents the fair value of the option less the consideration payable.

The expected volatility is based on historical volatility of the share price since the Company listed on AIM in 2001.

The risk free rate of return has been derived from the Bank of England's yield curve taking the spot rate for a maturity of 36 months. This period has been selected as being the minimum period over which the options could remain extant.

21 Reserves continued

Share based payments reserve continued

Options granted under the Renew Holdings 2004 Executive Share Option Scheme over the Company's ordinary shares at 30 September 2011 were as follows:

Date of grant	7 June 2006	26 November 2008	25 November 2009	Total
Awards outstanding at 30 September 2011				
– Directors	761,904	120,263	1,312,319	2,194,486
Exercise price and price at date of grant	52.5p	54.5p	34.5p	—
Maximum option life	10 years	10 years	10 years	—
Assumed option life for purposes of valuation	3 years	3 years	3 years	—
Expected volatility	47%	41%	53%	—
Dividend yield	1.0%	5.9%	8.5%	—
Risk free interest rate	4.67%	3.85%	1.88%	—
Value per option	20.5p	10.2p	8.7p	—

The options granted on 7 June 2006 have vested in full. The options granted on 8 January 2007 and 3 December 2007 have lapsed.

120,263 of the options granted on 26 November 2008 will vest with 709,140 having lapsed.

There were 2,194,486 options outstanding at 1 October 2011 being those issued in June 2006, November 2008 and November 2009 as detailed above.

22 Capital and leasing commitments

	Land and buildings £000	**Other £000**	**Total 2011 £000**	Total 2010 £000
Commitments under non-cancellable operating leases:				
Under one year	**2,600**	**421**	**3,021**	2,735
Two to five years	**8,209**	**1,118**	**9,327**	8,057
Five or more years	**20,168**	**—**	**20,168**	21,345
	30,977	**1,539**	**32,516**	32,137

With regard to the operating leases held by the Group as lessor, the Group recognised £1,161,000 (2010: £1,302,000) of rental income in the income statement for 2011, relating to sub-letting of surplus premises.

The future minimum sub-lease receipts expected to be received under non-cancellable operating leases are as follows:

	Land and buildings £000	**Other £000**	**Total 2011 £000**	Total 2010 £000
Receivables under non-cancellable operating leases:				
Under one year	**1,014**	**—**	**1,014**	827
Two to five years	**1,392**	**—**	**1,392**	1,840
Five or more years	**163**	**—**	**163**	302
	2,569	**—**	**2,569**	2,969

The Group had no capital commitments at 30 September 2011 (2010: £nil).

23 Contingent liabilities

Office of Fair Trading Investigation

Following the Office of Fair Trading ("OFT") investigation into tender activities within the construction sector, the Company announced the OFT decision that Allenbuild Limited ("Allenbuild"), one of its subsidiaries, and Bullock Construction Limited ("Bullock"), a former subsidiary, should be fined £0.5m and £3.0m respectively, with the Company being held jointly and severally liable for these fines.

Renew appealed against the OFT's decision on a number of counts. Following the decision of the Competition Act Tribunal, which determined the appeals, the total fine attributable to Allenbuild and Bullock was reduced from £3.5m to £0.9m.

The fine was paid in September 2011, at a cost to the Group of £0.7m.

Other

Under the terms of the Group's banking agreement, security over the Group's assets has been granted to the Group's bankers.

24 Employee benefits: Retirement benefit obligations

Defined benefit pension scheme

The Group operates two defined benefit pension schemes, the Lovell Pension Scheme and the Amco Pension Scheme. Both schemes have been closed to new members and to further benefits accrual for several years.

IAS 19 "Employee Benefits"

The Directors have adopted the accounting required by IAS 19 with effect from the transition date. The Directors have discussed the assumptions used in determining the actuarial valuations set out below with independent pensions advisors and have determined that they are appropriate. The Lovell scheme's valuation at 30 September 2011 shows a deficit of £119,000 based on the assumptions set out below. The Amco scheme shows a surplus of £1,089,000 on the assumptions used in its valuation which are similar to those used for the Lovell scheme except where the Directors, in consultation with the scheme's advisors, consider it appropriate to vary them due to different characteristics of the Amco scheme and its membership profile. The Directors have determined that it is appropriate to recognise this surplus as, having reviewed the rules of the Amco scheme, they are of the view that the employer, Amalgamated Construction Limited,has an unconditional right to that surplus.

The following disclosures required by IAS 19 have been based on the most recent actuarial valuation as at 30 September 2011 carried out by Lane Clark & Peacock LLP, Consulting Actuaries, in respect of the Lovell scheme and Bluefin Corporate Consulting Limited in respect of the Amco scheme using the following assumptions:

	30 September 2011	30 September 2010	30 September 2009
Lovell Pension Scheme			
Rate of increase in salaries	**4.0%**	4.0%	4.0%
LPI increases to pensions in payment	**3.2%**	3.2%	3.1%
Discount rate	**5.2%**	4.9%	5.7%
Inflation assumption (CPI)	**2.5%**	2.8%	—
Inflation assumption (RPI)	**3.2%**	3.3%	3.1%
Increases in deferred pensions	**3.1%**	2.8%	3.1%
Amco Pension Scheme			
Rate of increase in salaries	**4.1%**		
LPI increases to pensions in payment	**3.2%**		
Discount rate	**5.2%**		
Inflation assumption (CPI)	**2.5%**		
Inflation assumption (RPI)	**3.2%**		
Increases in deferred pensions	**3.2%**		

The mortality tables adopted for the valuation of the Lovell scheme are the Continuing Mortality Investigations PNA00 series with projected longevity improvements fully allowed for according to each member's year of birth and with an additional allowance for future longevity improvements known as the medium cohort adjustment. The assumptions include adjustments to these tables based upon a postcode analysis of the membership. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 60 year old male pensioner is forecast to live for a further 25.5 years and the live expectancy of a male aged 60 in 2031 is 26.8 years.

The mortality tables adopted for the valuation of the Amco scheme are the S1PA Mortality tables based on the mortality experience of pension scheme members with projected longevity improvements and with an additional allowance for future longevity improvements known as the long cohort adjustment. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 62 year old male pensioner is forecast to live for a further 23.5 years and the life expectancy of a male aged 62 in 2031 is 25.6 years.

The assets in the Lovell scheme and the expected rates of return were:

	Value as at 30 September 2011 £000	**Expected rate of return**	Value as at 30 September 2010 £000	Expected rate of return	Value as at 30 September 2009 £000	Expected rate of return
Annuities	**44,556**		505		526	
Diversified portfolio	**72,549**	**6.2%**	72,584	6.2%	59,583	6.6%
Bonds	**—**		52,566	5.0%	51,050	5.6%
Cash	**1,248**	**0.5%**	324	0.5%	102	0.5%
Total	**118,353**		125,979		111,261	

During the year, the Trustees of the Lovell scheme, in consultation with the Directors, used scheme assets to purchase annuities which match certain pension liabilities in a transaction known as a "buy in". This asset provides protection against falls in gilt yields and risks in the performance of other asset classes.

24 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

The assets in the Amco scheme and the expected rates of return were:

	Value as at 30 September 2011 £000	Expected rate of return
Equities	**6,262**	**7.5%**
Gilts	**3,000**	**2.9%**
Bonds	**3,392**	**5.2%**
Cash	**391**	**0.5%**
Total	**13,045**	

The following amounts at 30 September were measured in accordance with the requirements of IAS 19.

Lovell Pension Scheme

	2011 £000	2010 £000
Movements in scheme assets and liabilities		
Total fair value of scheme assets brought forward	**125,979**	111,261
Expected return on scheme assets	**6,219**	5,657
Employer contributions	**3,764**	2,451
Annuities	**—**	505
Benefits paid	**(6,924)**	(7,009)
Actuarial (loss)/gain on scheme assets	**(10,685)**	13,114
Total fair value of scheme assets carried forward	**118,353**	125,979
Present value of scheme obligations brought forward	**124,919**	113,612
Interest costs	**5,955**	5,776
Current service costs	**56**	85
Annuities	**—**	505
Benefits paid	**(6,924)**	(7,009)
Actuarial (decrease)/ increase in scheme obligations	**(5,534)**	11,950
Total fair value of scheme obligations carried forward	**118,472**	124,919
(Deficit)/surplus in the scheme	**(119)**	1,060
Deferred tax	**31**	(286)
Net (deficit)/surplus	**(88)**	774
Amount charged to operating profit:		
Current service cost	**(56)**	(85)
	(56)	(85)
Amount credited/(charged) to other financial income/(charges):		
Expected return on scheme assets	**6,219**	5,657
Interest on scheme liabilities	**(5,955)**	(5,776)
	264	(119)
Amounts recognised in the statement of comprehensive income:		
Actual less expected return on scheme assets	**(10,685)**	13,114
Effect of change in assumptions on scheme liabilities	**5,534**	(11,950)
Actuarial (loss)/gain	**(5,151)**	1,164
Movement in the net scheme (deficit)/surplus during the year:		
Net scheme surplus/(deficit) brought forward	**1,060**	(2,351)
Current service cost	**(56)**	(85)
Cash contribution	**3,764**	2,451
Other finance income/(expense)	**264**	(119)
Actuarial (loss)/gain	**(5,151)**	1,164
Net scheme (deficit)/surplus carried forward	**(119)**	1,060

24 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

The following amounts at 30 September were measured in accordance with the requirements of IAS 19.

Amco Pension Scheme

	2011 £000
Movements in scheme assets and liabilities	
Total fair value of scheme assets at date of acquisition	12,679
Expected return on scheme assets	778
Employer contributions	275
Benefits paid	(629)
Actuarial loss on scheme assets	(58)
Total fair value of scheme assets carried forward	13,045
Present value of scheme obligations at date of acquisition	12,017
Interest costs	512
Benefits paid	(629)
Actuarial increase in scheme obligations	56
Total fair value of scheme obligations carried forward	11,956
Surplus in the scheme	1,089
Deferred tax	(283)
Net surplus	806
Amount credited to other financial income	
Expected return on scheme assets	778
Interest on scheme liabilities	(512)
	266
Amounts recognised in the statement of comprehensive income:	
Actual less expected return on scheme assets	(58)
Effect of change in assumptions on scheme liabilities	(56)
Actuarial loss	(114)
Movement in the net scheme surplus during the year:	
Net scheme surplus at date of acquisition	662
Cash contribution	275
Other finance income	266
Actuarial loss	(114)
Net scheme surplus carried forward	1,089

Lovell Pension Scheme

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets	£(10,685,000)	£13,114,000	£8,548,000	£(6,905,000)	£(7,960,000)
As a percentage of the assets at the end of the year	(9.0)%	10.4%	7.7%	(6.9)%	(8.0)%
Experience gains/(losses) on scheme liabilities	£1,349,000	£2,100,000	—	£600,000	£(575,000)
As a percentage of the liabilities at the end of the year	1.1%	1.7%	—	0.6%	(1.0)%
Total amount recognised in the statement of comprehensive income	£(5,151,000)	£1,164,000	£(2,895,000)	£(497,000)	£(1,804,000)
As a percentage of the liabilities at the end of the year	(4.3)%	0.9%	(2.6)%	(0.5)%	(1.7)%

The Lovell scheme has been in operation for many years and, after taking advice from the Group's pensions advisors, the Directors have determined that it is not possible to allocate the assets and liabilities of the scheme between the various Group companies.

As permitted by IAS 19, the Group has taken advantage of the multi-employer exemption and the deficit of the scheme is accounted for as an unallocated consolidation adjustment.

24 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

Amco Pension Scheme

	2011
Difference between the expected and actual return on scheme assets	**£(58,000)**
As a percentage of the assets at the end of the year	**(0.4)%**
Experience gains on scheme liabilities	**£490,000**
As a percentage of the liabilities at the end of the year	**4.1%**
Total amount recognised in the statement of comprehensive income	**£(114,000)**
As a percentage of the liabilities at the end of the year	**(1.0)%**

The Amco scheme's sole employer is the Company's wholly owned subsidiary, Amalgamated Construction Limited.

Defined contribution pension scheme

The Group operates a number of defined contribution pension schemes and individual stakeholder pension plans for its employees.

The Group made contributions of £3,126,000 (2010: £2,742,000) into these plans during the year. There are also £169,000 (2010: £192,000). of accruals relating to these plans.

25 Related parties

The Group has a related party relationship with its key management personnel who are the Main Board Directors: B May, J Samuel, R Harrison, J Bishop and D Forbes, whose total compensation amounted to £1,211,000 all of which was represented by short-term employment benefits.

There were no other transactions with key management personnel in the year.

26 Acquisition of subsidiary undertakings

On 23 February 2011, the Company acquired the whole of the issued share capital of Amco Group Holdings Limited ("Amco") for a consideration of £27.1m, of which £20.9m was paid in cash and £6.2m in deferred consideration.

The value of the assets and liabilities of Amco at the date of acquisition were:

	Book value £000	Adjustments £000	Fair value £000
Non-current assets			
Intangible assets – goodwill	—	17,428	17,428
– other	—	3,000	3,000
Property, plant and equipment	1,571	611	2,182
Retirement benefit assets	2,628	(1,966)	662
Deferred tax assets	212	52	264
	4,411	19,125	23,536
Current assets			
Inventories	10	—	10
Trade and other receivables	22,945	—	22,945
	22,955	—	22,955
Total assets	27,366	19,125	46,491
Non-current liabilities			
Obligations under finance leases	(248)	—	(248)
Deferred tax liabilities	(736)	(216)	(952)
	(984)	(216)	(1,200)
Current liabilities			
Borrowings	(2,266)	—	(2,266)
Trade and other payables	(15,561)	(200)	(15,761)
Obligations under finance leases	(125)	—	(125)
Current tax liabilities	(86)	—	(86)
	(18,038)	(200)	(18,238)
Total liabilities	(19,022)	(416)	(19,438)
Net assets	8,344	18,709	27,053

26 Acquisition of subsidiary undertakings continued

Goodwill of £17,428,000 arises on acquisition and will be reviewed for impairment one year after the acquisition as permitted by IFRS 3. The goodwill is attributable to the expertise and workforce of the acquired business. Other intangible assets, provisionally valued at £3,000,000, representing customer relationships and contractual rights, were also acquired and will be amortised over their useful economic life in accordance with IFRS 3. Amortisation of this intangible asset commenced from April 2011.

The value of freehold land and buildings acquired with Amco and included in property, plant and equipment has been increased from £969,000 to £1,580,000 as a result of a fair value adjustment. The freehold land and buildings were independently valued by King Sturge LLP on 4 November 2010. The freehold land and buildings were sold for £1,580,000 to a company controlled by Amco's previous owners as part of the deferred consideration settlement on 23 February 2011. At the same time, the remainder of the deferred consideration was settled following the receipt of a debt due to Amco by a company controlled by Amco's previous owners.

The Directors reviewed the actuarial assumptions adopted by the previous board of Amco and decided to adjust the assumptions used to value scheme liabilities. In particular, more reliable estimates of the mortality characteristics of the scheme's membership have been adopted. These assumptions are set out in Note 24.

If the acquisition of Amco had occurred on 1 October 2010, Group revenue would have been approximately £386.8m and profit for the year ended 30 September 2011 would have been approximately £2.1m.

Company balance sheet

at 30 September

	Note	2011 £000	2010 £000
Fixed assets			
Tangible assets	E	**675**	813
Investments	F	**124,184**	97,131
		124,859	97,944
Current assets			
Stocks and work in progress	G	**773**	581
Debtors: due within one year	H	**23,072**	22,670
Cash at bank and in hand	I	**—**	8,991
		23,845	32,242
Creditors: amounts falling due in less than one year	J	**(113,526)**	(104,313)
Net current liabilities		**(89,681)**	(72,071)
Total assets less current liabilities		**35,178**	25,873
Creditors: amounts falling due after more than one year	K	**(7,500)**	—
Net assets		**27,678**	25,873
Capital and reserves			
Share capital	M	**5,990**	5,990
Share premium account	N	**5,893**	5,893
Capital redemption reserve	N	**3,896**	3,896
Share based payments reserve	N	**283**	217
Profit and loss account	N	**11,616**	9,877
Equity shareholders' funds	O	**27,678**	25,873

Approved by the Board and signed on its behalf by:

R J Harrison OBE
Chairman
22 November 2011

Notes to the company accounts

A Accounting policies

(i) Basis of accounting
The accounts have been prepared on the going concern basis and in accordance with UK applicable accounting standards under the historical cost convention.

A summary of the more important Company accounting policies, which have been applied consistently, is set out below:

(ii) Investments in subsidiaries
Investments in subsidiaries are recorded at cost less provision for impairment.

(iii) Tangible fixed assets
Tangible fixed assets are recorded at cost or valuation for certain properties, less provision for impairment if required. Depreciation is provided on all tangible fixed assets, other than freehold land. Provision is made at rates calculated to write off the cost of each asset, less estimated residual value, evenly over its expected useful life as follows:

Freehold land	– no depreciation charge
Long leasehold land and buildings	– shorter of fifty years and period of lease
Plant, vehicles and equipment	– two to ten years

(iv) Leasing commitments
Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

(v) Share based payments
FRS 20 "Share Based Payments" requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured using a Black-Scholes valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period based on the Directors' estimate of shares that will eventually vest.

(vi) Deferred taxation
The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19 "Deferred Tax".

Deferred tax assets are recognised to the extent it is considered more likely than not that they will be recovered. In accordance with FRS 19 deferred tax is not provided for on:

a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;

b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;

c) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made; and

d) extra tax payable if the overseas retained profits of subsidiaries, joint ventures or associates are remitted in the future.

Deferred tax assets are recognised for taxable losses relating to trading to the extent that those losses are expected to be recoverable within the foreseeable future.

(vii) Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. Exchange differences are taken to the profit and loss account.

(viii) Defined benefit pension scheme
The Company has adopted the requirements of FRS 17 "Retirement Benefits". The Directors have determined that it is not possible to allocate the assets and liabilities of the scheme between the various Group companies. Accordingly the scheme is not accounted for in the Company's balance sheet. However, any increase in the present value of liabilities within the defined benefit scheme expected to arise from employee service in the period is charged to operating profit in respect of the Company's employees.

(ix) Defined contribution pension plans
Contributions to defined contribution pension plans are charged to the profit and loss account as incurred.

(x) Dividends
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(xi) Stocks and work in progress
Stocks comprise land held for development and are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads and excludes interest. Where necessary, provision is made for obsolete, slow moving and defective stocks.

B Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The profit after taxation for the financial year dealt with in the accounts of the Company was £3,536,000 (2010: £662,000).

The audit fee charged within the profit and loss account amounted to £63,000 (2010: £63,000).

C Employee numbers and remuneration

	2011 Number	2010 Number
The average monthly number of employees, all of whom were administrative staff including Executive Directors, employed in continuing activities during the year was:	**34**	36
At 30 September:	**34**	36

Cost of staff, including Executive Directors, during the year amounted to:

	£000	£000
Wages and salaries	**2,085**	1,975
Social security costs	**248**	233
Other pension costs	**126**	116
Share based payments	**66**	55
	2,525	2,379

Details of individual Directors' emoluments can be found in the Directors' Remuneration Report on page 35.

D Dividends

	2011 Pence/share	2010 Pence/share
Interim (related to the year ended 30 September 2011)	**1.00**	1.00
Final (related to the year ended 30 September 2010)	**2.00**	2.00
Total dividend paid	**3.00**	3.00

	£000	£000
Interim (related to the year ended 30 September 2011)	**598**	598
Final (related to the year ended 30 September 2010)	**1,199**	1,199
Total dividend paid	**1,797**	1,797

Dividends are recorded only when authorised and are shown as a movement in equity shareholders' funds rather than as a charge in the profit and loss account. The Directors are proposing that a final dividend of 2.0p per Ordinary Share be paid in respect of the year ended 30 September 2011. This will be accounted for in the 2011/12 financial year.

E Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant, vehicles and equipment £000	Total £000
Cost:				
At 1 October 2010	701	789	306	1,796
Additions	—	—	1	1
Disposals	—	(714)	—	(714)
At 30 September 2011	**701**	**75**	**307**	**1,083**
Depreciation:				
At 1 October 2010	18	665	300	983
Charge for year	10	1	5	16
Disposals	—	(591)	—	(591)
At 30 September 2011	**28**	**75**	**305**	**408**
Net book value:				
At 30 September 2011	**673**	**—**	**2**	**675**
At 30 September 2010	683	124	6	813

The Company has no assets held under finance leases or hire purchase agreements.

F Investments

	Subsidiary undertakings £000
Shares at cost:	
At 1 October 2010	171,913
Additions	27,053
At 30 September 2011	**198,966**
Provisions:	
At 1 October 2010	74,782
Provided during the year	—
At 30 September 2011	**74,782**
Net book value:	
At 30 September 2011	**124,184**
At 30 September 2010	97,131

Details of the principal subsidiary undertakings are included in Note S.

The investment in subsidiaries is supported by their net asset values and their discounted expected future cash flows.

G Stocks and work in progress

	2011 £000	2010 £000
Undeveloped land	**773**	581

H Debtors

	2011 £000	2010 £000
Due within one year:		
Trade debtors	**166**	97
Due from subsidiary undertakings	**22,273**	20,565
Other debtors	**76**	180
Deferred tax	**10**	10
Prepayments and accrued income	**547**	1,818
	23,072	22,670

I Cash at bank and in hand

	2011 £000	2010 £000
Cash at bank	**—**	8,991

J Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank loans and overdrafts	**9,751**	—
Trade creditors	**187**	72
Other taxation and social security	**753**	801
Due to subsidiary undertakings	**96,817**	97,290
Other creditors	**349**	282
Accruals and deferred income	**5,669**	5,868
	113,526	104,313

K Creditors falling due after more than one year

	2011 £000	2010 £000
Bank loan	**7,500**	—
Bank loans and overdrafts repayable:		
Within one year	**9,751**	—
Within two to five years	**7,500**	—
	17,251	—

L Derivatives and other financial instruments

Currency exposures

The only exposure of the Company to currency risk (i.e. exposure to gains or losses on foreign exchange which would be recognised in the profit and loss account) is in respect of the unhedged portion of an inter-company loan. At 30 September 2011 the unhedged portion of the inter-company loan was $1,520,000 (2010: $470,000).

The Company's operations are denominated in sterling.

Fair value of financial assets and liabilities

There are no material differences between fair value and the book value of the Company's financial assets and liabilities.

M Share capital

	2011 £000	2010 £000
Allotted, called up and fully paid:		
59,898,927 (2010: 59,898,927) Ordinary Shares of 10p each	**5,990**	5,990

Share options

The Company operates a share option scheme, the Renew Holdings 2004 Executive Share Option Scheme.

Details of the scheme and options in issue is given below and in Note N.

The scheme has both an Approved and Unapproved element. The difference between the two elements is that the Approved scheme has the advantage of certain HMRC approved tax benefits.

Both elements have the same general terms and conditions. Options issued under the scheme must be held for three years before they can vest and become exercisable. They must be exercised within ten years from the date of grant.

Vesting of options is dependant on the achievement of certain performance criteria which are established by the Remuneration Committee at the point of grant. 761,904 of the options granted in the 2006 financial year have vested. In respect of the options granted during the 2007 and 2008 financial years, the performance criteria were not met and so 940,252 of previously granted options have lapsed. In respect of the options granted during the 2009 financial year, 120,263 of the options will vest with 709,140 having lapsed due to the performance criteria not being met.

In respect of the options granted in the 2010 financial year, 25% of the options will vest if the Group's earnings per share for the year ended 30 September 2012 exceed 6.95p. For 100% vesting to occur, the Group's earnings per share for that year must be at least 8.5p.

The scheme does not permit retesting of performance conditions and if the performance criteria are not achieved then the options will lapse.

N Reserves

	Share premium account £000	Capital redemption reserve £000	Share based payments reserve £000	Profit & loss account £000
At 1 October 2010	5,893	3,896	217	9,877
Transfer from profit and loss account for the year				3,536
Recognition of share based payments			66	
Dividends paid				(1,797)
At 30 September 2011	**5,893**	**3,896**	**283**	**11,616**

Share based payments reserve

FRS 20 "Share Based Payment" requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured by Baker Tilly, Chartered Accountants, using a Black-Scholes valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

£66,000 has been charged (2010: £55,000) to administrative expenses.

There is no impact on net assets since an equivalent amount has been credited against the share based payments reserve.

No options were exercised during the year.

The value per option represents the fair value of the option less the consideration payable.

The expected volatility is based on historical volatility of the share price since the Company listed on AIM in 2001.

The risk free rate of return has been derived from the Bank of England's yield curve taking the spot rate for a maturity of 36 months. This period has been selected as being the minimum period over which the options could remain extant.

N Reserves continued

Share based payments reserve continued

Options granted under the Renew Holdings 2004 executive Share Option Scheme over the Company's ordinary shares at 30 September 2011 were as follows:

Date of grant	7 June 2006	26 November 2008	25 November 2009	Total
Awards outstanding at 30 September 2009				
– Directors	761,904	120,263	1,312,319	2,194,486
Exercise price and price at date of grant	52.5p	54.5p	34.5p	—
Maximum option life	10 years	10 years	10 years	—
Assumed option life for purposes of valuation	3 years	3 years	3 years	—
Expected volatility	47%	41%	53%	—
Dividend yield	1.0%	5.9%	8.5%	—
Risk free interest rate	4.67%	3.85%	1.88%	—
Value per option	20.5p	10.2p	8.7p	—

The options granted on 7 June 2006 have vested in full. The options granted on 8 January 2007 and 3 December 2007 have lapsed. 120,263 of the options granted on 26 November 2008 will vest with 709,140 having lapsed.

There were 2,194,486 options outstanding at 1 October 2011 being those issued in June 2006, November 2008 and November 2009 as detailed above.

O Reconciliation of movements in equity shareholders' funds

	2011 £000	2010 £000
Profit for the year	**3,536**	662
Dividends paid	**(1,797)**	(1,797)
Recognition of share based payments	**66**	55
At 1 October 2010	**25,873**	26,953
At 30 September 2011	**27,678**	25,873

P Capital and leasing commitments

	Land and buildings £000	**Other £000**	**Total 2011 £000**	Total 2010 £000
Annual commitments under non-cancellable operating leases expiring in:				
Under one year	**—**	**4**	**4**	7
Two to five years	**—**	**19**	**19**	15
Five or more years	**1,462**	**—**	**1,462**	1,557
	1,462	**23**	**1,485**	1,579

The Company has capital commitments at 30 September 2011 of £nil (2010: £nil).

Q Contingent liabilities

The Company has guaranteed performance bonds in respect of certain contracts and leasing arrangements in the normal course of business of its subsidiary undertakings.

Under the terms of the Group's banking agreement, security over the Company's assets has been granted to the Group's bankers.

The Company is a participant together with a number of subsidiary undertakings in the Group banking arrangements and, as a result, has risks associated with the financial status and performance of the other companies within the Group.

Office of Fair Trading Investigation

Following the Office of Fair Trading ("OFT") investigation into tender activities within the construction sector, the Company announced the OFT decision that Allenbuild Limited ("Allenbuild"), one of its subsidiaries, and Bullock Construction Limited ("Bullock"), a former subsidiary, should be fined £0.5m and £3.0m respectively, with the Company being held jointly and severally liable for these fines.

Renew appealed against the OFT's decision on a number of counts. Following the decision of the Competition Act Tribunal, which determined the appeals, the total fine attributable to Allenbuild and Bullock was reduced from £3.5m to £0.9m. The fine was paid in September 2011, at a cost to the Group of £0.7m.

R Defined contribution pension scheme

The Company operates a number of defined contribution pension schemes and individual stakeholder pension plans for its employees.

The Company made contributions of £126,000 (2010: £116,000) into these plans during the year. There are also £9,000 (2010: £10,000) of accruals relating to these plans.

S Principal subsidiary undertakings

Renew Holdings plc acts as the holding company of the Group. The principal activity of the Group during the year was construction and construction related activities.

The principal subsidiary undertakings are shown below.

Subsidiary undertakings		Incorporation & principal place of business	Proportion of Ordinary Shares held by the Company
YJL Ltd	Owned by Renew Holdings plc	England and Wales	100%
Allenbuild Ltd	Owned by subsidiary	England and Wales	100%
Britannia Construction Ltd	Owned by subsidiary	England and Wales	100%
Walter Lilly & Co Ltd	Owned by subsidiary	England and Wales	100%
YJL Infrastructure Ltd	Owned by subsidiary	England and Wales	100%
V.H.E. Construction Plc	Owned by subsidiary	England and Wales	100%
Shepley Engineers Ltd	Owned by subsidiary	England and Wales	100%
Seymour (Civil Engineering Contractors) Ltd	Owned by subsidiary	England and Wales	100%
Amalgamated Construction Limited	Owned by subsidiary	England and Wales	100%
Lovell America, Inc	Owned by Renew Holdings plc	USA	100%

T Related parties

The Company has a related party relationship with its key management personnel who are the Main Board Directors: B May, J Samuel, R Harrison, J Bishop and D Forbes, whose total compensation amounted to £1,211,000 all of which was represented by short-term employment benefits.

There were no other transactions with key management personnel in the year.

Directors, officers and advisors

Directors

R Harrison OBE	(Non-executive Chairman)
B May	(Chief Executive)
J Samuel FCA	(Group Finance Director)
J Bishop FCA	(Independent Non-executive)
D Forbes	(Independent Non-executive)

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Shareholder information

Shareholder information

Annual General Meeting	25 January 2012
Results	Announcement of interim results – May 2012
	Preliminary announcement of full year results – November 2012

Dividend re-investment plan

For any shareholders who wish to re-invest dividend payments in the Company, a facility is provided by Capita IRG Trustees Ltd in conjunction with Capita Registrars. Under this facility, cash dividends are used to purchase additional shares. Any shareholder requiring further information should contact Capita on 0871 664 0381 (calls cost 10p per minute plus any network extras from within the UK; lines are open from 9am to 5.30pm Monday to Friday). If calling from overseas +44(0)208 639 3402. Fax 0208 639 1023. Email shares@capitaregistrars.com or visit www.capitaregistrars.com.

Boiler room fraud

In recent years many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as "boiler rooms". Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Check that they are properly authorised by the FSA by visiting www.fsa.gov.uk/register/
- Report the matter to the FSA either by calling 0300 500 5000 or visiting www.moneymadeclear.fsa.gov.uk

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk. More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk.

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