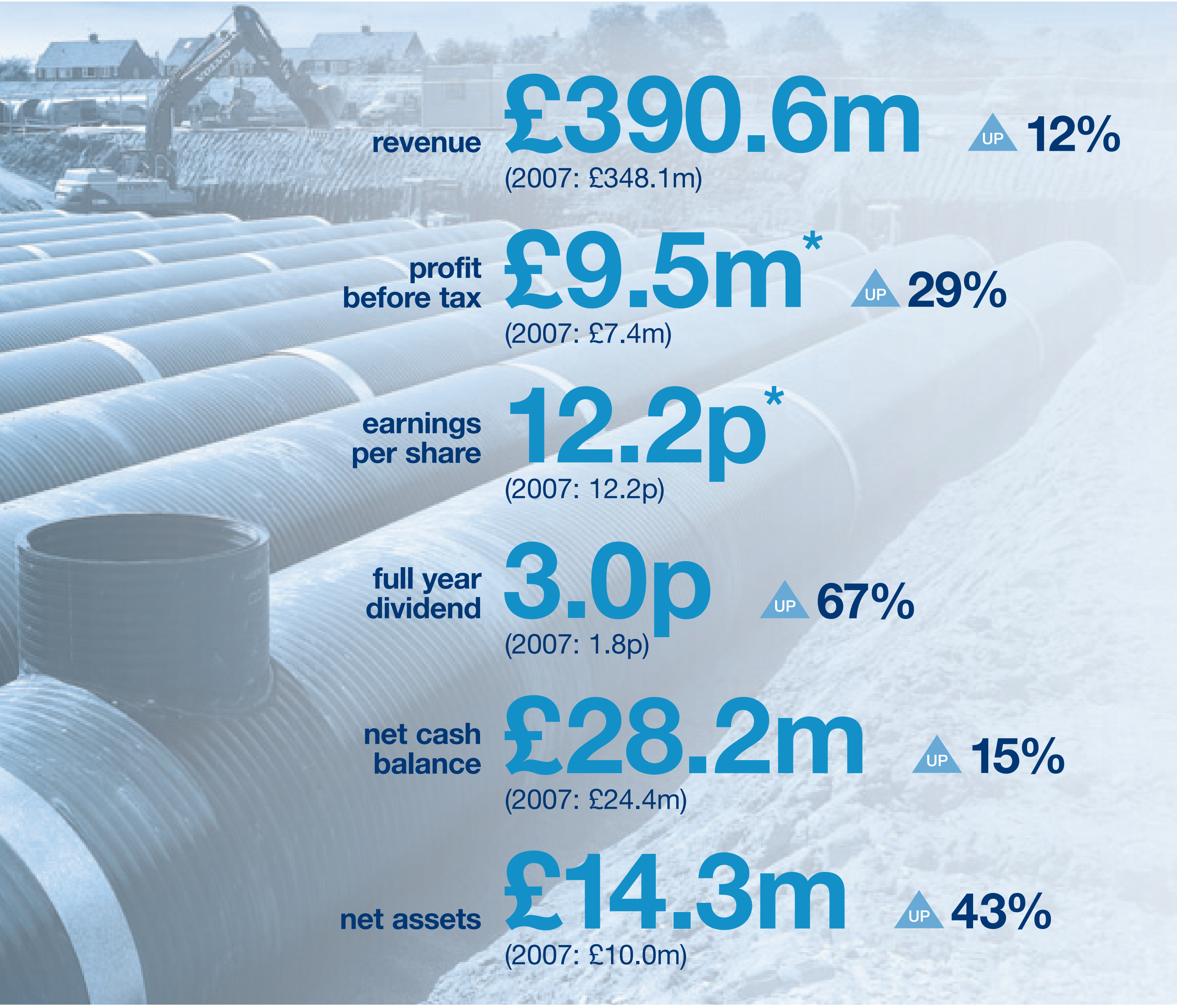
annual report & accounts | 2008

renew

delivering **specialist construction** services

Renew delivers specialist construction services in engineering and building through its branded businesses which operate in robust and sustainable markets

financial highlights



revenue £390.6m (2007: £348.1m) UP 12%

profit before tax £9.5m* (2007: £7.4m) UP 29%

earnings per share 12.2p* (2007: 12.2p)

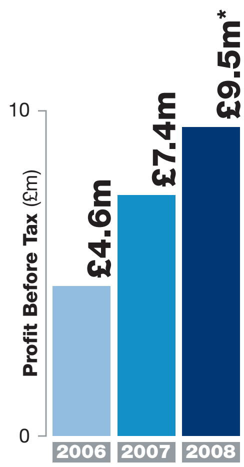
full year dividend 3.0p (2007: 1.8p) UP 67%

net cash balance £28.2m (2007: £24.4m) UP 15%

net assets £14.3m (2007: £10.0m) UP 43%

*Figures given prior to exceptional items and amortisation charges

chairman's statement



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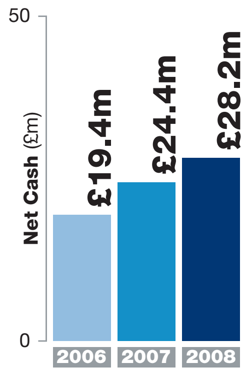


Introduction

I am pleased to report a strong set of results. We are successfully meeting our strategic objectives for our two main business streams. In Specialist Engineering we have continued to grow revenue, which was bolstered by a full year's contribution from Seymour, while in Specialist Building we saw a marked increase in revenue and particularly in operating profits prior to exceptional items.

Against a background of increasingly difficult market conditions, the results again illustrate the quality and sustainability of earnings with our forward order book indicating an increased level of work in our specialist sectors.

Results

Group revenue for the year ended 30 September 2008 was £390.6m (2007: £348.1m), a 12% increase over the corresponding period last year. Profit before income tax for the year prior to exceptional items and amortisation charges was up 29% to £9.5m (2007: £7.4m). Profit after tax, exceptional items and amortisation charges was £5.3m (2007: £7.3m).

At 30 September 2008, the Group's net cash position stood at £28.2m (2007: £24.4m).

As has been well documented, conditions in the house building market, which is the principal end market for our Land Remediation business, have worsened considerably over the last six months. We are also seeing weaker market conditions for our non-specialist and retail businesses which jointly accounted for 46% of Specialist Building revenue in 2008.

As stated in our pre-close announcement on 1 October 2008, the Board has taken decisive action to address these issues by realigning the Land Remediation activities to address the more robust regional civil engineering market, whilst retaining its land remediation capability. In Specialist Building, the Group has reduced capacity by 15%. Whilst these actions have resulted in an exceptional charge in 2008 of £1.5m for redundancy costs, the resultant saving in annual costs will be in excess of £5m.

The Group's order book at 30 September 2008 stood at £219m (2007: £252m) with, pleasingly, 79% represented by repeat order work. The 13% reduction, which is predominantly in non-specialist areas, is in line with the implemented capacity reductions. This reflects our emphasis on project selectivity and quality of earnings as we seek to continue to improve percentage operating margins in these more challenging market conditions.

Dividend

In accordance with the Group's progressive policy, a final dividend of 2.0p per share (2007: 1.2p) is being proposed. This takes the total dividend for the year to 3.0p (2007: 1.8p), a 67% increase over last year. The dividend will be paid on 23 February 2009 to shareholders on the register as at 30 January 2009 and in accordance with accounting standards will be accounted for in the 2009 financial year. The shares will become ex-dividend on 28 January 2009.

Growth strategy

Our declared strategy of focusing on two distinct business streams, Specialist Engineering and Specialist Building, remains in place.

Our aim is to increase revenue in Specialist Engineering both organically and by acquisition, with operating margins of at least 4%. In Specialist Building, our aim is to continue to increase operating margins with a medium-term target of 2%. Currently our Specialist Building margin stands at 1.7%.

Our medium-term objective remains to develop a Specialist Construction business with overall operating margins of 2.5% and with Specialist Engineering providing 33% of revenue.

Outlook

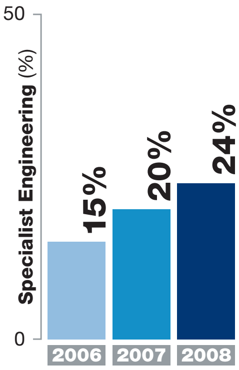
Market conditions are more challenging but the Group is operating from a position of strength, supported by a strong balance sheet with cash resources available to take advantage of carefully considered opportunities which may arise. Our management team, led by our Chief Executive Brian May, is very experienced and I am confident in their ability to deliver excellent performance in the difficult economic climate.

The impact of the decisive action taken in September to realign and reduce capacity, and the continued resilience of our specialist markets, gives the Board confidence that we can continue to grow the Group's operating margin percentage albeit on reduced levels of activity in 2009.

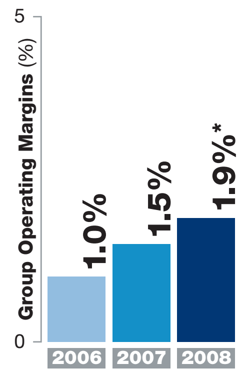
Roy Harrison OBE
Chairman
25 November 2008

renew

chief executive's review



% of Group revenue



Overview

Our strategy of seeking growth in Specialist Engineering, whilst maintaining target margins, combined with growing margins in Specialist Building continues.

In Specialist Engineering, revenue increased by 36%, which included a full year's contribution from Seymour which we acquired in July 2007. Whilst margins were lower due to falling demand for Land Remediation related to the house building sector, they remain at 3.7%, over double that of the margins in Building. The forward order book in Specialist Engineering stands at £49m (2007: £54m).

Revenue in Specialist Building increased by 11% with a 34% increase in operating profit to £4.9m prior to exceptional charges. The forward order book in Specialist Building is £170m (2007: £198m), 14% lower than last year which is in line with the capacity reductions implemented in September.

Our total order book remains strong at £219m (2007: £252m), with 86% being in our specialist sectors and 79% in the form of repeat business. These key performance indicators remain ahead of our targets of 66% in each case.

As part of our strategy of developing our Specialist Engineering business we continue to look for complementary acquisitions that can meet our demanding criteria. Immediately following the year end, we completed the acquisition of C.&A. Pumps Limited ("C&A"), a specialist water services business based in County Durham but which operates nationally. C&A will combine with Seymour to offer an extended package of capability to the Water industry. This acquisition is a further demonstration of our commitment to grow our Specialist Engineering business both organically and by acquisition and follows on from the previous acquisitions of Seymour itself and PPS Engineering Limited, in the Nuclear sector.

Review of operations

Specialist Engineering

Nuclear

Shepley Engineers continues to be the largest Tier 2 mechanical and electrical contractor at Sellafield, operating in the fields of asset support and decommissioning. Activity levels on the Multi Disciplined Site Wide framework were 70% above those anticipated. Our four frameworks continue at Sellafield with extensions recently agreed on both Demolition and Decommissioning. Our PPS subsidiary, which we acquired in 2006, had an exceptional year, outperforming forecasts and repaying its acquisition cost within two years. We have also secured a position in a consortium with Energy*Solutions* to process Metals Recycling at Sellafield and Drigg. We continue to have activity at the Springfields facility at Preston and have also been awarded a decommissioning project at Capenhurst, which is our first award at this site.

Land Remediation

In response to the downturn in the house building market, we have quickly realigned the VHE business to access regional civil engineering opportunities. This is demonstrated by the recent £15m award of the Cudworth Bypass which is the fifth major award in recent years from Barnsley MBC. VHE retains its Land Remediation capability and has established itself as the leading specialist contractor for local authority remediation works under Part IIA of the Environment Act, completing five such residential projects during the year, with a further recent £2m award in Glasgow. We are also seeing renewed activity for 2009 from the National Grid framework.

Water

The Seymour acquisition has been fully integrated into the Group and is performing in line with our expectations and acquisition plans, with 15% organic growth achieved this year. The Northumbrian Water framework continues to provide a significant level of activity with good visibility out to 2010. We have seen an encouraging increase in repeat business for regional industrial and local authority clients including the award of a framework with Darlington MBC. The C&A acquisition enhances our offering to the Water industry. In the year ended 31 December 2007, C&A recorded an operating profit of £0.2m on a turnover of £4.7m. Organic expansion of civil engineering capabilities in the South West under the Britannia Civil Engineering brand has also been achieved to enable access to regional specialist water and environmental markets.

chief executive's review

Specialist Building

Social Housing
Including the recent agreements with Sanctuary and Hexagon Housing Associations, Allenbuild now has eight framework agreements in place, all with leading Housing Associations in the South East of England, for the delivery of their new build programmes. We secured £42m of new projects during the year. New projects completed during the year include Cranes Farm and Clyde Terrace, each valued at over £8m. This business area is particularly well secured for 2009 and our pipeline of future projects for our existing framework partners remains in excess of £100m.

Retail
Britannia Construction's first project with Marks & Spencer in Manchester has been completed. Four projects were completed for Tesco, with another at Wells in progress. Allenbuild successfully completed a £26m negotiated hotel and mixed retail development at Southport which included hotel, casino and retail outlets and incorporated restoration works to the historic Floral Hall.

Science and Education
Allenbuild has been appointed preferred bidder on a £58m project to build the new Kirklees College Waterfront Project at Huddersfield and has successfully completed the £18m Rossington School project in Doncaster. Elsewhere, Walter Lilly has continued good progress on the £20m Queen Mary Innovation Centre project in London and has received awards for two further projects from GSK together with a £12m contract for Eisai Pharmaceuticals at Hatfield.

Restoration and Refurbishment
The high-end residential sector remains busy with a number of awards for Walter Lilly giving good visibility for 2009 and beyond. Five projects have now been successfully completed under the Grosvenor Framework, with others being processed. Good progress continued on the major contracts at Grosvenor Crescent and Regent's Park. Our established relationship with Cadogan Estates continues with a further project at Cadogan Gardens.

YJLi has been appointed to a five year LUL framework for tube network modernisations. During the year, further modernisation works were secured for CTRL Platforms for South Eastern and for Network Rail at Waterloo where we are bringing a redundant Eurostar platform back into operational use.

Property and other activities
We have successfully developed and sold a new factory in Cumbria for the Cumberland Pencil Company, but, in light of recent market conditions, there are no current development activities ongoing in the UK. During the year, we completed and sold the Applied Research Facility in the USA for Johns Hopkins University. We continue to look to realise value from our land assets in the US with our portfolio particularly well located in Maryland, predominantly in the Baltimore/Washington corridor, near to the Fort Meade National Security Centre.

People
The health and safety of our people at work is our priority at all times. During the year, we achieved a further reduction in the Accident Incidence Rate which has now reduced by 57% over the last three years. Our target for each of these years was a 10% reduction.

The Group's success derives from the quality and skills of our people. Throughout the Group, we have an excellent blend of experience, youth, talent and ambition. The Board has great confidence in our staff and thanks them all for their commitment and effort.

Summary
The Group continues to make progress on the implementation of its strategy. Despite the prevailing economic environment, our specialist markets are resilient and this is reflected in the quality of our forward order book.

Brian May
Chief Executive
25 November 2008

financial review

Results
The Group's revenue from ongoing operations was £390.6m (2007: £348.1m) with an operating profit of £7.6m (2007: £5.2m) prior to exceptional items and amortisation charges. Profit before income tax was £6.7m (2007: £7.4m). A tax charge of £1.5m (2007 £0.1m) resulted in a profit after tax for the year of £5.3m (2007: £7.3m).

Accounting policies
The Group was required to adopt International Financial Reporting Standards ("IFRS") in the year and so comparative financial information has been restated accordingly. The impact of IFRS on previously reported results is set out at the start of the Accounting Policies section in Note 1 of the Notes to the Financial Statements on pages 40 and 41. Other than the changes required by IFRS, the Group's accounting policies have remained consistent.

Cash generation
The Group's operating performance has been complemented by strong cash generation and a growth in our net cash balances of over 15% to £28.2m. The Group's only borrowings are £77,000 of finance leases and £110,000 of overdraft funding in Lovell America, Inc.

Treasury
Whilst the Group seeks to maximise the short term interest returns on its cash, we have been mindful of the risk profiles of deposit takers and our policy remains to deposit funds only with AA+ rated institutions. The Board approves the list of institutions with which deposits are made on a regular basis and applies its own experience and judgement as to which institutions to use over and above the credit rating.

Property
The Group has not realised any UK property during the year as a result of the prevailing market conditions. The Group has taken advantage of those conditions to terminate certain leasehold arrangements over properties which were not being used by the Group for its construction activities.

Lovell America, Inc.
The Group now has approximately £10m (2007: £12m) of net assets in the USA, where Lovell America, Inc. is progressively realising these assets for cash repatriation to the UK. During the year, the development of the Applied Research Facility for Johns Hopkins University was completed and sold.

Pensions
The gross deficit in the Lovell Pension Scheme, which was closed to new members in 2000, has reduced to £1.5m (2007: £3.6m) as discount rates have risen, although the Board has incorporated stronger mortality assumptions which predict longer lives for pension fund members together with a higher level of forecast future inflation. In accordance with the scheme specific funding requirements of the Pensions Act 2005, the Board has an agreement with the Trustees of the scheme on the level of future contributions which are currently £2.0m per annum inclusive of costs. This level of contribution will be reviewed following the next triennial valuation of the scheme which is due to be carried out as at 31 March 2009.

Taxation
A deferred tax asset included in Non-current assets of £4.1m (2007: £5.0m) is carried in the balance sheet, which principally results from the likely future utilisation of tax losses through the improved and profitable trading of the Group. The deferred tax asset related to the defined benefit pension scheme has reduced by £0.6m to £0.4m as a result of the reduction in the gross scheme liability.

A prior year adjustment to current UK tax payable of £0.4m has been recognised in the current financial year following the disposal of Britannia Joinery Ltd. Together with £51,000 of US current taxes payable, the payable current year UK tax charge is £159,000. This represents a 3% Group tax payable rate, which rises to 22% when the prior year adjustment and deferred tax impacts are taken into account.

Despite having material unused tax losses, the Group anticipates an increase in corporation tax payable in each of the next few years although tax payable is expected to remain below the headline rate of tax due to losses brought forward.

Net assets
The consolidated net assets of the Group were £14.3m (2007: £10.0m), an increase of 43%. The distributable profits of Renew Holdings plc stood at £5.5m (2007: £3.9m) providing the Board with the platform to propose an increase in the dividend for the full year of 67% from 1.8p to 3.0p per share. The dividend cover stands at 2.9 times.

John Samuel
Group Finance Director
25 November 2008

specialist engineering


VHE
VHE CONSTRUCTION plc

specialist engineering

water

Seymour is a leading civil engineering business in the North East of England. It delivers specialist environmental services including water infrastructure development and maintenance, flood alleviation and sea defences, land reclamation, urban renewal and other infrastructure services.

A significant proportion of Seymour's work is procured under longer term framework agreements and negotiated contracts. These include a £10m per annum framework agreement with Northumbrian Water which has been extended until 2011.

Flood alleviation projects formed a major part of Seymour's work during the year. These important schemes help to protect people and property by rapidly dispersing rainwater that falls during the increasingly frequent heavy storms.

One of the largest schemes, worth £2.3m, was in Guisborough where 1,500m of up to 1,200mm diameter pipeline was installed in the highway through residential areas. In Darlington, a £1m scheme involved the installation of 600m of 1,200mm diameter pipeline together with a Combined Sewer Overflow (CSO) and outfall. Similar projects were also undertaken in Penshaw, Shiney Row, Leamside, Billingham and Gateshead.

Seymour also worked on a further six separate CSO projects which allows excess rainwater to disperse while preventing the discharge of solid waste. In Corbridge, seven CSOs and 200m of pipeline was installed under a £1m contract.

A £900,000 project at Seaton Burn comprised the construction of 14 CSOs and 500m of pipeline. Other projects were carried out in Washington, Chester-le-Street, Spennymoor, Billingham and Stockton-on-Tees.

The company's skills in flood relief were recognised when the £3.5m Shiremoor Flood Relief project was Highly Commended in three categories of the regional Constructing Excellence awards and secured Bronze in the national Considerate Constructor awards.

Seymour's capability in the water industry was further enhanced with the acquisition of C.&A. Pumps Ltd with effect from 1 October 2008. C&A is based in County Durham but operates nationally. C&A's capabilities are mechanical and electrical installation and design, pump sales and service, steel fabrication and health and safety consultancy and training. Both companies will be able to offer clients a full civil engineering and mechanical and electrical package including design.

Seymour continued to play a leading role in the urban regeneration of the region with a number of important environmental contracts for both Local Authorities and the private sector. These included the £5m Shiremoor Bypass, coastal protection projects for both Hartlepool Borough Council and Scarborough Borough Council and a first contract for Leeds City Council.

£10m

Value of annual framework with Northumbrian Water


SEYMOUR

specialist engineering

nuclear

Specialist Engineering within the nuclear sector is delivered through Shepley Engineers, a major mechanical and electrical contractor and project manager.

Activity in the year has remained focused at Sellafield which continues to command the significant majority of available funding within the national civil nuclear legacy programme and where Shepley has worked continuously for more than 50 years. Shepley is the largest Tier 2 mechanical and electrical contractor at Sellafield with a workforce in excess of 400 people across three businesses.

Shepley's work is derived largely from four framework agreements. The largest framework is the Multi Discipline Site Wide agreement which comprises asset care, maintenance and support across a range of complex operational plants within Sellafield's controlled areas.

One major project in very challenging radiological conditions within the High Level Waste Plant complex involved the removal of redundant contaminated equipment together with the installation of new pipework, steelwork and electrical systems. Shepley was fully involved in the planning and methodology development of the task which included the use of a full size 'mock-up', thus enabling the entire team to develop and practice the proposed methods of approach from design, through implementation to testing and commissioning.

The Decommissioning and Demolition framework agreements have recently been extended. A whole range of decommissioning challenges has been delivered in the year covering aspects from design and safety through to implementation. In June, Shepley secured a decommissioning waste framework in partnership with Energy*Solutions*. This contract is associated with the recovery and processing of low level metal waste generated within the ongoing decommissioning programme at both Sellafield and Drigg.

At Capenhurst in Cheshire, Shepley secured its first contract for decommissioning. The establishment of a Shepley presence on this facility complements its presence at Springfields, near Preston, where Shepley has been on site for more than 10 years, carrying out both decommissioning and remediation works.

All work is undertaken with the utmost regard to safety and in April Shepley gained a third consecutive RoSPA President's award.

50

Year presence of Shepley at Sellafield

specialist engineering

land remediation

500

Remediation projects undertaken by VHE

VHE is a leading provider of land remediation services with a varied public and private sector client base. The company has extensive experience in reclaiming brownfield land and completed its 500th remediation contract during the year. VHE utilises in-house designed and developed solutions which apply innovative and sustainable services, such as specialist biophysical treatment, soil washing, solidification and stabilisation along with groundwater treatment, to maximise the value of redundant land. The company also adds value by enhanced recycling of site won materials for re-use in development infrastructure.

A growing sector of work is in the remediation of contaminated land as determined by Part IIA of the Environment Act. This Act sets out the regulatory framework for Local Authorities to identify and deal with the estimated 200,000 hectares of land contaminated during previous use. During the year, VHE completed 5 projects including the remediation of the front and rear gardens of 31 residential properties and public open space in Littleport, Cambridgeshire which had been partly constructed on the site of a former gas works. Residents remained in occupation throughout the contract, which was completed in 16 weeks. Similar Part IIA projects have also been undertaken in Warrington and Pontesbury and a further £2.1m project in Renfrew involves the remediation of land on 26 properties constructed during the 1970s on a former gas works.

The Greater Manchester Passenger Transport Executive appointed VHE to undertake remediation works to enable the development of the proposed new transport interchange in Rochdale Town Centre. VHE's work comprised soil remediation by stabilisation and the replacement of the existing river wall with a sheet piled wall with masonry cladding along the wall's current alignment, together with improvements to the river walkway.

VHE utilises on-site validation technology such as X-ray and Ultraviolet Fluorescence (XRF and UVF), which reduces the need for samples to be sent for laboratory analysis, to hasten the reclamation of contaminated sites. The technology has been used on a number of schemes including the remediation of the former Bristol Diesel Depot for the South West England Regional Development Agency.

A further major contract is the £15m Cudworth and West Green Bypass awarded in November by Barnsley MBC. This is the fifth major project that VHE has secured with this client in recent years. The 18-month programme comprises the construction of 5.2km of new single carriageway along with rail and road overbridges.

VHE continues to undertake work for National Grid Property Ltd to carry out remediation works on its sites across the UK under a framework agreement. VHE has also been appointed as a panel contractor on the REMADE programme, REclamation and MAnagement of DErelict land, which has been set up by Lancashire County Council in partnership with the Northwest Regional Development Agency.


Rochdale
A GREAT VIEW OF REGENERATION

specialist building


casagrande
Select

specialist building

social housing

£100m

Social housing development pipeline

New build social housing is delivered principally in the South East through Allenbuild which has eight framework agreements with major housing associations which is reflected in a project pipeline in excess of £100m. Two new frameworks have been secured during the year with Sanctuary Housing Association and Hexagon Housing Association.

The company is involved in a number of major projects. The largest is a £18.5m urban regeneration project for Paddington Churches/Genesis Housing Group in Bow's conservation area and comprises the construction of several multi-storey blocks to accommodate 146 flats and ground floor office space. In Woolwich, three blocks are being constructed to provide 74 flats in a £11m contract for the same client. Also underway is a £5.5m brownfield project for Community Housing Group in Plaistow, which comprises the demolition and decontamination of an existing petrol filling station and construction of a Life Skills and Turnaround Centre with 23 associated apartments.

A further contract for Paddington Churches involves the £10m construction of an eight-storey block consisting of 35 residential units and 12 live-work units with terraces and balconies, together with retail, restaurant, and office use plus underground parking for 40 cars. Extensive use has been made of the adjacent Grand Union Canal to transport excavated material and dramatically reduce the number of lorry movements to the site.

A number of major schemes were completed during the year. These include 106 apartments in Hackney in a £15.5m contract for Metropolitan Housing Trust and 50 apartments, 10 live-work units and seven commercial units for London & Quadrant Housing Trust valued at £8.2m.

One of the greatest innovations in recent years has been the widespread adoption of Modern Methods of Construction (MMC). These include factory made timber frames, lightweight steel frames and prefabricated components such as bathroom pods. MMC also helps reduce dependency on site labour.

Allenbuild has supply chain partnering arrangements with MMC manufacturers which helps reduce the project lead in times. MMC has contributed greatly to reducing construction programmes as the components are much quicker to erect than traditional materials. Pre-cast foundations, timber frames and bathroom pods have been used on the £9m Cranes Farm Road project in Basildon, which will provide 60 affordable housing units in a combination of flats, terraced and semi-detached houses.

Allenbuild is currently utilising MMC on eight social housing projects where the use of post tensioned reinforced concrete floors shortens build time and significantly reduces the extent of reinforcement and concrete required, thus lowering the carbon footprint in the construction stages.

specialist building

retail

195,000

Square feet of retail space constructed for Tesco

During 2008 Group companies undertook a number of significant retail projects across the UK encompassing new build and refurbishment in both town centres and retail parks.

Britannia continued its long association with Tesco which dates back to 1984 and now encompasses approximately 100 contracts. New stores were constructed in Maesteg, Cullompton, Aston and Ilminster, totalling more than 195,000 sq ft.

Britannia completed its first project for Marks & Spencer, the £6.8m fit-out of a 40,000 sq ft extension to the Trafford Centre in Manchester.

Smaller works included the £3m pedestrianisation of the Broadmead in Bristol as part of the Cabot Circus development for the Prudential. Also in Bristol, Britannia delivered the £1.5m Food Court alterations at the giant Mall shopping centre at Cribbs Causeway retail centre.

In Wales, Britannia is working on a £5.6m B&Q warehouse in Newport and continued annual improvement works to Cwmbran town centre.

On the leisure side of retail, Britannia completed the fit-out contract for a 12-screen facility at High Wycombe for Cineworld, following a similar project in Didcot for the same client.

Retail and leisure schemes have formed a central part of urban regeneration in Southport where Allenbuild has recently completed the £26m redevelopment of the Floral Hall Gardens site for Neptune Developments. The scheme included a 133 bed four-star hotel and casino including extended conference facilities for the nearby historic Floral Hall which was also restored within the contract.

Nearby, Allenbuild completed the £9m construction and fit-out of The Vincent Hotel. The 60 bed hotel is the first “boutique” five star hotel to be constructed in the town.

Allenbuild has also constructed the £5.6m Jasper Square development in Tunstall for Dransfield Properties. The design and build project provides a new 45,000 sq ft JJB facility, a Carphone Warehouse and a further retail unit.


Allenbuild

specialist building

restoration and refurbishment

Walter Lilly continues to excel in the restoration and refurbishment of high quality residential properties in prime London boroughs. The company is especially skilled in the transformation of historic or listed buildings where extensive structural alteration is often required.

One of the most technically challenging schemes is a £32m contract in Grosvenor Crescent in Belgravia to convert and refurbish an unbroken crescent-shaped terrace of eight Grade II listed buildings into 17 Essenza-style lateral living apartments.

The project includes an underground car stacking system for 22 cars created in a 46 foot deep basement over three storeys. To construct the basement and provide access to the rear of the site for a piling rig, a 52 foot long access passage was broken through the building. This involved the approval of both Grosvenor and English Heritage, cutting a 13 foot square hole, dismantling the ground floor and three staircases and identifying 300 numbered components for eventual reinstatement.

A £20m project in Regent's Park comprises the alteration and extensive refurbishment of a Grade II listed private residence. It includes finishes to eight bathrooms, fitting out of the family kitchen and pantry and neoclassical formal rooms. Throughout there are exceptional joinery and fibrous plaster finishes, bespoke marble and hardwood floors. Ornate bronze and mirrored panelling surrounds the elevated deck swimming pool.

Enabling works are underway at a prestigious private residence in Mayfair as the first stage of a proposed £35m refurbishment. Work is also ongoing to fit-out a number of apartments and penthouses in Manresa Road in Kensington and Chelsea. Frameworks with London's leading estates continued with a £8m mixed use scheme being constructed in Cadogan Gardens for Cadogan Estates. Grosvenor also awarded five projects totalling £7.4m, principally for residential schemes.

In the rail sector YJL Infrastructure completed a train servicing depot for Network Rail at Tonbridge, a station upgrade for CGL Rail at Cutty Sark and a further phase of station cooling works for London Underground on the Central and Circle Lines. The company was also selected for a five year framework for London Underground.

Allenbuild completed the £5m redevelopment and extension of the Grade II listed Wood End Museum in Scarborough. The scheme includes a mix of studios, gallery areas, workspace, educational and learning resources, exhibition and storage space. Additionally Allenbuild completed over £7m of restoration and expansion works at the Reform Club in Pall Mall, London and at the Victoria and Albert Museum in Kensington.

Notable iron restoration projects included the Peach House at The President's Residence in Phoenix Park, Dublin, and on the outskirts of Belfast the historically significant iron conservatory at Ballywalter House for Baron Dunleath. Walter Lilly is working on the £1.8m restoration of the 13,000 sq ft Grade I listed Conservatory at Chiswick House for client English Heritage.

46

Foot depth of three-storey basement constructed in Belgravia

renew WalterLilly Allenbuild BRITANNIA CONSTRUCTION YJLi

specialist building

science and education

7,000,000

Item capacity of the British Library archive

Group companies enjoyed significant success with a wide range of science and education projects.

Allenbuild has delivered a “world first” project for the British Library, a £22m fully automated archival facility in Yorkshire. The BLASP project features the world’s first use of oxygen depletion as a fire prevention strategy in an air-tight archive, which will accommodate up to seven million items on 262 linear kilometres of steel racking. Following the success of this project, Allenbuild is now able to offer a tried and tested airtight solution, which can provide a ‘fire free’ environment for clients wanting to store valuable, volatile or perishable goods, or indeed safeguard expensive process equipment or technology.

One of the largest schemes under construction during the year was the 108,000 sq ft Rossington All Saints Church of England School for the Diocese of Sheffield. Constructed within the grounds of the existing school in Doncaster, the £18m project also includes a modern Sports Village.

Allenbuild has also been selected as preferred bidder for the £58m Kirklees College Waterfront Project in Huddersfield. The state-of-the-art campus will provide approximately 300,000 sq ft of new accommodation for the college. Work is expected to commence in the summer of 2009 and continue until 2011. Preferred bidder status has also been achieved with St Helens MBC for the provision of a new specialist secure teaching facility at Red Bank School. In Wigan the company has just successfully completed its first contract with Wigan MBC under the Council’s Education Framework whilst in Manchester, Allenbuild is in the second year of the framework agreement with Salford City Council.

Other education projects undertaken by Allenbuild include the new £7m Kingfisher Primary School in Solihull and the completion of the £2.6m Arts and Creative Media building at Mid-Cheshire College in Northwich.

Many of Walter Lilly’s science projects are delivered under frameworks. The company completed its eighth year on DEFRA’s Veterinary Laboratory Agency Framework as well as securing the £5.4m award of a specialist stores building. Walter Lilly has carried out numerous projects for GlaxoSmithKline spanning more than 20 years. The works have included Category II and III Laboratories, GMP Manufacturing areas and Clean Rooms, along with offices, packaging and other facilities, the most recent project being a £7.1m laboratory refurbishment at Ware. A further significant award in the year was a £12.4m laboratory fit-out for Eisai Pharmaceuticals in Hatfield.

Walter Lilly is also the design and build contractor for the £21m Queen Mary BioEnterprises Innovation Centre in Whitechapel which will provided science-based incubator premises. Work continued on Walter Lilly’s Imperial College framework with the £6.3m fit-out of the Burlington Danes laboratory on their Hammersmith Hospital campus.

At Westonbirt School near Tetbury, Britannia completed the £1.1m construction of a new two-storey VI Form accommodation block in natural materials to blend in with the surrounding Cotswold stone buildings. The project was undertaken in a live school environment and included a two-bedroom apartment on the ground floor together with associated landscaping and external works.

corporate social responsibility

Renew Holdings plc and its subsidiaries make every effort to minimise the impact and to maximise the social, economic and environmental benefits of their operations beyond compliance with minimum legal requirements. The Group continues to build on the achievements of previous years and develop Corporate Social Responsibility initiatives that reflect the diverse operations of each specialist business.

Safety

The safety of the Group's employees, sub-contractors and all who come into contact with its operations is paramount. Safety forms one of the Group's Key Performance Indicators and is measured in the Accident Incidence Rate in which the Group has achieved a 57% reduction in the last three years against a year on year target of 10%. The Safety report is the first item on every agenda at all Group or subsidiary Board meetings. Some businesses, such as Shepley, work in the most highly regulated safety environments in the world. During the year Shepley received a third consecutive RoSPA President' s award while PPS gained a fourth consecutive RoSPA Gold Medal and first prize in the annual Sellafield Resident Engineers presentations for 'the company's commitment and leadership in its health and safety programme.'

Environment

Renew intends that all Group companies should achieve ISO14001, the environmental management standard, and a programme is in place to gain this accreditation. VHE continues to promote the use of recycling and on site treatment of contaminated materials where appropriate. The company is also actively working with local authorities across the country to remediate historically contaminated land on which residential properties have been built.

In order to dramatically reduce the number of vehicle movements to site, Allenbuild utilised the Grand Union Canal in London to transfer excavated material from a £10m housing project in Kilburn. Around 12,000m^3 of soil was moved on barges to a waste transfer station for recycling. The development also makes extensive use of dry construction, eliminating the waste, such as surplus sand and cement, arising from wet construction.

Sustainability

All Renew businesses are committed to increasing the procurement of sustainable products and reducing construction waste. Timber frames were used exclusively on a £9m development of 60 homes in Basildon. Allenbuild has secured the Sustainable Procurement Support Package from Action Sustainability to further embed sustainable procurement into business culture. The company was also one of the first to sign up to the Buy Recycled Code.

Considerate Constructors Scheme

All Group companies are active participants in the Considerate Constructors scheme with Walter Lilly and Seymour each winning Bronze awards. All projects are required to register with the scheme and scores are reported and monitored at Board meetings. A minimum target score of 26.5 has been set for each inspection with the Group averaging a score of 31.8 in 2008.

Employment and training

Allenbuild maintained sponsorship of the All Hallows RC Business and Enterprise College Construction Centre in Salford which delivers B-Tec diplomas to years 10 and 11. The success of this scheme has prompted discussion with three schools in the Maghull area.

Allenbuild has recently signed up to help deliver the Salford Youthbuild scheme, a charitable programme run by NCH, helping disadvantaged young people into work within the construction industry, through work placements and skills training. The programme offers an initial 8 week placement after which there is an option for an extended 26 week programme of support.

corporate social responsibility

Shepley has a thriving apprenticeship programme which currently supports 25 craft apprentices at various stages of development and this year joined the Arkwright Scholarship Scheme which assists those seeking a career in mechanical or electrical engineering.

Energy saving and carbon footprint
VHE has continued to investigate the potential for alternative energy supplies for small or remote site establishments and has invested in an inverter which allows storage of electricity provided by generators during the day to supply, via batteries, noise free power overnight. Solar powered welfare facilities have also been trialled for use.

Alternative power schemes have been installed on a number of projects, such as Alltwen Hospital in North Wales which incorporates biomass boilers that burn wood pellets. Britannia is also involved in a biomass heating system for New Star College in Cheltenham.

Allenbuild is constructing the innovative Environmental Energy Technology Centre (EETC) at the Advanced Manufacturing Park in Waverley for Yorkshire Forward. The entire project aims to be zero carbon and have the lowest carbon footprint in the UK. It will be heated by a network of pipes set into the concrete, supplied by water from bore holes. Electricity will come from a 225kW wind turbine at the edge of the site, attached to an electrolysis unit which will convert some of the wind energy into hydrogen.

Community engagement
At St Mark's Field in Rochford Allenbuild worked with the local youth project "Footprints" to decorate the site hoardings. All of VHE's Part IIA projects involve working around occupied residential properties and the scheme in Yarm on Teesside won a national award for best community/ stakeholder engagement.

Charitable giving
Group companies and their employees undertake a wide range of charitable work. The Group prefers to support local charities or those with which our employees are personally engaged. Among the many activities, Walter Lilly supported Genes for Jeans Day, Allenbuild participated in the Manchester Dragon Boat Race for the construction sector charity CRASH and VHE took part in a 10km road race for the Yorkshire Air Ambulance Society. "Team Allenbuild", comprising 27 employees, cycled for 100km to raise funds for the Wigan & Leigh Hospice and the Queenscourt Hospice in Southport. Other charities supported during the year included Ilkley Candlelighters, CLIMB, the Hospital Heartbeat Appeal and the Jane Tomlinson Appeal.

directors' report

The Directors present their Report and the audited accounts for the year ended 30 September 2008.

Principal activities

For the year ended 30 September 2008 the principal activity of the Group was in construction and construction related activities. The main construction 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 2008 appears on page 73.

International Financial Reporting Standards (IFRS)

The Group is obliged to comply with IFRS for the first time in preparing these financial statements. A reconciliation of the financial position as at 30 September 2007 as previously reported under UK GAAP and the revised position under IFRS is given within Note 1 to the financial statements on pages 40 to 42.

Results and dividends

The Group profit for the year was £5,260,000 (2007: £7,320,000). The Directors recommend the payment of a final dividend on Ordinary Shares of 2.0p (2007: 1.2p) giving a total for the year of 3.0p (2007: 1.8p).

Business review

Information that fulfils the business review requirements applicable to the Company 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.

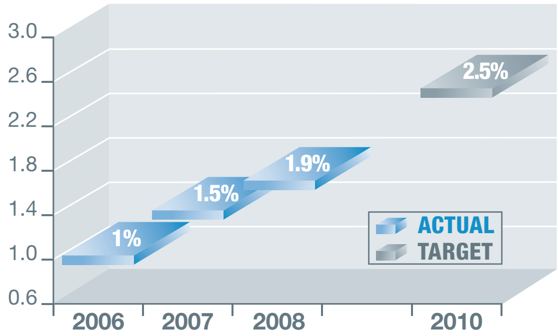
Acquisitions and disposals

The Group made no acquisitions in the year. Details of the acquisition by the Group of C.& A. Pumps Limited, which took effect on 1 October 2008, are included in the Chief Executive's Review. On 13 November 2007, the Group disposed of its interest in Britannia Joinery Limited.

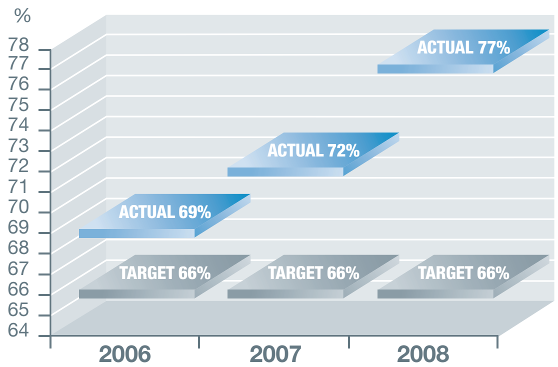
Key Performance Indicators

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. The target given for profit before income tax, which is set prior to exceptional costs and amortisation charges, as a percentage of revenue is a medium-term target which the Directors are aiming to achieve within two 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.

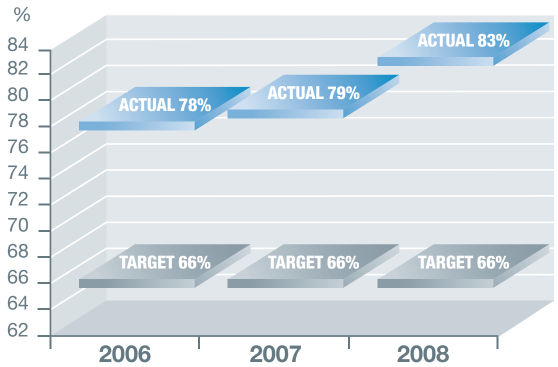
Operating profit as a percentage of revenue



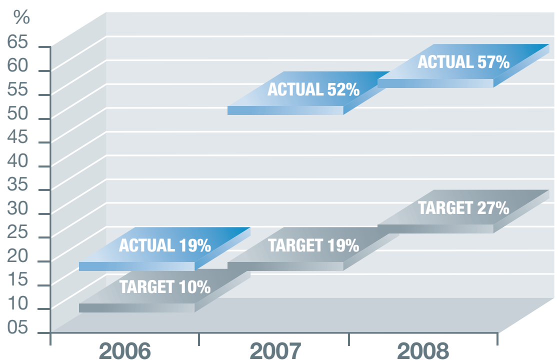
Percentage of orders from repeat clients



Percentage of orders in specialist sectors



Cumulative improvement in Accident Incidence Rate



directors' report

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 construction 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 debtors and trade creditors that arise directly from its operations. The Group also uses foreign currency borrowings to hedge certain of the currency risks arising from the Group's overseas 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 and foreign currency risk.

Cash flow interest rate risk

The Group borrows in dollars at floating rates of interest under the terms of loan facilities with Barclays Bank plc. Interest rates are linked to the Bank's prime US dollar lending rate, hence enabling the Group to track market interest rates. Interest bearing assets comprise cash and bank deposits and earn 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 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. The Company seeks to limit the effect of this currency exposure by using foreign currency borrowings to hedge the debt due to it by its US subsidiary against currency depreciation. The principal hedging instrument used by the Group is a US$ loan that was taken out on 8 November 2000 when the US$ to £stg rate was $1.446. The original hedge amounted to US$25m and this has been reduced to US$3.5m by the receipt of funds from the US in the intervening period. As at 30 September 2008, £10,212,000 (2007: £11,575,000) of the Group's net 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 debtors, 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 debtors.

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 Company's average creditor days during the year were 32 days (2007: 37 days).

Donations

Charitable donations made by the Group during the year amounted to £34,592 (2007: £26,948).

The Group made no political donations during the year (2007: £nil).

Employees

The Directors recognise the need for communication with employees at every level. All employees have access to a

directors' report

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 Directors are actively considering ways to increase further the involvement of employees in the Group's performance.

The Group continues to be committed to the health, safety and welfare of its employees and to observe the terms of the Health & 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

Brian 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. Both 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 accommodates 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 six 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 (RoSPA) and locally-based construction safety groups. All safety and environmental department personnel hold membership with the Institution of Occupational Safety and Health (IOSH). Attendance on the five day CITB 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 was used to introduce new systems and detail changes to construction legislation. Short duration 'tool box talks' and 'safety briefings' are increasingly 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 12 month period to 30 September 2008, measured on the standard base line of 100,000 persons at work, is a key area where the Group measures its performance. At the start of the financial year the Chief Executive set a target of reducing AIR by 5% per annum. Against this taxing target the Group actually achieved an 8.5% reduction.

Corporate social responsibility and the environment

The Group's Corporate Social Responsibility Report, which includes its report on the environment, is on pages 24 to 25.

Directors

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

Non-executive Directors

John Bishop - Director, 63, 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 12 years at Morgan Sindall Plc as Development Director and latterly as Finance Director. He is currently Chairman of CLC Group PLC, a leading UK building maintenance business.

directors' report

Roy Harrison OBE - Director, 61, 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, senior Independent 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, 57, was appointed to the Board as Chief Executive in June 2005. He is a Chartered Civil Engineer who 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, 52, 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

John Bishop will retire by rotation at the 2009 Annual General Meeting ("AGM") and will offer himself for reappointment. The Board recommends the reappointment of John Bishop as it is considered that he brings considerable management, financial and related commercial 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 32. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on pages 30 to 32.

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
Gartmore Investment Limited	8,477,691	14.15%
Octopus Investments Nominees Limited	4,830,510	8.06%
Johan Claesson and connected parties	3,930,723	6.56%
JPMorgan Asset Management (UK) Limited	3,193,375	5.33%
Rensburg Sheppards Investment Management Limited	2,467,820	4.12%
G. Merrett	2,323,250	3.88%
Ruffer LLP	2,262,850	3.78%

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 auditors

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 Auditors are 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 Auditors are aware of that information.

Auditors

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

Approval

The Board approved the Report of the Directors on 25 November 2008.

By Order of the Board

Ben Feather
Group Solicitor and Company Secretary
25 November 2008

directors' remuneration report

The Directors present the Directors' Remuneration Report (the "Remuneration Report") for the financial year ended 30 September 2008.

As an AIM listed company, Renew is not required to prepare the Report in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"), which introduced new requirements in respect of financial periods ending on or after 31 December 2002. 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 Auditors are not required to report to the shareholders on the Directors' Remuneration Report.

Remuneration Committee

Following the appointment of Roy Harrison as Executive Chairman in March 2004, there was only one independent non-executive Director on the Board and the Committee was rendered inquorate. The Board therefore decided in July 2004 to temporarily suspend all Committees. Roy Harrison's previous role as an Executive Director precludes him from being considered as independent under the Combined Code (the "Code") and so the Board has decided to continue to review remuneration matters as a full Board. Any matters normally reserved for consideration by the Remuneration Committee are currently decided upon by the full Board, with any individual having a personal interest in the matter under consideration not taking part in the meeting. The Board held three meetings during the financial year to discuss remuneration arrangements.

The Remuneration Committee's normal 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;

(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 Board in its capacity as Remuneration Committee, and increased where the Committee believes that adjustments are appropriate to reflect performance, increased 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.

directors' remuneration report

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 417,960 options were granted under the 2004 ESOS to the Executive Directors. There are 1,284,196 other options outstanding under the scheme.

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
Until 1 April 2008, the Group provided retirement benefits to employees through independent pension schemes. The assets of these schemes are held by trustees and managed by independent investment managers. On 1 April 2008, the principal such scheme, the Renew Holdings Retirement Benefits Scheme, commenced winding up and the Group established individual stakeholder plans for each member into which the Group continues to make contributions; Messrs. May and Samuel are not members of these schemes and receive salary in lieu of pension contributions from the Company.

The retirement age of the Executive Directors under the current Articles of Association of the Company is 65. This restriction is removed in the revised Articles of Association being proposed for adoption at the forthcoming AGM.

Service contracts and letters of appointment
The Company's policy is for the Executive Directors to have 12-month rolling service contracts that provide for a 12-month notice period. The non-executive Directors do not have service contracts. The non-executive Directors have letters of appointment concerning, amongst other things, the initial terms for which they are appointed, a general statement of their role and duties and the fees they will receive as a Director. 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 letters of appointment do not contain a provision for termination payments. The Directors are indemnified to the full extent permitted by Statute under the Articles of Association.

The service contracts and letters of appointment of the Directors, who served during the year ended 30 September 2008, include the following terms:

Directors	Executive/ Non-executive	Letter of appointment or contract	Date of letter or contract	Unexpired terms (months)	Notice period (months)
J Bishop	Non-executive	Letter	4 October 2006	12	1
R Harrison	Non-executive	Letter	7 October 2005	Rolling one month	1
B May	Executive	Contract	20 June 2005	Rolling one year	12
J Samuel	Executive	Contract	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 2007:

	Notes	Salary/fees £000	Bonuses £000	Benefits £000	Total emoluments 2008 £000	Total emoluments 2007 £000
Executive Directors						
B May	1,2,3,4	**273**	**203**	**56**	**532**	446
J Samuel	1,2,3,4	**210**	**156**	**43**	**409**	288
					941	734
Non-executive Directors						
R Harrison		**53**	-	-	**53**	50
J Bishop		**28**	-	-	**28**	27
A Wagner	5	-	-	-	-	2
					1,022	813

Notes:
1. The highest paid Director for 2008 and 2007 was B May who received emoluments of £532,000 (2007: £446,000).
2. Benefits include car allowances and certain medical cover for the Director and immediate family.
3. Messrs. May and 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. The bonuses paid to Messrs. May and Samuel during the financial year included in the table above were in respect of the year ended 30 September 2007.
5. A Wagner resigned on 31 October 2006.

directors' remuneration report

Options have been granted to Messrs. May and Samuel under the Renew ESOS as set out in the table below. No other options lapsed, were exercised or were awarded during the year. The market price of the Company's shares at 30 September 2008 was 75.5p and the range of market prices during the year was between 74.5p and 115p.

Information is provided below for Directors who served during the financial year and as at 30 September 2008:

	2008 Award	2007 Award	2006 Award	Cumulative Total	
				30 September 2008	1 October 2007
B May	265,048	331,210	476,190	1,072,448	807,400
J Samuel	152,912	191,082	285,714	629,708	476,796
Date of Award	3 December 2007	8 January 2007	7 June 2006		
Exercise Price (£)	1.03	0.785	0.525		
Earliest Exercise Date	3 December 2010	8 January 2010	7 June 2009		
Expiry of Exercise Period	3 December 2017	8 January 2017	7 June 2016		

Performance criteria for the vesting of the share options is set out on page 59 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 2008 as follows:

	Ordinary Shares of £0.10 each	
	30 September 2008	30 September 2007
J Bishop	10,000	10,000
R Harrison	60,000	60,000
B May	155,000	105,000
J Samuel	130,000	130,000

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 25 November 2008 and signed on its behalf by:

Roy Harrison OBE
Chairman
25 November 2008

corporate governance

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 have been 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, the non-executive Chairman, one Executive Director and one independent non-executive Director. Brief biographies of the Directors are given on pages 28 and 29.

As the Company has only had one independent non-executive Director within the meaning of the Code during the year, it has not been compliant with the requirement of the Code that more than half of the Board should be comprised of independent non-executive Directors.

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 nine times in the year with all Directors in attendance, plus Committee meetings dealing with the daily business of the Company being 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, the Directors have access to the advice and services of the Group Solicitor and Company Secretary and procedures are in place for them to seek independent professional advice, if necessary, at the Company's expense.

Board Committees

Following the appointment of R Harrison as Executive Chairman on 24 March 2004, A Wagner became the sole independent non-executive Director and the Audit, Remuneration and Nomination Committees were rendered inquorate. The Board therefore decided in July 2004 to temporarily suspend all Committees. Since the Committees were rendered inquorate any matters normally reserved for consideration by the Committees have been decided upon by the full Board, with any individual having a personal interest in the matter under consideration not taking part in the meeting. As at 1 October 2005, R Harrison reverted to non-executive Chairman, however, his previous role as an Executive Director prevents him from being considered as independent under the Combined Code 2003. Following the resignation of A Wagner, J Bishop was appointed and is now the sole independent non-executive Director. The Board has decided, therefore, to continue to consider the above Committee matters as a full Board and will re-instate the Committees as soon as it is in a position to do so.

In normal circumstances the Board delegates clearly defined powers to its Audit, General Purposes, Remuneration and Nomination Committees. Each of the Board's Committees has carefully drafted terms of reference.

The Remuneration Committee 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 30 to 32.

The Nomination Committee monitors the composition of the Board and recommends the appointment of new Directors. The Board in its capacity as Nomination Committee, with all Directors present, has held one meeting during the year to discuss nomination matters.

The Nomination 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 Company ceased to comply with the Code guidance (Section C 3.1) that the Audit Committee should comprise of at least two non-executive Directors following the appointment of R Harrison as an Executive Director. The Board in its capacity as Audit Committee, with all Directors present, has held three meetings to consider Audit Committee business. John Bishop acts as Chairman of the Board for the purposes of Audit Committee business. In normal circumstances 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 Auditors. The Audit Committee monitors the non-audit work performed by the Auditors to help ensure that the independence of the Auditors is maintained. The Audit Committee also reviews the interim statement, the preliminary announcement and accounting policies.

corporate governance

The General Purposes Committee is constituted by the two Executive Directors and considers routine day-to-day business decisions, which are then reported to the Board.

Internal controls

Throughout the financial year to 30 September 2008 and up to the date of approval of the 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 Company 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. However, during 2008, the Group commenced 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 Auditors.

Going concern

After making enquiries, the Directors 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 28 January 2009, the Notice for which is set out on page 76. The Notice contains special business, including the adoption of new Articles of Association and the renewal of the Board's power to allot equity shares. Brief details of the purpose and effect of the proposed resolutions are set out in the Notice of AGM and the notes thereto on pages 76 to 79.

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 25 November 2008.

By Order of the Board

Ben Feather
Group Solicitor and Company Secretary
25 November 2008

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statement of directors' responsibilities

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).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

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 judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

independent auditors' report to the members of Renew Holdings plc

We have audited the Group and parent company financial statements (the "financial statements") of Renew Holdings plc for the year ended 30 September 2008 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 35.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review and Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 September 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
25 November 2008

group income statement

For the year ended 30 September 2008

	Note	Before exceptional items and amortisation of intangible assets 2008 £000	Exceptional items and amortisation of intangible assets (see Note 3) 2008 £000	Total 2008 £000	Total 2007 £000
Group revenue from continuing activities	2	390,557	-	390,557	348,149
Cost of sales		(347,820)	-	(347,820)	(311,486)
Gross profit		42,737	-	42,737	36,663
Administrative expenses		(35,137)	(2,765)	(37,902)	(31,445)
Operating profit	3	7,600	(2,765)	4,835	5,218
Finance income		1,618	-	1,618	2,199
Finance costs	4	(254)	-	(254)	(768)
Other finance income - defined benefit pension scheme	4	543	-	543	745
Profit before income tax		9,507	(2,765)	6,742	7,394
Income tax expense	6	(2,209)	727	(1,482)	(74)
Profit for the year attributable to equity holders of the parent company		7,298	(2,038)	5,260	7,320
Basic earnings per share	8			8.78p	12.22p
Diluted earnings per share	8			8.55p	11.99p

group statement of recognised income and expense

For the year ended 30 September 2008

	Note	Total 2008 £000	Total 2007 £000
Profit for the year attributable to equity holders of the parent company		5,260	7,320
Exchange movement in reserves		574	(150)
Movement in actuarial deficit	25	(497)	(1,804)
Movement on deferred tax relating to the defined benefit pension scheme		116	427
Total recognised income and expense for the year attributable to equity holders of the parent company		5,453	5,793

group balance sheet

At 30 September 2008

	Note	2008 £000	2007 £000
Non-current assets			
Intangible assets - goodwill	9	**8,548**	8,516
- other	9	**620**	868
Property, plant and equipment	10	**4,503**	5,188
Deferred tax assets	6	**4,069**	4,987
		17,740	19,559
Current assets			
Inventories	11	**6,367**	6,391
Trade and other receivables	12	**87,766**	89,669
Current tax assets		**455**	-
Cash and cash equivalents	14	**28,289**	24,565
		122,877	120,625
Total assets		**140,617**	140,184
Non-current liabilities			
Obligations under finance leases	17	**(10)**	(118)
Retirement benefit obligations	25	**(1,479)**	(3,559)
Deferred tax liabilities	6	**(256)**	(418)
Provisions	18	**(1,068)**	(1,172)
		(2,813)	(5,267)
Current liabilities			
Borrowings	16	**(110)**	(165)
Trade and other payables	15	**(119,246)**	(121,304)
Obligations under finance leases	17	**(67)**	(429)
Current tax liabilities		**(159)**	(480)
Provisions	18	**(3,941)**	(2,530)
		(123,523)	(124,908)
Total liabilities		**(126,336)**	(130,175)
Net assets		**14,281**	10,009
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 reserve	21	**424**	(150)
Share based payments reserve	21	**233**	97
Retained earnings	21	**(2,155)**	(5,717)
Total equity	22	**14,281**	10,009

Approved by the Board and signed on its behalf by:

R Harrison OBE
Chairman
25 November 2008

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group cash flow statement

For the year ended 30 September 2008

	Total 2008 £000	Total 2007 £000
Profit for the year	**5,260**	7,320
Amortisation of intangible assets	**248**	41
Depreciation	**1,708**	1,326
Profit on sale of property, plant and equipment	**(262)**	(85)
Decrease in inventories	**716**	11,909
Decrease/(increase) in receivables	**2,405**	(1,766)
(Decrease)/increase in payables	**(1,599)**	6,360
Current service cost in respect of defined benefit pension scheme	**72**	79
Cash contribution to defined benefit pension scheme	**(2,106)**	(1,534)
Expense in respect of share options	**136**	97
Financial income	**(2,161)**	(2,944)
Financial expenses	**254**	768
Interest paid	**(254)**	(768)
Income taxes paid	**(1,344)**	(107)
Income tax expense	**1,482**	74
Net cash inflow from operating activities	**4,555**	20,770
Investing activities		
Interest received	**1,618**	2,199
Proceeds on disposal of property, plant and equipment	**1,267**	309
Purchases of property, plant and equipment	**(2,028)**	(1,060)
Acquisition of subsidiary net of cash acquired	**(32)**	(5,932)
Net cash inflow/(outflow) from investing activities	**825**	(4,484)
Financing activities		
Dividends paid	**(1,317)**	(839)
Repayments of obligations under finance leases	**(470)**	(542)
Repayment of development loans	**-**	(9,795)
Net cash outflow from financing activities	**(1,787)**	(11,176)
Net increase in cash and cash equivalents	**3,593**	5,110
Cash and cash equivalents at beginning of year	**24,400**	19,570
Effect of foreign exchange rate changes on cash and cash equivalents	**186**	(280)
Cash and cash equivalents at end of year	**28,179**	24,400
Bank balances and cash	**28,289**	24,565
Bank overdrafts	**(110)**	(165)
	28,179	24,400

notes to the accounts

1 Accounting Policies

Explanatory note on adoption of IFRS for the year ended 30 September 2007

A1 Presentation of consolidated financial statements

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

A2 First-time adoption of international financial reporting and accounting standards

The Group has applied IFRS 1 "First time adoption of International Financial Reporting Standards" to provide a starting point for reporting under IFRS. The date of transition to adopted IFRS was 1 October 2006 and all comparative information in these financial statements has been restated to reflect the Group's adoption of IFRS.

The adoption of IFRS has resulted in the following transition adjustments to the Group's accounting policies from its former basis of accounting ("UK GAAP"):

Goodwill

Under UK GAAP goodwill was amortised over its useful economic life. Under IFRS 3 "Business Combinations", goodwill is not amortised but is carried at cost with impairment reviews being undertaken annually or when there is an indication that the carrying value has been reduced. Under IFRS 1, the Group has applied the change from the date of transition as opposed to full application to all business combinations prior to that date.

The goodwill in the balance sheet at the date of transition to IFRS was £4,527,000. The impact on the 2007 profit for the financial year is a reversal of the amortisation previously charged under UK GAAP of £356,000.

Intangible assets

IFRS 3 "Business Combinations" requires the existence of intangible assets to be assessed and, when recognised, requires an annual amortisation charge. The Group acquired £909,000 in relation to contractual rights on the acquisition of Seymour, which is being amortised over 44 months giving rise to a charge of £41,000 in 2007. Deferred tax has been provided on these intangible assets.

Employee benefits

IAS 19 "Employee Benefits" requires that liabilities for employee benefits should be recognised in the period in which services are provided by the employee. This includes specific guidance on dealing with short-term employee benefits such as holiday pay for which there is no equivalent under UK GAAP. Consequently the 2007 profit for the year has been reduced by £114,000 being the increase in accrual to £626,000 from the opening position at 1 October 2006 of £512,000. Deferred tax has been provided on these employee benefits.

IFRS 1 Transition exemptions

IFRS 1 provides certain exemptions which the Group has decided to utilise. Under IFRS 3 "Business Combinations", the Group has elected not to apply the standard retrospectively to business combinations prior to the date of transition. Accordingly, the classification of such business combinations remains unchanged from that under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under adopted IFRS and are measured using their UK GAAP carrying amount immediately following acquisition as deemed cost under adopted IFRS, unless adopted IFRS requires fair value measurement. IFRS 1 permits revaluations of property, plant and equipment which had been carried out under UK GAAP to be treated as the deemed cost at the date of transition and the Group has applied this exemption.

Cumulative translation differences

The Group has taken advantage of the exemption whereby the cumulative translation differences are deemed to be zero at the date of transition to IFRS.

Share based payments

The Group has applied IFRS 2 "Share based payment" from the date of transition to adopted IFRS.

In preparing its opening adopted IFRS balance sheet, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to adopted IFRS has affected the Group's financial position, performance and cashflow is set out below.

Reconciliation on transition to adopted IFRS:

	1 October 2006 £000	30 September 2007 £000
Total equity as presented under UK GAAP	5,316	10,145
Employee benefits	(512)	(626)
Amortisation of goodwill	-	356
Amortisation of intangible asset	-	(41)
Deferred tax	154	175
Equity as presented under adopted IFRS	4,958	10,009

notes to the accounts

1 Accounting Policies (continued)

	30 September 2007 £000
Profit as presented under UK GAAP	7,098
Amortisation of goodwill	356
Amortisation of intangible asset	(41)
Employee benefits	(114)
Income taxes	21
Profit as presented under adopted IFRS	7,320

A3 Explanation of material adjustments to the cash flow statement for 2007

Interest paid of £768,000 during 2007 is classified as operating cash flow under adopted IFRS, but was included in a separate category of returns on investments and servicing of finance under UK GAAP.

B 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 Balance Sheet, the value of transactions recorded in the Income Statement and the movements in equity as shown in the Statement of Recognised Income and Expense. 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) Recognition and measurement of intangible assets in accordance with IFRS 3 "Business Combinations" and IAS 38 "Intangible Assets"

IFRS 3 requires that fair values are attributed to the assets and liabilities acquired in a business combination. As a result of the Seymour acquisition in 2007, the Group recognised as an intangible asset the value of certain contractual rights Seymour has in a framework agreement with a major customer. The recognition and subsequent measurement of that asset required management to make estimates as to the future economic benefits which are encapsulated within the framework agreement. This was done by reviewing the historic cash flows which had been received by Seymour during the life of the agreement, estimating the future cash flows and then discounting them to determine a net present value. The life of these cash flows was determined as the remaining period of the agreement. More information is given in Note 9 to these financial statements.

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

The independent actuary to the Lovell Pension Scheme calculates the Group's liability in respect of the defined benefit scheme. The actuary makes 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 actuary. 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 25 to these financial statements.

notes to the accounts

1 Accounting Policies (continued)

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

The Group has made provisions against two specific areas where the Board has determined 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.

The Group has a pension scheme related to one of its dormant subsidiaries which has been in wind up since 1999, the British Building and Engineering Appliances plc Pension Scheme. The Trustees to the scheme, who are independent of the Group, are determining the level of the statutory debt on the employer in conjunction with the independent scheme actuary. The Board has estimated the level of this liability in accordance with legal and actuarial advice. A provision in respect of this liability was first made in the 2005 financial statements, however the Board now estimates that that provision was insufficient and has increased the level of the provision in these financial statements. More information is given in Note 18 to these financial statements.

f) Inventories

The Group has undeveloped land assets both in the UK and in the USA which are carried at the lower of cost and net realisable value. The Board has prepared discounted cash flow projections to determine the present value of the economic benefits expected to arise from these assets. Such calculations involve the use of judgements and estimates as to the timescale over which the assets may be realised, the values which may be received and the discount factors applied to the estimated cash flows. If the economic benefit which is ultimately received is different to that which the Board has estimated then the values of the assets as shown in these financial statements may be overstated.

C Principal accounting policies

(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.

The consolidated financial statements have been prepared in accordance with IFRS 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:

IAS 1, Amendment to IAS 1 "Presentation of financial statements": Capital disclosures. The adoption of the amendment had no impact on the financial statements.

IFRS 7, "Financial instruments": disclosure and the consequential amendments to IAS 1. The effect of the adoption of IFRS 7 is to expand the disclosures provided in the financial statements of the Group's financial instruments and management of capital but has no effect on the reported profit or net assets of the Group.

New IFRS standards and interpretations not applied:

IFRS 8 "Operating segments" (effective for accounting periods beginning on or after 1 January 2009) replaces IAS 14. The new standard uses a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group does not expect IFRS 8 to have a significant impact on the Group's financial statements.

Amendment to IAS 39 "Financial instruments": Recognition and measurement on eligible hedged items (effective for accounting periods beginning on or after 1 October 2008). This amendment is not relevant to the Group's operations.

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 from the effective date of acquisition. The results of undertakings disposed of are included to the effective date of disposal. Subsidiary undertakings have been consolidated using the acquisition method of accounting.

notes to the accounts

1 Accounting Policies (continued)

(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.
- 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

Segment reporting is based on two segment formats, of which the primary format is for business streams in accordance with the Group's internal reporting structure and strategic plan. The secondary format is for geographical areas. Transactions between segments are conducted on an arm's length basis. 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 consolidated 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, which is approximately four years.

(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 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.

notes to the accounts

1 Accounting Policies (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 scheme
The Group has adopted the requirements of IAS 19 “Employee Benefits”.

The 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 scheme expected to arise from employee service in the period is charged to administrative expenses. The expected return on the scheme’s assets and the increase during the period in the present value of the scheme’s liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Group statement of total recognised income and expense.

Pension scheme surpluses, to the extent they are considered recoverable (under the guidance of IAS 19), or deficits are recognised in full and presented on the face of the balance sheet.

(xvi) Defined contribution pension scheme
Contributions to the defined contribution scheme 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 is provided on temporary differences arising on investments in subsidiary undertakings, except where the timing of the reversal of the temporary difference can be controlled and it is probable that that the temporary difference will not reverse in the foreseeable future.

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 are taken directly to reserves. All other exchange differences are taken to the income statement.

notes to the accounts

1 Accounting Policies (continued)

(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 dependent 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.

(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 Group's 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.

notes to the accounts

2 Segmental Analysis

For management purposes the Group is organised into three operating segments: Building, Engineering and Property & central activities. The three 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:

(a) Business analysis

Revenue is analysed as follows:	2008 £000	2007 £000
Building	**294,553**	265,668
Engineering	**93,286**	68,777
Property & central activities	**8,213**	16,969
Inter segment revenue	**(5,495)**	(3,265)
Group revenue from continuing operations	**390,557**	348,149

Analysis of operating profit	Before exceptional items and amortisation of intangible assets £000	Exceptional items and amortisation of intangible assets (see Note 3) £000	2008 £000	2007 £000
Building	**4,892**	**(889)**	**4,003**	3,652
Engineering	**3,469**	**(361)**	**3,108**	3,294
Property & central activities	**(761)**	**(1,515)**	**(2,276)**	(1,728)
Operating profit	**7,600**	**(2,765)**	**4,835**	5,218
Net financing income	**1,907**	**-**	**1,907**	2,176
Profit before income tax	**9,507**	**(2,765)**	**6,742**	7,394

Balance sheet analysis of business segments	2008 Assets £000	2008 Liabilities £000	2008 Net assets £000	2007 Assets £000	2007 Liabilities £000	2007 Net assets £000
Building	**157,281**	**(171,294)**	**(14,013)**	192,515	(203,832)	(11,317)
Engineering	**30,843**	**(24,739)**	**6,104**	32,061	(25,304)	6,757
Property & central activities	**234,959**	**(212,769)**	**22,190**	237,613	(223,044)	14,569
Group eliminations	**(282,466)**	**282,466**	**-**	(322,005)	322,005	-
Group net assets	**140,617**	**(126,336)**	**14,281**	140,184	(130,175)	10,009

Other information	Capital additions £000	Depreciation £000	Amortisation £000	Capital additions £000	Depreciation £000	Amortisation £000
Building	**436**	**372**	**-**	216	358	-
Engineering	**1,568**	**1,302**	**-**	824	935	-
Property & central activities	**24**	**34**	**248**	20	33	41
	2,028	**1,708**	**248**	1,060	1,326	41

notes to the accounts

2 Segmental Analysis (continued)

(b) Geographical analysis

Revenue is analysed as follows:	2008 £000	2007 £000
UK	**384,485**	347,780
USA	**6,072**	369
Group revenue from continuing operations	**390,557**	348,149

Balance sheet analysis of geographical segments	Assets £000	Assets £000
UK	**128,675**	126,814
USA	**11,942**	13,370
Group assets	**140,617**	140,184

Other information	Capital additions £000	Capital additions £000
UK	**2,028**	1,060
USA	**-**	-
	2,028	1,060

3 Operating Profit

	2008 £000	2007 £000
Operating profit is arrived at after charging/(crediting)		
Auditors' remuneration - audit services	**170**	150
Depreciation of owned assets	**1,429**	1,047
Depreciation of assets held under finance leases	**279**	279
Operating lease rentals - Plant and machinery	**29**	34
Operating lease rentals - Motor vehicles	**408**	358
Operating lease rentals - Other	**2,880**	3,055
Rental income	**(1,275)**	(1,348)
Profit on sale of property, plant and equipment	**(262)**	(85)
Foreign exchange (gains)/losses	**(332)**	192

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

Fees payable to the Company's Auditor for the audit of the financial statements	**60**	56
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	**110**	94
Other services related to IFRS conversion	**27**	-
Other services related to employment matters	**121**	37
	318	187

Cost of sales includes £2.0m (2007: £14.5m) 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 (2007: £nil).

notes to the accounts

3 Operating Profit (continued)

Exceptional items and amortisation of intangible assets	2008 £000	2007 £000
Redundancy costs	1,471	-
Costs in relation to BB&EA pension scheme (see Note 18)	1,168	-
Profit on disposal of plant fleet	(122)	-
Total exceptional items	2,517	-
Amortisation of intangible assets (see Note 9)	248	41
	2,765	41

The Board has determined that certain charges to the income statement should be separately identified for better understanding of the Group's results for the year ended 30 September 2008.

Following the deterioration in market conditions faced by certain of the Group's companies, the Group decided to reduce its cost base in its Building business and to realign the activities of one of its Engineering businesses. As a result, the Group has recorded redundancy costs of £1,471,000, approximately £750,000 of which was paid prior to the year end. Associated with the realignment, the Group disposed of its plant fleet in that Engineering business and the resultant profit on disposal of £122,000 has also been separately identified.

Additionally, the Group has increased the provision in respect of the statutory debt on the employer liability arising from the British Building and Engineering Appliances plc pension scheme resulting in a charge of £1,168,000. £960,000 of this cost is an increase in the provision with the balance being costs incurred in the year. The winding up of the scheme commenced in 1999 and is expected to be completed in the year ending 30 September 2009. Further details are given in Note 18.

The Board has also separately identified the charge of £248,000 for the amortisation of the fair value ascribed to certain intangible assets other than goodwill arising from the acquisition of Seymour (C.E.C) Holdings Limited. This item was not separately identified in the income statement for 2007 as the charge of £41,000 for that year was not considered by the Board to be material. Further details are given in Note 9.

4 Finance Costs

	2008 £000	2007 £000
Interest payable:		
On bank loans and overdrafts	223	739
Other interest payable	31	29
	254	768
Other finance income - defined benefit pension scheme		
Expected return on scheme assets	6,957	6,560
Interest on scheme liabilities	(6,414)	(5,815)
	543	745

Further information on the defined benefit pension scheme is set out in Note 25 to the accounts.

notes to the accounts

5 Employee Numbers and Remuneration

	2008 Number	2007 Number
The average monthly number of employees, including executive Directors, employed in continuing activities during the year was:	**1,441**	1,341
At 30 September:	**1,378**	1,512
Production	**736**	633
Administrative	**705**	708
	1,441	1,341

	£000	£000
Cost of staff, including executive Directors, during the year amounted to:		
Wages and salaries	**57,056**	50,858
Social security costs	**6,286**	5,507
Other pension costs	**1,819**	2,628
Share based payments	**136**	97
	65,297	59,090

Details of individual Directors' emoluments and pension contributions can be found in the Directors' Remuneration Report on page 31. These numbers have been audited.

6 Income Tax Expense

(a) Analysis of expense in year

	2008 £000	2007 £000
Current tax:		
UK corporation tax on profits of the year	**(159)**	(291)
Adjustments in respect of previous periods	**(409)**	-
	(568)	(291)
Foreign tax	**(51)**	(107)
Total current tax	**(619)**	(398)
Deferred tax - defined benefit pension scheme	**(699)**	(616)
Deferred tax - other timing differences	**(164)**	853
Deferred tax - adjustment in respect of previous periods	**-**	87
Total deferred tax	**(863)**	324
Income tax expense	**(1,482)**	(74)

notes to the accounts

6 Income Tax Expense (continued)

(b) Factors affecting income tax expense for the year

	2008 £000	2007 £000
Profit before income tax	**6,742**	7,394
Profit multiplied by standard rate		
of corporation tax in the UK of 29% (2007: 30%)	**(1,955)**	(2,218)
Effects of:		
Expenses not deductible for tax purposes	**(187)**	(55)
Timing differences not provided in deferred tax	**(408)**	503
Losses utilised not previously recognised	**1,480**	1,882
Change in tax rate	**48**	(166)
Foreign tax	**(51)**	(107)
Adjustments to tax charge in respect of previous periods	**(409)**	87
	(1,482)	(74)

The Group has available further unused UK tax losses of £89m (2007: £88m) to carry forward against future taxable profits. The Group also has unused USA tax losses of $27m (£15m) (2007: $43m (£22m)) 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 £29m (2007: £31m).

(c) Deferred tax asset

	2008 £000	2007 £000
Defined benefit pension scheme	**414**	997
Other timing differences	**191**	175
Tax losses	**3,464**	3,815
	4,069	4,987

(d) Deferred tax liabilities

	2008 £000	2007 £000
Accelerated capital allowances	**(9)**	(90)
Fair value adjustments	**(247)**	(328)
	(256)	(418)

(e) Reconciliation of deferred tax asset

	2008 £000	2007 £000
At 1 October	**4,987**	4,329
Change in deferred tax rate to 28%	**-**	(193)
Origination of timing differences	**(335)**	1,040
Defined benefit pension scheme - income statement	**(699)**	(616)
Defined benefit pension scheme - SORIE	**116**	427
At 30 September	**4,069**	4,987

notes to the accounts

6 Income Tax Expense (continued)

(f) Reconciliation of deferred tax liability

	2008 £000	2007 £000
At 1 October	**(418)**	(90)
Accelerated capital allowances	**81**	-
Arising on fair value adjustments	**81**	(328)
At 30 September	**(256)**	(418)

7 Dividends

	2008 Pence/share	2007 Pence/share
Interim (related to the year ended 30 September 2008)	**1.00**	0.60
Final (related to the year ended 30 September 2007)	**1.20**	0.80
Total dividend paid	**2.20**	1.40

	£000	£000
Interim (related to the year ended 30 September 2008)	**598**	359
Final (related to the year ended 30 September 2007)	**719**	480
Total dividend paid	**1,317**	839

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 2008. This will be accounted for in the 2008/09 financial year.

8 Earnings Per Share

	2008 Earnings £000	2008 EPS Pence	2008 DEPS Pence	2007 Earnings £000	2007 EPS Pence	2007 DEPS Pence
Earnings before exceptional costs and amortisation	**7,298**	**12.18**	**11.87**	7,320	12.22	11.99
Exceptional costs and amortisation	**(2,038)**	**(3.40)**	**(3.32)**	-	-	-
Basic earnings per share	**5,260**	**8.78**	**8.55**	7,320	12.22	11.99
Weighted average number of shares		**59,899**	**61,497**		59,899	61,053

The dilutive effect of share options is to increase the number of shares by 1,598,000 (2007: 1,154,000) and reduce basic earnings per share by 0.23p (2007: 0.23p).

notes to the accounts

9 Intangible Assets

	Goodwill £000	Contractual rights £000
Cost:		
At 1 October 2006	4,527	-
Additions	3,989	909
At 1 October 2007	8,516	909
Additions	32	-
At 30 September 2008	8,548	909
Impairment losses/amortisation:		
At 1 October 2006	-	-
Charge for year	-	41
At 1 October 2007	-	41
Charge for year	-	248
At 30 September 2008	-	289
Carrying amount:		
At 30 September 2008	**8,548**	**620**
At 30 September 2007	8,516	868
At 1 October 2006	4,527	-

The carrying amounts of goodwill by business segment are as follows:	2008 £000	2007 £000
Building	**2,503**	2,503
Engineering	**6,045**	6,013
Property & central activities	**-**	-
	8,548	8,516

Goodwill of £4,021,000 was acquired on acquisition of Seymour (C.E.C) Holdings Limited and has been reviewed for impairment one year after the acquisition as permitted by IFRS 3. No impairment has been identified.

Amortisation charges in respect of intangible assets with a finite life are recorded within administrative expenses in the income statement. The amortisation rates are disclosed in the accounting policies.

In order to test goodwill for impairment the Group prepares cash flow forecasts for each Cash Generating Unit derived from the most recent financial budgets approved by management and extrapolates cash flows based on conservative estimated growth rates according to management's view of longer term prospects for each Cash Generating Unit. The growth rate used at 30 September 2008 was 3%. This rate does not exceed the average long-term growth rate for the construction industry or Gross Domestic Product. The rate used to discount the forecast cash flows is 8% as the Board considers that rate appropriate in the current financial market as an approximation of the cost of funds to the Group.

notes to the accounts

10 Property, Plant and Equipment

	Freehold land & buildings £000	Long leasehold land & buildings £000	Plant, vehicles & equipment £000	Total £000
Cost:				
At 1 October 2006	-	789	5,002	5,791
Additions	-	-	1,060	1,060
Disposals	-	-	(893)	(893)
Acquisition of subsidiary	500	-	1,358	1,858
At 1 October 2007	500	789	6,527	7,816
Additions	-	-	2,028	2,028
Disposals	-	-	(3,735)	(3,735)
At 30 September 2008	500	789	4,820	6,109
Depreciation:				
At 1 October 2006	-	645	1,327	1,972
Charge for year	-	5	1,321	1,326
Disposals	-	-	(670)	(670)
At 1 October 2007	-	650	1,978	2,628
Charge for year	-	5	1,703	1,708
Disposals	-	-	(2,730)	(2,730)
At 30 September 2008	-	655	951	1,606
Net book value:				
At 30 September 2008	**500**	**134**	**3,869**	**4,503**
At 30 September 2007	500	139	4,549	5,188
At 1 October 2006	-	144	3,675	3,819

The net book value of assets under finance leases at 30 September 2008 was £460,000 (2007: £1,026,000). During the year £279,000 (2007: £279,000) of depreciation was charged against assets held under finance leases.

11 Inventories

	2008 £000	2007 £000
Developments and undeveloped land	**6,231**	6,021
Raw materials	**136**	370
	6,367	6,391

£0.4m (2007: £2.0m) of inventories are pledged as security for liabilities.

notes to the accounts

12 Trade and Other Receivables

	2008 £000	2007 £000
Trade receivables	**346**	3,196
Amounts due from construction contract customers	**80,044**	81,453
Other receivables	**5,943**	3,400
Prepayments and accrued income	**1,433**	1,620
	87,766	89,669

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 £7.8m (2007: £7.6m) 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 341 days (2007: 354 days).

Ageing of past due but not impaired receivables:	2008 £000	2007 £000
30-180 days	**1,502**	1,507
180 - 365 days	**2,247**	1,567
Greater than 1 year	**4,013**	4,489
	7,762	7,563

13 Construction Contracts

Contracts in progress at the balance sheet date:	2008 £000	2007 £000
Amounts due from construction contract customers included in trade and other receivables	**80,044**	81,453
Amounts due to construction contract customers included in trade and other payables	**(15,082)**	(15,426)
	64,962	66,027
Contract costs incurred plus recognised profits less recognised losses to date	**3,303,391**	2,987,238
Less: progress billings	**(3,238,429)**	(2,921,211)
	64,962	66,027

At 30 September 2008 retentions held by customers amounted to £17.0m (2007: £17.9m). Advances received from customers for contract work amounted to £15.1m (2007: £15.4m).

Amounts due from construction contract customers which are past due at the reporting date amounted to £7.8m (2007: £7.6m). This amount includes retention balances of £4.5m (2007: £5.1m). The Group does not hold any collateral over these balances or other trade and other receivables.

Contract revenue recognised in the year amounted to £382.3m (2007: £331.2m).

notes to the accounts

14 Cash and Cash Equivalents

	2008 £000	2007 £000
Cash at bank	**28,281**	24,559
Cash in hand	**8**	6
	28,289	24,565

Cash at bank includes £0.0m (2007: £(0.4)m) in respect of the net position on a sterling bank deposit of £2.0m (2007: £8.1m) and a connected US $ loan of £2.0m (US $3.5m) (2007: £7.7m ($15.5m)) translated at the year end rate used to hedge the intercompany balance with the US subsidiary company.

15 Trade and Other Payables

	2008 £000	2007 £000
Amounts due to construction contract customers	**15,082**	15,426
Trade payables	**35,519**	36,646
Other taxation and social security	**2,021**	2,053
Other payables	**1,272**	3,771
Accruals and deferred income	**65,352**	63,408
	119,246	121,304

16 Borrowings

	2008 £000	2007 £000
Bank overdrafts	**110**	165

17 Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts payable under finance leases:				
Within one year	**73**	458	**67**	429
Within 2-5 years	**11**	126	**10**	118
	84	584	**77**	547
Less: future finance charges	**(7)**	(37)	**-**	-
Present value of lease obligations	**77**	547	**77**	547
Less: amount due for settlement within 12 months			**(67)**	(429)
Amount due for settlement after 12 months			**10**	118

notes to the accounts

17 Obligations under Finance Leases (continued)

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average outstanding lease term is 1 year (2007: 2 years). For the year ended 30 September 2008, the average effective borrowing rate was 7% (2007: 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 2007	1,410	2,292	3,702
Provision increase during year	347	960	1,307
At 30 September 2008	**1,757**	**3,252**	**5,009**
Non-current liabilities	1,068	-	1,068
Current liabilities	689	3,252	3,941
At 30 September 2008	**1,757**	**3,252**	**5,009**

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 increased during the year as one of the Group's properties has become vacant.

Other provisions relate to a known claim where uncertainty remains as to the outcome, but the provision represents management's best estimate of the expected outflow of economic benefit. The provision relates to the statutory debt on the employer liability arising from the winding up of the British Building & Engineering Appliances plc pension scheme. The winding up of this scheme commenced in 1999 and is expected to be completed in the 2009 financial year. The Trustees, who are independent of the Group, are determining the level of the statutory debt on the employer in conjunction with the independent scheme actuary. The Board has estimated the level of this liability in accordance with legal and actuarial advice. A provision in respect of this liability was first made in the 2005 financial statements, however the Board now estimates that the provision was insufficient and has increased the level of the provision in these financial statements.

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 debtors and trade creditors that arise directly from its operations.

The Group also uses foreign currency borrowings to hedge certain of the currency risks arising from the Group's overseas 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.

notes to the accounts

19 Other Financial Instruments (continued)

Interest rate profile of financial assets and liabilities

2008	Fixed rate weighted average interest rate %	Financial assets/(liabilities) Fixed rate £000	Floating rate £000	Total £000
Assets				
Sterling	**-**	**-**	**29,484**	**29,484**
Dollar	**-**	**-**	**794**	**794**
		-	**30,278**	**30,278**
Liabilities				
Sterling	**3.0**	**(77)**	**-**	**(77)**
Dollar	**-**	**-**	**(2,099)**	**(2,099)**
		(77)	**(2,099)**	**(2,176)**
2007				
Assets				
Sterling	-	-	27,757	27,757
Dollar	-	-	4,498	4,498
		-	32,255	32,255
Liabilities				
Sterling	3.0	(547)	-	(547)
Dollar	-	-	(7,855)	(7,855)
		(547)	(7,855)	(8,402)

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. Certain US interest bearing liabilities accrue interest at a rate which is linked to the lender's US Prime lending rate.

The maturity of the fixed rate financial liabilities is disclosed in Note 17. The fixed rate liabilities have a weighted average period of 1 year (2007: 2 years). The dollar floating rate liabilities are repayable on demand.

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 arising 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.

notes to the accounts

19 Other Financial Instruments (continued)

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 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 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 25. 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 US dollar bank account which is maintained by the parent company in the UK and the unhedged portion of an intercompany loan. At 30 September 2008 the unhedged portion of the intercompany loan was $4,934,000 (2007: $4,905,000). At 30 September 2008 the balance on the US dollar bank account was $1,000 (2007: $1,000). The dollar closing exchange rate was $1.78: £1 (2007: $2.02: £1) resulting in a foreign exchange gain of £392,000 being credited to the Income Statement on the unhedged assets. Consequently the profit reported in the Income Statement will be impacted by £14,000 for each $ cent movement in exchange rates. Exchange rate movements 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 £202,000. The total equity statement will be impacted by £41,000 for each $ cent 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.

The Company has a loan of $3,537,000 (2007: $15,537,000) which acts as an economic hedge against the intercompany balance due by Lovell America, Inc. Exchange losses of £317,000 (2007: gains £608,000) were made during the year on foreign currency borrowings. This has been fully offset against exchange gains made on the intercompany balance due by Lovell America, Inc.

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. A reduction in market interest rates could lead to a reduction in the Group's interest income. Consequently a 1% decrease in market interest rates would reduce finance income by £10,000 for every £1million held on deposit for one year. The market risk associated with financial liabilities is limited to the interest rate on the Group's US dollar overdraft.

A 1% increase in interest rates would lead to an increase in the Group's interest expense of about £21,000 subject to foreign exchange rate movements, on the assumption of a US $3.5million loan being outstanding for one year. The Group's hire purchase financial liabilities are all at fixed rates of interest.

There have been no changes in the nature of the risks arising from financial instruments in either the current or previous financial year. However, the extent of the risk has reduced following the reduction of the company's US $ loan.

notes to the accounts

20 Share Capital

	2008 £000	2007 £000
Authorised:		
100,000,000 (2007: 100,000,000) Ordinary Shares of 10p each	**10,000**	10,000
Allotted, called up and fully paid:		
59,898,927 (2007: 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 30 September 2008 or 2007.

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 Inland Revenue 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 10 years from the date of grant.

Vesting of options is dependent on the achievement of certain performance criteria which are established by the Remuneration Committee at the point of grant. In respect of the options granted in the 2006 financial year, 25% of the options will vest if the Group's earnings per share for the year ending 30 September 2008 exceeds 8p. For 100% vesting to occur, the Group's earnings per share for the year ending 30 September 2008 must be at least 12p. In respect of the options granted during the 2007 financial year, 25% of the options will vest if the Group's earnings per share for the year ending 30 September 2009 exceeds 12p. For 100% vesting to occur, the Group's earnings per share for the year ending 30 September 2009 must be at least 14p. In respect of the options granted during the 2008 financial year, 25% of the options will vest if the Group's earnings per share for the year ending 30 September 2010 exceeds 12.5p. For 100% vesting to occur, the Group's earnings per share for the year ending 30 September 2010 must be at least 16p.

The earnings per share criteria in respect of the options granted during the 2006 financial year have been met and the options are expected to vest on 7 June 2009.

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.

notes to the accounts

21 Reserves

Group	Share premium account £000	Capital redemption reserve £000	Cumulative translation reserve £000	Share based payments reserve £000	Retained earnings £000
At 1 October 2006	5,893	3,896	-	-	(10,821)
Transfer from income statement for the year					7,320
Dividends paid					(839)
Recognition of share based payments				97	
Exchange differences			(150)		
Actuarial loss recognised in pension scheme					(1,804)
Movement on deferred tax relating to the pension scheme					427
At 1 October 2007	5,893	3,896	(150)	97	(5,717)
Transfer from income statement for the year					5,260
Dividends paid					(1,317)
Recognition of share based payments				136	
Exchange differences			574		
Actuarial loss recognised in pension scheme					(497)
Movement on deferred tax relating to the pension scheme					116
At 30 September 2008	**5,893**	**3,896**	**424**	**233**	**(2,155)**

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. Goodwill written off against reserves in respect of subsidiaries acquired after 1989 amounts to £nil (2007: nil).

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. £136,000 (2007: £97,000) has been charged to administrative expenses.

There is no impact on net assets since an equivalent amount is credited to the share based payments reserve. No options were exercised or lapsed 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.

Options granted under the Renew Holdings 2004 Executive Share Option Scheme over the Company's Ordinary Shares at 30 September 2008 were as follows:

Date of grant	7 June 2006	8 January 2007	3 December 2007	Total
Awards outstanding at 30 September 2008				
- Directors	761,904	522,292	417,960	1,702,156
Exercise price and price at date of grant	52.5p	78.5p	103.0p	-
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%	46%	40%	-
Dividend yield	1.00%	1.50%	1.80%	-
Risk free interest rate	4.67%	4.88%	4.46%	-
Value per option	20.5p	25.9p	28.0p	-

There were 1,284,196 options outstanding at 1 October 2007 being those issued in June 2006 and January 2007 as detailed above.

notes to the accounts

22 Reconciliation of Movements in Total Equity

	2008 £000	2007 £000
Profit for the year	**5,260**	7,320
Dividends paid	**(1,317)**	(839)
	3,943	6,481
Other recognised income and expense for the year	**193**	(1,527)
Recognition of share based payments	**136**	97
Net movement in total equity	**4,272**	5,051
At 1 October 2007	**10,009**	4,958
At 30 September 2008	**14,281**	10,009

23 Capital and Leasing Commitments

Commitments under non-cancellable operating leases:	Land & buildings £000	Other £000	Total 2008 £000	Total 2007 £000
Under one year	**2,542**	**488**	**3,030**	3,181
Two to five years	**8,860**	**487**	**9,347**	10,298
Five or more years	**23,634**	**27**	**23,661**	26,279
	35,036	**1,002**	**36,038**	39,758

With regard to the operating leases held by the Group as lessor, the Group recognised £1,275,000 (2007: £1,348,000) of rental income in the income statement 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:

Receivables under non-cancellable operating leases:	Land & buildings £000	Other £000	Total 2008 £000	Total 2007 £000
Under one year	**1,239**	**-**	**1,239**	1,346
Two to five years	**4,001**	**-**	**4,001**	3,930
Five or more years	**2,541**	**-**	**2,541**	1,503
	7,781	**-**	**7,781**	6,779

The Group had capital commitments at 30 September 2008 of £nil (2007: £90,000).

24 Contingent Liabilities

A letter of credit of £353,000 (2007: £607,000) remains outstanding at 30 September 2008 in respect of Lovell America, Inc.

As part of the Office of Fair Trading's ("OFT") review of tender activities within the construction industry, the Company notes that, together with one of its current and one of its former subsidiaries, it has been named in connection with alleged infringements of UK Competition Law in the sector, in the list of 112 construction companies in the OFT's Statement of Objections. The Company and its current subsidiary have responded to the OFT, however it is not possible to predict the effect of the OFT's investigation on the Group's financial position or results of its operations.

notes to the accounts

25 Employee Benefits: Retirement Benefit Obligations

Defined benefit pension scheme

The defined benefit pension scheme was closed to new members in June 2000. On 1 August 2001, the Board decided that no further benefits would accrue to existing members with more than five years expected service remaining. These members were transferred to the defined contribution scheme but retained the benefits earned to date under the defined benefit pension scheme.

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 advisers and have determined that they are appropriate.

The following disclosures required by IAS 19 have been based on the most recent actuarial valuation as at 30 September 2008 carried out by Barnett Waddingham, Consulting Actuaries, using the following financial assumptions:

	As at 30 September 2008	As at 30 September 2007	As at 30 September 2006
Rate of increase in salaries	**4.00%**	4.00%	4.00%
LPI increases to pensions in payment	**3.40%**	2.90%	2.50%
Discount rate	**7.00%**	6.20%	5.30%
Inflation assumption	**3.50%**	2.90%	2.50%
Increases in deferred pensions	**3.50%**	2.90%	2.50%

The mortality tables adopted for the 2008 valuation are the Continuing Mortality Investigations PA1992 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 same tables, but with the short cohort adjustment, were used in the 2007 valuation. The same tables but without a cohort adjustment were used in 2006. An example of the effect of the change in mortality assumption is that under the 2008 assumptions a 60 year old male pensioner is assumed to live for a further 27 years, compared with 26 years under the 2007 assumptions. The 2006 assumptions assume 24.5 years.

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

	Value as at 30 September 2008 £000	**Expected rate of return**	Value as at 30 September 2007 £000	Expected rate of return	Value as at 30 September 2006 £000	Expected rate of return
Annuities	**632**		-		-	
Gilts + 2.5% fund	**50,659**	**7.20%**	54,914	7.50%	56,494	6.95%
Bonds	**48,190**	**7.00%**	47,998	6.20%	52,058	5.30%
Cash	**39**	**4.50%**	36	5.75%	89	4.75%
Total	**99,520**		102,948		108,641	

renew

notes to the accounts

25 Employee Benefits: Retirement Benefit Obligations (continued)

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

Movements in scheme assets and liabilities	**Year Ended 30 September 2008 £000**	Year Ended 30 September 2007 £000
Total fair value of assets brought forward	**102,948**	108,641
Expected return on scheme assets	**6,957**	6,560
Employer contributions	**2,106**	1,534
Annuities	**631**	-
Benefits paid	**(6,217)**	(5,827)
Actuarial loss on scheme assets	**(6,905)**	(7,960)
Total fair value of assets carried forward	**99,520**	102,948
Present value of scheme obligations brought forward	**106,507**	112,596
Interest costs	**6,414**	5,815
Current service costs	**72**	79
Experience (gain)/loss on scheme liabilities	**(600)**	575
Annuities	**631**	-
Benefits paid	**(6,217)**	(5,827)
Actuarial decrease in scheme obligations	**(5,808)**	(6,731)
Total fair value of obligations carried forward	**100,999**	106,507
Deficit in the scheme	**(1,479)**	(3,559)
Deferred tax	**414**	997
Net scheme deficit	**(1,065)**	(2,562)
Amounts charged to operating profit:		
Current service cost	**(72)**	(79)
	(72)	(79)
Amount credited to other financial income:		
Expected return on scheme assets	**6,957**	6,560
Interest on scheme liabilities	**(6,414)**	(5,815)
	543	745
Amounts recognised in the statement of recognised income and expense:		
Actual less expected return on scheme assets	**(6,905)**	(7,960)
Experience gains/(losses) on scheme liabilities	**600**	(575)
Effect of change in assumptions on scheme liabilities	**5,808**	6,731
Actuarial loss	**(497)**	(1,804)
Movement in the net scheme deficit during the year:		
Net scheme deficit brought forward	**(3,559)**	(3,955)
Current service cost	**(72)**	(79)
Cash contribution	**2,106**	1,534
Other finance income	**543**	745
Actuarial loss	**(497)**	(1,804)
Net scheme deficit carried forward	**(1,479)**	(3,559)

notes to the accounts

25 Employee Benefits: Retirement Benefit Obligations (continued)

	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets	**£(6,905,000)**	£(7,960,000)	£(1,786,000)	£6,623,000	£426,000
As a percentage of the assets at the end of the year	**(6.94)%**	(7.73)%	(1.64)%	6.10%	0.42%
Experience gains/(losses) on scheme liabilities	**£600,000**	£(575,000)	£(72,000)	£647,000	£1,176,000
As a percentage of the liabilities at the end of the year	**0.59%**	(0.54)%	0.00%	0.61%	1.11%
Total amount recognised in the statement of recognised income and expense	**£(497,000)**	£(1,804,000)	£(7,803,000)	£412,000	£11,294,000
As a percentage of the liabilities at the end of the year	**(0.49)%**	(1.69)%	(6.93)%	0.39%	10.70%

The 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.

Defined contribution pension scheme

The assets of the defined contribution pension scheme are held in separate trustee-administered funds. The Group made contributions of £1,819,000 (2007: £2,628,000) into the scheme during the year. There is also £182,000 (2007: £114,000) of accruals relating to the scheme.

On 1 April 2008, this scheme commenced winding up. The assets are to be transferred to individual stakeholder plans which the Group has established for scheme members.

26 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 and J Bishop, whose total compensation amounted to £1,022,000 all of which was represented by short-term employment benefits.

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

27 Acquisition of Subsidiary Undertaking

On 25 July 2007, the Group acquired the whole of the issued share capital of Seymour (C.E.C) Holdings Limited, a company registered in England & Wales. Seymour (C.E.C) Holdings Limited is a dormant holding company which has a wholly owned subsidiary, Seymour (Civil Engineering Contractors) Limited ("Seymour") which trades as civil engineers. From the date of acquisition until 30 September 2007, Seymour contributed sales of £4.0m and a profit before taxation of £nil to the consolidated results.

notes to the accounts

27 Acquisition of Subsidiary Undertaking (continued)

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

	Book value £000	Adjustments £000	Fair value £000
Non-current assets			
Intangible assets - goodwill		3,989	3,989
Intangible assets - other		909	909
Property, plant and equipment	1,598	261	1,859
Current assets			
Inventories	72		72
Trade and other receivables	3,619		3,619
Cash and cash equivalents	889		889
	4,580		4,580
Total assets	6,178	5,159	11,337
Non-current liabilities			
Deferred tax liabilities		(328)	(328)
Obligations under finance leases	(77)		(77)
	(77)	(328)	(405)
Current liabilities			
Trade and other payables	(3,834)		(3,834)
Obligations under finance leases	(277)		(277)
	(4,111)		(4,111)
Total liabilities	(4,188)	(328)	(4,516)
Net assets	1,990	4,831	6,821

The consideration paid was £6,821,000 in cash representing a total net cash outflow of £5,932,000 (£889,000 cash acquired on acquisition). Goodwill of £3,989,000 was acquired on acquisition and was reviewed for impairment one year after the acquisition as permitted by IFRS 3. No impairment was identified. The goodwill is attributable to the expertise and workforce of the acquired business. Other intangible assets of £909,000, representing contractual rights was also acquired and is being amortised over its useful economic life in accordance with IFRS 3. If the acquisition had occurred on 1 October 2006, Group revenue would have been an estimated £364m and profit for the year ended 30 September 2007 would have been approximately £7.6m.

The value of land acquired with Seymour and included in property, plant and equipment has been increased from £239,000 to £500,000 as a result of a fair value adjustment. The land was independently valued by Hanline Associates, Chartered Surveyors, in August 2007 on an existing use basis.

28 Post Balance Sheet Event

With effect from 1 October 2008, Seymour acquired the whole of the issued share capital of C.& A. Pumps Limited ("C&A") for a consideration of £1.75m all of which was paid in cash. In the year ended 31 December 2007, C&A recorded sales of £4.7m and a profit before tax of £0.2m. The net assets of C&A at the date of acquisition were £0.7m. Included in the assets of C&A is a freehold property independently valued at £0.8m which is carried in the balance sheet of C&A at £0.5m.

company balance sheet

At 30 September 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	E	**186**	196
Investments	F	**90,525**	90,493
		90,711	90,689
Current assets			
Debtors: due within one year	G	**21,356**	26,233
Cash at bank and in hand	H	**18,655**	9,893
		40,011	36,126
Creditors:amounts falling due in less than one year	I	**(109,119)**	(106,990)
Net current liabilities		**(69,108)**	(70,864)
Total assets less current liabilities		**21,603**	19,825
Net assets		**21,603**	19,825
Capital and reserves			
Share capital	K	**5,990**	5,990
Share premium account	L	**5,893**	5,893
Capital redemption reserve	L	**3,896**	3,896
Revaluation reserve	L	**73**	73
Share based payments reserve	L	**233**	97
Profit and loss account	L	**5,518**	3,876
Equity shareholders' funds	M	**21,603**	19,825

Approved by the Board and signed on its behalf by:

R Harrison OBE
Chairman
25 November 2008

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 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:

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

(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 Company's 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;

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, and also in respect of the pensions deficit recorded under FRS 17 where the Directors consider that the asset will be utilised by the expected profitability of the Company.

(vii) 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. 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 scheme
Contributions to the defined contribution scheme 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.

notes to the company accounts

B Profit and Loss Account

As permitted by Section 230 of the Companies Act 1985, 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 £2,959,000 (2007: £4,221,000).

The audit fee charged within the profit and loss account amounted to £60,000 (2007: £57,000).

C Employee Numbers and Remuneration

	2008 Number	2007 Number
The average monthly number of employees, all of whom were administrative staff including executive Directors, employed in continuing activities during the year was:	**44**	43
At 30 September:	**44**	42

	£000	£000
Cost of staff, including executive Directors, during the year amounted to:		
Wages and salaries	**2,546**	2,302
Social security costs	**304**	263
Other pension costs	**106**	48
Share based payments	**136**	97
	3,092	2,710

Details of individual Directors' emoluments and pension contributions can be found in the Directors' Remuneration Report on page 31. These numbers have been audited.

D Dividends

	2008 Pence/share	2007 Pence/share
Interim (related to the year ended 30 September 2008)	**1.00**	0.60
Final (related to the year ended 30 September 2007)	**1.20**	0.80
Total dividend paid	**2.20**	1.40

	£000	£000
Interim (related to the year ended 30 September 2008)	**598**	359
Final (related to the year ended 30 September 2007)	**719**	480
Total dividend paid	**1,317**	839

Dividends are recorded only when authorised and are shown as a movement in equity 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 2008. This will be accounted for in the 2008/09 financial year.

notes to the company accounts

E Tangible Fixed Assets

	Long leasehold land & buildings £000	Plant, vehicles & equipment £000	Total £000
Cost:			
At 1 October 2007	789	287	1,076
Additions	-	24	24
At 30 September 2008	789	311	1,100
Depreciation:			
At 1 October 2007	650	230	880
Charge for year	5	29	34
At 30 September 2008	655	259	914
Net book value:			
At 30 September 2008	**134**	**52**	**186**
At 30 September 2007	139	57	196

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

F Investments

	Subsidiary undertakings £000
Shares at cost:	
At 1 October 2007	159,373
Additions	32
At 30 September 2008	159,405
Provisions:	
At 1 October 2007 and 30 September 2008	68,880
Net book value:	
At 30 September 2008	**90,525**
At 30 September 2007	90,493

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

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

G Debtors

	2008 £000	2007 £000
Due within one year:		
Trade debtors	**316**	276
Due from subsidiary undertakings	**19,110**	24,847
Other debtors	**1,253**	237
Deferred tax	**99**	61
Prepayments and accrued income	**578**	812
	21,356	26,233

notes to the company accounts

H Cash At Bank and In Hand

	2008 £000	2007 £000
Cash at bank	**18,655**	9,893

Cash at bank includes £0.0m (2007: £(0.4)m) in respect of the net position on a sterling bank deposit of £2.0m (2007: £8.1m) and a connected US $ loan of £2.0m (US $3.5m) (2007: £7.7m ($15.5m)) translated at the year end rate used to hedge the intercompany balance with the US subsidiary company.

I Creditors: Amounts Falling Due Within One Year

	2008 £000	2007 £000
Trade creditors	**621**	109
Corporation tax	**-**	3
Other taxation and social security	**987**	840
Due to subsidiary undertakings	**97,576**	98,561
Other creditors	**761**	205
Accruals and deferred income	**9,174**	7,272
	109,119	106,990

J Derivatives and Other Financial Instruments

Currency exposure

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 US dollar bank account which is maintained by the Company in the UK and the unhedged portion of an intercompany loan. At 30 September 2008 the unhedged portion of the intercompany loan was $4,934,000 (2007: $4,905,000). At 30 September 2007 the balance on the US dollar bank account was $1,000 (2007: $1,000).

The Company's operations are denominated in sterling.

Hedges

The Company has a loan of $3,537,000 (2007: $15,537,000) with Barclays Bank Plc acting as an economic hedge against the intercompany balance due by Lovell America, Inc. Exchange losses of £317,000 (2007: gains £608,000) were made during the year on foreign currency borrowings. This has been fully offset against exchange gains made on the intercompany balance due by Lovell America, Inc.

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.

K Share Capital

	2008 £000	2007 £000
Authorised:		
100,000,000 (2007: 100,000,000) Ordinary Shares of 10p each	**10,000**	10,000
Allotted, called up and fully paid:		
59,898,927 (2007: 59,898,927) Ordinary Shares of 10p each	**5,990**	5,990

notes to the company accounts

K Share Capital (continued)

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 are given below and in Note L.

The scheme has both an Approved and an Unapproved element. The difference between the two elements is that the Approved scheme has the advantage of certain Inland Revenue 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 10 years from the date of grant.

Vesting of options is dependent on the achievement of certain performance criteria which are established by the Remuneration Committee at the point of grant. In respect of the options granted in the 2006 financial year, 25% of the options will vest if the Group's earnings per share for the year ending 30 September 2008 exceeds 8p. For 100% vesting to occur, the Group's earnings per share for the year ending 30 September 2008 must be at least 12p. In respect of the options granted during the 2007 financial year, 25% of the options will vest if the Group's earnings per share for the year ending 30 September 2009 exceeds 12p. For 100% vesting to occur, the Group's earnings per share for the year ending 30 September 2009 must be at least 14p. In respect of the options granted during the 2008 financial year, 25% of the options will vest if the Group's earnings per share for the year ending 30 September 2010 exceeds 12.5p. For 100% vesting to occur, the Group's earnings per share for the year ending 30 September 2010 must be at least 16p.

The earnings per share criteria in respect of the options granted during the 2006 financial year have been met and the options are expected to vest on 7 June 2009.

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

L Reserves

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Share based payments reserve £000	Profit & loss account £000
At 1 October 2007	5,893	3,896	73	97	3,876
Transfer from profit and loss account for the year					2,959
Recognition of share based payments				136	
Dividends paid					(1,317)
At 30 September 2008	**5,893**	**3,896**	**73**	**233**	**5,518**

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.

£136,000 (2007: £97,000) has been charged to administrative expenses.

There is no impact on net assets since an equivalent amount is credited to the share based payments reserve. No options were exercised or lapsed 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.

notes to the company accounts

L Reserves (continued)

Options granted under the Renew Holdings 2004 Executive Share Option Scheme over the Company's Ordinary Shares at 30 September 2008 were as follows:

Date of grant	7 June 2006	8 January 2007	3 December 2007	Total
Awards outstanding at 30 September 2008				
- Directors	761,904	522,292	417,960	1,702,156
Exercise price and price at date of grant	52.5p	78.5p	103.0p	-
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%	46%	40%	-
Dividend yield	1.00%	1.50%	1.80%	-
Risk free interest rate	4.67%	4.88%	4.46%	-
Value per option	20.5p	25.9p	28.0p	-

There were 1,284,196 options outstanding at 1 October 2007 being those issued in June 2006 and January 2007 as detailed above.

M Reconciliation of Movements in Shareholders' Funds

	2008 £000	2007 £000
Profit for the year	**2,959**	4,221
Dividends paid	**(1,317)**	(839)
	1,642	3,382
Recognition of share based payments	**136**	97
At 1 October 2007	**19,825**	16,346
At 30 September 2008	**21,603**	19,825

N Capital and Leasing Commitments

	Land & buildings £000	Other £000	Total 2008 £000	Total 2007 £000
Annual commitments under non-cancellable operating leases expiring in:				
Under one year	**-**	**21**	**21**	32
Two to five years	**80**	**12**	**92**	255
Five or more years	**1,379**	**-**	**1,379**	1,662
	1,459	**33**	**1,492**	1,949

The company has capital commitments at 30 September 2008 of £nil (2007: £nil).

renew

notes to the company accounts

O 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.

The Company has guaranteed a letter of credit of £353,000 (2007: £607,000) on behalf of Lovell America,Inc.

As part of the Office of Fair Trading's ("OFT") review of tender activities within the construction industry, the Company notes that, together with one of its current and one of its former subsidiaries, it has been named in connection with alleged infringements of UK Competition Law in the sector, in the list of 112 construction companies in the OFT's Statement of Objections. The Company and its current subsidiary have responded to the OFT, however it is not possible to predict the effect of the OFT's investigation on the Company's financial position or results of its operations.

P Defined Contribution Pension Scheme

The assets of the defined contribution pension scheme are held in separate trustee-administered funds. The Company made contributions of £106,000 (2007: £48,000) into the scheme during the year. There is also £8,000 (2007: £4,000) of accruals relating to the scheme.

On 1 April 2008, this scheme commenced winding up. The assets are to be transferred to individual stakeholder plans which the Company has established for scheme members.

Q 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%
Lovell America, Inc	Owned by subsidiary	USA	100%

R 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 and J Bishop, whose total compensation amounted to £1,022,000 all of which was represented by short-term employment benefits.

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

shareholder information

Annual General Meeting	**28 January 2009**
Results	**Announcement of interim results - May 2009**
	Preliminary announcement of full year results - November 2009

Electronic Communications

Following shareholder approval to amend the Company's Articles at the AGM in March 2006, 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)
J Samuel FCA	(Group Finance Director)
J Bishop FCA	(Independent non-executive)

Company Secretary B Feather LLB

Company Number 650447

Registered Address
Yew Trees
Main Street North
Aberford
West Yorkshire
LS25 3AA

Registrars
Capita Registrars Plc
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Auditors
KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Website address www.renewholdings.com

Nominated Advisor and Broker
Brewin Dolphin Securities Ltd
34 Lisbon Street
Leeds
LS1 4LX

notice of annual general meeting

Notice is hereby given that the forty-ninth Annual General Meeting of the Company will be held at the offices of KPMG LLP, 1 The Embankment, Leeds, LS1 4DW on 28 January 2009 at 11.00am to consider and, if thought fit, pass resolutions 1 to 6 below as ordinary resolutions and resolutions 7 and 8 below as special resolutions.

The meeting will consider the following business:

Ordinary Business

1. To receive and adopt the accounts for the year ended 30 September 2008 and the Reports of the Directors and Auditors thereon.

2. To declare a final dividend of 2p per share.

3. To re-elect John Bishop, who retires as a Director in accordance with the Company's Articles of Association.

   Explanatory note: Biographical details of John Bishop are included in the Directors' Report in the Annual Report and Accounts.

4. To approve the Remuneration Report for the year ended 30 September 2008.

5. To re-appoint KPMG Audit Plc as Auditors of the Company.

6. To authorise the Directors to determine the Auditors' remuneration.

Special Business

7. That the power conferred upon the Directors by Article 5.3 of the Company's Articles of Association to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) wholly for cash free from the pre-emption provisions in Section 89 of the Companies Act 1985 be renewed and so that for this purpose the Section 89 Amount shall be £299,495 and the prescribed period shall be the period from the date of this Meeting to the conclusion of the next Annual General Meeting of the Company or 28 April 2010, whichever is the earlier.

   Explanatory note: By Resolution 7 the Directors are seeking renewal of the power to allot shares for cash for the purposes of a rights issue or otherwise in connection with a rights issue, limited to the issue of shares up to an aggregate nominal value of £299,495, being 5% of the issues Ordinary Share capital of the Company at 25 November 2008. If given, this power will expire at the Company's AGM in 2010 or on 28 April 2010, whichever is the earlier.

8. To adopt with effect from the conclusion of the meeting new Articles of Association, in substitution for, and to the exclusion of, the current Articles of Association.

   Explanatory note: Resolution 8 seeks members' approval for changes to be made to the Company's existing Articles of Association. The principal changes proposed are summarised in the Appendix to this Notice.

By order of the Board

B C Feather LLB
Company Secretary
25 November 2008

Renew Holdings plc
Registered Office: Yew Trees, Main Street North, Aberford, West Yorkshire LS25 3AA.

notice of annual general meeting

Notes

1. A member of the Company must be entered on the Register of Members at 6pm on 26 January 2009 (or the date which is two days prior to any adjourned AGM) in order to be entitled to attend and vote at the meeting as a member in respect of those shares.

2. A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

3. Proxy forms and the powers of attorney or other authority, if any, under which they are signed need to be deposited at the office of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the meeting. Completion of a proxy or any CREST proxy instruction (as described in paragraph 4 below) will not preclude a shareholder from attending and voting in person at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear") and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 6pm on 26 January 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered in the Company's register of members 48 hours before the time appointed for the meeting of any adjournment thereof.

6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

notice of annual general meeting

Appendix

This Appendix summarises the principal changes from the existing articles of association ("Current Articles") to the proposed new Articles of Association ("New Articles"). Other changes which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been outlined in the Appendix.

A copy of the New Articles and a copy of the Current Articles marked to show the changes being proposed will be available for inspection at the Registered Office of the Company until the time of the AGM and at 1 The Embankment, Leeds, LS1 4DW from 15 minutes before the AGM until it ends.

1. Age limit for directors – provisions rendering any person ineligible for appointment as a director on account of his having reached any specified age will be removed. Such provisions could now fall foul of the Employment Equality (Age) Regulations 2006.

2. Directors' conflicts of interest - the Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes.

   Under the Companies Act 2006 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

   The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

   There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

   It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

3. Directors' indemnification - the Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

   The New Articles will confirm that the Company may indemnify a director or purchase Directors' and Officers' liability insurance to the extent permitted under the Companies Act 2006. Another new provision will permit any director concerned to be included in the quorum and to vote on any board resolution to approve such an arrangement.

notice of annual general meeting

4. Electronic communications with shareholders - provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website communications. The New Articles will allow the Company to take advantage of these provisions at a future date if it is considered appropriate to do so.

   The New Articles will allow communications to shareholders in electronic form and permit the Company to take advantage of new provisions relating to website communications. Before the Company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent.

   Should communication with shareholders by way of website communication be adopted by the Company (as set out above), the Company will notify the shareholder (either by post, or by other permitted means) when a relevant document or information is placed on the website and a shareholder can always request a hard copy version of the document or information.

5. General meetings (except AGMs) held on 14 days' notice - a new provision will allow the Company to hold a general meeting at which a special resolution is to be proposed on 14 days' notice, as permitted by the Companies Act 2006, rather than on 21 days' notice as required by the Current Articles.

6. Joint shareholders - a new provision will confirm that the giving of a document or other information by the Company to a joint shareholder with that shareholder's agreement, and vice versa, will be effective so far as all the joint shareholders are concerned.

7. Polls - a new provision will allow the chairman of a shareholder meeting, at his discretion, to put a resolution to a vote on a poll without first putting it to a vote on a show of hands. The provision will not prevent a resolution from first being put to a vote on a show hands should the chairman consider it appropriate to do so. The provision is consistent with what has become usual practice among companies over the last few years.

8. Proxies - new provisions will be added relating to proxies. One will confirm the right that proxies now have under the Companies Act 2006 to speak at shareholder meetings. Another will allow the Company to disregard weekends and bank holidays when determining the time by which proxy forms must be lodged prior to a shareholder meeting.

9. Quorum at shareholder meetings - a provision will be added requiring two different members to be present at a shareholder meeting in person or through a corporate representative or a proxy in order for the meeting to be quorate. This provision will avoid the possibility of a shareholder meeting being quorate if it is attended by a proxy and a corporate representative appointed by the same corporate member, and no one else.

10. Requisitions - provisions in the Current Articles that confer power on shareholders to requisition shareholder meetings will be removed. These powers are conferred on shareholders by the Companies Act 2006 and do not need to be replicated in the New Articles.

group businesses

Shepley Engineers
Robinson House
Westlakes Science Park
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Cumbria
CA24 3HY
Tel: 01946 599 022

VHE
Phoenix House
Hawthorn Park
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Seacroft
Leeds
LS14 1PQ
Tel: 0113 273 9200

Seymour
30-34 Navigation Point
Hartlepool
TS24 0VQ
Tel: 01429 223521

Britannia Civil Engineering
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Walter Lilly
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