interim report & accounts | **2009**

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delivering **specialist engineering & construction** services

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chairman's statement

The six months ended 31 March 2009 has produced satisfactory results with Group operating profit, prior to exceptional items and amortisation charges, of £3.2m (2008: £3.2m) on revenue of £171.6m (2008: £192.9m). This improvement in operating margin from 1.7% to 1.8% reflects the Group's continued emphasis on quality of earnings rather than revenue growth.

Group profit after tax, prior to exceptional items and amortisation charges, was £3.1m (2008: £3.5m). An exceptional charge of £1.0m relating to the final account settlement of the last legacy construction contract has been borne in the first half. A tax charge of £0.1m has been sustained all of which relates to deferred tax. No current year corporation tax charge is expected for the year. Earnings per share, prior to exceptional items and amortisation charges, were 5.22p (2008: 5.61p).

As previously announced, the deteriorating market conditions in Specialist Building necessitate a 23% reduction in capacity and an exceptional charge of £2.5m for redundancy and other restructuring costs in the second half of the financial year. Annual savings of over £7m will result.

The Board is maintaining the interim dividend at 1.0p per share (2008: 1.0p) which will be paid on 6 July 2009 to shareholders on the register on 5 June 2009.

In October 2008, we acquired C.&A. Pumps Limited ("C.&A.") which added to our Water industry capability. In May 2009 we agreed to acquire Mothersill Engineering, a specialist machining and fabrication business, which enhances our offering to the Nuclear industry.

The Group's net cash balance was £17.5m (2008: £25.7m). The reduction mainly comprises the outflow of working capital attributable to lower revenue, the £1.8m acquisition of C.&A. and the £3.0m cash settlement of the legacy BB&EA pension scheme statutory debt.

The Group's strategy remains to grow our Specialist Engineering business both organically and by acquisition. Specialist Engineering is currently expected to represent 40% of future revenue and 70% of operating profit. We remain active in seeking out further complementary acquisitions.

In Specialist Building, the Board has acted promptly and decisively to reduce the operational fixed cost base in response to deteriorating market conditions. While the current trading conditions endure for Specialist Building, the Group will continue to focus on project selectivity, risk management and cost control to ensure that this business stream remains profitable albeit on lower levels of activity.

Our balance sheet remains debt free with substantial cash resources enabling the Group to take advantage of selective opportunities as they arise. The specialist nature of our business provides a resilient platform for the Group to trade profitably through the recession.

Roy Harrison OBE
Chairman
19 May 2009

chief executive's review

Overview

Our Specialist Engineering business grew first half revenue by 15% from £50.4m to £58.2m. Operating profit also grew by 14% from £1.9m to £2.2m in the period. This represented 70% (2008: 63%) of Group operating profit and an operating margin of 3.8% (2008: 3.9%), and reflects the growing importance of Specialist Engineering to the Group. The Board has reclassified our Rail infrastructure activities from Specialist Building to Specialist Engineering as this reflects better the nature of work carried out.

Specialist Building recorded an operating profit of £1.7m (2008: £2.4m) on revenue of £113.4m (2008: £139.7m). The lower operating margin of 1.5% (2008: 1.7%) and the reduced revenue reflect the difficult economic circumstances within which this business stream is operating, and, as previously announced, further reductions in both revenue and margin are expected to occur in the second half. Emphasis has remained on project selectivity both to manage risk and to protect quality of earnings.

The Group's order book at 31 March 2009 was £221m compared to £219m at 30 September 2008 and £248m one year ago. 41% of this is in Specialist Engineering. The order book excludes potential workflow from the Group's 35 framework agreements, 15 of which are in Specialist Engineering. It is the Board's continuing view that the potential value of these frameworks should not be included in the confirmed order book. During the first half, 85% of work secured in the period was in the public sector. 77% of orders secured were in our specialist sectors with 75% on negotiated or two stage terms and 86% with repeat customers.

Review of operations

Specialist Engineering

Nuclear:

Shepley Engineers continues to be engaged at five different Nuclear licensed sites including a major presence at Sellafield where it has been operating for over 50 years and continues to be the largest Tier 2 mechanical and electrical contractor.

The majority of the workload is secured through four Sellafield frameworks all of which have been extended during the period. In addition, preferred bidder positions are expected to provide a further £10m of revenue over the next two years.

In May 2009 we agreed the acquisition of Mothersill Engineering, a specialist machining and fabrication business located near Sellafield and serving the Nuclear industry, for £0.4m in cash. In the year ended 31 December 2008, Mothersill recorded revenue of £0.8m and an operating profit of £0.2m.

Safety remains of primary importance and, in addition to receiving a number of awards during the period, both Shepley and its subsidiary PPS Electrical achieved the milestone of 1m man hours without a reportable accident.

Land Remediation:

As anticipated, due to the downturn in the UK house building industry, activity in our specialist land remediation business, VHE, remains subdued and supports our decision to reposition this business last year. This repositioning was marked by the significant award of the £15m Cudworth and West Green Bypass for Barnsley MBC, our fifth recent project for this client.

Remediation activity continues to be secured through opportunities arising under Part IIA of the Environment Act and from our National Grid Properties framework.

Water:
Seymour and C.&A. currently have five frameworks with Northumbrian Water ("NWL") and the Environment Agency ("EA"). The largest framework, with NWL under AMP4, continues until 2011 and during the period experienced good activity levels with over £8m of new projects secured. Both businesses are in the process of new framework negotiations with these and other clients.

In October 2008, we acquired C.&A. for £1.8m. Together, Seymour and C.&A. form a £30m specialist Water business in the North East. Since the acquisition, C.&A. has performed in line with expectations, securing one of its largest ever projects, from NWL, during the period.

Rail:
In October 2008, YJL Infrastructure was appointed to the Vendor Capital Programme framework with London Underground. In the first six months, we have received three significant orders. These include major upgrades to Marble Arch and Notting Hill Gate underground stations jointly valued at £30m. During the period, we have extended our client base and successfully completed a complex £5m project to create a Peak Hour Subway at Waterloo for Network Rail.

Specialist Building

Social Housing:
Following the recent success in securing a framework with Notting Hill Housing Trust, Allenbuild now has a position on 10 frameworks which jointly provide access to a £650m market. During the period we successfully completed the £16m Mare Street project for Metropolitan Housing and secured over £40m of new orders including projects for Network Housing (£14m), Hexagon Housing (£13m) and Genesis Housing (£9m).

Retail:
As anticipated the retail sector has been quiet throughout the first six months of the year, although a number of smaller value projects have been secured with repeat clients.

Science and Education:
In addition to four existing frameworks in the North West, Allenbuild has also been appointed to the LHC Education Framework for the North which is expected to provide annual opportunities of £20m for a four year period. Contracts secured in the period included projects for Liverpool Hope University and Wakefield MBC. Work is nearing completion on the Queen Mary Innovation Centre (£20m) and the science fit out project for Eisai Pharmaceuticals (£12m). Allenbuild remains in preferred builder status for the £58m Kirklees College Waterfront project.

Restoration and Refurbishment:
The high-end residential sector in London continues to provide good workload for Walter Lilly. Work continues on the £37m scheme at Grosvenor Crescent and a £25m private residence in Regents Park. We are preferred bidder on a further £38m project for a private client in London. During the period we were also awarded the 7 July Memorial in Hyde Park, work at Chiswick House and the first phase of the restoration of the cast iron roof at the Palace of Westminster.

Brian May
Chief Executive
19 May 2009

group income statement

for the six months ended 31 March 2009

	Note	Before exceptional items and amortisation of intangible assets	Exceptional items and amortisation of intangible assets (see Note 2)	Six months ended 31 March		Before exceptional items and amortisation of intangible assets	Exceptional items and amortisation of intangible assets (see Note 2)	Year ended 30 September
		2009 Unaudited £000	**2009 Unaudited £000**	**2009 Unaudited £000**	2008 Unaudited £000	2008 Audited £000	2008 Audited £000	2008 Audited £000
Group revenue from continuing activities	2	**171,602**	**-**	**171,602**	192,850	390,557	-	390,557
Cost of sales		**(150,351)**	**(1,006)**	**(151,357)**	(169,232)	(347,820)	-	(347,820)
Gross profit		**21,251**	**(1,006)**	**20,245**	23,618	42,737	-	42,737
Administrative expenses		**(18,092)**	**(162)**	**(18,254)**	(20,532)	(35,137)	(2,765)	(37,902)
Operating profit	2	**3,159**	**(1,168)**	**1,991**	3,086	7,600	(2,765)	4,835
Finance income		**395**	**-**	**395**	800	1,618	-	1,618
Finance costs		**(41)**	**-**	**(41)**	(207)	(254)	-	(254)
Other finance income - defined benefit pension scheme		**-**	**-**	**-**	250	543	-	543
Profit before income tax	2	**3,513**	**(1,168)**	**2,345**	3,929	9,507	(2,765)	6,742
Income tax expense	3	**(389)**	**282**	**(107)**	(569)	(2,209)	727	(1,482)
Profit for the period attributable to equity holders of the parent company		**3,124**	**(886)**	**2,238**	3,360	7,298	(2,038)	5,260
Basic earnings per share	4			**3.74p**	5.61p			8.78p
Diluted earnings per share	4			**3.62p**	5.47p			8.55p
Proposed dividend	5			**1.00p**	1.00p			2.00p

There were no exceptional items in the six months ended 31 March 2008. Administrative expenses for that period included an amortisation charge of £124,000.

group statement of recognised income and expense

for the six months ended 31 March 2009

	Six months ended 31 March		Year ended 30 September
	2009 Unaudited £000	2008 Unaudited £000	2008 Audited £000
Profit for the period attributable to equity holders of the parent company	**2,238**	3,360	5,260
Exchange movement in reserves	**1,279**	20	574
Movement in actuarial deficit	**-**	-	(497)
Movement on deferred tax relating to the defined benefit pension scheme	**-**	-	116
Total recognised income and expense for the period attributable to equity holders of the parent company	**3,517**	3,380	5,453

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group balance sheet

at 31 March 2009

	Note	2009 Unaudited £000	31 March 2008 Unaudited £000	30 September 2008 Audited £000
Non-current assets				
Intangible assets - goodwill		**9,351**	8,516	8,548
Intangible assets - other		**621**	744	620
Property, plant and equipment		**5,719**	5,035	4,503
Deferred tax assets		**3,962**	4,987	4,069
		19,653	19,282	17,740
Current assets				
Inventories		**8,557**	8,499	6,367
Trade and other receivables		**80,008**	94,149	87,766
Current tax assets		**-**	-	455
Cash and cash equivalents		**17,656**	25,817	28,289
		106,221	128,465	122,877
Total assets		**125,874**	147,747	140,617
Non-current liabilities				
Obligations under finance leases		**(12)**	(59)	(10)
Retirement benefit obligations		**(518)**	(2,702)	(1,479)
Deferred tax liabilities		**(306)**	(418)	(256)
Provisions		**(1,068)**	(1,172)	(1,068)
		(1,904)	(4,351)	(2,813)
Current liabilities				
Borrowings		**(139)**	(85)	(110)
Trade and other payables		**(106,402)**	(126,751)	(119,246)
Obligations under finance leases		**(48)**	(243)	(67)
Current tax liabilities		**-**	(1,049)	(159)
Provisions		**(689)**	(2,530)	(3,941)
		(107,278)	(130,658)	(123,523)
Total liabilities		**(109,182)**	(135,009)	(126,336)
Net assets		**16,692**	12,738	14,281
Share capital		**5,990**	5,990	5,990
Share premium account		**5,893**	5,893	5,893
Capital redemption reserve		**3,896**	3,896	3,896
Cumulative translation adjustment		**1,703**	(130)	424
Share based payments reserve		**323**	165	233
Profit and loss account		**(1,113)**	(3,076)	(2,155)
Total equity	6	**16,692**	12,738	14,281

group cash flow statement

for the six months ended 31 March 2009

	Six months ended 31 March 2009 Unaudited £000	Six months ended 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Profit for the period	**2,238**	3,360	5,260
Amortisation of intangible assets	**162**	124	248
Depreciation	**796**	834	1,708
Profit on sale of property, plant and equipment	**(19)**	(94)	(262)
(Increase)/decrease in inventories	**(598)**	(2,015)	716
Decrease/(increase) in receivables	**9,429**	(8,806)	2,405
(Decrease)/increase in payables	**(18,155)**	9,891	(1,599)
Current service cost in respect of defined benefit pension scheme	**36**	36	72
Cash contribution to defined benefit pension scheme	**(997)**	(893)	(2,106)
Expense in respect of share options	**90**	68	136
Finance income	**(395)**	(1,050)	(2,161)
Finance costs	**41**	207	254
Interest paid	**(41)**	(207)	(254)
Income taxes received/(paid)	**296**	-	(1,344)
Income tax expense	**107**	569	1,482
Net cash (outflow)/inflow from operating activities	**(7,010)**	2,024	4,555
Investing activities			
Interest received	**395**	800	1,618
Proceeds on disposal of property, plant and equipment	**79**	194	1,267
Purchases of property, plant and equipment	**(1,191)**	(781)	(2,028)
Acquisition of subsidiary net of cash acquired	**(1,828)**	-	(32)
Net cash (outflow)/inflow from investing activities	**(2,545)**	213	825
Financing activities			
Dividends paid	**(1,196)**	(719)	(1,317)
Repayment of obligations under finance leases	**(71)**	(245)	(470)
Net cash outflow from financing activities	**(1,267)**	(964)	(1,787)
Net (decrease)/increase in cash and cash equivalents	**(10,822)**	1,273	3,593
Cash and cash equivalents at beginning of period	**28,179**	24,400	24,400
Effect of foreign exchange rate changes	**160**	59	186
Cash and cash equivalents at end of period	**17,517**	25,732	28,179
Bank balances and cash	**17,656**	25,817	28,289
Bank overdrafts	**(139)**	(85)	(110)
	17,517	25,732	28,179

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notes to the accounts

1 Basis of Preparation

(a) The interim financial report for the six months ended 31 March 2009 and the equivalent period in 2008 have not been audited or reviewed by the Group's auditors. They do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have been prepared under the historical cost convention and on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim financial report does not comply with IAS 34 "Interim Financial Reporting", which is not currently required to be applied for AIM companies. The Group has reclassified the activities of its rail infrastructure subsidiary, YJL Infrastructure Limited, from its building segment to its engineering segment and restated the comparative figures accordingly. This interim report was approved by the Directors on 19 May 2009.

(b) The accounts for the year ended 30 September 2008 were prepared under IFRS. The auditors issued an unqualified opinion on them and they have been delivered to the Registrar of Companies. In this report, the comparative figures for the year ended 30 September 2008 have been audited. The comparative figures for the period ended 31 March 2008 are unaudited.

(c) The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future.

This interim statement is being sent to all shareholders and is also available upon request from the Company Secretary, Renew Holdings plc, Yew Trees, Main Street North, Aberford, West Yorkshire LS25 3AA, or via the website www.renewholdings.com.

2 Segmental Analysis

For management purposes the Group is organised into three business streams: Building, Engineering and Property & central activities. These operating segments are the basis on which the Group reports its primary segment information.

Segment information about the Group's continuing operations is presented below:

	Six months ended 31 March		Year ended 30 September
	2009 Unaudited £000	2008 Unaudited £000	2008 Audited £000
Revenue is analysed as follows:			
Building	**113,419**	139,697	287,044
Engineering	**58,210**	50,420	100,795
Property & central activities	**8**	5,674	8,213
Inter segment revenue	**(35)**	(2,941)	(5,495)
Group revenue from continuing operations	**171,602**	192,850	390,557

notes to the accounts

2 Segmental Analysis (continued)

	Before exceptional items and amortisation of intangible assets	Exceptional items and amortisation of intangible assets	Six months ended 31 March		Before exceptional items and amortisation of intangible assets	Exceptional items and amortisation of intangible assets	Year ended 30 September
	2009 Unaudited £000	**2009 Unaudited £000**	**2009 Unaudited £000**	2008 Unaudited £000	2008 Audited £000	2008 Audited £000	2008 Audited £000
Analysis of operating profit							
Building	**1,660**	**-**	**1,660**	2,371	4,892	(889)	4,003
Engineering	**2,214**	**(1,006)**	**1,208**	1,942	3,469	(361)	3,108
Property & central activities	**(715)**	**(162)**	**(877)**	(1,227)	(761)	(1,515)	(2,276)
Operating profit	**3,159**	**(1,168)**	**1,991**	3,086	7,600	(2,765)	4,835
Net finance income	**354**	**-**	**354**	843	1,907	-	1,907
Profit before income tax	**3,513**	**(1,168)**	**2,345**	3,929	9,507	(2,765)	6,742

Exceptional items and amortisation of intangible assets

	Six months ended 31 March		Year ended 30 September
	2009 Unaudited £000	2008 Unaudited £000	2008 Audited £000
Loss on legacy final account settlement	**1,006**	-	-
Redundancy costs	**-**	-	1,471
Costs in relation to BB&EA pension scheme	**-**	-	1,168
Profit on disposal of plant fleet	**-**	-	(122)
Total exceptional items	**1,006**	-	2,517
Amortisation of intangible assets	**162**	124	248
	1,168	124	2,765

Exceptional items comprise £1,006,000 in respect of a final account settlement on the last of the basket of legacy construction contracts, which were originally provided against in 2005. Amortisation charges relate to the fair value ascribed to intangible assets other than goodwill arising from the acquisitions of Seymour (C.E.C) Holdings Limited and C.&A. Pumps Limited.

notes to the accounts

3 Income Tax Expense

	Six months ended 31 March **2009 Unaudited £000**	Six months ended 31 March 2008 Unaudited £000	Year ended 30 September 2008 Audited £000
Current tax:			
UK corporation tax on profits for the period	**-**	(569)	(159)
Adjustments in respect of previous periods	**-**	-	(409)
	-	(569)	(568)
Foreign tax	**-**	-	(51)
Total current tax	**-**	(569)	(619)
Deferred tax	**(107)**	-	(863)
Income tax expense	**(107)**	(569)	(1,482)

The Group has unused tax losses available to carry forward against future taxable profits, although a significant element of these losses relates to activities which are not forecast to generate the level of profits needed to utilise these losses. A related deferred tax asset of £3,660,000 (2008: £3,990,000) has been recognised to the extent considered reasonable by the Directors.

4 Earnings Per Share

	Six months ended 31 March 2009 **Earnings £000**	**2009 EPS Pence**	**2009 DEPS Pence**	Six months ended 31 March 2008 Earnings £000	2008 EPS Pence	2008 DEPS Pence	Year ended 30 September 2008 Earnings £000	2008 EPS Pence	2008 DEPS Pence
Earnings before exceptional costs and amortisation	**3,124**	**5.22**	**5.05**	3,484	5.82	5.68	7,298	12.18	11.87
Exceptional costs and amortisation	**(886)**	**(1.48)**	**(1.43)**	(124)	(0.21)	(0.21)	(2,038)	(3.40)	(3.32)
Basic earnings per share	**2,238**	**3.74**	**3.62**	3,360	5.61	5.47	5,260	8.78	8.55
Weighted average number of shares (000s)		**59,899**	**61,878**		59,899	61,392		59,899	61,497

The dilutive effect of share options is to increase the number of shares by 1,979,000 (March 2008: 1,493,000; September 2008: 1,598,000) and reduce basic earnings per share by 0.12p (March 2008: 0.14p; September 2008: 0.23p).

notes to the accounts

5 Dividends

The proposed interim dividend is 1.0p per share (2008: 1.0p). This will be paid out of the Company's available distributable reserves to shareholders on the register on 5 June 2009, payable on 6 July 2009. In accordance with IAS 1, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge in the income statement.

6 Reconciliation of Movements in Total Equity

	Six months ended 31 March		Year ended 30 September
	2009 Unaudited £000	2008 Unaudited £000	2008 Audited £000
Profit for the period	**2,238**	3,360	5,260
Dividends	**(1,196)**	(719)	(1,317)
	1,042	2,641	3,943
Other recognised gains and losses for the period	**1,279**	20	193
Movement in share based payments reserve	**90**	68	136
Net movement on total equity	**2,411**	2,729	4,272
Opening total equity	**14,281**	10,009	10,009
Closing total equity	**16,692**	12,738	14,281

notes to the accounts

7 Acquisition of Subsidiary Undertaking

With effect from 1 October 2008, the Company's wholly owned subsidiary, Seymour (Civil Engineering Contractors) Limited, acquired the whole of the issued share capital of C.&A. Pumps Limited ("C.&A.") for a consideration of £1.76m all of which was paid in cash.

The value of the assets and liabilities of C.&A. at the date of acquisition were:

	Book value £000	Adjustments £000	Fair value £000
Non-current assets			
Intangible assets - goodwill		803	803
Intangible assets - other		163	163
Property, plant and equipment	785	96	881
	785	1,062	1,847
Current assets			
Inventories	120		120
Trade and other receivables	639		639
	759		759
Total assets	1,544	1,062	2,606
Non-current liabilities			
Deferred tax liabilities	(23)	(27)	(50)
Obligations under finance leases	(18)		(18)
	(41)	(27)	(68)
Current liabilities			
Borrowings	(68)		(68)
Trade and other payables	(664)		(664)
Current tax liabilities	(10)		(10)
Obligations under finance leases	(36)		(36)
	(778)		(778)
Total liabilities	(819)	(27)	(846)
Net assets	725	1,035	1,760

Goodwill of £803,000 was acquired 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 of £163,000, representing contractual rights, were also acquired and will be amortised over their useful economic life in accordance with IFRS 3.

The value of freehold land and buildings acquired with C.&A. and included in tangible fixed assets has been increased from £524,000 to £620,000 as a result of a fair value adjustment. The freehold land and buildings were independently valued by Hanline Associates, Chartered Surveyors, on 2 July 2008 on an existing use basis.

electronic communications

Under its Articles of Association, the Company may deliver shareholder information including Annual and Interim Reports and Notices of General Meetings in an electronic format to shareholders.

If you would like to receive shareholder information in electronic format, please register your request on the Company's Registrar's electronic database at www.capitaregistrars.com. You will initially need your unique "investor code", which you will find at the top of your share certificate. There is no charge for this service. If you wish to subsequently change your mind, you may do so by contacting the Company's Registrars by post or through their website.

If you elect to receive shareholder information electronically, please note that it is the shareholder's responsibility to notify the Registrars of any change to their name, address, e-mail address or other contact details. Shareholders should also note that, with electronic communication, the Company's obligations will be satisfied when it transmits the notification of availability of information or such other document as may be involved to the electronic address it has on file. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failure. In the event of the Company becoming aware that an electronic notification is not successfully transmitted, a further two attempts will be made. In the event that the transmission is still unsuccessful a hard copy of the notification will be mailed to the shareholder. In the event that specific software is required to access information placed on the Company's website it will be available via the website without charge. Before electing for electronic communications shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for the purpose. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out but cannot accept responsibility for loss or damage arising from the opening or use of any e-mail or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company that is found to contain any virus will not be accepted.

Shareholders wishing to receive shareholder information in the conventional printed form will continue to do so and need take no further action.

Should you have any further questions on this please contact the Company's Registrars, Capita Registrars, on 0870 162 3131.

Directors and Advisors

Directors
R Harrison OBE (Non-executive Chairman)
B May (Chief Executive Officer)
J Samuel FCA (Finance Director)
J Bishop FCA (Non-executive Director)

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B C Feather LLB

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