Renew Holdings plc
Annual Report and Accounts 2018

ENGINEERING INFRASTRUCTURE
FOR THE FUTURE

ENGINEERING INFRASTRUCTURE FOR THE FUTURE

We provide essential engineering services to maintain and renew critical infrastructure networks.

Our multidisciplinary engineering services are delivered through our independently branded UK subsidiary businesses that support the day-to-day running of these infrastructure networks.

Read more online at: **renewholdings.com**

Why invest in Renew Holdings

01

CLEAR GROWTH STRATEGY

Focused on delivering organic growth whilst looking to build on our strengths through selective and complementary acquisitions in both existing and new markets.

Read more on pages 16 & 17

02

REGULATED MARKETS

We work in regulated markets with high barriers to entry. These markets are driven by long-term programmes of spending on asset renewal and maintenance, often over many years. Positioned as a key supplier to our clients, we assist them in maintaining their assets and providing continuity of service.

Read more on pages 14 & 15

HIGHLIGHTS

- Adjusted operating profit[1] increased to £31.1m (2017: £28.4m)
- Engineering Services order book increased 16% to £510m (2017: £438m)
- Full year dividend per share increased 11% to 10.0p (2017: 9.0p)
- Acquisition of QTS Group Limited further strengthens the Group's position in the rail market

03

RESILIENCE

The Group has extensive framework positions to deliver its engineering maintenance and renewals services across its markets. The Group's skills and established relationships continue to provide a strong platform for future growth.

Read more on pages 12 & 13

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

1 Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in Note 29 to these accounts.

ABOUT US

As a holding company, Renew grants autonomy to its operating subsidiaries, enabling them to be competitive and effective in their individual markets whilst setting overall standards.

Our independently branded subsidiary businesses have expert knowledge in their individual markets and directly deliver engineering services aligned to the needs of our clients, many of whom are responsible for the long-term maintenance and renewal of national infrastructure networks.

We seek to deliver value to shareholders through our established and proven strategy, providing reliable capital growth alongside a progressive dividend policy.

ENERGY

NUCLEAR

Our services are associated with high hazard risk reduction operations at nuclear facilities that include waste treatment, reprocessing, decommissioning, decontamination and clean-up operations. We deliver mechanical and electrical services, specialist fabrication, and machining as well as maintenance of operational plants. Our integration of generation, grid and decommissioning services proves a differentiator in this market.

THERMAL AND RENEWABLE

We provide long-term maintenance and asset renewal support at many of the UK's thermal power generation plants.

Read more about Energy on pages 18 & 19

ENVIRONMENTAL

WATER

The Group has extensive expertise in delivering maintenance and renewals across water infrastructure networks. We support our clients through asset maintenance, flood alleviation and river and coastal defence schemes.

LAND REMEDIATION

Our in-house capabilities include soil washing, biophysical treatment and geotechnical improvements, which can add value, recovering up to 100% of soils and excavated materials on site.

Read more about Environmental on pages 20 & 21

OUR SUBSIDIARY BUSINESS BRANDS

AMCO·GIFFEN | CLARKE telecom | LEWIS | QTS

INFRASTRUCTURE

RAIL

Our directly employed, multi-skilled local delivery teams carry out planned, reactive and emergency asset maintenance and renewal works across the rail network. We undertake a high volume of small value civil, mechanical and electrical engineering and maintenance services tasks supporting a wide range of rail infrastructure assets.

WIRELESS TELECOMS

We provide specialist infrastructure services to network operators and increasingly to multi-site operators and vendors acting as managed services providers. The work includes all aspects of site acquisition, design, installation, commissioning and integration of stations onto the networks.

Read more about Infrastructure on pages 22 & 23

HIGH QUALITY RESIDENTIAL

HIGH QUALITY RESIDENTIAL

Our subsidiary, Walter Lilly, is recognised as a market-leading luxury provider of prestigious private residential refurbishment projects in London and the Home Counties which often require extensive structural engineering works. We provide in-house design and engineering capabilities for extensive underground development, design management, planning, traffic management and logistics support as well as expertise in specialist finishes.

Read more about High Quality Residential on page 24

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RENEW IN 2018

2018 has been strategically a very important year for the Group. We have further strengthened our position as a leading provider of Engineering Services, delivering essential maintenance and renewals tasks across our markets.

FEBRUARY 2018

We announced our decision to exit the gas infrastructure market with the sale of subsidiary, Forefront.

JANUARY 2018

The Group holds its Annual General Meeting (AGM) where David Forbes was appointed as Chairman. David has previously served as a non-executive Director since June 2011.

Read more about the Board of Directors on pages 30 & 31

MARCH 2018

Awarded the Environment Agency's 5-year Flood and Coastal Risk Management Frameworks in the North, Central and South West Hubs as the only contractor to secure a position in all three areas. This national programme of works will protect and improve the environment through small scale civil engineering and maintenance works.

APRIL 2018

Re-awarded all our existing frameworks on the 5-Year Asset Management Buildings and Civils Frameworks with Network Rail as well as adding a number of additional positions in the South East.

QTS were successfully awarded a position on 10 Civils Asset Management, 5-year frameworks. These frameworks will see us deliver both planned maintenance and a 24/7 reactive support service across a range of assets on the rail network.

APRIL 2018

Following on from earlier successes, we have maximised the opportunities in dam safety for Welsh Water with major schemes delivered at Llanishen and Talybont.

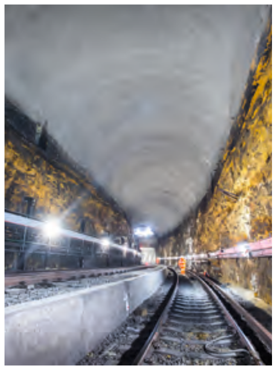
MAY 2018

Acquisition of QTS for £80m. QTS is a provider of specialist services to the rail industry which include civil engineering, geotechnical services, fencing and devegetation.

QTS has a long-standing relationship with Network Rail and operates under a number of frameworks. QTS brings a diverse set of capabilities to the Group, broadening the opportunities available to Renew under Network Rail's Control Period 6 which runs from 2019 to 2024.

JUNE 2018

The broader rail capabilities of AmcoGiffen were reflected in the award of Network Rail's Minor Signalling Maintenance Frameworks in Kent and Sussex where they operate as one of two suppliers.



AUGUST 2018

Working on key long-term decommissioning frameworks, we have undertaken over 10 million hours without a RIDDOR event at the Sellafield nuclear site in Cumbria. Our work supports operational plant associated with waste treatment, reprocessing, decontamination, and decommissioning.

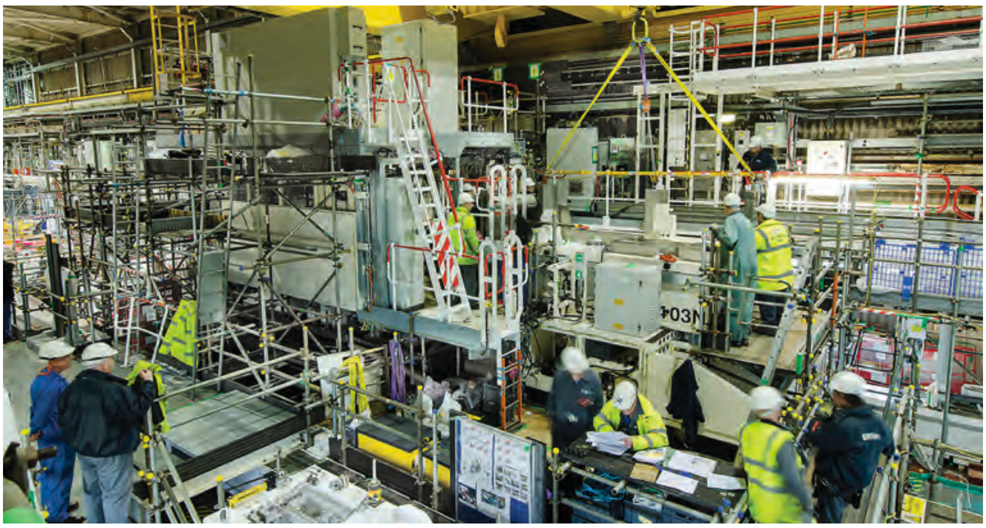


Image courtesy of the NDA.

ENGINEERING SERVICES TO CRITICAL INFRASTRUCTURE NETWORKS

D M Forbes
Chairman

- Excellent results
- Largest ever acquisition in QTS, a specialist rail contractor
- Continued progress in executing our long-standing strategy

ADJUSTED OPERATING PROFIT[1]

£31.1m

2017: £28.4m

ADJUSTED EPS[1]

35.48p

2017: 37.18p

FULL YEAR DIVIDEND

10.0p

2017: 9.0p

Dear Shareholder

Introduction

I am pleased to announce an excellent set of results for Renew. The Group focuses on directly delivering its engineering services to critical infrastructure networks in the UK. 2018 has been another successful year for Renew in which we have made decisive progress in delivering our strategic objectives and further strengthening our position in our chosen markets. We continue to improve our trading performance with an increase in adjusted operating profit[1] of 9.6% to £31.1m (2017: £28.4m) and an increase in adjusted operating profit margin[1] to 5.7% (2017: 5.2%). Adjusted EPS[1] of 35.48p (2017: 37.18p) is down on the restated prior year comparatives primarily due the impact of accounting for discontinued operations.

As a leading provider of Engineering Services in the regulated Energy, Environmental and Infrastructure markets, the Group's operations are underpinned by clear strategic priorities which include direct service delivery and the development of long-term relationships through responsiveness. The Group looks to deliver growth both organically and through selective complementary acquisitions. During the year the Group undertook its largest ever acquisition in QTS Group Limited ("QTS"), a specialist rail contractor, which was funded through an oversubscribed £45million equity placing combined with new debt facilities. The acquisition materially strengthens the Group's position in the rail market and brings a range of complementary skills to those of our existing rail business. Since we acquired QTS, we have been particularly pleased with its performance to date and remain confident of its growth opportunities.

Over the next 5-year investment period in rail (CP6), the government has stated that Network Rail spending must have a greater emphasis on renewals and maintenance with a focus on improving the customer experience. This spending emphasis aligns with Renew's expanded range of rail service capabilities as we continue to undertake large volumes of day-to-day maintenance tasks to keep the network operational. In addition to rail, the Group targets the nuclear, wireless telecoms and water markets which also benefit from similar long-term programmes of investment to support their essential operational assets.

In February, the Group made the decision to exit from its gas infrastructure activities with the disposal of Forefront, allowing management to focus on the continuing growth opportunities elsewhere in the Group.

Governance

Our strategy is to safely and responsibly deliver essential engineering services to the country's key infrastructure assets: "Engineering Infrastructure for the Future." In order to continue to deliver for all our stakeholders, the Board of Renew are actively involved in ensuring the highest standards of governance. During the year we committed to ensure that we adhere to the QCA Corporate Governance Code 2018. More details of this can be found in the Corporate Governance section of this report and on the Group's website.

As a holding company, we set overall standards for the Group's subsidiary businesses through a formal governance framework to promote best practice and knowledge sharing. We believe that ensuring a healthy corporate culture is an important element in helping us to deliver our strategic objectives and ultimately in delivering value for our shareholders.

1 Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in Note 29 to these accounts.

"During the year the Group undertook its largest ever acquisition in QTS Group Limited ("QTS"), a specialist rail contractor, which was funded through an oversubscribed £45 million equity placing combined with new debt facilities."

In achieving these objectives, the Board is assisted by its senior management team who play a vital role in disseminating the Group's shared values with all its employees and other stakeholders. The Board is responsible for ensuring thorough corporate governance is applied throughout the Group and it will continue to work towards further improving its governance framework through 2019.

Dividend

The Board remains confident of the strength of the Group's capabilities and its position within its chosen markets and as such proposes a final dividend of 6.67p per share to be paid to shareholders on the register as at 1 February 2019. This will represent a full year dividend of 10.0p per share (2017: 9.0p).

Board changes

I was proud to succeed Roy Harrison as Chairman following his retirement at the conclusion of the AGM in January. I would like to welcome Sean Wyndham-Quin who joined the Group as Chief Financial Officer in November 2017 succeeding John Samuel who left the Board on 29 November 2017. I would like to thank Roy and John for the valuable contribution they have made to the Group during their time as Directors.

People

The Group operates across a diverse range of markets and our continued success in these markets is the result of our employees' expertise, drive and dedication. The Board would like to thank all its employees and wider stakeholders for their continued effort and support.

Future focus

Our results in 2018 demonstrate that we continue to make progress in executing our long-standing strategy. The Board remains committed to continue to grow the business in our chosen markets both organically and through selective complementary acquisitions whilst maintaining a disciplined approach to risk management.

The Board believes that having a robust corporate governance framework is a key element in guaranteeing our long-term success. As part of this, we are committed to ensuring that succession planning, training and development remain key areas of focus. Our solid foundations allow the Board to look forward to 2019 with confidence.

David M Forbes
Chairman
27 November 2018

LONG-TERM OPPORTUNITIES

P Scott
Chief Executive Officer

- Adjusted Engineering Services revenue[1] ahead of management expectations at £466.5m
- Adjusted Engineering Services operating profit[1] up 19% to £32.5m
- Extended our range of services in Rail with the acquisition of QTS Group

1 Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in Note 29.

2 Nuclear Decommissioning Authority, Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites (12 July 2018).

3 Ofwat PR14 Setting price controls for 2015-20 Overview (December 2014).

4 Network Rail - Strategic Business Plan Summary (9 February 2018).

Dear Shareholder

Results

These strong results demonstrate continued progress and the delivery of our strategic objectives. During 2018, we have strengthened our position as a leading provider of engineering services across the Energy, Environmental and Infrastructure markets.

Group revenue[1] of £541.5m (2017: £545.9m) reflected growth in Engineering Services, despite an anticipated reduction in Rail revenue due to being in the final year of the control period, and the anticipated reduction in Specialist Building revenue. Adjusted operating profit[1] was up 9.6% to £31.1m (2017: £28.4m) delivering an adjusted operating margin[1] of 5.7% (2017: 5.2%). The Group saw strong growth in its order book[1] which stood at £558m (2017: £511m) as at 30 September 2018. Net debt at the year end was £21.4m (2017: net cash £3.9m) reflecting the £80m acquisition of QTS in the year and our conservative approach to gearing.

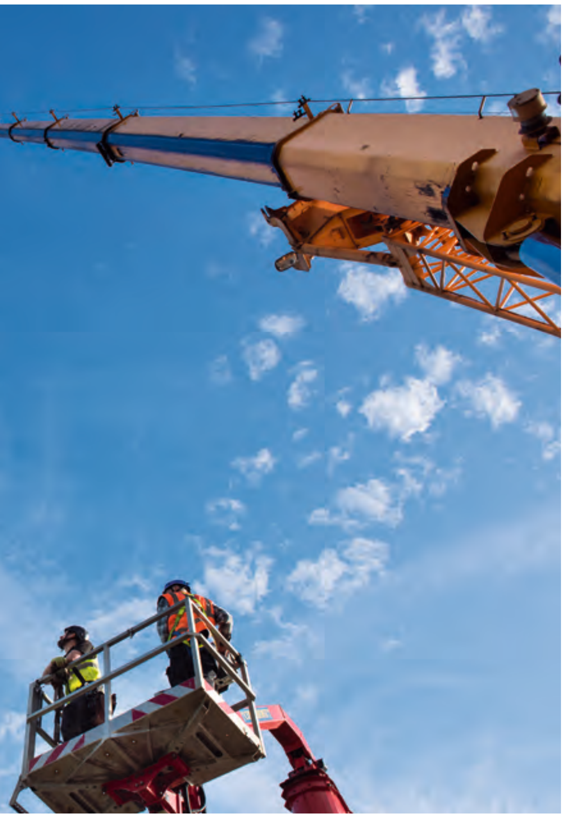
Corporate activity

Acquisitions are an important element of the Group's long-term strategy and in May the Group announced the acquisition of QTS. QTS is a provider of specialist services to the rail industry which include civil engineering, geotechnical services, fencing and devegetation. QTS has a longstanding relationship with Network Rail and during 2018 it successfully broadened its framework positions extending geographical coverage.

Since we acquired QTS in May, trading has been in line with our expectations. The integration of QTS has gone extremely well and as a Group we now have a more diverse range of rail capabilities which increase the opportunities available to us under Network Rail's next control period CP6 (2019–2024). The focus of expenditure in this control period will be renewal and maintenance of existing infrastructure which are the areas we specifically support.

In February, the Group announced its decision to exit the gas infrastructure market with the sale of Forefront. This disposal allows management to focus on opportunities that can deliver better value for shareholders.

"The nature of the UK's ongoing requirement for investment in its critical infrastructure networks provides us with long-term prospects for continued growth."



Engineering Services

Adjusted Engineering Services revenue[1] was ahead of management expectations at £466.5m (2017: £435.3m). Adjusted operating profit[1] has grown 19% to £32.5m (2017: £27.3m) with an operating margin of 7.0% (2017: 6.3%).

At 30 September 2018, the Engineering Services order book[1] strengthened to £510m (2017: £438m). The profile of the order book reflects our focus on renewals and maintenance rather than large capital projects and demonstrates the extremely strong positions we hold in our target markets.

Energy

Working across the nuclear, thermal and renewable energy markets we support the operation and maintenance of key infrastructure assets. Our clients include Sellafield, Westinghouse, BAE Systems, SSE, E.ON, Magnox, Low Level Waste Repository and Scottish Power.

The Nuclear Decommissioning Authority's ("NDA") latest estimate for the UK's nuclear clean-up is approximately £121 billion over the next 120 years[2]. At the Sellafield nuclear site in Cumbria, which is allocated around 75% of the NDA's £3bn annual expenditure[2], we operate as the largest employer of mechanical, electrical and instrumentation trades. The Group provides multidisciplinary services at the site where our work supports operational plant as well as decontamination, decommissioning, waste management and new major project programmes.

The Group operates on long-term decommissioning frameworks at Sellafield, including the 10-year Decommissioning Delivery Partnership programme where we work across all 3 lots. During the year the Group was also engaged via the SR&DP Asset Care, Magnox Swarf Storage Silo, Bulk Sludge Retrieval, Bundling Spares and the Tanks and Vessels frameworks. Our work on these high-profile programmes positions us strongly for future long-term opportunities at the site.

For BAE Systems in Barrow-in-Furness, we provide engineering support to the Astute Class Nuclear Submarine Programme as well as supporting the major ongoing redevelopment and upgrade at this facility.

The Group continues to work for Westinghouse at Springfields as a preferred contractor and for Low Level Waste Repository where we have delivered mechanical, electrical & instrumentation packages. We were operational at 7 Magnox sites providing a range of services through decommissioning, civil and electrical maintenance framework contracts.

In addition to our nuclear operations, the Group provides long-term engineering maintenance at 7 of the UK's thermal power stations and were appointed to a 4-year electrical maintenance framework at the Drax Power Station.

In renewable energy, we provide maintenance and engineering support to windfarm facilities as well as hydroelectric assets in Scotland.

Environmental

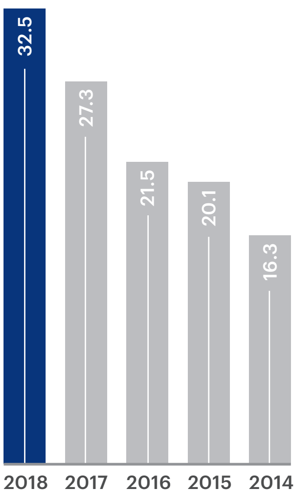
The Group provides engineering support to a range of water infrastructure assets including clean and waste water networks, flood alleviation programmes and coastal protection schemes.

The water industry operates on 5-year network infrastructure investment cycles, known as Asset Management Programmes. The regulator, Ofwat, estimates through the current investment period AMP6, to 2020, a total expenditure of approximately £44bn will have been spent on delivering, maintaining and improving services[3]. The Board anticipates that the next AMP cycle will see at least the same level of investment due to population growth and the changing climate.

Chief Executive's review continued

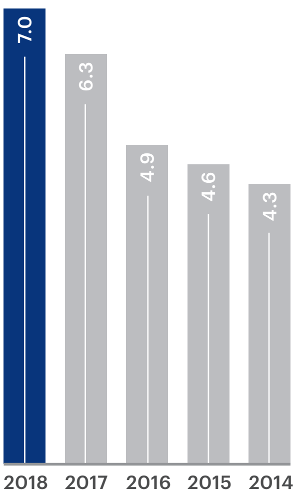
ADJUSTED ENGINEERING SERVICES OPERATING PROFIT[1] £M

£32.5m



ENGINEERING SERVICES OPERATING MARGIN %

7.0%



Environmental continued

Working for Dŵr Cymru Welsh Water through the Major Civils Framework, the Pressurised Pipelines Framework and the Capital Delivery Alliance Civils contracts we have seen an increase in demand for our services. In addition to engineering maintenance tasks the Group also undertook a high level of emergency reactive works following a period of severe weather in the region. We have developed an expertise in dam safety, a new market where we see growth opportunities and during the year the Group delivered major schemes at the Llanishen and Talybont reservoirs. We continue to work for Wessex Water on the AMP 6 Civils & EMI Delivery Partners Framework and during the year we were pleased to be awarded our first project for new client, Bristol Water.

The Group has grown its activities with the Environment Agency where we are helping to protect and improve the environment through small scale civil engineering and maintenance tasks. In March, we were awarded 5-year Flood and Coastal Risk Management Frameworks in the North, Central and South West Hubs as the only contractor to secure a position in all 3 regions. We also continue to operate as sole provider on the Northern Mechanical, Electrical, Instrumentation, Control, and Automation ("MEICA") Framework as well as in the South East where our framework was recently extended for 2 years.

For the Canal and River Trust, we continue to maintain the trust's waterway assets across England and Wales through a 7-year MEICA Framework. During the year we provided routine maintenance and renewal services as well as emergency support to around 1,200 assets on the network.

In land remediation, our clients include SGN and National Grid where we have frameworks to remediate former gas works sites. New clients include Leeds City Council, Yorkshire Wildlife Park and during the year we successfully completed the Sighthill transformational regeneration scheme for Glasgow City Council.

At the Palace of Westminster, further progress has been made on the Courtyard Conservation Framework and additional work has been secured on the Cast Iron Roof Restoration programme which will continue to 2022. Our activities at this unique World Heritage site have been extended to include specialist restoration activity on the Elizabeth Tower, home to the iconic 'Big Ben'.

1 Renew uses a range of statutory performance measures and alternative performance measures when reviewing the performance of the Group against its strategy. Definitions of the alternative performance measures, and a reconciliation to statutory performance measures, are included in Note 29.

Infrastructure

As a leading provider of infrastructure services to Network Rail, we undertake a high volume of asset maintenance and renewals tasks across the UK. Our range of services, alongside our 24/7 emergency support, are essential to maintain the safe operation of the rail network.

We are pleased that the importance of operating maintenance in this sector has been reflected in Network Rail's £48bn CP6 investment plan which is expected to include a 25% increase in operations, maintenance, support, and renewals compared to the previous control period[4] to improve existing infrastructure and consequently the passenger experience. The Group has organically expanded its capabilities in rail, which together with the acquisition of QTS, positions us well for future growth during this next period of rail investment.

We continue to provide services on rail infrastructure project frameworks and in April, we secured the Civils and Buildings Asset Management Frameworks for Network Rail on 7 of the 8 geographical routes, with 6 of these on a single source basis for a term of 6 years (5+1).

The Group has electrification and plant frameworks in the Scotland and London North Eastern (LNE) routes and we have extended our offering in signalling with the award of a minor works framework in the South East region. These positions are important in terms of growth opportunities emerging from the Digital Railway Strategy.

Outside of Network Rail's portfolio, the Group was appointed as a Strategic Partner by SPL Powerlines UK Limited on the Midland Mainline Electrification Programme and more recently we were appointed to a 4-year civil engineering framework for Transport for Wales.

Working for London Underground, we deliver specialist electrical, plant and power schemes through 5 frameworks. The Group continues to develop its opportunities in this sector where our work on the depot refurbishment programme is evidence of our growing range of civils, mechanical and electrical engineering services.

In wireless telecoms, to support the growing demand on current infrastructure from increasing data usage, the networks require long-term investment in upgrade programmes. We work for the UK's major cellular network operators and original equipment manufacturers on their 3G and 4G programmes. During the year the Group were awarded new frameworks for Telefonica in the North and London on their latest network programme. We have also expanded our customer base with national programmes being delivered for BT Link and on the Emergency Services Network. We were recently awarded a 5-year national telecommunications framework by Network Rail, again demonstrating the advantages of the Group's combined capabilities. In future, the UK government's ambition to be a leader in the provision of the next generation of mobile communications technologies will see opportunities arise on long-term 5G investment programmes.

Specialist Building

As previously announced, and in line with our strategy of risk management and contract selectivity, revenue in Specialist Building reduced to £74.2m (2017: £106.8m) and operating profit reduced to £0.6m (2017: £2.4m). At the year end, the forward order book stood at £48m (2017: £73m).

The Group's Specialist Building operation remains focused on the High Quality Residential market in London and the Home Counties where we specialise in major structural engineering works.

Outlook

The nature of the UK's ongoing requirement for investment in its critical infrastructure networks provides us with long-term prospects for continued growth. The Group has successfully developed its strategy to align with the opportunities that exist across numerous programmes. Specifically, we have targeted critical infrastructure networks that require ongoing essential renewal and maintenance support delivered through non-discretionary, operational expenditure budgets.

The Group has established an enviable reputation across its markets through a track record of reliable and responsive service, evidenced through our long-standing relationships with customers. This strong platform, and our strategy to broaden our range of services both organically and through selective complementary acquisitions, will continue to provide growth opportunities.

Whilst Brexit is a source of uncertainty, our focus on non-discretionary UK infrastructure markets gives us confidence that it will not have a material impact on the financial performance of the Group. After another good year, in which we have successfully renewed our framework positions, we have good momentum going into 2019 and look forward to delivering on our strategic priorities over the next 12 months.

Paul Scott
Chief Executive Officer
27 November 2018

HOW WE DELIVER VALUE

STAKEHOLDER VALUE CREATION

Quality
Our businesses focus on maintaining and improving standards across their operations through training, technology, sustainability and the management of their supply chain. We strive to continue to develop and improve our business processes.

Long-term positions in target markets
We provide both planned and responsive services where we fulfil a high volume of low-cost tasks on a range of assets through long-term framework agreements. Our responsive engineering services, combined with consistent delivery, mean we are well positioned to work on some of the largest asset maintenance and renewal frameworks nationally, which are largely delivered through our clients' operational expenditure budgets.

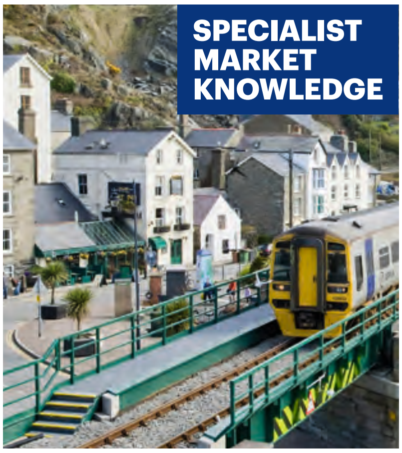
Growth strategy
We develop our engineering services both organically and by acquisition to broaden our service offering to existing and new clients. Organic growth is achieved by aligning our operating subsidiaries with their clients. The Group also continues to look for complementary acquisition opportunities where businesses have strong relationships in regulated markets.

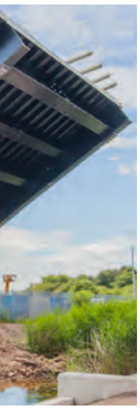
Risk management
Our subsidiary businesses are governed by a system of controls that includes our Group minimum standards. These standards are monitored by an internal audit process to ensure compliance. Minimum requirements ensure compliance in areas such as risk management, control environment and activities, information and communication, and the evaluation of effectiveness to deliver robust commercial risk management. Regular operational and financial reporting is supported by monthly management meetings attended by a Group Executive member, Executive Management Committee meetings and monthly Main Board meetings. Each subsidiary business is required to have a management system in place certified to at least ISO 9001.

WHAT SETS US APART

Underpinned by our approach to Health & Safety
Safety remains the Group's priority. Our safe operations are managed by our subsidiary businesses alongside their safety advisors, who have specific knowledge in the individual environments.

Read more about Sustainability on pages 25 & 26





KEY RESOURCES AND RELATIONSHIPS

Shareholders

By the effective management and control of our subsidiary businesses, we deliver shareholder value through capital growth and a progressive dividend policy.

DIVIDEND PER SHARE

10p

Employees

The success of the Group depends on its employees. Our subsidiary businesses provide a range of opportunities for employees from training and career progression to health and wellbeing benefits. Our subsidiary businesses have a range of initiatives to engage with their employees which include social media channels and surveys.

NUMBER OF EMPLOYEES

2,759*

* As at 30 September 2018.

Community

Our businesses work hard to ensure its operations have a lasting, positive impact on local communities. Ensuring effective communication with our stakeholders is key and our businesses hold public events to inform and update the public on the nature and progress of works as appropriate. Where we receive feedback from the public we would seek to take this into consideration. Our businesses also support a wide range of charities by organising and participating in fundraising events throughout the year.

Customers

We develop safe, innovative and efficient solutions for our clients, many of whom we have worked with for a number of years. Our ability to provide a range of services from across our subsidiary businesses provides both cost and time efficiencies. Our businesses are leading providers in their markets with a highly experienced, directly employed workforce. We are aligned with our clients to deliver long-term solutions.

NUMBER OF HOURS OF SAFE OPERATIONS AT THE SELLAFIELD SITE IN CUMBRIA

10 million

MARKETS DRIVEN BY REGULATION

Our clients' infrastructure networks are some of the largest, and oldest, in the country and comprise a range of complex and challenging assets. Regulation exists to maintain operational standards on these critical networks, with maintenance requirements delivered through long-term programmes of care with visible funding.

ENERGY

Nuclear

The UK government's nuclear decommissioning provision, to manage the whole of the mission, is currently estimated at £121 billion over the next 120 years.[1] The Nuclear Decommissioning Authority's medium-term forecasts indicate a rate of expenditure of around £3bn per annum, with around 75% of this commitment at the Sellafield site in Cumbria.[1]

New nuclear power is an essential part of the government's objective of delivering a sustainable and low-carbon energy future to meet increasing demand.[2]

Thermal and renewable

There remain good opportunities in the renewable energy market as the UK responds to increasing energy demand whilst looking to deliver its targets for renewable power generation.

Read more about Energy on pages 18 & 19

ENVIRONMENTAL

Water

The UK's water industry operates on 5-year network infrastructure investment cycles, known as Asset Management Programmes. The regulator, Ofwat, estimates through the current investment period AMP6, to 2020, a total expenditure of approximately £44bn[3] will have been spent on delivering, maintaining and improving services. The Board anticipates that the next 5-year AMP cycle will see at least the same level of investment due to population growth and the changing climate.

We work for clients including Northumbrian Water, Wessex Water and Welsh Water who are undertaking large scale asset renewal and maintenance spending programmes in the current investment period, AMP6.

The UK government has also committed a record £2.3bn investment in coastal and river flood risk management to 2021.[4]

Land remediation

The Environment Agency estimates that in England and Wales approximately 300,000 hectares of land could potentially be affected by historical contamination.

In the UK, the focus on brownfield land as a potential solution to the UK's land shortage and environmental regulations continue to drive remediation opportunities.

Read more about Environmental on pages 20 & 21

INFRASTRUCTURE

Rail

Network Rail is investing around £41bn in the current control period ("CP5") to 2019 in running, maintaining and improving Britain's railway. The government recently announced an increase in funding to £48bn for CP6, which runs from 2019 to 2024[5]. Control Period 6 (CP6) is expected to see a 25% increase compared to the previous control period in operations, maintenance, support, and renewals to improve existing infrastructure and consequently the passenger experience.

Opportunities will arise from the integration of the HS2 scheme with existing rail infrastructure.

The long-term investment requirement to deliver renewal and maintenance services on London Underground's assets continues to provide opportunities for the Group.[6]

Wireless telecoms

The wireless telecoms infrastructure market remains attractive as demand for mobile internet access and communication continues to outstrip the capability and capacity of the current networks. Licence obligations under the 4G programme continue to demand significant investment and our addressable market remains strong.

In future, the UK government's ambition to be a leader in the provision of the next generation of mobile communications technologies will see opportunities arise on long-term 5G investment programmes.

Read more about Infrastructure on pages 22 & 23

References

1 Nuclear Decommissioning Authority, Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites (12 July 2018).

2 HM Government Industrial strategy: government and industry in partnership The UK's Nuclear Future (2013).

3 Ofwat PR14 Setting price controls for 2015–20 Overview (December 2014).

4 Department for Environment Food and Rural Affairs, Reducing the risks of flooding and coastal erosion: An investment plan (December 2014).

5 Network Rail – Strategic Business Plan Summary (9 February 2018).

6 https://tfl.gov.uk/campaign/tube-improvements/what-we-are-doing/improving-the-trains.

A FOCUSED STRATEGY

Our long-term strategy concentrates on developing our range of engineering services capabilities, both organically and through selective acquisitions. The Group targets acquisitions that bring complementary skills and allow us to deliver a wider range of services to our clients.

TO BE A KEY PROVIDER OF ENGINEERING SERVICES IN OUR TARGET MARKETS

PROGRESS IN 2018
We have made good progress in developing our position as a leading provider of engineering services, achieving a number of key framework awards and extensions in the period. Appointments to these long-term frameworks for essential maintenance services strengthen our existing relationships with clients responsible for critical UK networks.

HOW WE DELIVERED
During the year we delivered growth in our engineering services business, expanding our range of services and geographical coverage.

FUTURE FOCUS
Develop strategically important relationships by delivering market-leading innovation and cost efficiencies to our clients.

TO FOCUS ON ASSET SUPPORT, MAINTENANCE AND RENEWALS PROGRAMMES WITH NON-DISCRETIONARY FUNDING

PROGRESS IN 2018
We continued to work closely with our clients in the year, providing essential maintenance services to their long-term asset management spending programmes. These programmes, which often last many years, are driven by regulation with asset maintenance and renewals delivered through visible operational expenditure budgets rather than capital expenditure funding.

HOW WE DELIVERED
Key frameworks were secured in the year including our 5-Year Asset Management Buildings and Civils Frameworks with Network Rail and the Environment Agency's 5-year Flood and Coastal Risk Management Frameworks in the North, Central and South West Hubs.

FUTURE FOCUS
Building on our reputation and responsive delivery, with a focus on positioning our business to access additional essential maintenance spending programmes with our existing clients.

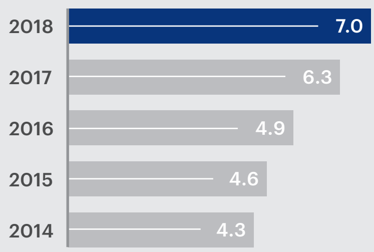
KEY PERFORMANCE INDICATORS

The Group has certain key performance indicators ("KPIs") which are used to measure and monitor its performance in a number of areas. The operating profit KPIs are measured on a non-GAAP basis which reflect the most appropriate view of the underlying performance of the business.

* Results are shown prior to impairment, amortisation and exceptional items and exclude the results of discontinued operations.

ADJUSTED ENGINEERING SERVICES OPERATING PROFIT AS A PERCENTAGE OF REVENUE* %

7.0%



TO EXPAND OUR DIRECT DELIVERY MODEL THROUGH STRONG LOCAL BRANDS

PROGRESS IN 2018
Operating as wholly owned subsidiaries of Renew, our businesses have strong, recognised brands within their individual markets.

HOW WE DELIVERED
Our subsidiary businesses are committed to delivering their services directly. At the 30 September 2018 we employed over 2,750 people.

FUTURE FOCUS
Continue to build on our subsidiary businesses' reputations for quality and responsive service within their individual markets.

TO ESTABLISH LONG-TERM RELATIONSHIPS THROUGH RESPONSIVENESS TO CLIENTS' NEEDS

PROGRESS IN 2018
The Group's direct delivery, market expertise and local operation enables us to provide a responsive service to our clients. We continue to develop our service offering adapting to our clients evolving requirements where we are able to offer long-term solutions.

HOW WE DELIVERED
During the year we developed a capability responding to demand for support in Dam safety. Major schemes were undertaken for Welsh Water in the year. We also undertook emergency reactive works for Welsh Water following a period of severe weather.

FUTURE FOCUS
Develop our range of capabilities and utilise our market knowledge to align our business to our clients' long-term objectives.

Continue to deliver a quality, safe and cost-effective service to our clients.

TO CONTINUE TO DELIVER ORGANIC GROWTH COMBINED WITH SELECTIVE COMPLEMENTARY ACQUISITIONS

PROGRESS IN 2018
During the year we made further progress in developing our position as a major engineering services provider to the rail market with the acquisition of QTS Group. The range of skills QTS brings are complementary to the Group's existing rail capabilities. We achieved good organic growth in our Environmental activities including work arising from the development of our expertise in dam safety for Welsh Water.

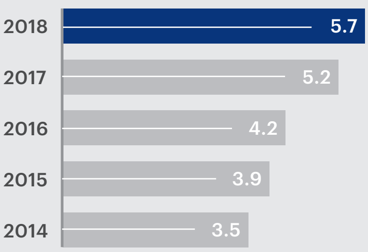
HOW WE DELIVERED
With the acquisition of QTS the Group is able to offer an extended range of services in the rail market including civil asset management, geotechnical & earthworks, fencing, devegetation and plant hire.

FUTURE FOCUS
It remains the Board's long-term strategy to continue to grow its Engineering Services operations, both organically and through selective complementary acquisitions.

Continue to develop the market opportunities associated with Group acquisitions.

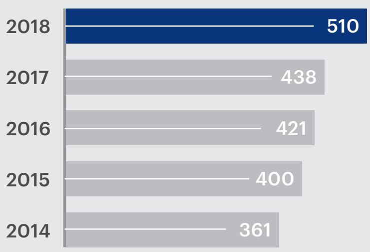
ADJUSTED GROUP OPERATING PROFIT AS A PERCENTAGE OF REVENUE* %

5.7%



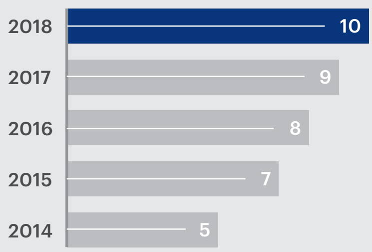
ENGINEERING SERVICES ORDER BOOK £M

£510m



DIVIDEND p

10p



Operational review

The Group's engineering services are focused on specific target markets, namely energy, environmental and infrastructure. The operational review contains commentary and background on our activities in each of these three markets.

ENERGY

Nuclear

Capabilities

Our services are associated with high hazard risk reduction operations at nuclear facilities that include waste treatment, reprocessing, decommissioning, decontamination and clean-up operations. Our integration of generation, grid and decommissioning services proves a differentiator in this market.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Nuclear decommissioning and decontamination
- Specialist fabrication and manufacturing

Progress

At the Sellafield nuclear site in Cumbria, which is allocated around 75% of the NDA's £3bn annual expenditure, we operate as the largest employer of mechanical, electrical and instrumentation trades. We provide multidisciplinary services at the site where our work supports operational plant as well as decontamination, decommissioning, waste management and new major project programmes.

We operate on long-term decommissioning frameworks at Sellafield, including the 10-year Decommissioning Delivery Partnership programme where we work across all 3 lots. During the year we were also engaged via the SR&DP Asset Care, Magnox Swarf Storage Silo, Bulk Sludge Retrieval, Bundling Spares and the Tanks and Vessels Frameworks. Our work on these high-profile programmes positions us strongly for future long-term opportunities at the site.

For BAE Systems in Barrow-in-Furness, we provide engineering support to the Astute Class Nuclear Submarine Programme as well as supporting the major ongoing redevelopment and upgrade at this facility.

We continue to work for Westinghouse at Springfields as a preferred contractor and for Low Level Waste Repository where we have delivered mechanical, electrical & instrumentation packages. We were operational at 7 Magnox sites providing a range of services through decommissioning, civil and electrical maintenance framework contracts.

Future focus

We continue to look for opportunities to broaden our range of skills and develop our service offering in the nuclear market which has high barriers to entry and requires an exceptional safety record. In the emerging new nuclear market, we focus on the supply of high integrity fabrications as well as mechanical and electrical installation support to specialist equipment vendors.

Image courtesy of the NDA.

Thermal and renewable

Capabilities

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering

Progress

We provide long-term engineering maintenance at 7 of the UK's thermal power stations and were appointed to a 4-year electrical maintenance framework at the Drax Power Station.

In renewable energy, we provide maintenance and engineering support to windfarm facilities as well as hydroelectric assets in Scotland.

Future focus

We continue to develop our existing relationships with clients responsible for assets in the thermal and renewable energy market. Our range of capabilities and experience in maintenance and renewal nationally means we are well placed to meet the needs of a wide range of assets across this sector.

ENVIRONMENTAL

Water

Capabilities

The Group has extensive expertise in delivering maintenance and renewals across water infrastructure networks. We support our clients through asset maintenance, flood alleviation, and river and coastal defence schemes. Our work includes mains replacement, upgrades to the sewer network and storm water alleviation schemes.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Emergency works including flood risk management programmes
- Maintaining strategic water mains and mains drainage
- Clean and wastewater rehabilitation infrastructure
- Port, harbour and sea defences

Progress

We provide engineering support to a range of water infrastructure assets including clean and waste water networks, flood alleviation programmes and coastal protection schemes.

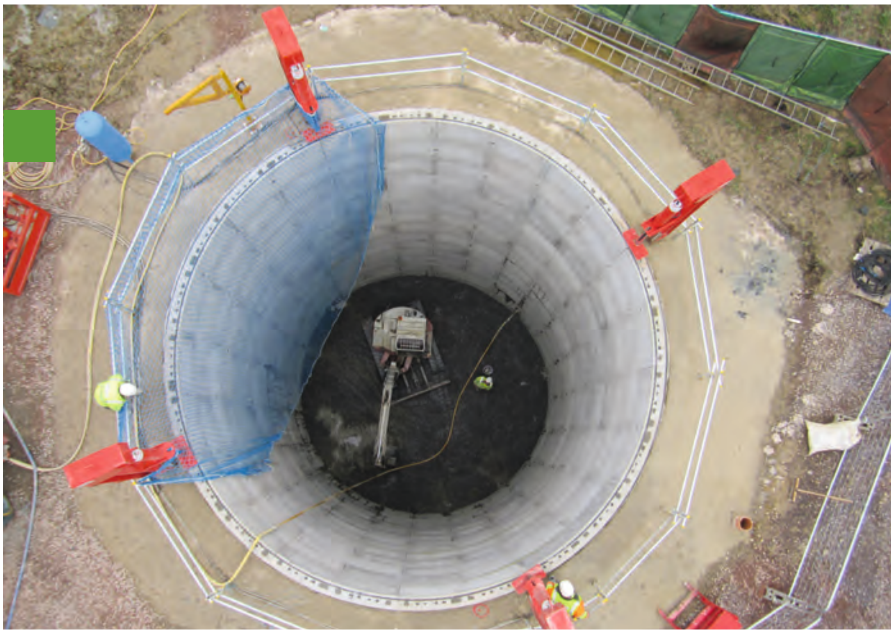
Working for Dŵr Cymru Welsh Water through the Major Civils Framework, the Pressurised Pipelines Framework and the Capital Delivery Alliance Civils contracts we have seen an increase in demand for our services. In addition to engineering maintenance tasks we also undertook a high level of emergency reactive works following a period of severe weather in the region. We have developed an expertise in dam safety, a new market where we see growth opportunities and during the year we delivered major schemes at the Llanishen and Talybont reservoirs. We continue to work for Wessex Water on the AMP 6 Civils & EMI Delivery Partners Framework and during the year we were pleased to be awarded our first project for new client, Bristol Water.

We have grown our activities with the Environment Agency where we are helping to protect and improve the environment through small scale civil engineering and maintenance tasks. In March, we were awarded the 5-year Flood and Coastal Risk Management Frameworks in the North, Central and South West Hubs as the only contractor to secure a position in all 3 regions. We also continue to operate as sole provider on the Northern Mechanical, Electrical, Instrumentation, Control, and Automation ("MEICA") Framework as well as in the South East where our framework was recently extended for 2 years.

For the Canal and River Trust, we continue to maintain the trust's waterway assets across England and Wales through a 7-year MEICA Framework. During the year we provided routine maintenance and renewal services as well as emergency support to around 1,200 assets on the network.

Future focus

We will continue to develop the opportunities available through our existing framework agreements with our water clients, supporting them in the day-to-day running of their water infrastructure networks.



Land remediation

Capabilities

As an industry leader of bespoke and innovative remediation solutions, we have over 30 years' expertise in providing specialist remediation and associated earthworks nationwide. Our in-house capabilities include soil washing, biophysical treatment and geotechnical improvements, which can add value, recovering up to 100% of soils and excavated materials on site.

- Soil and groundwater remediation
- Soil washing, biophysical treatment, solidification and stabilisation, enhanced segregation and geotechnical improvements
- Design of bespoke remediation and ground engineering solutions
- In-house technology and environmental engineering resources
- Remediation strategies combined with infrastructure delivery

Progress

In land remediation, our clients include SGN and National Grid where we have frameworks to remediate former gas works sites. New clients include Leeds City Council and Yorkshire Wildlife Park and during the year we successfully completed the Sighthill transformational regeneration scheme for Glasgow City Council.

At the Palace of Westminster, further progress has been made on the Courtyard Conservation Framework and additional work has been secured on the Cast Iron Roof Restoration programme which will continue to 2022. Our activities at this unique World Heritage site have been extended to include specialist restoration activity on the Elizabeth Tower, home to the iconic 'Big Ben'.

Future focus

We continue to maximise the potential of the position we have developed in the UK remediation and restoration markets.

INFRASTRUCTURE

Rail

Capabilities

As a leading provider of infrastructure services to Network Rail, we undertake a high volume of asset maintenance and renewals tasks across the UK. Our range of services, alongside our 24/7 emergency support, are essential to maintain the safe operation of the rail network.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering services
- Plant, power and signalling renewals
- 24/7 emergency provision
- Asset renewal and refurbishment
- Tunnel and shaft refurbishment
- Fencing and devegetation
- In-house design capability

Progress

We have organically expanded our capabilities in rail, which together with our acquisition of QTS, provides us with a strong platform for future growth during the next period of rail investment.

We continue to provide services on rail infrastructure project frameworks and in April, we secured the Civils and Buildings Asset Management Frameworks for Network Rail on 7 of the 8 geographical routes, with 6 of these on a single source basis for a term of 6 years (5+1).

We have electrification and plant frameworks in the Scotland and London North Eastern (LNE) routes and we have extended our offering in signalling with the award of a minor works framework in the South East region. We believe these positions are important in terms of growth opportunities which will emerge from the Digital Railway Strategy.

Outside of Network Rail's portfolio, we were appointed as a Strategic Partner by SPL Powerlines UK Limited on the Midland Mainline Electrification Programme and more recently we were appointed to a 4-year civil engineering framework for Transport for Wales.

Working for London Underground, we deliver specialist electrical, plant and power schemes through 5 frameworks. We continue to develop our opportunities in this sector where our work on the depot refurbishment programme is evidence of our growing range of civils, mechanical and electrical engineering services.

Future focus

We focus on developing the opportunities arising from our acquisitions where our expanded range of services provides opportunities in the wider rail market. We continue to align our business with the requirements of our largest client, Network Rail, over the CP6 investment period.

Wireless Telecoms

Capabilities

In wireless telecoms, we provide specialist infrastructure services to network operators and increasingly to multi-site operators and vendors acting as managed services providers. The work includes all aspects of site acquisition, design, installation, commissioning and integration of stations onto the networks.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Wireless telecoms installations
- Radio network planning, including the installation of specialist indoor and outdoor coverage solutions
- Provision of 2G, 3G, 4G and Wi-Fi technologies

Progress

In wireless telecoms, we work for the UK's major cellular network operators and original equipment manufacturers on their 3G and 4G programmes. During the year we were awarded new frameworks for Telefonica in the North and London on their latest network programme. We have also expanded our customer base with national programmes being delivered for BT Link and on the Emergency Services Network. We were recently awarded a 5-year national telecommunications framework by Network Rail again demonstrating the advantages of the Group's combined capabilities.

Future focus

We remain focused on the requirements of the 4G and 5G wireless telecoms network programmes in the UK. In the future, the UK government's ambition is to be a leader in the provision of the next generation of mobile communications technologies will see opportunities arise on long-term 5G investment programmes.

Progress

During the year we worked on several country residence properties within the Home Counties area including projects at Englefield Green and Basingstoke for private clients. We have seen the demand increase in the country residence market where our expertise in temporary works and specialist finishes prove a differentiator.

In these markets our focus remains on reducing risk through contract selectivity and management of contract terms.

Future focus

We focus on delivering technically challenging high value projects in London and the Home Counties where our expertise and experience prove differentiators in this market with high barriers to entry.

High Quality Residential

Capabilities

Our subsidiary, Walter Lilly, is recognised as a market-leading luxury provider of prestigious private residential refurbishment projects in London and the Home Counties. The schemes undertaken often require extensive structural engineering works which, together with space restrictions in the South and the complex nature of the work means that this market has high barriers to entry.

In-house design and engineering capabilities are able to provide innovative solutions on projects that require extensive underground development. Other services include design management, planning, traffic management and logistics support as well as expertise in specialist finishes.

SUSTAINABILITY

As a business we understand the wider responsibility of our activities and work hard to ensure consideration is given to the social, environmental and economic benefits our activities can bring. We are committed to ensuring our employees, clients, supply chain and other stakeholders are not adversely affected by our work but that we leave a lasting positive impact on those around us.

Environment and sustainability

Our business management systems and procedures ensure our compliance with all the relevant legislation relating to the environment as well as managing the implementation of our environmental procedures.

Schemes designed to focus on specific areas of environmental concern include those to reduce our carbon footprint, prevent environmental harm, reduce flood risk, manage our resources responsibly and divert waste away from landfill. Our environmental initiatives help to raise awareness and promote sustainable solutions. One example in the year was at AmcoGiffen where an external awareness campaign prompted the business to look at how it could contribute to a reduction in single use plastics. Raising awareness of the cause and promoting individual action, AmcoGiffen abolished single use plastic cups throughout its business.

Health & Safety

As a group, Renew and its subsidiary businesses continue to put Health and Safety at centre of what they do. The safety of employees, those who work with us and wider stakeholders is paramount. Our subsidiary businesses employ their own safety advisors who understand the complex needs of their individual markets. The Group also has its Safety, Health and Environmental Group forum where senior operational personnel and senior safety advisors from around the Group meet to share best practice and knowledge.

The development of a positive learning culture throughout the business is key to building on our improvements in health and safety. The positive learning culture is supported through close call reporting, incident investigation training, and a fair and just culture reinforcement.

As in recent years, we continue to focus on behavioural safety based initiatives to promote learning by understanding the reasons behind the incidents that occur. Behavioural based initiatives such as Achieving Behavioural Change "ABC" training run alongside more traditional courses on manual handling and working in confined spaces.

Our businesses undertake a wide range of initiatives throughout the year to drive Health and Safety performance improvement in a number of key areas. This year these have included fatigue management which involves the use of wearable technology and online training trialled to look at reducing the exposure to risk of incidents due to tiredness. Driver safety has also been an area of focus with in-cab technology trialled to help modify driver behaviour and deliver both safety benefits and environmental improvements. Safety Stand Down days are undertaken where employees participate in discussions and presentations on various topics. Our ongoing Change=Stop campaign also continues to deliver improvements in our health and safety performance targets.

The year has also seen many of our businesses raising awareness of mental health issues. Initiatives have included mental health first aid training.

Our businesses continue to be accredited with various health and safety schemes, including Constructionline, SafeContractor, the Contractors Health & Safety Assessment Scheme (CHAS), Achilles Verify and the Railway Industry Supplier Qualification Scheme (RISQS).

Employment and training

The Group recognises the importance investing in training for future success. Our businesses undertake a range of work placements, apprenticeships, work experience and day release placements to support their employees.

Seymour continues their close links with Hartlepool College of Further Education's Apprenticeship Programme as well as working closely with the college to provide a training academy for the next generation. Seymour also has a number of Science, Technology, Engineering and Maths (STEM) and CITB ambassadors.

Walter Lilly continue their relationship with Loughborough University, supporting degree courses including Construction Engineering Management, Commercial Management & Quantity Surveying and Architectural Engineering Design Management. Walter Lilly also works with local primary schools to deliver 'Brilliant Build Days' giving children the opportunity to explore the work of the construction industry.

AmcoGiffen, in collaboration with the head of Barnsley's Science, Technology, Engineering and Maths (STEM) Centre, has created a 'Learning & Skills Academy', specialising in mechanical engineering and construction for 16 and 17 year old students through work experience and NVQ qualifications across a range of disciplines.

Community

Our businesses understand their responsibility to the wider communities in which they operate and carefully consider the impact of their operations throughout planning phases and site operations.

Our businesses seek to leave a lasting positive impact by engaging with and supporting their local communities. Our businesses' commitment includes taking part in projects where they provide their time, resources and skills to help. During the year projects included a 3-day volunteering initiative where a team spent time improving gardens at a local care home.

Many of our businesses support local sports clubs for young people providing kit and sponsorship. QTS supports Kilmarnock Football Club youth academy and are involved in the Kilmarnock Community Sports Trust, where people of all ages are encouraged to be more active and get involved in sport. The QTS Youth Athlete programme also continues into its 4th year and currently supports eight young athletes in their chosen disciplines.

Sustainability continued

Community continued

AmcoGiffen has established an initiative to allow employees three days paid leave per year to undertake charitable work which has been actively bought in to across the business.

Charity

Working to support charities up and down the country, our businesses hosted and participated in a number of fundraising events throughout the year. At AmcoGiffen employees ran a charity car-wash to raise money for Children with Cancer UK. After several months of training, a team of 20 Lewis staff took part in the Carten100 Charity Cycle Ride, a 109 mile route between Cardiff and Tenby raising money towards many local Welsh charities. Seymour were again proud be involved with the 6th annual 'It's A Knockout' tournament, sponsoring the running of the event and providing a team to participate.

Shepley, through the Cumbria Community Foundation, made grants to local causes and UK wide initiatives throughout the year. Walter Lilly have once again hosted the HQR Summer Ball raising over £100,000 for a number of charities. A team from Walter Lilly also took part in 'The Cyclothon' raising money for the Butterfly Tree Children's Charity and the RFU Injured Player's Fund. Clarke Telecom have been supporting the Manchester Homeless Partnership Business Group which is working in collaboration with other agencies to help tackle the problems of homelessness in Greater Manchester.

Other charities supported in the year include Children in Need, Macmillan Cancer Support, Children with Cancer, Cancer Research UK, British Heart Foundation, Guide Dogs for the Blind, Tiny Tickers and Barnsley Hospice.

This Strategic report was approved by the Board on 27 November 2018 and is signed on its behalf by:

P Scott
Chief Executive
27 November 2018

Awards

- AmcoGiffen won 'Best Workplace Health & Wellbeing Intervention Award' at the 2018 Healthy Workplace Awards
- AmcoGiffen was awarded the prestigious Network Rail STAR award at its Cowley Junction site in Exeter
- Lewis Civil Engineering achieved a Gold Award for a fourth year at the Royal Society for the Prevention of Accidents ("RoSPA") Occupational Health and Safety Awards 2018
- Seymour Civil won Civils Project of the Year and the Health, Safety and Wellbeing award at the 2018 Construction Excellence North East Awards
- Seymour Civil awarded the 2018 Institute of Civil Engineering's Mike Gardiner Cup for commitment to the institute's education programme
- Seymour Civil has won a number of categories at the 2017 North East Civil Engineering Contractor Association ("CECA") Awards including:
  - Project of the Year 2017 (Hartlepool Town Wall)
  - Training Company of the Year 2017
  - Health and Safety Company of the Year 2017
  - "Going the Extra Mile Award 2017" (Hartlepool Town Wall)
- Shepley Engineers, West Cumberland Engineering and PPS Electrical all received RoSPA awards recognising health and safety achievements
- VHE was awarded a second RoSPA Order of Distinction

FINANCIAL REVIEW

Sean Wyndham-Quin CA
Chief Financial Officer

"Group revenue from continuing activities was £540.6m (2017: £543.7m), with an operating profit before tax from continuing activities prior to amortisation, impairment and exceptional items of £31.1m (2017: £28.4m)."

Results

Group revenue from continuing activities was £540.6m (2017: £543.7m), with an operating profit before tax from continuing activities prior to amortisation, impairment and exceptional items of £31.1m (2017: £28.4m). A tax charge of £6.4m (2017: £4.8m) resulted in a profit after tax prior to amortisation and exceptional items for the year of £24.0m (2017: £23.2m), an increase of 3.4%. After deducting £15.6m (2017: £8.3m) of amortisation, impairment and exceptional costs, the profit for the year from continuing activities was £9.2m (2017: £15.3m).

Impairment, amortisation and exceptional items

The £15.6m of exceptional items and amortisation is made up of the £6.9m impairment to the carrying value of goodwill and a £3m loss on disposal both arising from the disposal of Forefront Group Limited. The remaining £1.5m of exceptional costs represent professional fees in connection with the acquisition of QTS Group Limited. There was £4.2m of amortisation charges in the year relating to contractual rights and customer relationships which are primarily associated with QTS Group Limited. Following this amortisation there remains £16.0m of other intangible assets on the balance sheet.

Discontinued operations

The loss for the year from discontinued operations relate to the four months trading of Forefront Group Limited prior to its disposal as well as the operating losses of our small US business, Lovell America Inc, where the Board has decided to exit this geographical sector. The prior year comparatives have been restated to reflect the treatment of the discontinued operations in accordance with applicable accounting standards.

Cash

The Group's balance sheet shows a cash balance of £9.2m (2017: £7.0m) and borrowings of £30.6m (2017: £3.1m) at the year end. Consequently, the Group's net debt position as at 30 September 2018 was £21.4m (2017: net cash of £3.9m). The increase in the net debt position is as a result of the new £35m term loan with HSBC used to part fund the acquisition of QTS Group Limited. The HSBC loan is repayable in quarterly instalments over a term of four years and is secured by a fixed and floating charge over the Group's assets. The Group has complied with the covenants associated with the term loans throughout the year.

Taxation

The tax charge on profit for the year is £5.5m (2017: £4.5m), a rate of 38%. This rate is higher than the headline rate of 19% as the impairment charge and loss on disposal of £9.9m is not a tax deductible item. Excluding these items, the tax rate falls to 21% which is still higher than the headline rate but reflects the impact of the 35% deferred tax rate on pension contributions for both pension schemes.

Corporation tax payable for the year amounted to £3.6m (2017: £3.3m), a rate of 15% on profit before non-taxable exceptional items. The Group has been able to utilise some brought forward losses which had not previously been recognised as deferred tax assets. Due to the tax deductibility of pension scheme contributions which are not charged to the Income Statement, the rate of corporation tax payable in each of the next few years should remain below the headline rate of corporation tax in effect for the relevant accounting period.

Financial review continued

Pension schemes

At 30 September 2018, the IAS 19 valuation of the Lovell Pension Scheme, which was closed to new members in 2000, resulted in an accounting surplus of £12.6m (2017: £6.3m) after accounting for deferred taxation. The net surplus has increased by £6.3m during the year, due to an increase in the discount rate, updated mortality assumptions and the contributions made by the Company. The actuarial movement is accounted for through the Group Statement of Comprehensive Income.

During the year, the Board has continued to work with the Trustees of the Lovell Scheme, to reduce the risks associated with the scheme's liabilities by regularly reviewing the scheme's investment strategy which includes a liability driven model featuring interest rate hedging techniques. At the year end, 51% (2017: 54%) of the scheme's total liabilities were matched by annuities. In accordance with the scheme specific funding requirements of the Pensions Act 2005, the Board reached an agreement with the Trustees of the scheme on the level of future contributions at £4.3m per annum. This recovery plan was projected to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004 by 31 July 2018. Despite the elimination of the deficit, the Company ultimately intends to buy out the Lovell Scheme and so is committed to continuing to make contributions to the scheme at £4.3m per annum until the scheme is fully funded on a buy out basis. The next triennial valuation was due as at 31 March 2018 and is currently being finalised.

The IAS 19 valuation of the Amco Pension Scheme shows a net surplus of £0.7m (2017: deficit of £0.6m) after accounting for deferred taxation. The liability from prior year has turned into a surplus this year primarily due to an increase in the discount rate, updated mortality assumptions and the contributions made by the Company. Similar to the Lovell Scheme, the Board has worked closely with the Trustees of the Amco Scheme, to reduce the risks associated with the liabilities of the scheme. This has included agreeing to make £0.9m of additional contributions to provide liquidity so that the Trustees could fund transfer values requested by a number of members without disturbing the investment portfolio of the scheme. It is likely that further contributions will be made in 2018/19 for the same purpose. At the year end, 43% (2017: 46%) of the scheme's total liabilities were matched by annuities. In the triennial valuation of the scheme which was carried out as at 31 December 2016, the scheme actuary measured the deficit in the scheme at £3.4m. In accordance with the scheme specific funding requirements of the Pensions Act 2005, the Board agreed the level of future contributions with the Trustees of the scheme at £0.5m per annum. This recovery plan is projected to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004 by 31 October 2020. The next triennial valuation is due on 31 December 2019.

Acquisitions

On 10 May 2018, the Group acquired QTS Group Limited ("QTS"), a leading specialist independent rail contractor based in Scotland for a cash consideration of £80m. The acquisition was funded through a combination of a new £35m, 4-year term loan from HSBC and a £45m, oversubscribed equity placing. The equity placing resulted in the issue of 12,676,056 new ordinary shares in the company of 10p each ("Ordinary Shares") at an issue price of 355p per Ordinary Share. Following the conclusion of the placing, the Company's issued share capital consists 75,267,507 Ordinary Shares with one voting right per share.

IFRS 15 and 16

These two new international financial reporting standards will be applicable to the Group's results for the years ending 30 September 2019 and 2020 respectively. Following a thorough review of the Group's current major contract types, the Board has determined that it does not expect a material impact from the adoption of IFRS15 on the reported revenue of the Group, but that we will continue to review a sample of different types of contract to ensure the impact is fully understood and acted upon in advance of the 2019 financial statements. There will be some evolution of processes to ensure that IFRS 15 implications of new contracts, or contract variations are considered. Regarding IFRS 16, the Board assesses that the net impact to the Income Statement will be immaterial. Both assets and liabilities on the Balance Sheet are expected to increase by corresponding amounts, which as at 30 September 2018 would have been approximately £10m.

Distributable profits

The distributable profits of Renew Holdings plc are £36.2m (2017: £50.9m). The reduction is primarily as a consequence of accounting for discontinued operations. The Board is recommending a final dividend of 6.7p per share (2017: 6.0p) bringing the total for the year to 10.0p (2017: 9.0p), an increase of 11.1%.

Sean Wyndham-Quin CA
Chief Financial Officer
27 November 2018

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.

Effective risk management

The Executive Directors provide regular updates to the Board on the principle risks and controls across the Group, including the roles and responsibilities of key management in managing those risks. The Executive team works with its subsidiary businesses to identify and assess key risks in their businesses. It also facilitates the embedding and monitoring of the Board's agreed risk management process within the business, under the direction of the Executive Directors ensuring controls are implemented effectively.

The Group identifies the following risks to the Group:

Loss of a major customer

As we have moved progressively into the Engineering Services business we have fewer, larger clients. We mitigate this risk by keeping close to our clients and by being seen as responsive, compliant, safe, innovative and proactive. The business strategy also includes ambition to grow our workshare with a number of other key clients such as London Underground and the Environment Agency.

Major project loss

We continue to mitigate this risk by ensuring rigorous selectivity procedures, carrying out thorough risk management and by maintaining first class records to enable effective management of any disputes. Projects carrying risk are fully discussed in the business unit plans. Discontinued activities (predominantly Allenbuild related) continue to present legacy risk and new issues can still emerge that challenge the provisioning we have previously determined.

Economic conditions

With uncertainty in the economic outlook there remains a risk of inflation in supply chain costs, particularly in the building sector in the South East. Our Specialist Building business in high quality residential has dealt with these increases well although as previously noted we have recently experienced a shift towards single stage tenders so this will become an increased area of focus over the strategic plan period. The strategic shift of the Group has naturally mitigated the effect of volatile economic conditions. We keep our workload trends and cost base under constant review to ensure we continue to act decisively to any change in conditions. As a predominantly direct delivery group there is also the threat of availability of suitably qualified and experienced resources to support our plans. This issue remains under constant review and is mitigated with training, development and successions plans.

Management and succession planning

Continuity of business leadership is recognised as a critical factor in maintaining both short-term and longer-term business success. Succession planning and management is key to delivering this continuity. Each year, the Group carries out a review of succession planning and management in each subsidiary business. The primary focus is associated with Managing Director positions in the immediate and longer term. In conclusion, the review identified that, with the support from Group, appropriate leadership capability does exist to manage any disaster recovery event.

Business continuity interruption

With the ever-increasing dependence on electronic communication and management systems in the conduct of our activities, the potential for a serious business interruption event has increased. This is amplified in our case due to our small number of large customers working in complex environments supporting critical networks. As a mitigation measure we have developed and shared best practice and introduced minimum standards.

Improvement initiatives are ongoing but this threat will remain a feature of our business and one that will require continuous and diligent management.

Business under performance

The group assumes that all businesses perform at least in line with their established plans.

Board of Directors

The members of the Board bring a range of expertise on issues of performance, strategy and governance, which are vital to the success of the Group. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience.

David Forbes
Chairman

A R N

Appointment date:
Non-executive Director from June 2011.

Chairman from January 2018.

Experience:
Qualified as a Chartered Accountant in 1984 with over 20 years' experience in corporate advisory services with N M Rothschild & Son Limited. David has held a variety of non-executive Director appointments at listed and private equity backed companies since 2004.

External appointments:
None.

Skills brought to the Board:
Expertise in mergers and acquisitions, corporate strategy and corporate finance.

Number of Board meetings attended:
Eight out of eight.

Sector experience:
Construction, retail, engineering, communications and support services.

John Bishop FCA
Non-executive Director

A R N

Appointment date:
Non-executive Director from October 2006.

Experience:
A Chartered Accountant with over 20 years' PLC experience at main board level. Before retiring in 2005, John spent twelve years at Morgan Sindall Plc as development director and latterly as finance director.

External appointments:
None.

Skills brought to the Board:
Industry and finance expertise.

Number of Board meetings attended:
Six out of eight.

Sector experience:
Construction and engineering.

David Brown
Non-executive Director

A R N

Appointment date:
Non-executive Director in April 2017.

Experience:
Over 35 years of experience in the transport industry with particular expertise in the London bus market. Former managing director of Surface Transport at Transport for London and chief executive of Go-Ahead's London Bus business.

External appointments:
Group Chief Executive of The Go-Ahead Group Plc and Director of the Rail Delivery Group Limited.

Skills brought to the Board:
Transport industry experience.

Number of Board meetings attended:
Eight out of eight.

Sector experience:
Transport.

A Audit Committee

R Remuneration Committee

N Nominations Committee

Chairman

Paul Scott
Chief Executive Officer

N

Appointment date:
As Chief Executive on the 1 October 2016, previously as Group Engineering Services Director on 21 July 2014.

Experience:
A qualified engineer who has been with the Group for 19 years. Having directly lead subsidiaries through substantial growth in line with the Group strategy, Paul's responsibilities gradually developed into a wider Group role before being appointed as the CEO.

External appointments:
None.

Skills brought to the Board:
Strong experienced leadership capability with a track record of compliant delivery. Proven capability in terms of developing a culture to support the execution of our agreed growth strategy.

Number of Board meetings attended:
Eight out of eight.

Sector experience:
Highly experienced across the UK Infrastructure sectors that remain our strategic focus.

Sean Wyndham-Quin CA
Chief Financial Officer

Appointment date:
Appointed to the Board on 8 November 2017.

Appointed Chief Financial Officer on 29 November 2017.

Experience:
Previously served as a partner at SPARK Advisory Partners, a business he co-founded in early 2012. Prior to that Sean worked for Brewin Dolphin and Ernst & Young where he qualified as a Chartered Accountant.

External appointments:
None.

Skills brought to the Board:
Track record in advising Boards on strategy, corporate governance and mergers and acquisitions. Experience in financial modelling, forecasting and business planning.

Number of Board meetings attended:
Eight out of eight.

Sector experience:
A broad range of experience across a number of sectors including support services and construction.

Andries Liebenberg
Executive Director

Appointment date:
Appointed as Executive Director on 31 March 2016.

Experience:
Managing director of Renew subsidiary, AmcoGiffen. Andries has been with the Group for over ten years. Previously worked internationally in Africa and the UK overseeing multi-million pound multidisciplinary fast track construction projects and long-term framework agreements.

External appointments:
None.

Skills brought to the Board:
Experienced in strategic business management including mergers and acquisitions.

Number of Board meetings attended:
Seven out of eight.

Sector experience:
Multidisciplinary infrastructure project delivery with a bias towards Rail, Energy and Environmental sectors.

Corporate governance

Renew's vision is to safely and responsibly deliver essential engineering services to the country's key infrastructure assets: "Engineering Infrastructure for the future". In order to deliver a growing business in the challenging Specialist Building, Energy, Environmental and Infrastructure market sectors as a holding company we set overall standards for our subsidiary businesses through a formal governance framework which promotes best practice and knowledge sharing. The Group's business model and strategy drive its corporate culture.

The Board monitors and promotes a healthy corporate culture assisted by its senior management team who play a vital role in disseminating the Group's shared values with all our employees. Within our subsidiary businesses, monthly management meetings are attended by at least one member of the senior management team and, along with annual events such as the Senior Manager's Conference, the Board is able to monitor and assess the Group's corporate culture on an ongoing basis.

Renew seeks to adhere to the principles of the QCA Corporate Governance Code ("QCA Code") to the extent considered appropriate for a company of this size. The ten Principles of the QCA Code are set out below with details as to how Renew complies with that principle or an explanation as to why it does not.

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders.

We seek to deliver value to shareholders through our established and proven strategy, providing reliable capital growth alongside a progressive dividend policy. As a holding company, Renew grants a degree of autonomy to its operating subsidiaries, enabling them to be competitive and effective in their individual markets whilst setting overall standards. Our independently branded subsidiary businesses have expert knowledge in their individual markets and directly deliver engineering services aligned to the needs of our clients, many of whom are responsible for the long-term maintenance and renewal of national infrastructure networks.

Business model

Our long-term strategy is focused on continuing to develop our range of engineering services capabilities, both organically and through selective acquisitions in order to deliver value to our shareholders.

Our strategic priorities

- **To be a key provider of engineering services in our target markets**
- **Focus on asset support, maintenance and renewals programmes with non-discretionary funding**
- **Expand our direct delivery model through strong local brands**
- **Establish long-term relationships through responsiveness to clients' needs**
- **Continue to deliver organic growth combined with selective complementary acquisitions**

Key challenges to the successful delivery of our business model and strategy include:

Loss of a major customer

As we have moved progressively into the Engineering Services business we have fewer, larger clients. We mitigate this risk by keeping close to our clients and by being seen as responsive, compliant, safe, innovative and proactive. The business strategy also includes ambition to grow our workshare with a number of other key clients such as London Underground and the Environment Agency.

Major project loss

We continue to mitigate this risk by ensuring rigorous selectivity procedures, carrying out thorough risk management and by maintaining first class records to enable effective management of any disputes. Projects within focus carrying risk are fully discussed in the business unit plans. Discontinued activities (predominantly Allenbuild related) continue to present legacy risk and new issues can still emerge that challenge the provisioning we have previously determined.

Economic conditions

With uncertainty in the economic outlook there remains a risk of inflation in supply chain costs, particularly in the building sector in the South East. Our Specialist Building business in high quality residential has dealt with these increases well although as previously noted we have recently experienced a shift towards single stage tenders so this will become an increased area of focus over the strategic plan period. The strategic shift of the Group has naturally mitigated the effect of volatile economic conditions. We keep our workload trends and cost base under constant review to ensure we continue to act decisively to any change in conditions. As a predominantly direct delivery group there is also the threat of availability of suitably qualified and experienced resources to support our plans. This issue remains under constant review and is mitigated with training, development and successions plans in each of our businesses.

Management and succession planning

Continuity of business leadership is recognised as a critical factor in maintaining both short-term and longer-term business success. Succession planning and management is key to delivering this continuity. Each year, the Group carries out a review of succession planning and management in each subsidiary business. The primary focus was associated with Managing Director positions in the immediate and longer term. In conclusion, the review identified that, with the support from Group, appropriate leadership capability does exist to manage any disaster recovery event.

Business continuity interruption

With the ever-increasing dependence on electronic communication and management systems in the conduct of our activities, the potential for a serious business interruption event has increased. This is amplified in our case due to our small number of large customers working in complex environments supporting critical networks. As a mitigation measure we have developed and shared best practice and introduced minimum standards. Improvement initiatives are ongoing but this threat will remain a feature of our business and one that will require continuous and diligent management.

Business underperformance

The plan assumes that all businesses perform at least in line with their established plans.

The Group undertakes an annual strategic review process with each subsidiary business to review market trends, business operations and strategic objectives to support our continued success within our chosen markets. In order to strengthen our business model, the Group targets acquisitions that bring complementary skills, expanding the Group's core capabilities and allow us to deliver a wider range of services to our clients.

Principle 2: Seek to understand and meet shareholder needs and expectations.

Individual shareholders

Members of the Board have dialogue with individual shareholders during the year and the Chairman addresses shareholders at the Group's Annual General Meeting ("AGM") where questions are invited. Notice of the AGM is provided to shareholders at least 21 days in advance. Where resolutions at the AGM are dealt with by show of hands, the results of proxy votes are also announced by the Company Secretary.

Financial and other information about the Group is available via the Company's website: www.renewholdings.com. Shareholders can also find a link to the website of Link Asset Services Limited for details of their shareholding.

Shareholders wishing to contact the Company directly should address communication to the Group's Company Secretary, Sean Wyndham-Quin by email to info@renewholdings.com or by post to Renew Holdings plc, Yew Trees, Main Street North, Aberford, West Yorkshire LS25 3AA.

Institutional shareholders

The Chief Executive and Chief Financial Officer communicate with institutional investors frequently through formal meetings immediately following the Group's interim and preliminary financial results as well as through capital markets presentations and informal briefings. It is the intention of the Directors to understand the objectives and concerns of its institutional shareholders through both direct communications and through analyst and broker briefings.

The Chief Financial Officer is responsible for informing the Board of the views and concerns of its major shareholders. The Board makes itself available to meet with institutional investors as required to discuss matters as they arise.

Shareholder engagement activities

November	Preliminary results roadshow
January	Annual General Meeting
May	Interim results roadshow

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

By the effective management and control of our subsidiary businesses, we deliver the key elements of the Group's business model and ultimately shareholder value. Our business is supported in this through its key resources and relationships.

Operating companies

Our Executive Directors are in daily contact with our subsidiary businesses. Each month the subsidiary management meetings are attended by at least one member of the senior management team. Our subsidiary businesses are supported by the central Renew team across its business functions. One example in the year was in health and safety where safety advisors from around the Group shared their knowledge and best practice at an internal forum. Similarly in IT, commercial, HR and finance knowledge sharing is key to achieving our improvement targets. Our Executive team frequently visits the Group's subsidiary businesses and has an in-depth knowledge of their day-to-day operations. Communication between our subsidiary businesses and the Executive team is a critical element of the effective running of the Group's operations.

Employees

Effective communication with our employees is key to successfully managing our business. Renew's subsidiaries benefit from Group-wide communications on shared topics including health and safety, HR, IT, commercial and finance policies and procedures. Our subsidiary businesses undertake a range of initiatives to engage with their employees including employee newsletters, social media channels and employee surveys. The Board recognises the critical role our employees play in the delivery of the Group's success.

Customers

Strong communication with our customers is critical for our businesses to understand and deliver the requirements of their clients. The long-term nature of the work we undertake means this assists us in forging close working relationships where recognising both current and future requirements supports the entire life cycle of these relationships.

Shareholders

Communication with our shareholders takes place throughout the year and includes dialogue at our Annual General Meeting, through participation in investor and analysts site visits as well as meetings with institutional investors. The feedback we receive through these channels helps guide the structure of future communications. In addition to the Regulatory News Service announcements the Company releases we also provide information to shareholders via the Group's website at www.renewholdings.com.

Public

Our businesses work hard to ensure they effectively communicate with the public when undertaking their work. Our businesses hold public events to inform and update the public on the nature and progress of work as appropriate.

Where we receive feedback from the public on societal matters we would seek to amend our programme of works where possible to address any concerns raised.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Executive Directors provide regular updates to the Board on the principle risks and controls across the Group, including the roles and responsibilities of key management in managing those risks. The Executive team works with its subsidiary businesses to identify and assess key risks in their businesses. It also facilitates the embedding and monitoring of the Board's agreed risk management process within the business, under the direction of the Executive Directors ensuring controls are implemented effectively.

The Group identifies the following risks to the Group:

Loss of a major customer

As we have moved progressively into the Engineering Services business we have fewer, larger clients. We mitigate this risk by keeping close to our clients and by being seen as responsive, compliant, safe, innovative and proactive. The business strategy also includes ambition to grow our workshare with a number of other key clients such as London Underground and the Environment Agency.

Major project loss

We continue to mitigate this risk by ensuring rigorous selectivity procedures, carrying out thorough risk management and by maintaining first class records to enable effective management of any disputes. Projects within focus carrying risk are fully discussed in the business unit plans. Discontinued activities (predominantly Allenbuild related) continue to present legacy risk and new issues can still emerge that challenge the provisioning we have previously determined.

Economic conditions

With uncertainty in the economic outlook there remains a risk of inflation in supply chain costs, particularly in the building sector in the South East. Our Specialist Building business in high quality residential has dealt with these increases well although as previously noted we have recently experienced a shift towards single stage tenders so this will become an increased area of focus over the strategic plan period. The strategic shift of the Group has naturally mitigated the effect of volatile economic conditions. We keep our workload trends and cost base under constant review to ensure we continue to act decisively to any change in conditions. As a predominantly direct delivery group there is also the threat of availability of suitably qualified and experienced resources to support our plans. This issue remains under constant review and is mitigated with training, development and successions plans in each of our businesses.

Management and succession planning

Continuity of business leadership is recognised as a critical factor in maintaining both short-term and longer-term business success. Succession planning and management is key to delivering this continuity. Each year, the Group carries out a review of succession planning and management in each subsidiary business. The primary focus was associated with Managing Director positions in the immediate and longer term. In conclusion, the review identified that, with the support from Group, appropriate leadership capability does exist to manage any disaster recovery event.

Business continuity interruption

With the ever-increasing dependence on electronic communication and management systems in the conduct of our activities, the potential for a serious business interruption event has increased. This is amplified in our case due to our small number of large customers working in complex environments supporting critical networks. As a mitigation measure we have developed and shared best practice and introduced minimum standards. Improvement initiatives are ongoing but this threat will remain a feature of our business and one that will require continuous and diligent management.

Business underperformance

The plan assumes that all businesses perform at least in line with their established plans.

Internal controls

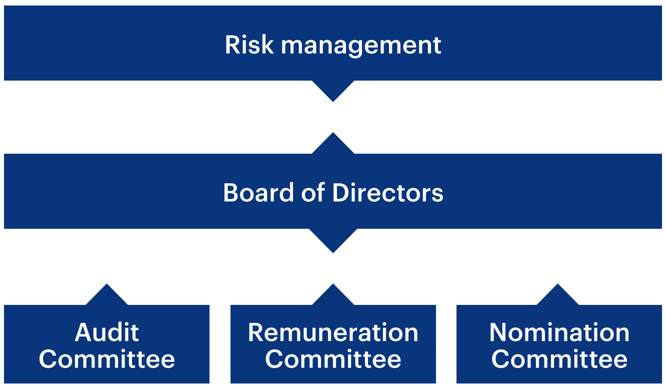
The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing and monitoring its effectiveness. The system of internal control is designed to manage and mitigate, rather than eliminate, the risks to which the Group is exposed and therefore provides a reasonable, but not absolute, assurance against a company failing to meet its business objectives or against material misstatement or loss.

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, medium and long-term cash monitoring achieved by means of daily, weekly and monthly 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 Group minimum requirements in a number of financial, commercial and operational areas with which each business within the Group must comply. The senior management team monitors and reviews compliance with these requirements on a regular basis. Due to the size and nature of the Group, the Board does not consider that a separate internal audit function is necessary. For the last twelve years and including 2018, the Group has carried out a programme of internal audit conducted by the Group Commercial Director and by members of the various subsidiaries' finance teams. This system of peer review promotes best practice as well as ensuring that Group minimum requirements as to procedures and internal controls are being complied with. The reports from these internal audits are made available both to the Board and to the external auditor.

Senior management and employees play a critical role in the identification of risk. Employees are often the first to become aware of risk and the effective communication between employees and senior management is considered key in this area.

Risk management framework



Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair.

Independence of non-executive Directors

The Board adopts the principles of the code regarding tenure of the Board and seeks to balance experience and the need to refresh the Board. In assessing the continued independence of Directors, where they have served more than nine years, the Board considers their independence of judgement and ability to continue to challenge the Board.

In respect of John Bishop who has served since 2006, the Board recognises that independence cannot be determined solely based on time served. Following due consideration, the Board is confident John Bishop remains independent.

Renew complies with the provision of Board independence as the Group has at least two independent non-executive Directors.

D M Forbes	Non-executive Chairman	Independent
D A Brown	Non-executive Director	Independent
J Bishop	Non-executive Director	Independent
P Scott	Chief Executive Officer	
S Wyndham-Quin	Chief Financial Officer	
A Liebenberg	Executive Director	

Board Committees

The Board operates with a number of committees. John Bishop, the Senior Independent non-executive Director, acts as Chairman of the Audit Committee, David Forbes acts as Chairman of the Nominations Committee and David Brown chairs the Remuneration Committee. The Board delegates clearly defined powers to its Remuneration, Nominations and Audit Committees. Each of the Board's Committees has carefully drafted terms of reference.

Remuneration Committee

The Remuneration Committee, which comprises all the non-executive Directors, determines and agrees with the Board the framework and policy of executive remuneration packages, including bonuses, incentive payments, share options or awards and pension arrangements.

Nominations Committee

The Nominations Committee, which comprises all the non-executive Directors and Paul Scott, monitors the composition of the Board and recommends the appointment of new Directors. The Nominations Committee, with all Directors present, has held two meetings during the year to discuss nomination matters.

The Nominations Committee terms of reference include:

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

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

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

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

Audit Committee

The Audit Committee has held four meetings to consider Audit Committee business. The Audit Committee consists of all three non-executive Directors. The Executive Directors are invited to attend Audit Committee meetings but at least two meetings are held each year with the external auditor at which the Executive Directors are not present.

The Audit Committee considers the adequacy and effectiveness of the risk management and control systems of the Group and reports the results to the Board. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the auditor. The Audit Committee monitors the non-audit work performed by the auditor to help ensure that the independence of the auditor is maintained. All fees paid to the auditor whether for audit or non-audit work are approved by the Audit Committee in advance. The Audit Committee also reviews the Interim statement, the preliminary announcement, the Annual Report and Accounts and accounting policies.

General Purposes Committee

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

Board and Committee Meetings

The Board met formally eight times in the year ended 30 September 2018 with all Directors in attendance other than on three occasions. Committee meetings dealing with the daily business of the Company were held as necessary. The Board receives written and oral reports from the Executive Directors ensuring matters are considered fully and enabling Directors to discharge their duties properly. There is a formal schedule of matters reserved for the Board's decision ensuring the maintenance of control over strategic, financial and operational matters.

The Directors attended the following meetings in the year ended 30 September 2018:

	Board Meeting	Audit Committee	Remuneration Committee	Nominations Committee
David Forbes	8/8	4/4	3/3	2/2
David Brown	8/8	4/4	3/3	2/2
John Bishop	6/8	2/4	2/3	2/2
Paul Scott	8/8	—	—	2/2
Andries Liebenberg	7/8	—	—	—
Sean Wyndham-Quin	8/8	—	—	—

Board Effectiveness

Board composition

The Board comprises the independent non-executive Chairman, Chief Executive Officer, two Executive Directors and two independent non-executive directors. Brief biographies of the Directors can be viewed on pages 30 and 31.

Sean Wyndham-Quin was appointed as Chief Financial Officer on 29 November 2017. David Forbes was appointed as Chairman on the 31 January 2018. The Board comprises of three independent non-executive Directors and three Executive Directors.

Time commitment

Directors are expected to commit as much time as is necessary to fully undertake their duties. Board members are expected to attend all Board meetings and committee meetings where they are a member and any additional meetings as requested.

Principle 6: Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities.

Details of the Board members' skills and experience are noted on pages 30 and 31 of this report.

The members of the Board bring a range of expertise on issues of performance, strategy and governance, which are vital to the success of the Group. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience.

Senior Independent Director

John Bishop is the Senior Independent Director and undertakes a key role in supporting the Chairman in the effective running of the Board.

Company Secretary

Sean Wyndham-Quin is responsible for assisting the Board in discharging their statutory duties and responsibilities as well as liaising with the Group's shareholders and other stakeholder groups.

External advisors

To assist with the recent acquisition of QTS, the Group sought external advice from a number of advisors including on legal, financial, tax and insurance matters. In addition, for the recent appointment of a new Chief Financial Officer, a specialist executive search agency was engaged.

Professional development

Appropriate training, briefings and inductions are available to all Directors on appointment and subsequently as necessary, considering existing qualifications and experience. The Board members have many years of relevant experience and each is responsible for ensuring their continuing professional development to maintain their effective skills and knowledge.

Independent advice

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

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Chairman and fellow members of the Board are responsible for making sure Board members are updated with information concerning the state of the business and its performance, and information necessary for them to effectively discharge their duties and responsibilities, in a timely manner.

Each year Board members are required to complete a questionnaire to evaluate both the Board as a whole and its individual members providing an opportunity for comment and suggestions for improvements. The responses to the surveys are provided to the Chairman who prepares a report and actions are shared with the Board. The formal Board review for 2018 is underway but not yet completed and we will include the criteria and some of its results on our website.

It is the intention of the Board that every three years the evaluation of the Board will be externally facilitated to assess the Board and its Committees to ensure they are equipped to support the Group's evolving requirements. This process takes the format of an initial questionnaire followed by interviews and board observations. Areas of focus are identified, and an action plan prepared for the Board.

Succession planning

Continuity of leadership is recognised as a critical factor in maintaining both short-term and longer-term business success. Succession planning and management is key to delivering this continuity. Each year the Board carries out its annual review of succession planning at both Board and subsidiary business level.

Board

The Nominations Committee considers succession planning for the Board each year, considering the challenges specific to the required role. The Chairman is responsible for overseeing the process of succession planning for the Board. In identifying suitable external Board candidates, independent executive search consultants will normally be used.

Senior management

The executive level succession framework, which addresses senior management succession in the Group's subsidiary businesses forms part of the subsidiary budget and strategic planning process and is reported to the Board on an annual basis.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours.

Renew's vision is to safely and responsibly deliver essential engineering services to some of the country's key infrastructure assets: "Engineering Infrastructure for the future". To deliver a growing business in the challenging Energy, Environmental and Infrastructure market sectors we set overall standards for our subsidiary businesses through a formal framework to promote best practice and knowledge sharing. The Board is responsible for ensuring the corporate culture is implemented throughout the business and it will continue to evolve the governance framework as we move through 2019.

Our business model and strategy drive our corporate culture and in the year the Group focused on further developing its behavioural safety initiatives supported across the subsidiary businesses with campaigns to empower employees to improve the safety of their individual environments.

The Board monitors and promotes its corporate culture assisted by its senior management team who play a vital role in disseminating the Company's shared values with its employees. Within our subsidiary businesses, monthly management meetings are attended by at least one member of the senior management team. Regular executive management committee meetings are held with the involvement of all the Managing Directors and the senior management team. In conjunction with annual events including the Senior Manager's Conference, the Board can assess the Group's culture on an ongoing basis.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.

Roles and responsibilities

Chairman

The Board, run by Chairman David Forbes, is responsible for Group strategy, results, direction, risk management and business performance. The Board is ultimately responsible for overseeing the success of the Group.

Chief Executive

Chief Executive Paul Scott oversees the management of the business supported by his executive team with responsibility for delivery of the Group's strategic direction and management of its day-to-day performance.

The Senior Independent Director

John Bishop is the Senior Independent Director and undertakes a key role in supporting the Chairman in the effective running of the Board.

Chief Financial Officer and Company Secretary

Sean Wyndham-Quin is responsible for assisting the Board in discharging its statutory duties and responsibilities as well as liaising with the Group's shareholders and other stakeholder groups.

Appropriate training, briefings and inductions are available to all Directors on appointment and subsequently as necessary, taking into account existing qualifications and experience.

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

Board and Committee Meetings

The Board typically meets eight times a year with all Directors in attendance other than on three occasions. Committee meetings dealing with the daily business of the Company were held as necessary. The Board receives written and oral reports from the Executive Directors ensuring matters are considered fully and enabling Directors to discharge their duties properly. There is a formal schedule of matters reserved for the Board's decision ensuring the maintenance of control over strategic, financial and operational matters.

Board Committees

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

Remuneration Committee

The Remuneration Committee, which comprises of David Forbes, David Brown and John Bishop, determines and agrees with the Board the framework and policy of executive remuneration packages.

Key responsibilities:

- Remuneration packages
- Bonuses
- Incentive payments
- Share options or awards
- Pension arrangements

Nominations committee

The Nominations Committee, which comprises all the non-executive Directors and Paul Scott, monitors the composition of the Board and recommends the appointment of new Directors.

Key responsibilities:

- Reviews the structure, size and composition of the Board
- Considers succession planning for Directors and senior executives
- Identifies and nominates, for approval by the Board, suitable candidates to fill Board vacancies
- Makes recommendations to the Board on the contents of letters of appointment, Directors' duties, reappointment or re-election of Directors upon conclusion of a specified term or retirement by rotation

Audit Committee

The Audit Committee consists of all three non-executive Directors. The Executive Directors are invited to attend Audit Committee meetings but at least two meetings are held each year with the external auditor at which the Executive Directors are not present.

Key responsibilities:

- Considers the adequacy and effectiveness of the risk management and control systems of the Group, and reports the results to the Board
- Reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the auditor
- Monitors the non-audit work performed by the auditor to help ensure that the independence of the auditor is maintained
- Approves all fees paid to the auditor whether for audit or non-audit work in advance
- Reviews the Interim statement, the preliminary announcement, the Annual Report and Accounts and accounting policies

The Board is responsible for ensuring thorough corporate governance is applied throughout its business and will be continuing to work towards improving its governance framework throughout 2019. The continued growth of the Group has necessitated further review and revaluation of the governance framework the Group applies. The acquisition of QTS Group in May 2018 saw the Group update its Group minimum requirements, a series of minimum standards in a number of financial and operational areas with which each business within the Group must comply.

Principle 10: Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders.

Board and Committee Meetings

The Board met formally eight times in the year ended 30 September 2018 with all Directors in attendance other than on three occasions. Committee meetings dealing with the daily business of the Company were held as necessary. The Board receives written and oral reports from the Executive Directors ensuring matters are considered fully and enabling Directors to discharge their duties properly. There is a formal schedule of matters reserved for the Board's decision ensuring the maintenance of control over strategic, financial and operational matters.

Corporate governance continued

Principle 10: Communicate how the Company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders.
continued

Committee reporting

Audit report

The Audit Committee Report is set out on page 40.

Remuneration Report

The Remuneration Report is set out on pages 44 to 47.

Shareholder engagement

We regularly engage with our shareholders including through results presentations and roadshows, our Annual General Meeting, investor and analysts site visits and institutional investor meetings. Feedback received via these channels is an important element of shaping the Group's future communications.

Corporate information (including all Company announcements and presentations) is available to shareholders, investors and the public in the Investors section of the Company's corporate website, www.renewholdings.com/investors.

The Chief Financial Officer and Company Secretary, Sean Wyndham-Quin, is the primary contact for all investor relations queries and can be contacted by email at info@renewholdings.com or by post at Renew Holdings plc, Yew Trees, Main Street North, Aberford, West Yorkshire LS25 3AA.

Shareholder voting

The tables below show the votes cast at the 2018 Annual General Meeting held on the 31 January and the subsequent General Meeting held on 26 February 2018.

2018 Annual General Meeting voting results

The fifty-eighth Annual General Meeting of Renew Holdings plc was held at the offices of KPMG LLP, 1 Sovereign Square, Sovereign Street, Leeds LS1 4DA on the 31 January 2018 at 11.00am. All resolutions put to the meeting were passed.

	Voting for	Voting against	Voting withheld
Ordinary resolution 1			
To receive, approve and adopt the Company's audited financial statements for the year ended 30 September 2017 and the reports of the Directors and auditor thereon.	26,731,657	222,976	2,847
Ordinary resolution 2			
To declare a final dividend for the year ended 30 September 2017 of 6.00p per Ordinary Share in the capital of the Company to be paid on 13 March 2018 to shareholders who appear on the register at the close of business on 2 February 2018.	26,957,480	0	0
Ordinary resolution 3			
To re-elect Paul Scott as a Director of the Company. Mr Scott retires as a Director in accordance with the Company's Articles of Association and offers himself for re-election.	26,921,866	35,054	560
Ordinary resolution 4			
To re-elect David Brown as a Director of the Company. Mr Brown was appointed as a Director during the year and in accordance with the Company's Articles of Association offers himself for re-election.	26,947,383	9,537	560
Ordinary resolution 5			
To re-elect Sean Wyndham-Quin as a Director of the Company. Mr Wyndham-Quin was appointed as a Director during the year and in accordance with the Company's Articles of Association offers himself for re-election. (Explanatory note: biographical details of Mr Scott, Mr Brown and Mr Wyndham-Quin are included in the Directors' Report in the Annual Report and Accounts.)	26,808,420	48,500	100,560
Ordinary resolution 6			
To approve the Remuneration Report for the year ended 30 September 2017. (Explanatory note: this is an advisory resolution only.)	25,746,109	1,184,833	26,538
Ordinary resolution 7			
To appoint KPMG LLP as auditor of the Company.	26,509,187	338,157	110,136
Ordinary resolution 8			
To authorise the Directors of the Company to determine the remuneration of the auditor.	26,850,693	102,085	4,702

	Voting for	Voting against	Voting withheld
Special resolution 9			
THAT the Directors be and are generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 ("Act") to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares in the Company up to a nominal amount of £312,957 such authority to apply in substitution for all previous authorities pursuant to Section 80 of the Companies Act 1985 or Section 551 of the Act and to expire at the end of the Annual General Meeting in 2018 or on 25 April 2018 whichever is the earlier (unless renewed, varied or revoked by the Company prior to or on such date) but, in each case, save that the Company may make offers and enter into agreements before this authority expires which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority ends and the Directors may allot shares or grant such rights pursuant to any such agreement as if this authority had not expired.	26,715,274	219,623	22,583
Special resolution 10			
THAT, subject to the passing of resolution 9 above, the Directors be and are hereby given the general power pursuant to Section 570 of the Act to allot equity securities (as defined by Section 560(1) of the Act) wholly for cash pursuant to the authority given in resolution 9 above, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities: (a) in connection with an offer by way of rights issue to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, record dates, or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and (b) otherwise than in connection with a rights issue, up to an aggregate nominal amount of £312,957. The power granted by this resolution will expire on 30 April 2019 or, if earlier, the conclusion of the Company's next Annual General Meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either Section 89(1) of the Companies Act 1985 or Section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.	26,712,189	226,924	18,367

2018 General Meeting voting results

A general meeting of Renew Holdings plc was held at the registered office of the Company at Yew Trees, Main Street North, Aberford, West Yorkshire LS25 3AA on 26 February 2018 at 4.00pm. All resolutions put to the meeting were passed.

	Voting for	Voting against	Voting withheld
Ordinary resolution 1			
To grant the Directors of the Company authority to allot shares, or grant rights over shares, up to an aggregate nominal amount of £2,086,382.	22,325,392	242,253	10,410
Special resolution 2			
In connection with the exercise of any authority granted pursuant to resolution 1, to disapply statutory pre-emption rights which would otherwise apply on an issue of shares for cash in connection with rights issues, or otherwise up to a maximum nominal amount of £312,957.	22,108,948	458,414	10,693

Sean Wyndham-Quin CA
Company Secretary
27 November 2018

Audit Committee report

John Bishop
Chairman of the Audit Committee

Introduction

Dear Shareholder

On behalf of the Audit Committee I am pleased to present the Audit Committee Report for the financial year ended 30 September 2018.

The Audit Committee Report sets out the details of the composition of the Audit Committee including its responsibilities and seeks to provide an insight into the work undertaken by the Audit Committee during the year.

Committee composition

The Audit Committee consists of all three Non-executive Directors and is chaired by me as the Senior Independent Non-executive Director. The composition of the Audit Committee has not changed in this financial year however the Board monitors and evaluates membership of the Audit Committee on an annual basis. The Board believes that the current members have sufficient skills, qualifications and experience to discharge their duties in accordance with the committee's terms of reference and as a committee have competence in the sector within which the Group operates.

The Audit Committee met on four occasions during the year and other than two meetings which I was unable to attend, all members attended the meetings. The Chief Executive Officer and the Chief Financial Officer attend committee meetings by invitation to ensure that the committee is fully informed of material matters within the Group. The external auditor attended two of the meetings and, for part of both of those meetings, the external auditor met with the Audit Committee without any of the executive directors present.

Committee responsibilities

The Audit Committee is established by and is responsible to the Board. It has written terms of reference, which are available for review at www.renewholdings.com. Its main responsibilities are:

- to consider the appropriateness of the accounting policies, key accounting judgements and sources of estimation;
- to review the full year results including the annual report and accounts, preliminary results statement and the report from the external auditor and to be satisfied with the truth and fairness of the Group's financial statements including compliance with the appropriate accounting standards, the AIM Rules and the law;
- keep under review the effectiveness of the Group's internal controls and risk management systems;
- monitor and review the effectiveness of the Group's internal audit process in the context of the Group's overall risk management system; and
- oversee the relationship with, and remuneration of, the external auditor, including reviewing the effectiveness and independence of the incumbent external auditor prior to any decision to re-appoint.

External Audit

KPMG has been the external auditor since 2007 but has regularly rotated its audit partner in line with best practice. As required, the external auditor provided the Audit Committee with information for review about policies and processes for maintaining its independence and compliance regarding the rotation of audit partners and staff. The Audit Committee considered all relationships between the external auditor and the Group and was satisfied that they did not compromise the external auditor's judgement or independence, particularly with the provision of non-audit services.

Management was satisfied with the external audit team's knowledge of the business and that the scope of the audit was appropriate, all significant accounting judgements had been challenged robustly and the audit had been effective.

All of the above was taken into account before a recommendation was made by the Committee to the Board to propose KPMG for re-election at the AGM.

Approval

The Audit Committee Report was approved by the Board on 27 November 2018 and signed on its behalf by:

John Bishop
Chairman of the Audit Committee
27 November 2018

Directors' report

The Directors present their report and the audited accounts for the year ended 30 September 2018.

Principal activities

For the year ended 30 September 2018 the principal activity of the Group continued to be as contractors in Engineering Services and Specialist Building. The main activities are carried out in the United Kingdom. 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 Strategic Report and the Financial Review. A list of the Group's subsidiaries as at 30 September 2018 is listed in Note S to the Company's financial statements.

Results and dividends

The Group profit for the year after accounting for discontinued operations was £6,773,000 (2017: £12,427,000). The Directors recommend the payment of a final dividend on the Ordinary Shares of 6.67p (2017: 6p) giving a total for the year of 10.0p (2017: 9.0p).

Business review

Information that fulfils the business review requirements applicable to the Group can be found in this report, the Chief Executive's Review and the Strategic Report.

Derivatives and other financial instruments

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

As a result of the discontinuation of the Group's operations in the United States the remaining investment in operations in the United States is no longer material and therefore movements in the US dollar/sterling exchange will not materially affect the Group's and the Company's balance sheet. As at 30 September 2018 £474,000 (2017: £4,856,000) of the Group's net assets are denominated in US dollars. The Group does not use derivative financial instruments in its management of foreign currency risk.

Credit risk

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

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

Payment of creditors

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

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

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

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

Employees

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

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

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

Health and safety management

Paul Scott, the Chief Executive Officer, was the designated Director of Health and Safety with Group responsibility for safety and environmental management throughout the year. Health, safety and environmental management issues and reports are reviewed at every Group Board meeting with the Head of Department in attendance when necessary.

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

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

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

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

Sustainability

The Group's Sustainability Report, which includes its report on corporate social responsibility, is on pages 25 to 26.

Directors

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

Non-executive Directors

John Bishop – Director, 73, was appointed to the Board as a non-executive Director in October 2006. He is a Chartered Accountant with over 20 years' PLC experience at main board level. Before retiring in 2005, John spent twelve years at Morgan Sindall Plc as Development Director and latterly as Finance Director.

David Brown – Director, 57, was appointed to the Board on 3 April 2017. He is currently Group Chief Executive of The Go-Ahead Group Plc, a position he has held since 2011. Prior to that, he was Managing Director of Surface Transport for Transport for London and Chief Executive of Go-Ahead's London Bus business. He is also a director of the Rail Delivery Group Limited.

David Forbes – Director, 58, was appointed to the Board as a non-executive Director in June 2011. He qualified as a Chartered Accountant in 1984 and has over 20 years' experience in corporate advisory services with N M Rothschild & Son Limited. He succeeded Roy Harrison OBE as Chairman after the 2018 Annual General Meeting.

Executive Directors

Andries Liebenberg – Director 50, was appointed to the Board on 31 March 2016. Andries is the Managing Director of Renew's largest business, Amalgamated Construction Limited ("Amco") and has been with the Group over ten years.

Paul Scott – Director, 54, was appointed to the Board as Engineering Services Director on 21 July 2014 and as Chief Executive on 1 October 2016. Paul has been with the Group for nineteen years, serving as Managing Director of Shepley Engineers Limited, the Group's nuclear services business prior to assuming the Group-wide Engineering Services role.

Sean Wyndham-Quin – Director, 38, was appointed to the Board on 8 November 2017 and as Chief Financial Officer on 29 November 2017. Previously, he served as a partner at SPARK Advisory Partners, a business he co-founded in early 2012. Prior to that he worked for Brewin Dolphin and Ernst & Young where he qualified as a chartered accountant.

David Forbes and Andries Liebenberg retire by rotation at the 2019 Annual General Meeting ("AGM") and offer themselves for reappointment. The Board recommends their reappointment as it considers that they continue to perform their roles well and bring considerable strategic, financial and management 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 pages 46 and 47. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on pages 45 and 46.

Disclosable interests

As at 26 November 2018, 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
Octopus Investments Nominees Limited	12,196,239	16.20%
Investec Wealth & Investment Limited	6,048,812	8.04%
Charles Stanley Group PLC	4,994,849	6.64%
Canaccord Genuity Group Inc.	4,328,000	5.75%
Polar Capital LLP	3,934,814	5.23%
BlackRock Asset Management Limited	3,042,283	4.04%
Soros Fund Management LLC	2,637,832	3.50%
Rathbone Brothers PLC	2,315,381	3.08%
Hargreaves Lansdown PLC	2,288,027	3.04%

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 10p each) is 75,267,507. During the year, the Company has not bought back any of its own shares. 12,676,056,503 new ordinary shares of 10p each were issued at 355p during the year as part of the placing to fund the acquisition of QTS Group Limited in May 2018.

Disclosure of information to the auditor

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

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

Auditor

Resolutions will be proposed at the forthcoming AGM to reappoint KPMG LLP as Auditor to the Group and to authorise the Directors to determine their remuneration.

Approval

The Board approved the Report of the Directors on 27 November 2018.

By Order of the Board

Sean Wyndham-Quin
Company Secretary
27 November 2018

Company number 650447

Directors' remuneration report

Introduction

Dear Shareholder

On behalf of the Remuneration Committee I am pleased to present the Directors' remuneration report (the "Remuneration Report") for the financial year ended 30 September 2018.

The Remuneration Reports sets out the details of the Remuneration Committee including its terms of reference, the Company's Remuneration Policy, Remuneration for the year ended 30 September 2018 and the intended Remuneration for the year ending 30 September 2019.

As an AIM listed company, Renew is not required to prepare this Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (together "the Regulations"). However, the Remuneration Committee recognise the importance, and support the principles, of the Regulations and seek to follow them to the extent considered relevant for an AIM listed company. The Remuneration Committee will continue to monitor market practice to ensure that this report works towards including disclosures at least as good as market practice for AIM companies. The Auditor is not required to report to the shareholders on the Directors' Remuneration Report.

The Remuneration Report will be presented at the AGM on 30 January 2019 and will be the subject of an advisory vote.

Remuneration Committee

The Remuneration Committee is chaired by D A Brown and comprises D M Forbes and J Bishop. The Committee held three meetings during the financial year to discuss remuneration arrangements. D A Brown was appointed Chairman of the Remuneration Committee on 31 January 2018 succeeding D M Forbes who became Chairman of Renew and was therefore unable to continue as Chairman of the Remuneration Committee in line with best practice. On the same day R J Harrison resigned as Chairman of the Company and from the Remuneration Committee.

At the last annual general meeting, votes on the advisory resolution relating to the Remuneration Report were cast as follows:

In favour	– 25,745,809 (95.6 per cent)
Against	– 1,184,833 (4.4 per cent)
Total votes cast	– 26,930,642 (100 per cent)

The Remuneration Committee typically consults with major shareholders when any significant change in the structure or scale of directors' remuneration is being considered and will continue to do so where appropriate. No material matters have been raised by shareholders relating to directors' remuneration during the year.

Terms of reference

The Remuneration Committee's terms of reference include:

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

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

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

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

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

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

Remuneration policy

The Company's remuneration policy is that the remuneration packages of the Executive Directors should be sufficiently competitive to attract, retain and motivate those Directors to achieve the Company's objectives, without making excessive payments. The remuneration and employment terms of the Executive Directors are determined by the Remuneration Committee by comparison with salaries paid to, 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 Remuneration 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 Remuneration 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 and benefits;
- annual bonus awards;
- long-term equity incentive plans; and
- pension arrangements.

Basic salary and benefits

Basic salaries are reviewed annually by the Remuneration Committee and adjusted where the committee believes that adjustments are appropriate to reflect performance, changed responsibilities and/or market conditions. Other benefits for Executive Directors include car allowances and certain medical cover for Directors and their immediate family. The Company also has a permanent health insurance policy to provide cover for the Executive Directors.

Annual bonus awards

It is the Company's policy to provide a bonus incentive scheme for Directors linked directly to the financial performance of the Group. The Executive Directors' bonuses are related to the performance of the Group as a whole, including the health and safety performance of the Group. In the year ended 30 September 2018, A.Liebenberg's bonus criteria related to the performance of the businesses for which he is directly responsible however in future his bonus criteria will be aligned with the other Executive Directors. All performance criteria are subject to approval by the Remuneration Committee at the beginning of a year and all payments are made only when approved by the Remuneration Committee.

Details of the annual bonus scheme for the year under review and the following year are set out below.

Long-term equity incentive plans

The Remuneration Committee implemented the long term incentive plan ("LTIP") which was approved at an Extraordinary General Meeting ("EGM") held on 25 January 2012. The LTIP has been designed so as to comply with ABI guidelines in all material respects and to align a material part of an Executive Director's remuneration more closely with shareholders.

The performance criteria to be achieved by the Company in respect of the LTIP are as follows:

Vesting of one half of the options is dependent on absolute growth in the Company's Total Shareholder Return ('TSR'), and the other half dependent on the Company's TSR performance as compared to the TSR achieved by other companies in a comparator group of companies selected by the Remuneration Committee.

The constituents of the comparator group are reconsidered by the Remuneration Committee each year. All TSR calculations are based on the average of the opening and closing share price over a 30 day period prior to the commencement and end of the performance period.

The absolute TSR growth target requires the Company's TSR over the three year performance period to have grown by more than 25 per cent. For aggregate TSR growth between 25 per cent and 100 per cent, the half of the option which is subject to the absolute TSR growth target vests on a straight-line basis from nil vesting at 25 per cent growth, to 100 per cent vesting at 100 per cent growth. There is no vesting if aggregate TSR growth is 25 per cent or less. The Remuneration Committee consider this mechanism important to ensure that it meets the overall objectives of the LTIP.

In the event of a material correction of any accounts of the Company used to assess satisfaction of any performance conditions, or in the event of a participant's gross misconduct, options may be reduced, adjusted or cancelled as determined by the Remuneration Committee. To the extent that options have already been exercised, the Remuneration Committee may (having considered all the circumstances) require the participant to return any shares received, or the amounts of any proceeds of the sale of such shares (net of tax).

The Renew Holdings plc Executive Share Option Scheme ("ESOS") and the Renew Holdings plc Savings Related Share Option Scheme were approved at an EGM held on 11 March 2004. There are nil options outstanding under the ESOS. The Remuneration Committee does not currently intend to grant any further options under the ESOS. 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.

The Remuneration Committee is empowered to grant a maximum number of LTIP options over 10p Ordinary Shares equivalent in value to 150 per cent of basic salary per financial year. The options may be granted with an exercise price equal to their nominal value or as nil cost options. The Company also has the ability, but not the obligation, to provide a cash alternative to participants equal to the net benefit of their LTIP option. This simplifies the settlement process, reducing complexity and cost to both the Company and the participant and reducing dilution to the shareholders, all whilst preserving the overall economic effect of the LTIP award.

Executive Director minimum shareholding requirement

The remuneration committee has this year introduces a minimum shareholding requirement for the Executive Directors whereby each Executive Director is required by the Remuneration Committee to build up and hold a minimum of 100% of their basic annual salary equivalent value in ordinary shares in the Group before they are permitted to sell any shares. In exceptional circumstances, and at the sole discretion of the Remuneration Committee, or if shares are sold to cover a tax liability that arises as a result of an exercise of an LTIP, this requirement may be waived.

Remuneration for the year ending 30 September 2018

Service contracts and letters of appointment

The Company's policy is for all of the Executive Directors to have rolling service contracts that provide for a twelve month notice period.

The fees of non-executive Directors are determined by the full Board within the limits set out in the Articles of Association. The non-executive Directors are not eligible for bonuses, pension benefits, share options or other benefits. The Directors are indemnified to the full extent permitted by statute under the Articles of Association. All non-executive Directors are subject to re-election at least every 3 years.

The service contracts of the Directors, who served during the year ended 30 September 2018 and were in post on that date, include the following terms:

Directors	Executive/Non-executive	Date of contract	Unexpired term	Notice period (months)
D M Forbes	Non-executive	1 June 2011	Rolling one month	1
J Bishop	Non-executive	1 September 2008	Rolling one month	1
D A Brown	Non-executive	2 April 2017	Rolling one month	1
P Scott	Executive	1 July 2014	Rolling one year	12
A Liebenberg	Executive	31 March 2016	Rolling one year	12
S C Wyndham-Quin	Executive	8 November 2017	Rolling one year	12

S C Wyndham-Quin was appointed to the Board on 8 November 2017. J Samuel resigned from the Board on 29 November 2017 and R J Harrison resigned from the Board on 31 January 2018.

Remuneration for the year ending 30 September 2018 continued

Directors' remuneration

Information is provided below for Directors who served during the financial year and as at 30 September 2018:

	Notes	Salary/fees £000	Bonuses £000	LTIP £000	Pension £000	Benefits £000	Total emoluments 2018 £000	Total emoluments 2017 £000
Executive Directors								
P Scott	1,2,3,4,5	283	163	155	–	62	663	473
A Liebenberg	2,3,4,5,6	209	193	113	–	49	564	455
S Wyndham-Quin	2,4,5,7	189	121	–	–	42	352	–
J Samuel	1,4,5,8	43	–	–	–	11	54	946
							1,633	1,874
Non-executive Directors								
D M Forbes	9,11	62	–	–	–	–	62	34
J Bishop	12	42	–	–	–	–	42	34
D A Brown	10,12	42	–	–	–	–	42	17
R J Harrison	9	22	–	–	–	–	22	63
							1,801	2,022

Notes:

1 The highest paid Director for 2018 was P Scott who received emoluments of £663,000 (2017: J Samuel £946,000).

2 Bonuses were earned by P Scott, A Liebenberg and S Wyndham-Quin during the current financial year and will be paid in the year ending 30 September 2019.

3 Details of the LTIP options exercised during the year can be found in the Directors' remuneration report.

4 Benefits include car allowances and certain medical cover for the Director and immediate family.

5 Executive Directors received payments amounting to 15 per cent of their basic salary, in lieu of Company pension contributions. These were paid through the payroll and taxed as salary and are included in Benefits above.

6 All of A Liebenberg's emoluments were borne by a subsidiary undertaking.

7 S Wyndham-Quin was appointed as a Company Director on 8 November 2018 and took responsibility as Chief Financial Officer on 29 November 2018. Emoluments represent the period from 8 November 2017 until 30 September 2018.

8 J Samuel resigned as a Company Director on 29 November 2017 and so the emoluments represent the period from 1 October 2017 until 29 November 2017.

9 R J Harrison resigned as the Non-executive Chairman on 31 January 2018 and so the emoluments represent the period from 1 October 2017 until 31 January 2018. D M Forbes succeeded R J Harrison as Chairman on 31 January 2018.

10 D A Brown was appointed as a Non-executive Director with effect from 2 April 2017 and so the comparative emoluments represent the period from 2 April 2017 until 30 September 2017.

11 D M Forbes remuneration increased from 1 February 2018 to £75,000 per annum following his appointment as Chairman.

12 J Bishop and D A Brown's fees increased from 1 February 2018 to £40,000 per annum plus an additional £5,000 per annum for chairing a board committee.

Annual bonus awards

The Company provides a bonus incentive scheme for Executive Directors which (other than A Liebenberg) is linked to the performance of the Group.

At the beginning of the current financial year, the Remuneration Committee agreed a target for operating profit before exceptional items for the Group. In this year, if the Group meets that target, then the Executive Directors were entitled to receive an annual bonus equal to 50 per cent of their salary. The level of over and under performance results in the level of annual bonus to be varied on a straight-line basis, with the maximum bonus of 100 per cent of salary being paid if the performance exceeded the target by 30 per cent with no bonus being payable if performance was 50 per cent or more below target. The Remuneration Committee makes such adjustments to the target and/or results to remove distortions such as acquisitions and disposals during the year and other items as they believe are necessary.

At the beginning of the year ended 30 September 2018, the Remuneration Committee agreed a target for operating profit before exceptional items for the Group based on the structure of the Group on that date. The target was increased in May 2018 to £29.5m following the acquisition of QTS Group Limited and the closure of Forefront. The operating profit before exceptional items for the Group exceeded this revised target by approximately 5.4 per cent. The annual bonuses were reduced by 2.5% for P Scott and S Wyndham-Quin because their respective Health & Safety targets were not met during the year.

Accordingly, under the terms of the scheme, the Executive Directors are entitled to receive an annual bonus equal to 57.6 per cent of salary. A Liebenberg's annual bonus arrangements were set in relation to the business unit over which he has direct responsibility. That business unit's performance was such that A Liebenberg is entitled to receive a bonus of 91.7 per cent of his salary. The bonus for A Liebenberg was reduced by 5% because his Health & Safety targets were not met during the year.

Long-term equity incentive plans

The market price of the Company's shares at 28 September 2018 (being the last trading day of the month) was 392p and the range of market prices during the year was between 365p and 457p.

Information is provided below for Directors who served during the financial year and as at 30 September 2018.

Pursuant to the LTIP, the Board has granted options to the Executive Directors as set out in the following table.

The LTIP options are exercisable at a nominal cost but are only exercisable to the extent that certain performance criteria are achieved by the Company over a three year performance period.

Number of Ordinary Shares under option	Exercisable between 28 Jan 2019 & 27 Jan 2023	Exercisable between 25 Nov 2019 & 24 Nov 2026	Exercisable between 23 Nov 2020 & 22 Nov 2027
LTIP Options			
P Scott	67,700	91,400	99,000
A Liebenberg	58,000	67,700	73,500
S Wyndham-Quin	—	—	73,500

Performance criteria for the vesting of the share options under the LTIP are set out in the Remuneration Policy above and in Note 23 to the Accounts.

During the year, options awarded on 7 January 2015 amounting to 107,136 shares in aggregate, vested in accordance with their vesting conditions. These options were subsequently exercised on 8 January 2018 and 35,081 shares were issued to P Scott and 25,614 shares to A Liebenberg. Additionally, following his retirement from the Board, J Samuel was entitled to exercise a proportion of LTIP and CSOP options which had been awarded on 7 January 2015, on 27 January 2016 and on 24 November 2016. He exercised these options on 8 January 2018 which resulted in his acquiring a further 46,411 shares which he immediately sold. His remaining entitlement was settled in cash. All of J Samuel's option entitlements have now been exercised. The level of vesting reflects the material rise in earnings per share, share price and total shareholder return during the vesting period. In addition, and in accordance with the rules of the LTIP, payments of £6,106 and £4,071 were made to P Scott and A Liebenberg respectively representing dividends accrued during the vesting period on the shares vested as detailed above.

Directors' pension information

No Director has pension entitlements under the Group's defined benefit pension scheme arrangements. The Group has established individual stakeholder plans for each employee who elects to join into which the Group makes contributions; P Scott, A Liebenberg and S Wyndham-Quin receive a sum equivalent to 15 per cent of their basic salary in lieu of pension contributions from the Company.

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

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 2018 as follows:

	Ordinary Shares of 10p each	
	30 September 2018	30 September 2017
D M Forbes	**35,000**	20,000
J Bishop	**15,024**	9,390
D A Brown	**7,042**	—
P Scott	**29,042**	5,000
A Liebenberg	**17,634**	—
S Wyndham-Quin	**11,628**	—

Remuneration for the year ending 30 September 2019

Basic salary and benefits

The basic salary of P Scott and S Wyndham-Quin has increased by 5.9% and 7.1% to £300,000 and £225,000 respectively to reflect the management of a larger business and the additional responsibilities that entails. A. Liebenberg's salary increased by 2.5% to £215,373 which is closely aligned to the average annual pay award across the Group as a whole excluding rises for promotions or other changes in responsibility. There have been no material changes in the benefits which the Directors are entitled to receive.

Annual bonus awards

The structure of the annual bonus scheme for the year ending 30 September 2019 has been amended to be comparable with similarly sized companies in the markets in which the Group operates. Executive Directors will therefore be entitled to receive a cash bonus of 100 per cent of their basic salary if the Group achieves target operating profit and a maximum of 130 per cent of their basic salary if the Group achieves 130 per cent of target operating profit. No bonus will be paid if the Group achieves 50 per cent or less of target operating profit. Commencing in respect of the year ending 30 September 2019, any bonus payable in excess of 100 per cent of basic salary will be paid in shares and will be subject to the minimum shareholding requirements introduced this year and set out earlier in this report. As in previous years, the bonus payable will be reduced by the Remuneration Committee if certain Health & Safety targets are not achieved during the year.

Long-term equity incentive plan

The Remuneration Committee have made annual awards under the LTIP since it was set up in 2012 and will do so again this year. Each award has been made shortly after the publication of the Company's annual results, or in circumstances where the rules are being amended at the company's AGM, then shortly after that meeting. It is expected that the next award will be announced shortly after the publication of the Company's annual results. Awards for each participant in the Scheme are limited in amount to 150 per cent of that participants basic salary. The fifth tranche of options granted under the LTIP, granted on 27 January 2016 as detailed above, will vest during the coming year subject to the performance criteria contained therein.

Approval

The Directors' Remuneration Report was approved by the Board on 27 November 2018 and signed on its behalf by:

David A Brown
Chairman of the Remuneration Committee
27 November 2018

Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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.

1 Our opinion is unmodified

We have audited the financial statements of Renew Holdings plc ("the Company") for the year ended 30 September 2018 which comprise the Group income statement, Group statement of comprehensive income, Group statement of changes in equity, Group balance sheet, Group cashflow statement, Company balance sheet, Company statement of comprehensive income, Company statement of changes in equity, and the related notes, including the accounting policies in notes 1 and A.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Recognition of revenue and profit, and carrying value of contract balances

Recurring risk

£126.1 million of contract balances (2017: £111.9 million).

£541.5 million of revenue (2017: £545.9 million)

Refer to page 56 (accounting policy) and page 69 (financial disclosures).

Subjective estimate

The carrying value of the contract balances as well as the revenue and profit recognised are based on estimates of costs to complete, a level of unagreed variations and judgement as to the recoverability of those variations.

Estimated contract costs are impacted by a variety of uncertainties that depend on the outcome of future events that could result in revisions throughout the contract period.

Our procedures included:

- **Test of detail:** Identifying contracts with risk indicators, including low margin or loss making contracts, large carrying values of amounts receivable on contracts and contracts with known recoverability risks. For these contracts we agreed the year-end contract balance to cash recovered post period end or the work certified to date;
- **Test of detail:** Challenging the Group in respect of contract balances in the sample identified, where cash has not been received or work has not been certified post year end, by inspecting correspondence with the customer and where relevant third party legal correspondence, to corroborate the position;
- **Test of detail:** Inspecting a sample of contract agreements with customers to identify key terms and conditions, including contracting parties, contract sum, the scope of work and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete in the forecast of the outcome of the contract;
- **Historical comparisons:** Assessing the reliability of the directors' forecasting process by performing a retrospective review by comparing the final margin achieved on a sample of completed contracts with previous margin estimates made for those contracts.; and
- **Assessing transparency:** Assessing the adequacy of the Group's disclosures on revenue recognition and the degree of estimation involved in arriving at the contract balances and associated revenue and profit recognition.

Independent auditor's report continued

to the members of Renew Holdings plc

2 Key audit matters: our assessment of risks of material misstatement continued

Accounting for the acquisition of QTS Group **New risk** £71.7 million of goodwill & intangible assets. Refer to page 57 (accounting policy) and page 81 (financial disclosures). .	**Subjective valuation** The Group acquired QTS Group during the year for £80m. The determination of separately identifiable intangible assets arising on business combinations involves a degree of judgement. Valuation of the intangible assets identified by the Group may be complex and/or sensitive to underlying assumptions around future cash flows and discount rates.	Our procedures included: • **Methodology choice:** Assessing, using our own valuation specialist, whether the Group's intangible asset valuations were performed in accordance with relevant accounting standards and acceptable valuation practice; • **Evaluating assumptions:** Challenging the revenue and margin forecast and discount rate assumptions that are used by the Group to determine the value of intangible assets using our valuation specialists, our knowledge of the business and industry, and through comparison to externally derived data; and • **Assessing transparency:** considering the adequacy of the Group's disclosures in respect of the assumptions inherent with the valuation of intangible assets.
Recoverability of parent company's investment in subsidiaries & debt due from group entities **Recurring risk** £167.3 million (2017: £100.8 million) of investments in subsidiaries. £63.1 million (2017: £69.0 million) of debt due from group entities. Refer to page 85 (accounting policy) and page 87 (financial disclosures).	**Forecast-based valuation** The carrying amount of the parent company's investments in subsidiaries and group debtor balance are significant. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows used in the budgets.	• **Benchmarking assumptions:** Challenging the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate; • **Historical comparisons:** Assessing the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; • **Our sector experience:** Evaluating the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market; and • **Assessing transparency:** Assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries/group debtor balance.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.4 million (2017: £0.8 million), determined with reference to a benchmark of Group profit before taxation from continuing operations (normalised to exclude the loss on disposal of Forefront, impairment of goodwill and QTS acquisition expenses, totalling £11.5 million), of which it represents 5% (2017: 5%).

Materiality for the parent company financial statements as a whole was set at £1.16 million (2017: £0.75 million), determined with reference to a benchmark of company net assets, of which it represents 1% (2017: 1.0%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.075 million (2017: £0.04 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 29 (2017: 28) reporting components, we subjected 22 (2017: 26) to full scope audits for group purposes. These audits covered 100% (2017: 100%) of total Group revenue, 100% (2017: 96%) of Group profit before tax, and 99% (2017: 94%) of Group total assets. Component materiality levels were set individually for all components having regard to the mix of size and risk profile of the Group across the components, and ranged from £1,340,000 to £34,500 (2017: £750,000 to £1).

The work on all component was performed by the Group team. The group team performed procedures on the items excluded from profit before tax before continuing operations.

4 We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 48, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
27 November 2018

Group income statement

for the year ended 30 September

	Note	Before exceptional items and amortisation of intangible assets 2018 £000	Exceptional items and amortisation of intangible assets (see Note 3) 2018 £000	Total 2018 £000	Before exceptional items and amortisation of intangible assets 2017 (*Restated) £000	Exceptional items and amortisation of intangible assets (see Note 3) 2017 (*Restated) £000	Total 2017 (*Restated) £000
Revenue: Group including share of joint venture	2	541,469	—	541,469	545,932	—	545,932
Less share of joint venture's revenue	2	(853)	—	(853)	(2,239)	—	(2,239)
Group revenue from continuing activities	2	540,616	—	540,616	543,693	—	543,693
Cost of sales		(469,008)	—	(469,008)	(481,065)	—	(481,065)
Gross profit		71,608	—	71,608	62,628	—	62,628
Administrative expenses		(40,504)	(15,626)	(56,130)	(34,410)	(8,289)	(42,699)
Share of post-tax result of joint venture	14	—	—	—	166	—	166
Operating profit	3	31,104	(15,626)	15,478	28,384	(8,289)	20,095
Finance income	5	4	—	4	30	—	30
Finance costs	5	(1,080)	—	(1,080)	(528)	—	(528)
Other finance income – defined benefit pension schemes	5	306	—	306	197	—	197
Profit before income tax		30,334	(15,626)	14,708	28,083	(8,289)	19,794
Income tax expense	7	(6,364)	841	(5,523)	(4,838)	388	(4,450)
Profit for the year from continuing activities		23,970	(14,785)	9,185	23,245	(7,901)	15,344
Loss for the year from discontinued operations	4			(2,412)			(2,917)
Profit for the year attributable to equity holders of the parent company				6,773			12,427
Basic earnings per share from continuing activities	9			13.60p			24.54p
Diluted earnings per share from continuing activities	9			13.52p			24.39p
Basic earnings per share	9			10.03p			19.88p
Diluted earnings per share	9			9.97p			19.75p

* The prior year comparatives for the financial year ended 30 September 2017 have been restated following the reclassification of two discontinued subsidiary undertakings (see Note 4).

Group statement of comprehensive income

for the year ended 30 September

	Note	2018 £000	2017 £000
Profit for the year attributable to equity holders of the parent company		**6,773**	12,427
Items that will not be reclassified to profit or loss:			
Movement in actuarial valuation of the defined benefit pension schemes	27	**5,477**	(2,089)
Movement on deferred tax relating to the pension schemes		**(1,917)**	806
Total items that will not be reclassified to profit or loss		**3,560**	(1,283)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange movement in reserves		**6**	(42)
Total items that are or may be reclassified subsequently to profit or loss		**6**	(42)
Total comprehensive income for the year attributable to equity holders of the parent company		**10,339**	11,102

Group statement of changes in equity

for the year ended 30 September

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Share based payments reserve £000	Retained earnings £000	Total equity £000
At 1 October 2016	6,232	8,481	3,896	1,347	571	366	20,893
Transfer from income statement for the year						12,427	12,427
Dividends paid						(5,226)	(5,226)
New shares issued	27	1,154					1,181
Recognition of share based payments					109		109
Exchange differences				(42)			(42)
Actuarial movement recognised in pension schemes						(2,089)	(2,089)
Movement on deferred tax relating to the pension schemes						806	806
At 30 September 2017	6,259	9,635	3,896	1,305	680	6,284	28,059
Transfer from income statement for the year						6,773	6,773
Dividends paid						(6,262)	(6,262)
New shares issued	1,268	42,049					43,317
Recognition of share based payments					18		18
Exchange differences				6			6
Actuarial movement recognised in pension schemes						5,477	5,477
Movement on deferred tax relating to the pension schemes						(1,917)	(1,917)
At 30 September 2018	**7,527**	**51,684**	**3,896**	**1,311**	**698**	**10,355**	**75,471**

Group balance sheet

at 30 September

	Note	2018 £000	2017 £000
Non-current assets			
Intangible assets – goodwill	10	**105,282**	57,982
– other	10	**15,991**	2,679
Property, plant and equipment	11	**19,710**	13,497
Investment in joint venture	14	**123**	237
Retirement benefit asset	27	**20,424**	9,692
Deferred tax assets	7	**1,592**	2,057
		163,122	86,144
Current assets			
Inventories	12	**1,691**	3,900
Assets held for resale	13	**1,500**	1,500
Trade and other receivables	15	**129,376**	115,598
Current tax assets		**—**	220
Cash and cash equivalents	17	**9,179**	6,967
		141,746	128,185
Total assets		**304,868**	214,329
Non-current liabilities			
Borrowings	19	**(21,873)**	—
Obligations under finance leases	20	**(2,253)**	(2,376)
Retirement benefit obligation	27	**—**	(760)
Deferred tax liabilities	7	**(9,912)**	(3,892)
Provisions	21	**(298)**	(314)
		(34,336)	(7,342)
Current liabilities			
Borrowings	19	**(8,752)**	(3,100)
Trade and other payables	18	**(179,913)**	(173,245)
Obligations under finance leases	20	**(2,100)**	(2,547)
Current tax liabilities		**(2,245)**	—
Provisions	21	**(2,051)**	(36)
		(195,061)	(178,928)
Total liabilities		**(229,397)**	(186,270)
Net assets		**75,471**	28,059
Share capital	23	**7,527**	6,259
Share premium account	24	**51,684**	9,635
Capital redemption reserve	24	**3,896**	3,896
Cumulative translation adjustment	24	**1,311**	1,305
Share based payments reserve	24	**698**	680
Retained earnings	24	**10,355**	6,284
Total equity		**75,471**	28,059

Approved by the Board and signed on its behalf by:

D M Forbes
Chairman
27 November 2018

Group cashflow statement

for the year ended 30 September

	Note	2018 £000	2017 (*Restated) £000
Profit for the year from continuing operating activities		**9,185**	15,344
Share of post-tax trading result of joint venture	14	**—**	(166)
Impairment and amortisation of intangible assets	10	**4,157**	8,080
Loss on disposal of discontinued business	3	**9,930**	—
Depreciation	11	**4,356**	3,675
Profit on sale of property, plant and equipment	3	**(469)**	(501)
Expense in respect of share option exercise		**—**	1,181
(Increase)/decrease in inventories		**(1,190)**	2,895
Increase in receivables		**(4,974)**	(24,418)
(Decrease)/increase in payables and provisions		**(3,054)**	13,685
Current and past service cost in respect of defined benefit pension scheme	27	**64**	60
Cash contribution to defined benefit pension schemes	27	**(5,772)**	(5,291)
Expense in respect of share options	24	**18**	109
Finance income	5	**(4)**	(30)
Finance expense	5	**774**	331
Interest paid		**(1,080)**	(528)
Income taxes paid		**(1,717)**	(2,145)
Income tax expense	7	**5,523**	4,450
Net cash inflow from continuing operating activities		**15,747**	16,731
Net cash inflow/(outflow) from discontinued operating activities		**825**	(1,693)
Net cash inflow from operating activities		**16,572**	15,038
Investing activities			
Interest received		**4**	30
Dividend received from joint venture	14	**114**	—
Proceeds on disposal of property, plant and equipment		**788**	973
Purchases of property, plant and equipment		**(1,329)**	(2,150)
Acquisition of subsidiaries net of cash acquired		**(75,874)**	(7,024)
Net cash outflow from investing activities		**(76,297)**	(8,171)
Financing activities			
Dividends paid	8	**(6,262)**	(5,226)
Issue of share equity		**43,317**	—
New loan	19	**35,000**	—
Loan repayments		**(7,475)**	(6,200)
Repayments of obligations under finance leases		**(2,699)**	(2,542)
Net cash inflow/(outflow) from financing activities		**61,881**	(13,968)
Net increase/(decrease) in continuing cash and cash equivalents		**1,331**	(5,408)
Net increase/(decrease) in discontinued cash and cash equivalents		**825**	(1,693)
Net increase/(decrease) in cash and cash equivalents		**2,156**	(7,101)
Cash and cash equivalents at beginning of year		**6,967**	14,084
Effect of foreign exchange rate changes on cash and cash equivalents		**56**	(16)
Cash and cash equivalents at end of year	31	**9,179**	6,967
Bank balances and cash		**9,179**	6,967

* The prior year comparatives for the financial year ended 30 September 2017 have been restated following the reclassification of two discontinued subsidiary undertakings (see Note 4).

Notes to the accounts

1 Accounting policies

Presentation of consolidated financial statements

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

Accounting estimates and judgements

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

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

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

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

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

In accordance with IAS 36, goodwill is tested annually for impairment by comparing the carrying value of goodwill with the recoverable amount which is determined by an estimation of the value in use of the related cash generating unit to which the goodwill is attributed. The calculation of the value in use requires estimates to be made of the future cash flows of the cash generating unit and the timescale over which they will arise. Estimated growth rates and discount factors are also used in the calculation to estimate the net present value of the cash flows. More information is given in Note 10 to these financial statements.

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

Independent actuaries calculate the Group's asset/liability in respect of the defined benefit pension schemes. The actuaries make assumptions as to discount rates, salary escalations, net interest on scheme assets/liabilities, future pension increases, mortality rates applicable to members and future rates of inflation. These assumptions are made under the Board's direction. The Board determines the appropriateness of these assumptions by benchmarking them against those used by other schemes and by taking advice from the independent actuaries. If the actual experience of the schemes is different from the assumptions used then the pension asset/liability may differ from that shown in these financial statements. More information is given in Note 27 to these financial statements.

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

The Group makes provisions where the Board determines that liabilities exist but where judgements have to be made as to the quantification of such liabilities. A provision has been made for onerous lease contracts in respect of property leases where the Board has determined that the expected economic benefits to be derived from the leases are less than the unavoidable cost of meeting the Group's obligations under the lease contract. This arises 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.

On an ongoing basis the Group is party to various contractual or legal disputes, the outcome of which cannot be assessed with a high degree of certainty. A liability is recognised only where, based on the Group's view or legal advice, it is considered probable that an outflow of resource will be required to settle a present obligation that can be measured reliably. Disclosure of contingent liabilities is made in Note 26 unless the possibility of a loss arising is considered remote. These potential liabilities are subject to uncertain future events, may extend over several years and their timing may differ from current assumptions. Management applies judgement in determining whether a liability should be recognised in the balance sheet or disclosed as a contingent liability.

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

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

f) Accounting for discontinued operations in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations"

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

1 Accounting policies continued

f) Accounting for discontinued operations in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" continued

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

In accordance with IFRS 5, the above policy is effective from the start of the accounting period in which the operation meets the criteria to be classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

g) Carrying value of intangible fixed assets

A number of commercial and financial assumptions and judgements have been made to support both the initial recognition and the current carrying value of the intangible asset, categories of goodwill, customer related intangible assets, order book and software for own use.

The Group undertakes a fair value assessment of any acquisition during the year. This assessment includes a detailed analysis of the accounting policies and methods adopted by the acquired business and an estimate of the value of the separately identifiable intangible assets, principally customer related intangible assets and order book. The estimate requires the Directors to estimate the likely revenues from and costs of the delivery of the future services to the customers of the acquired business at the date that the business was acquired.

(i) Basis of accounting and preparation

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

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

EU endorsed standards effective in the year

The following new or revised International Financial Reporting Standards and IFRIC interpretations will be adopted, where applicable, for the purpose of preparing future financial statements. The Group has carried out a systematic review to ensure that the impact and effects of IFRS 15 and IFRS 16 are fully understood and any necessary changes to current accounting procedures can be implemented in time. In respect of IFRS 15 the Group has reviewed all of its existing major contract types and does not consider that any material adjustments to recorded revenue or to its accounting policies are required. This is because, under IFRS 15, the services provided under a typical contract for the Group represent one performance obligation. Furthermore, revenue on construction contracts meets the criteria for recognition over time under IFRS 15 and revenue will be recognised by measurement of contract progress and by reference to cost to complete. This is similar to IAS 19. IFRS 15 will apply to the Group for the year ending 30 September 2019.

In respect of IFRS 16, no material net impact from the adoption of this new standard is expected, although assets and liabilities will increase correspondingly.

IFRS 9 is not expected to have a material impact on the financial statements of the Group.

The Group has chosen not to adopt any of the standards and interpretations noted below earlier than required.

International Financial Reporting Standards	Applies to periods beginning after
IFRS 9 Financial Instruments	January 2018
IFRS 15 Revenue from Contracts with customers	January 2018
IFRS 16 Leases	January 2019

The other standards and interpretations that are applicable for the first time in the Group's financial statements for the year ended 30 September 2018 have had no effect on these financial statements.

(ii) Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings. The results and net assets of undertakings acquired are included in the Group income statement and balance sheet using the acquisition method of accounting. The results of undertakings acquired/disposed of are included from the date the Group obtains/loses control as defined in IFRS 10. Business combinations are accounted for under IFRS 3 Business combinations using the purchase method. The Group's interests in joint ventures are accounted for using the equity method. Under this method the Group's share of the profits less losses of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying value is reduced to nil, following which no further losses are recognised.

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

(v) Segment reporting

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

(vi) Intangible assets

a) Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. For the purpose of such impairment reviews, goodwill is allocated to the relevant cash generating unit (CGU), or group of CGUs which are expected to benefit from synergies of the combination. A goodwill impairment loss is recognised in the income statement for the amount by which the carrying value of the related CGU, or group of CGUs, exceeds the recoverable amount, which is the higher of a CGU's net realisable value and its value in use.

   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) Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Other intangible assets are stated at cost less accumulated amortisation and impairment losses. The cost of intangible assets is amortised over their expected useful lives. These intangibles relate to customer relationships and contractual rights and are amortised over the period over which the Board has determined that future cash flows are likely to arise from these relationships and rights.

(vii) Property, plant and equipment

Property, plant and equipment is 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:

Freehold land	– no depreciation charge
Freehold buildings	– fifty years
Plant, vehicles and equipment	– three to ten years

(viii) Impairments

Goodwill arising on acquisitions and other assets that has an indefinite useful life and is therefore not subject to amortisation, is 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 land 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.

(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.

1 Accounting policies continued

(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. 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 the term of the lease.

(xv) Defined benefit pension schemes

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to the income statement. The Group determines the net interest income/(expense) on the net defined benefit asset/(liability) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset/(liability) taking account of changes arising as a result of contributions and benefit payments. This is recognised in the income statement. Movements in actuarial measurement of the net defined benefit asset/(liability) is recognised in other comprehensive income in the period in which it occurs. Pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented on the face of the Group balance sheet.

(xvi) Defined contribution pension plans

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

(xvii) Taxation

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

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

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

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

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

(xviii) Foreign currencies

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

(xix) Financial instruments

Financial assets are divided into the following categories: trade receivables and financial assets at fair value. The Board assigns financial assets to each category on initial recognition dependant on the purpose for which the asset was acquired. The categorisation of these assets is reconsidered at each reporting date at which a choice of categorisation or accounting treatment is available. All financial assets are recognised whenever the Group becomes party to the contractual provisions of the financial instrument. All such assets are initially recognised at fair value. Derecognition of such assets occurs when the Group's right to receive cash flows from the asset ceases or the rights and rewards of ownership have been transferred. All such assets are reviewed for impairment at least annually. Interest and other cash flows which arise from holding a financial asset are recognised in the income statement in accordance with IAS39. 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 value amount, and the present value of the estimated cash flows discounted at the original effective interest rate. All impairment losses are recognised in the income statement. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. All interest related charges are recognised as an expense in the income statement. Bank loans and hire purchase liabilities are entered into to provide financing for the Group's operations and are recognised as funds are received. Financial liabilities are measured at amortised cost.

1 Accounting policies continued

(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 Monte Carlo valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period based on the Directors' estimate of shares that will eventually vest.

(xxi) Earnings per share

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

(xxii) Rental income

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

(xxiii) Finance income and expense

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

2 Segmental analysis

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

Operating segments have been identified based on the internal reporting information provided to the CODM. From such information Engineering Services and Specialist Building have been determined to represent operating segments. Following the identification of the operating segments the Group has assessed the similarity of the characteristics of the operating segments. Given the different performance targets and markets operated within each operating segment it is not appropriate to aggregate the operating segments for reporting purposes and therefore both of the identified operating segments are disclosed as reportable segments. The information received by the CODM shows results both pre and post exceptional items. The Group had one customer within the Engineering Services sector which represented 37.7% (2017: 34.3%) of Group revenue. No other customer represented more than 10% of the Group's revenue.

The segments are:

- Engineering Services, which comprises the Group's engineering activities which are characterised by the use of the Group's skilled engineering workforce, supplemented by specialist subcontractors where appropriate, in a range of civil, mechanical and electrical engineering applications and;
- Specialist Building, which comprises the Group's building activities which are characterised by the use of a supply chain of subcontractors to carry out building works under the control of the Group as principal contractor and;
- Central activities, which include the sale of land, the leasing and sub-leasing of some UK properties and the provision of central services to the operating subsidiaries.

On 31 October 2014, the Group entered into a contract to dispose of part of its Specialist Building segment, Allenbuild Limited. On 2 February 2018, The Group disposed of Forefront Group Limited, an Engineering Services subsidiary. Following a strategic review during the year, the Board has decided to close Lovell America Inc, a subsidiary that carried out land development in the USA, which formed part of the Group's central activities. The results of these businesses are shown as discontinued operations.

(a) Business analysis

Revenue is analysed as follows:

	Group including share of joint venture 2018 £000	Less share of joint venture 2018 £000	Group revenue from continuing activities 2018 £000	Group revenue from continuing activities 2017 (Restated) £000
Engineering Services	**467,335**	**(853)**	**466,482**	435,278
Specialist Building	**74,208**	**—**	**74,208**	106,834
Inter segment revenue	**(1,208)**	**—**	**(1,208)**	(921)
Segment revenue	**540,335**	**(853)**	**539,482**	541,191
Central activities	**1,134**	**—**	**1,134**	2,502
	541,469	**(853)**	**540,616**	543,693

2 Segmental analysis continued

(a) Business analysis continued

Analysis of profit on ordinary activities before taxation from continuing activities

	Before exceptional items and amortisation of intangible assets 2018 £000	Exceptional items and amortisation of intangible assets 2018 £000	2018 £000	Before exceptional items and amortisation of intangible assets 2017 (Restated) £000	Exceptional items and amortisation of intangible assets 2017 (Restated) £000	2017 (Restated) £000
Engineering Services	32,520	(15,626)	16,894	27,255	(8,289)	18,966
Specialist Building	574	—	574	2,418	—	2,418
Segment operating profit	33,094	(15,626)	17,468	29,673	(8,289)	21,384
Central activities	(1,990)	—	(1,990)	(1,289)	—	(1,289)
Operating profit	31,104	(15,626)	15,478	28,384	(8,289)	20,095
Net financing costs	(770)	—	(770)	(301)	—	(301)
Profit on ordinary activities before income tax	30,334	(15,626)	14,708	28,083	(8,289)	19,794

Balance sheet analysis of business segments

	2018			2017		
	Assets £000	Liabilities £000	Net assets £000	Assets (Restated) £000	Liabilities (Restated) £000	Net assets (Restated) £000
Engineering Services	227,038	(164,964)	62,074	200,821	(172,900)	27,921
Specialist Building	75,303	(70,419)	4,884	83,894	(79,002)	4,892
Central activities	189,133	(169,309)	19,824	110,354	(108,684)	1,670
Discontinued operations	8,530	(19,841)	(11,311)	50,106	(56,530)	(6,424)
Group eliminations	(195,136)	195,136	—	(230,846)	230,846	—
Group net assets	304,868	(229,397)	75,471	214,329	(186,270)	28,059

Other information

	2018			2017		
	Capital additions £000	Depreciation £000	Amortisation £000	Capital additions (Restated) £000	Depreciation (Restated) £000	Amortisation £000
Engineering Services	2,121	3,377	4,157	2,881	2,941	2,280
Specialist Building	39	110	—	56	125	—
Central activities	1,183	869	—	946	609	—
	3,343	4,356	4,157	3,883	3,675	2,280

(b) Geographical analysis

The whole of the Group's revenue for both financial years is derived from continuing activities in the UK.

All of the Group's non-current assets are deployed in the UK.

3 Operating profit

	2018 £000	2017 (Restated) £000
Operating profit is arrived at after charging/(crediting)		
Auditor's remuneration – audit services	360	288
Auditor's remuneration – non audit services	134	31
Depreciation of owned assets	2,424	1,510
Depreciation of assets held under finance leases	1,932	2,165
Operating lease rentals – plant and machinery	1,547	1,070
Operating lease rentals – motor vehicles	1,533	1,145
Operating lease rentals – other	2,129	2,544
Rental income	(247)	(185)
Profit on sale of property, plant and equipment	(469)	(501)

3 Operating profit continued

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

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the financial statements	**75**	34
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	**285**	254
Tax compliance services	**—**	16
Tax advisory services	**12**	13
Other non-audit services	**120**	—
Other assurance services	**2**	2
	494	319

Details of the Group's policy on the use of the auditor for non-audit services, the reason why the auditor was used and how the auditor's independence and objectivity was safeguarded, are set out in the Audit Committee report. No services were performed pursuant to contingent fee arrangements.

Exceptional items and amortisation of intangible assets

	2018 £000	2017 (Restated) £000
Acquisition costs	**1,539**	209
Impairment of goodwill	**6,893**	5,800
Loss on disposal of subsidiary undertaking	**3,037**	—
Total losses arising from exceptional items	**11,469**	6,009
Amortisation of intangible assets (see Note 10)	**4,157**	2,280
	15,626	8,289

Costs of £1,539,000 were incurred during the acquisition of QTS Group Limited (2017: £209,000 on acquisition of Giffen Group).

The sale of Forefront Group Limited incurred a loss on disposal of net assets of £3,037,000, and resulted in a £6,893,000 write-off of goodwill attributable to that subsidiary undertaking. The total loss on disposal was £9,930,000.

As a consequence of the disposal, the £657,000 exceptional redundancy and restructuring cost incurred in the year ended 30 September 2017 has been reclassified and is now included within the respective comparative loss for the year from discontinued operations.

The Board has separately identified the charge of £4,157,000 (2017: £2,280,000) for the amortisation of the fair value ascribed to certain intangible assets, other than goodwill, arising from the acquisitions of Giffen Holdings Ltd and QTS Group Ltd. Further details are given in Note 10.

4 Loss for the year from discontinued operations

	2018 £000	2017 (Restated) £000
Revenue	**11,412**	15,032
Expenses	**(13,667)**	(18,524)
Loss before income tax	**(2,255)**	(3,492)
Income tax credit – benefit of tax losses	**—**	575
Income tax charge	**(157)**	—
Loss for the year from discontinued operations	**(2,412)**	(2,917)

On 31 October 2014, the Board reached an agreement to sell Allenbuild Ltd to Places for People Group Ltd for a total consideration of £2.75m payable in cash. PFP paid the initial 50% of the consideration on 31 October 2014 and the balance on 31 January 2016. The trading result for this business, in so far as it impacts the Group, is shown in the table above. As a term of the disposal Renew Holdings plc retains both the benefits and the obligations associated with a number of Allenbuild contracts which are in the process of being finally settled with the client.

On 2 February 2018 Ferns Group Ltd acquired 100% of the ordinary share capital of Forefront Group Ltd, an Engineering Services subsidiary, for £1. The trading result for this cash generating unit has therefore been included within the loss for the year from discontinued operations and the comparative figures have been reclassified accordingly.

Following a strategic review of the opportunities available, the Board has decided to close Lovell America Inc, a subsidiary which carried out land development projects around Maryland in the USA. The exit from a geographical region means that the trading result from this cash generating unit is included within the loss for the year from discontinued operations and the comparative figures have been reclassified accordingly. The closure of Lovell America Inc, is not expected to complete until late 2019.

5 Finance income and costs

Finance income

Finance income of £4,000 (2017: £30,000) has been earned during the year on bank deposits.

	2018 £000	2017 (Restated) £000
Finance costs		
On bank loans and overdrafts	(825)	(405)
Other interest payable	(255)	(123)
	(1,080)	(528)

Other finance income - defined benefit pension schemes		
Interest on scheme assets	4,782	4,849
Interest on scheme obligations	(4,476)	(4,652)
Net pension interest	306	197

Further information on the defined benefit pension schemes is set out in Note 27 to the accounts.

6 Employee numbers and remuneration

	2018 Number	2017 (Restated) Number
The average monthly number of employees, including Executive Directors, employed in continuing activities during the year was:	2,675	2,713
At 30 September:	2,759	2,693
Production	1,826	1,829
Administrative	849	884
	2,675	2,713

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

	2018 £000	2017 (Restated) £000
Wages and salaries	125,030	120,711
Social security costs	13,200	12,226
Other pension costs	6,522	4,362
Share based payments	18	109
	144,770	137,408

Directors' emoluments

	2018 £000	2017 £000
Aggregate emoluments	1,801	2,022
Highest paid director: aggregate emoluments	663	946

	Salary/fees £000	Bonuses £000	LTIP £000	Benefits £000	Total emoluments 2018 £000	Total emoluments 2017 £000
Executive Directors						
P Scott	283	163	155	62	663	473
A Liebenberg	209	193	113	49	564	455
S Wyndham-Quin	189	121	—	42	352	—
J Samuel	43	—	—	11	54	946
					1,633	1,874
Non-executive Directors						
D M Forbes	62	—	—	—	62	34
J Bishop	42	—	—	—	42	34
D Brown	42	—	—	—	42	17
R J Harrison	22	—	—	—	22	63
					1,801	2,022

6 Employee numbers and remuneration continued

Directors' share options

Pursuant to the long term incentive plan ("LTIP"), the Board has granted options to the Executive Directors as set out in the following table.

The LTIP options are exercisable at a nominal cost but are only exercisable to the extent that certain performance criteria are achieved by the Company over a three year performance period.

Number of Ordinary Shares under option

	Exercisable between 28 Jan 2019 & 27 Jan 2023	Exercisable between 25 Nov 2019 & 24 Nov 2026	Exercisable between 23 Nov 2020 & 22 Nov 2027
LTIP Options			
P Scott	67,700	91,400	99,000
A Liebenberg	58,000	67,700	73,500
S Wyndham-Quin	—	—	73,500

During the year £18,000 (2017: £109,000) was charged to the income statement with a corresponding credit to the share based payments reserve in accordance with IFRS 2.

7 Income tax expense

(a) Analysis of expense in year

	2018 £000	2017 (Restated) £000
Current tax:		
UK corporation tax on profits of the year	**(3,571)**	(3,294)
Adjustments in respect of previous period	**(336)**	825
Total current tax	**(3,907)**	(2,469)
Deferred tax – defined benefit pension schemes	**(1,969)**	(1,753)
Deferred tax – other timing differences	**353**	(228)
Total deferred tax	**(1,616)**	(1,981)
Income tax expense in respect of continuing activities	**(5,523)**	(4,450)

(b) Factors affecting income tax expense for the year

	2018 £000	2017 (Restated) £000
Profit before income tax	**14,708**	19,794
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.5%)	**(2,795)**	(3,860)
Effects of:		
Expenses not deductible for tax purposes	**(808)**	(1,241)
Timing differences not provided in deferred tax	**(670)**	43
Change in tax rate	**(914)**	48
Adjustment in respect of tax losses	**—**	(265)
Adjustments in respect of previous period	**(336)**	825
	(5,523)	(4,450)

Timing differences not provided for in deferred tax arise principally from the utilisation of tax losses not previously recognised.

Deferred tax has been provided at a rate of 17% (2017: 17%) which will be the effective corporation tax rate from 1 April 2020. The Group has available further unused UK tax losses of £37m (2017: £43m) to carry forward against future taxable profits. 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 £5.3m (2017: £8.6m).

7 Income tax expense continued

(c) Deferred tax asset

	2018 £000	2017 £000
Defined benefit pension schemes	—	129
Accelerated capital allowances	566	712
Future tax losses	1,026	1,216
	1,592	2,057

(d) Deferred tax liabilities

	2018 £000	2017 £000
Defined benefit pension schemes	(7,149)	(3,392)
Fair value adjustments	(2,763)	(500)
	(9,912)	(3,892)

(e) Reconciliation of deferred tax asset

	2018 £000	2017 £000
As at 1 October	2,057	1,581
Origination of timing differences	(336)	(554)
Change of deferred tax rate	—	(77)
Acquisition of subsidiary undertaking	—	1,358
Reclassification of opening pension scheme asset as a liability	(129)	—
Defined benefit pension schemes – income statement	—	(180)
Defined benefit pension schemes – SOCI	—	(71)
At 30 September	1,592	2,057

(f) Reconciliation of deferred tax liability

	2018 £000	2017 £000
As at 1 October	(3,892)	(2,973)
Acquisition of subsidiary undertaking	(2,970)	(625)
Arising on fair value adjustments	707	388
Change of deferred tax rate	—	14
Reclassification of opening pension scheme asset as a liability	129	—
Defined benefit pension schemes – income statement	(1,969)	(1,573)
Defined benefit pension schemes – SOCI	(1,917)	877
At 30 September	(9,912)	(3,892)

8 Dividends

	2018 Pence/share	2017 Pence/share
Interim (related to the year ended 30 September 2018)	3.33	3.00
Final (related to the year ended 30 September 2017)	6.00	5.35
Total dividend paid	9.33	8.35

	£000	£000
Interim (related to the year ended 30 September 2018)	2,506	1,877
Final (related to the year ended 30 September 2017)	3,756	3,349
Total dividend paid	6,262	5,226

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 6.67p per Ordinary Share be paid in respect of the year ended 30 September 2018. This will be accounted for in the 2018/19 financial year.

Notes to the accounts continued

9 Earnings per share

	2018 Earnings £000	2018 EPS Pence	2018 DEPS Pence	2017 Earnings (Restated) £000	2017 EPS (Restated) Pence	2017 DEPS (Restated) Pence
Earnings before exceptional items and amortisation	**23,970**	**35.48**	**35.28**	23,245	37.18	36.94
Exceptional items and amortisation	**(14,785)**	**(21.88)**	**(21.76)**	(7,901)	(12.64)	(12.55)
Basic earnings per share – continuing activities	**9,185**	**13.60**	**13.52**	15,344	24.54	24.39
Loss for the year from discontinued operations	**(2,412)**	**(3.57)**	**(3.55)**	(2,917)	(4.66)	(4.64)
Basic earnings per share	**6,773**	**10.03**	**9.97**	12,427	19.88	19.75
Weighted average number of shares		**67,558**	**67,938**		62,514	62,917

The dilutive effect of share options is to increase the number of shares by 380,000 (2017: 403,000) and reduce basic earnings per share by 0.06p (2017: 0.13p).

10 Intangible assets

	Goodwill £000	Contractual rights and customer relationships £000
Cost:		
At 1 October 2016	57,067	12,323
Addition	7,523	3,679
At 1 October 2017	64,590	16,002
Addition	54,193	17,469
Eliminated on disposal	(13,501)	(2,495)
At 30 September 2018	**105,282**	**30,976**
Impairment losses/amortisation:		
At 1 October 2016	808	11,043
Charge for year	—	2,280
Impairment	5,800	—
At 1 October 2017	6,608	13,323
Charge for year	—	4,157
Impairment	6,893	—
Eliminated on disposal	(13,501)	(2,495)
At 30 September 2018	**—**	**14,985**
Carrying amount:		
At 30 September 2018	**105,282**	**15,991**
At 30 September 2017	57,982	2,679
At 30 September 2016	56,259	1,280

10 Intangible assets continued

The carrying amounts of goodwill classified as cash generating units ("CGUs") are as follows:

	2018 £000	2017 £000
Britannia Construction Ltd	**1,253**	1,253
V.H.E. Construction PLC	**1,796**	1,796
P.P.S. Electrical Ltd	**227**	227
Seymour (C.E.C.) Holdings Ltd and its subsidiary	**4,017**	4,017
West Cumberland Engineering Ltd and its subsidiary	**207**	207
Amco Group Holdings Ltd and its subsidiaries	**18,168**	18,168
Lewis Civil Engineering Ltd and its subsidiaries	**6,556**	6,556
Clarke Telecom Ltd	**11,143**	11,143
Nuclear Decontamination Services Ltd	**199**	199
Giffen Holdings Ltd and its subsidiaries	**7,523**	7,523
QTS Group Ltd and its subsidiaries	**54,193**	—
Forefront Group Ltd and its subsidiaries	**—**	6,893
	105,282	57,982

QTS Group Ltd

Goodwill of £54,193,000 was acquired on the acquisition of QTS Group Ltd and will be reviewed for impairment one year after the acquisition and then on an ongoing basis as required by IFRS 3. Further details are given in Note 30.

Goodwill impairment

Goodwill of £6,893,000 was eliminated on the disposal of Forefront Group Limited (see Note 3).

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

In order to test goodwill for impairment the Group performs value in use calculations by preparing cash flow forecasts for each cash generating unit derived from the most recent financial budgets and strategic plans approved by management going forward three years, and then extrapolates cash flows based on conservative estimated growth rates according to management's view of longer-term prospects for each CGU. The CGUs are deemed to be the subsidiaries to which the goodwill relates. Management used growth rates deemed to be appropriate to each CGU after reviewing the particular market conditions related to the sector in which each CGU operates. A growth rate of 3% (2017: 3%) per annum has been used. The rate used to discount the forecast cash flows is 7.5% (2017: 8%). The Board considers the rate appropriate as, based on publicly available information, it represents the rate that a market participant would require for these assets. The Board does not consider that there is any material difference between the markets of the CGUs to require different discount rates to be used. The Board has chosen the discount rate having taken into account the cost of funds to the Group and the risks associated with the markets in which the CGUs operate. Other than changes to the discount rate, the key assumption which would impact the carrying value of goodwill is the margin generated by each CGU. Whilst the sensitivities vary according to CGU, for a material impairment to take place the discount rate would have to increase by 14.6% (2017: 20%) or the assumed operating margins would have to decrease by more than 50% (2017: 10%) before any impact on any single CGU.

Notes to the accounts continued

11 Property, plant and equipment

	Freehold land and buildings £000	Plant, vehicles and equipment £000	Total £000
Cost:			
At 1 October 2016	2,019	13,382	15,401
Additions	319	3,630	3,949
Disposals	—	(4,908)	(4,908)
Acquisition of subsidiary	—	274	274
At 1 October 2017	2,338	12,378	14,716
Additions	60	3,283	3,343
Disposals	—	(5,599)	(5,599)
Acquisition of subsidiary	2,971	5,451	8,422
At 30 September 2018	**5,369**	**15,513**	**20,882**
Depreciation:			
At 1 October 2016	161	1,567	1,728
Charge for year	27	4,065	4,092
Disposals	—	(4,601)	(4,601)
At 1 October 2017	188	1,031	1,219
Charge for year	95	4,261	4,356
Disposals	—	(4,403)	(4,403)
At 30 September 2018	**283**	**889**	**1,172**
Net book value:			
At 30 September 2018	**5,086**	**14,624**	**19,710**
At 30 September 2017	2,150	11,347	13,497
At 30 September 2016	1,858	11,815	13,673

The net book value of assets under finance leases at 30 September 2018 was £6,995,000 (2017: £7,583,000).

During the year £1,932,000 (2017: £2,332,000) of depreciation was charged against assets held under finance leases.

12 Inventories

	2018 £000	2017 £000
Land	—	3,145
Raw materials	**1,691**	755
	1,691	3,900

The comparative figure for land inventories related to land held in the USA. Following the sale of Horse Farm, and the remaining stock being fully provided against during the year, land inventory at the year end had no carrying value. £1.7m (2017: £0.8m) of inventories are pledged as security for liabilities.

13 Assets held for resale

	2018 £000	2017 £000
Property	**1,500**	1,500

This office property has been actively marketed but disposal has been delayed by current market conditions.

The building is carried at net realisable value based on an annual independent third party valuation.

14 Investment in joint venture

a) Movement in year

	2018 £000	2017 £000
At 1 October	237	—
Acquired on 31 October 2016	—	71
Dividend received	(114)	—
Equity accounted share of net profits	—	166
At 30 September	123	237

b) Summarised financial information related to equity accounted joint venture

	2018 £000	2017 £000
Current assets		
Trade and other receivables	297	378
Cash and cash equivalents	70	2,681
	367	3,059
Total assets	367	3,059
Current liabilities		
Trade and other payables	(101)	(2,601)
Current tax liabilities	57	(89)
	(44)	(2,690)
Total liabilities	(44)	(2,690)
Net assets reported by equity accounted joint venture (100%)	323	369
Revenue (100%)	2,559	6,718
Expenses (100%)	(2,559)	(6,222)
Net profit after tax (100%)	—	496

c) Results of equity accounted joint venture (33%)

	2018 £000	2017 £000
Group share of profit before tax	—	207
Group share of tax	—	(41)
Group share of profit after tax	—	166

The Group, through a subsidiary undertaking, has the following interest in the joint venture:

	Country of incorporation	Principal activity	Percentage shares held
Switchgear & Substation Alliance Ltd	UK	Engineering	33%

The joint venture was acquired as part of the acquisition of Giffen Holdings Ltd.

15 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	13	73
Amounts due from construction contract customers	126,085	111,889
Other receivables	1,522	2,058
Prepayments and accrued income	1,756	1,578
	129,376	115,598

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 £5.1m (2017: £2.5m) 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. £1.5m (2017: £1.2m) of these balances relate to certified retentions.

The average age of these receivables is 345 days (2017: 294 days).

15 Trade and other receivables continued

Ageing of past due but not impaired receivables:

	2018 £000	2017 £000
30–180 days	**360**	848
180–365 days	**2,433**	759
Greater than 1 year	**2,259**	939
	5,052	2,546

16 Construction contracts

	2018 £000	2017 £000
Contracts in progress at the balance sheet date:		
Amounts due from construction contract customers included in trade and other receivables	**126,085**	111,889
Amounts due to construction contract customers included in trade and other payables	**(6,971)**	(2,429)
	119,114	109,460
Contract costs incurred plus recognised profits less recognised losses to date	**3,818,338**	2,954,631
Less: progress billings	**(3,699,224)**	(2,845,171)
	119,114	109,460

At 30 September 2018 retentions held by customers amounted to £12.2m (2017: £13.7m). Advances received from customers for contract work amounted to £7.0m (2017: £2.4m).

Amounts due from construction contract customers which are past due at the reporting date amounted to £5.1m (2017: £2.5m).

This amount includes retention balances of £1.5m (2017: £1.2m). The Group does not hold any collateral over these balances or other trade and other receivables.

Contract revenue recognised in the year amounted to £541.5m (2017: £542.1m).

17 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank	**9,168**	6,958
Cash in hand	**11**	9
	9,179	6,967

18 Trade and other payables

	2018 £000	2017 £000
Amounts due to construction contract customers	**6,971**	2,429
Trade payables	**60,932**	48,905
Other taxation and social security	**11,451**	8,583
Other payables	**6,538**	7,512
Accruals and deferred income	**94,021**	105,816
	179,913	173,245

19 Borrowings

	2018 £000	2017 £000
Bank loans repayable:		
Within one year	**8,752**	3,100
Within two to five years	**21,873**	—
	30,625	3,100

The QTS acquisition was partially funded by a £35m loan from HSBC, repayable by equal instalments over a 4 year period.

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

20 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts payable under finance leases:				
Within one year	2,222	2,672	2,100	2,547
Within two to five years	2,387	2,542	2,253	2,376
	4,609	5,214	4,353	4,923
Less: future finance charges	(256)	(291)	—	—
Present value of lease obligations	4,353	4,923	4,353	4,923
Less: amount due for settlement within twelve months			(2,100)	(2,547)
Amount due for settlement after twelve months			2,253	2,376

It is the Group's policy to lease certain items of its plant, vehicles and equipment under finance leases. The average outstanding lease term is 3 years (2017: 3 years). For the year ended 30 September 2018, the average effective borrowing rate was 3% (2017: 3%). 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.

21 Provisions

	Property obligations £000	Other provisions £000	Total £000
At 1 October 2017	350	—	350
Provision transferred from accruals/(released) during the year	(1)	2,000	1,999
At 30 September 2018	**349**	**2,000**	**2,349**
Non-current liabilities	298	—	298
Current liabilities	51	2,000	2,051
At 30 September 2018	**349**	**2,000**	**2,349**

Property obligations represent commitments on leases for properties which the Group does not occupy and where the Group does not expect to receive income sufficient to cover the full commitment. The provision represents outflows which are expected to occur to the end of the lease commitment.

Other provisions are in respect of various contractual or legal disputes, the outcome of which cannot be assessed with a high degree of certainty. A liability is only recognised where, based on the Group's view or legal advice, it is considered probable that an outflow of resource will be required to settle a present obligation that can be measured reliably.

22 Other financial instruments

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

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

Interest rate profile of financial assets and liabilities

		Financial assets/(liabilities)		
	Fixed rate interest rate %	Fixed rate £000	Floating rate £000	Total £000
2018				
Assets				
Sterling	—	—	7,440	7,440
Dollar	—	—	1,728	1,728
		—	9,168	9,168
Liabilities				
Sterling	3.0	(4,353)	(30,625)	(34,978)
		(4,353)	(30,625)	(34,978)

22 Other financial instruments continued

Interest rate profile of financial assets and liabilities continued

	Fixed rate interest rate %	Financial assets/(liabilities) Fixed rate £000	Floating rate £000	Total £000
2017				
Assets				
Sterling	—	—	6,633	6,633
Dollar	—	—	325	325
		—	6,958	6,958
Liabilities				
Sterling	3.0	(4,923)	(3,100)	(8,023)
		(4,923)	(3,100)	(8,023)

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

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

The maturity of the fixed rate financial liabilities is disclosed in Note 20. The fixed rate liabilities have a weighted average period of 3 years (2017: 3 years).

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 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 15. The Group does not use any form of invoice discounting or debt factoring.

b) Liquidity risk

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

The Board aims to maintain a strong capital base so as to ensure investor and market confidence and to sustain the future of the business. The capital structure of the Group consists of equity attributable to equity holders of the Company as disclosed in Note 23 and reserves as disclosed in Note 24. The Group arranges loans and short-term overdraft facilities and hire purchase facilities as the Board deems necessary. The Group does not have any derivative or non-derivative financial liabilities other than those disclosed in Notes 19 and 20 and the retirement benefit obligations disclosed in Note 27. An analysis of the maturity profile for finance lease liabilities is given in Note 20.

c) Currency risk

The principal 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) has been in respect of an inter-company loan which was repaid during the year. The foreign exchange charge to finance costs amounted to £247,000 (2017: £121,000). Exchange rate movements on translation of Lovell America, Inc's net assets are charged to the cumulative translation adjustment within total equity. The exchange profit arising on the translation of Lovell America, Inc's net assets was £6,000. The total equity statement would be impacted by £4,000 for each $0.01 movement in exchange rates.

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

22 Other financial instruments continued

Financial risks continued

d) Market risk

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

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

23 Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid:		
75,267,507 (2017: 62,591,451) Ordinary Shares of 10p each	**7,527**	6,259

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.

On 9 May 2018 12,676,056 Ordinary Shares were issued in a placing to raise £45m to partly fund the acquisition of QTS Group Ltd.

Share options

Renew Holdings 2004 Executive Share Option Scheme

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

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

As at 30 September 2018, there were no options outstanding under the scheme. During the year 31,467 options were exercised at an exercise price of 286p. Any options granted under the scheme are subject to the same performance criteria as options issued under the long term incentive plan described below.

Renew Holdings plc Long Term Incentive Plan

At the Annual General Meeting held on 25 January 2012 the shareholders approved the long term incentive plan ("LTIP") which succeeded the Renew Holdings plc 2004 Executive Share Option Scheme as the Directors believed that the LTIP was a more effective method of aligning executive and shareholder interests.

As at 30 September 2018, there were 530,800 options outstanding under the scheme. On 22 November 2017, options to subscribe for a further 246,000 Ordinary Shares were granted. During the year 107,136 options were exercised and 76,864 options lapsed.

The options are exercisable at a nominal cost or at the par value of an Ordinary Share three years after the date of grant subject to the achievement of certain performance criteria. Details of the options are given in the Directors' Remuneration Report. To the extent that there is a gain arising in respect of the approved options noted above, the option holder will forfeit LTIP options to the same value.

Vesting of one half of the options is dependant on absolute growth in the Company's Total Shareholder Return ('TSR'), and the other half is dependant on the Company's TSR performance as compared to the TSR achieved by other companies in a comparator group of companies selected by the Remuneration Committee. All TSR calculations are based on the average of the opening and closing share price over a 30 day period prior to the commencement and the end of the performance period.

The absolute TSR growth target requires the Company's TSR over the three year performance period to grow by more than 25%. For TSR growth between 25% and 100%, the half of the option which is subject to the absolute TSR growth target vests on a straight-line basis from nil vesting at 25% growth, to 100% vesting at 100% growth. There will be no vesting if TSR growth is 25% or less.

The comparator group TSR performance target measures the Company's TSR over the 3 year performance period against the TSR of a group of companies selected by the Remuneration Committee. If the Company's TSR performance falls below the median performance of the comparator group then the options lapse forthwith. If the Company is ranked within the top decile of the comparator group the options shall vest in full. If the Company's TSR performance is ranked between the median position and the top decile of the comparator group then the options shall vest on a straight-line basis from nil, at or below the median position, to 100% at the top decile.

24 Reserves

	Share premium account £000	Capital redemption reserve £000	Cumulative translation reserve £000	Share based payments reserve £000	Retained earnings £000
At 1 October 2016	8,481	3,896	1,347	571	366
Transfer from income statement for the year					12,427
Dividends paid					(5,226)
Recognition of share based payments				109	
New shares issued	1,154				
Exchange differences			(42)		
Actuarial movement recognised in pension schemes					(2,089)
Movement on deferred tax relating to the pension schemes					806
At 1 October 2017	9,635	3,896	1,305	680	6,284
Transfer from income statement for the year					6,773
Dividends paid					(6,262)
Recognition of share based payments				18	
New shares issued	42,049				
Exchange differences			6		
Actuarial movement recognised in pension schemes					5,477
Movement on deferred tax relating to the pension schemes					(1,917)
At 30 September 2018	**51,684**	**3,896**	**1,311**	**698**	**10,355**

There is no available analysis of goodwill written off against reserves in respect of subsidiaries that were acquired prior to 1989 and therefore, in accordance with the guidance of IAS 36, the Directors are not able to state this figure.

Capital redemption reserve
This reserve represents the combined impact of share buy-backs and cancellations in previous years.

Cumulative translation reserve
This reserve represents the foreign exchange movement on translating the opening net assets of Lovell America, Inc.

Share based payments reserve
Renew Holdings plc Long Term Incentive Plan
Fair value has been independently measured by PricewaterhouseCoopers LLP using a Monte Carlo model methodology. 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 Board's estimate of shares that will eventually vest.

£18,000 (2017: £109,000) has been charged to administrative expenses in accordance with IFRS 2. There is no impact on net assets since an equivalent amount has been credited to the share based payments reserve. 107,136 options were exercised during the year and 76,864 lapsed. The value per option represents the fair value of the option less the consideration payable.

The expected volatility has been calculated based on weekly historical volatility of the Company's share price over the three years prior to the date of grant. The risk free rate of return has been based on the yields available on three year UK government bonds as at the date of grant.

24 Reserves continued

Share based payments reserve continued

Renew Holdings plc Long Term Incentive Plan continued

Options granted under the Renew Holdings plc Long Term Incentive Plan over the Company's Ordinary Shares at 30 September 2018 were as follows:

Date of grant	27 January 2016	24 November 2016	22 November 2017	Total
Awards outstanding at 30 September 2018				
– Directors and employees	125,700	159,100	246,000	530,800
Exercise price	10.0p	10.0p	10.0p	
Price at date of grant	410.0p	394.0p	428.75p	
Maximum option life	10 years	10 years	10 years	
Assumed option life for purposes of valuation	3 years	2.85 years	2.86 years	
Expected volatility	30%	28%	25%	
Dividend yield	1.7%	2.0%	2.1%	
Risk free interest rate	0.58%	0.29%	0.52%	
Value per option	212.5p	289.0p	262.0p	

25 Capital and leasing commitments

	Land and buildings £000	Other £000	Total 2018 £000	Total 2017 £000
Commitments under non-cancellable operating leases:				
Under one year	**1,733**	**1,994**	**3,727**	3,455
Two to five years	**3,972**	**1,977**	**5,949**	5,996
Five or more years	**1,327**	**—**	**1,327**	1,594
	7,032	**3,971**	**11,003**	11,045

During the year £5,209,000 (2017: £4,759,000) was recognised as an expense in the income statement in respect of operating leases.

With regard to the operating leases held by the Group as lessor, the Group recognised £247,000 (2017: £185,000) of rental income in the income statement for 2018, relating to sub-letting of surplus premises.

The future minimum sub-lease receipts expected to be received under non-cancellable operating leases which all relate to land and buildings are as follows:

	2018 £000	2017 £000
Receivables under non-cancellable operating leases:		
Under one year	**320**	185
Two to five years	**370**	345
	690	530

The Group had capital commitments at 30 September 2018 of £1,011,000 (2017: £697,000).

26 Contingent liabilities

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

Liabilities have been recorded based on the Directors' best estimate of uncertain contract positions, known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of the success of claims and actions and no liability is recorded where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation. The Group also has contingent liabilities in respect of other issues that may have occurred, but where no claim has been made and it is not possible to reliably estimate the potential obligation (see Note 1d).

27 Employee benefits: Retirement benefit obligations

Defined benefit pension schemes

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

IAS 19 "Employee Benefits"

The Directors have adopted the accounting required by IAS 19. The Directors have discussed the assumptions used in determining the actuarial valuations set out below with independent pensions advisors and have determined that they are appropriate. The Lovell scheme's valuation at 30 September 2018 shows a surplus of £19,335,000 based on the assumptions set out below. The Amco scheme shows a surplus of £1,088,000 based on the assumptions used in its valuation which are similar to those used for the Lovell scheme except where the Directors, in consultation with the scheme's advisors, consider it appropriate to vary them due to the different characteristics of the Amco scheme and its membership profile. The Directors have determined that it is appropriate to recognise the surplus in both schemes as, having reviewed the rules of both schemes, they are of the view that the employer has an unconditional right to those surpluses.

The following disclosures required by IAS 19 have been based on the most recent actuarial valuation as at 30 September 2018 carried out by Lane Clark & Peacock LLP, Consulting Actuaries, in respect of the Lovell scheme and Capita Employee Benefits (Consulting) Limited in respect of the Amco scheme using the following assumptions:

	As at 30 September 2018	As at 30 September 2017	As at 30 September 2016
Lovell Pension Scheme			
Rate of increase in salaries	**4.0%**	4.0%	4.0%
LPI increases to pensions in payment	**4.3%**	4.2%	3.5%
Discount rate	**2.9%**	2.6%	2.4%
Inflation assumption (CPI)	**2.2%**	2.1%	2.0%
Inflation assumption (RPI)	**3.3%**	3.2%	3.0%
Increases in deferred pensions	**3.1%**	3.1%	2.9%
Amco Pension Scheme			
Rate of increase in salaries	**2.3%**	3.2%	3.0%
LPI increases to pensions in payment	**3.1%**	2.7%	2.6%
Discount rate	**2.9%**	2.6%	2.4%
Inflation assumption (CPI)	**2.3%**	2.2%	2.0%
Inflation assumption (RPI)	**3.3%**	3.2%	3.0%
Increases in deferred pensions	**2.3%**	2.2%	2.0%

The mortality tables adopted for the valuation of the Lovell scheme are the S2NA tables with future improvements in line with the Continuing Mortality Investigations 2017 model with long-term improvement rates of 1.25% per annum for both males and females. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 65 year old male pensioner is forecast to live for a further 22.5 years and the further life expectancy of a male aged 65 in 2038 is 23.9 years.

The mortality tables adopted for the valuation of the Amco scheme are the S2PA Mortality tables with future improvements in line with the Continuing Mortality Investigations 2017 model with long-term improvement rates of 1.25% per annum for both males and females. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 65 year old male pensioner is forecast to live for a further 21.9 years and the further life expectancy of a male aged 65 in 2038 is 23.3 years.

The assets in the Lovell scheme were:

	Value as at 30 September 2018 £000	**Current allocation**	Value as at 30 September 2017 £000	Current allocation	Value as at 30 September 2016 £000	Current allocation
Annuities	**85,850**	**51%**	91,400	53%	101,201	53%
Diversified portfolio	**81,202**	**48%**	81,273	47%	88,592	47%
Cash	**2,117**	**1%**	778	—	731	—
Total	**169,169**	**100%**	173,451	100%	190,524	100%

During 2011 and 2016, the Trustees of the Lovell scheme, in consultation with the Directors, used scheme assets to purchase annuities which match certain pension liabilities in a transaction known as a "buy in". This asset provides protection against falls in gilt yields and risks in the performance of other asset classes.

27 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

The assets in the Amco scheme were:

	Value as at 30 September 2018 £000	Current allocation	Value as at 30 September 2017 £000	Current allocation	Value as at 30 September 2016 £000	Current allocation
Annuities	**6,255**	**43%**	6,614	46%	7,660	50%
Diversified portfolio	**7,739**	**54%**	7,524	53%	6,435	42%
Cash	**418**	**3%**	201	1%	1,226	8%
Total	**14,412**	**100%**	14,339	100%	15,321	100%

During 2013, the Trustees of the Amco scheme, in consultation with the Directors, used scheme assets to purchase annuities which match certain pension liabilities in a transaction known as a "buy in". This asset provides protection against falls in gilt yields and risks in the performance of other asset classes.

Scheme Funding Levels and Actuarial Valuations

Lovell Pension Scheme

The scheme actuary carried out the triennial valuation of the Lovell Pension Scheme as at 31 March 2015. The scheme showed a deficit of £12.1m compared to £24.1m when measured as at 31 March 2012. The Group has agreed a revised recovery plan with the Trustees which commits the Group to paying annual contributions of £4,260,000 which was expected to result in the elimination of this deficit by 31 July 2018. This recovery plan aims to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004. The Group may be required to make further contributions to achieve a buy out of all pension liabilities and the Group has agreed to continue to make such contributions under a secondary funding objective. The necessity and quantum of these contributions will be remeasured by the scheme actuary at the next triennial valuation which was due as at 31 March 2018.

For accounting purposes under IAS19, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on assets of the scheme which includes a number of return seeking assets invested with BlackRock Asset Management. The key sensitivity for the valuation of the scheme under IAS19 is the selection of the discount rate which is the major determinant in measuring scheme liabilities. A reduction of 0.1% in the discount rate would increase scheme liabilities by £2.2m.

Amco Pension Scheme

The scheme actuary carried out the triennial valuation of the Amco Pension Scheme as at 31 December 2016. The scheme showed a deficit of £3.4m compared to £0.9m when measured as at 31 December 2013. The subsidiary undertaking has agreed a revised recovery plan with the Trustees which commits the subsidiary undertaking to paying annual contributions of £504,000 which is expected to result in the elimination of this deficit by 31 October 2020. This recovery plan aims to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004. The subsidiary undertaking may be required to make further contributions to achieve a buy out of all pension liabilities. The necessity and quantum of these contributions will be remeasured by the scheme actuary at the next triennial valuation which will be measured as at 31 December 2019.

For accounting purposes under IAS19, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on assets of the scheme which includes a number of return seeking assets invested with BlackRock Asset Management. The key sensitivity for the valuation of the scheme under IAS19 is the selection of the discount rate which is the major determinant in measuring scheme liabilities. A reduction of 0.1% in the discount rate would increase scheme liabilities by £0.2m.

Scheme Governance

Both the Lovell Pension Scheme and the Amco Pension Scheme have boards of trustees chaired by an independent professional trustee, Capital Cranfield Trustees Ltd. The Lovell Pension Scheme also has member-elected trustees who must be members of the scheme. Both Renew Holdings plc for the Lovell Pension Scheme, and Amalgamated Construction Ltd for the Amco Pension Scheme have the right to appoint employer-nominated trustees although neither has elected to do so other than to appoint Capital Cranfield Trustees Ltd.

The Lovell Pension Scheme trustees are advised by Lane, Clark & Peacock LLP on both actuarial and investment matters. The Lovell Scheme investments are independently managed by BlackRock Asset Management who are set a target return against which the trustees monitor their performance on a regular basis. Annuities purchased in both 2011 and 2016 are held by Legal & General and Just Retirement.

The Amco Pension Scheme trustees are advised by Capita Employee Benefits (Consulting) Ltd on both actuarial and investment matters. The Amco Scheme investments are independently managed by BlackRock Asset Management who are set a target return against which the trustees monitor their performance on a regular basis.

Diversified Portfolio

BlackRock Asset Management's portfolio, described above as "diversified portfolio", can consist of a wide range of underlying, return-seeking assets including but not restricted to equities, bonds, gilts, cash, commodities and other openly traded assets.

27 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

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

Lovell Pension Scheme

	2018 £000	2017 £000
Movements in scheme assets and obligations		
Total fair value of scheme assets brought forward	**173,451**	190,524
Interest on scheme assets	**4,412**	4,489
Employer contributions	**4,323**	4,319
Benefits paid	**(11,879)**	(11,315)
Running costs	**—**	(1)
Actual return on scheme assets less interest on scheme assets	**(1,138)**	(14,565)
Total fair value of scheme assets carried forward	**169,169**	173,451
Present value of scheme obligations brought forward	**163,759**	182,820
Interest on scheme obligations	**4,104**	4,253
Current and past service costs	**64**	60
Benefits paid	**(11,879)**	(11,315)
Actuarial movement due to experience on benefit obligation	**2,404**	(220)
Actuarial movement due to changes in financial assumptions	**(7,437)**	(6,652)
Actuarial movement due to changes in demographic assumptions	**(1,181)**	(5,187)
Total fair value of scheme obligations carried forward	**149,834**	163,759
Surplus in the scheme	**19,335**	9,692
Deferred tax	**(6,767)**	(3,392)
Net surplus	**12,568**	6,300
Amount charged to operating profit:		
Current and past service costs	**(64)**	(60)
Running costs	**—**	(1)
	(64)	(61)
Amount credited to other financial income:		
Interest on scheme assets	**4,412**	4,489
Interest on scheme obligations	**(4,104)**	(4,253)
Net pension interest	**308**	236
Amounts recognised in the statement of comprehensive income:		
Actual return on scheme assets less interest on scheme assets	**(1,138)**	(14,565)
Actuarial movement due to changes in assumptions on scheme obligations	**6,214**	12,059
Actuarial movement	**5,076**	(2,506)
Movement in the net scheme surplus during the year:		
Net scheme surplus brought forward	**9,692**	7,704
Current and past service costs	**(64)**	(60)
Running costs	**—**	(1)
Employer contributions	**4,323**	4,319
Net pension interest	**308**	236
Actuarial movement	**5,076**	(2,506)
Net scheme surplus carried forward	**19,335**	9,692

27 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

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

Amco Pension Scheme

	2018 £000	2017 £000
Movements in scheme assets and obligations		
Total fair value of scheme assets brought forward	**14,339**	15,321
Expected return on scheme assets	**370**	360
Employer contributions	**1,449**	972
Benefits paid	**(1,656)**	(1,634)
Actual return on scheme assets less interest on scheme assets	**(90)**	(680)
Total fair value of scheme assets carried forward	**14,412**	14,339
Present value of scheme obligations brought forward	**15,099**	17,431
Interest on scheme obligations	**372**	399
Benefits paid	**(1,656)**	(1,634)
Actuarial movement due to changes in financial and demographic assumptions	**(491)**	(1,097)
Total fair value of scheme obligations carried forward	**13,324**	15,099
Surplus/(deficit) in the scheme	**1,088**	(760)
Deferred tax	**(381)**	129
Net surplus/(deficit)	**707**	(631)
Amount debited to other financial income:		
Interest on scheme assets	**370**	360
Interest on scheme obligations	**(372)**	(399)
Net pension interest	**(2)**	(39)
Amounts recognised in the statement of comprehensive income:		
Actual return on scheme assets less interest on scheme assets	**(90)**	(680)
Actuarial movement due to changes in assumptions on scheme obligations	**491**	1,097
Actuarial movement	**401**	417
Movement in the net scheme deficit during the year:		
Net scheme deficit brought forward	**(760)**	(2,110)
Employer contributions	**1,449**	972
Net pension interest	**(2)**	(39)
Actuarial movement	**401**	417
Net scheme surplus/(deficit) carried forward	**1,088**	(760)

Lovell Pension Scheme

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Actual return on scheme assets less interest on scheme assets	**(1,138)**	(14,565)	22,781	18,145	16,348
As a percentage of the assets at the end of the year	**(0.7)%**	(8.4)%	12.0%	11.0%	11.2%
Total amount recognised in the statement of comprehensive income	**5,076**	(2,506)	(12,348)	10,664	1,514
As a percentage of the obligations at the end of the year	**3.4%**	(1.5)%	(6.8)%	7.1%	1.0%

The Lovell scheme has been in operation for many years and, after taking advice from the Group's pensions advisors, the Directors have determined that it is not possible to allocate the assets and liabilities of the scheme between the various Group companies. The surplus for the scheme is accounted for in the individual financial statements of Renew Holdings plc which is legally the sponsoring employer for the plan.

27 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

Amco Pension Scheme

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Actual return on scheme assets less interest on scheme assets	**(90)**	(680)	930	(297)	731
As a percentage of the assets at the end of the year	**(0.6)%**	(4.7)%	6.1%	(2.1)%	5.1%
Total amount recognised in the statement of comprehensive income	**401**	417	(1,881)	(1,785)	(446)
As a percentage of the obligations at the end of the year	**3.0%**	2.8%	(10.8)%	(12.0)%	(3.3)%

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

Post balance sheet non-adjusting event

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. We are working with the trustees of our pension schemes, and our actuarial and legal advisers, to understand the extent to which the judgment crystallises additional liabilities for Renew's pension schemes. We estimate this could be in excess of £100,000 for the Amco Pension Scheme and £1,000,000 for the Lovell Pension Scheme. Any adjustment necessary is expected to be recognised as an exceptional item in the 30 September 2019 accounts.

Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and individual stakeholder pension plans for its employees. The Group made contributions of £6,432,000 (2017: £4,218,000) into these plans during the year. There are also £376,000 (2017: £286,000) of accruals relating to these plans.

28 Related parties

The Group has a related party relationship with its key management personnel who were Directors of the Company during the year: P Scott, A Liebenberg, S Wyndham-Quin, J Samuel, DM Forbes, J Bishop, DA Brown and RJ Harrison, whose total compensation amounted to £1,801,000 (2017: £2,022,000) all of which was represented by short-term employment benefits, including £268,000 (2017: £505,000) relating to share option charges, in accordance with IFRS 2. An analysis of this compensation is given in Note 6.

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

29 Alternative performance measures

Renew uses a variety of alternative performance measures ('APM') which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of APMs and IFRS measures when reviewing the performance, position and cash of the Group.

The APMs used by the Group are defined below:

Net Cash/(Debt) – This is the cash and cash equivalents less bank debt. This measure is visible in Note 31. The Directors consider this to be a good indicator of the financing position of the Group.

Adjusted operating profit and adjusted profit before tax – Both of these measures are reconciled to total operating profit and total profit before tax on the face of the consolidated income statement. The Directors consider that the removal of exceptional items and amortisation provides a better understanding of the underlying performance of the Group.

Adjusted operating margin – This is calculated by dividing operating profit before exceptional items and amortisation of intangible assets by group revenue from continuing activities both of which are visible on the face of the income statements. The Directors believe that removing exceptional items and amortisation from the operating profit margin calculation provides a better undestanding of the underlying performance of the Group.

Adjusted earnings per share – This measure is reconciled to the earnings per share calculation based on earnings before exceptional items and amortisation in Note 9. The Directors believe that removing exceptional items and amortisation from the EPS calculation provides a better understanding of the underlying performance of the Group.

Group Revenue – This measure is visible on the face of the income statement as Revenue: Group including share of joint venture.

Group order book, Engineering Services order book and Specialist Building order book – This measure is calculated by the Directors taking a conservative view on secured orders and visible workload through long-term frameworks.

29 Alternative performance measures continued

Adjusted Engineering Services revenue – This measure is visible in Note 2 part (a) business analysis as Engineering Services Revenue from continuing activities. The Directors consider this to be a good indicator of the underlying performance of the Group's Engineering Services business.

Adjusted Engineering Services operating profit – This measure is visible in Note 2 part (a) business analysis as Engineering Services operating profit before exceptional items and amortisation of intangible assets. The Directors consider this to be a good indicator of the underlying performance of the Group's Engineering Services business.

Adjusted Engineering Services operating profit margin – this is calculated in the same way as adjusted operating profit margin but based on the adjusted Engineering Services operating profit and the Adjusted Engineering services revenue figures as set out above.

30 Acquisition of subsidiary undertaking – QTS Group Ltd

On 10 May 2018, the Company acquired the whole of the issued share capital of QTS Group Ltd ("QTS") for a cash consideration of £80m. The acquisition was funded by a placement of 12,676,056 new ordinary shares raising £45m, and a four year term loan of £35m provided by HSBC Bank plc.

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

		Book value £000	Adjustments £000	Fair value £000
Non-current assets				
Intangible assets	– goodwill	—	54,193	54,193
	– other	—	17,469	17,469
Property, plant and equipment		9,331	(907)	8,424
		9,331	70,755	80,086
Current assets				
Inventories		879	—	879
Trade and other receivables		11,553	—	11,553
Cash and cash equivalents		4,126	—	4,126
		16,558	—	16,558
Total assets		25,889	70,755	96,644
Non-current liabilities				
Deferred tax liabilities		1	(2,816)	(2,815)
		1	(2,816)	(2,815)
Current liabilities				
Trade and other payables		(13,571)	—	(13,571)
Obligations under finance leases		(140)	—	(140)
Current tax liability		(118)	—	(118)
		(13,829)	—	(13,829)
Total liabilities		(13,828)	(2,816)	(16,644)
Net assets		12,061	67,939	80,000

Goodwill of £54,193,000 arises on acquisition and will be reviewed for impairment one year after the acquisition as required by IFRS 3. The goodwill is attributable to the expertise and workforce of the acquired business. Other intangible assets provisionally valued at £17,469,000, which represent customer relationships and contractual rights, were also acquired and will be amortised over their useful economic lives in accordance with IFRS 3. Deferred tax has been provided on this amount. Amortisation of this intangible asset commenced from June 2018.

30 Acquisition of subsidiary undertaking – QTS Group Ltd continued

Fair value adjustments arising from the acquisition

In accordance with IFRS 3, the Board will review the fair value of assets and liabilities using information available up to 12 months after the date of acquisition. Fair value has been calculated using Level 3 inputs as defined by IFRS 13.

Property, plant and equipment

The Directors reviewed the depreciation policy for property, plant and equipment which is now aligned with the Group policy. Prior to the acquisition, the directors of QTS used a reducing balance depreciation policy for motor vehicles and vans. Leasehold improvements were not written off over the duration of the lease. The consequence of this was that, in the opinion of the Directors, the fair value of property, plant and equipment was overstated at the point of acquisition. As a result, the Directors carried out a valuation of property, plant and equipment in accordance with IAS 36. The impact of this was to reduce fixed assets, increase deferred tax assets and goodwill.

Deferred tax liabilities

A deferred tax asset has been recognised in relation to the adjustment to property, plant and equipment noted above, whilst a deferred tax liability has been recognised in relation to the amortisation of other intangible assets.

Goodwill impairment review

The Board has reviewed the goodwill arising on acquisition for impairment as required by IFRS 3. No such impairment was identified.

If the acquisition of QTS had occurred on 1 October 2017, Group revenue would have been approximately £581m and profit from continuing activities for the year ended 30 September 2018 would have been approximately £11m.

31 Reconciliation of net cash flow to net (debt)/cash

	2018 £000	2017 £000
Increase/(decrease) in net cash and cash equivalents	**2,212**	(7,117)
(Increase)/decrease in bank borrowings	**(27,525)**	6,200
Decrease in net cash from cash flows	**(25,313)**	(917)
Net cash at 1 October	**3,867**	4,784
Net (debt)/cash at 30 September	**(21,446)**	3,867

32 Analysis of net (debt)/cash

	At 1 October 2017 £000	Cash flows £000	**At 30 September 2018 £000**
Cash and cash equivalents	6,967	2,212	**9,179**
Bank loans	(3,100)	(27,525)	**(30,625)**
Net (debt)/cash	3,867	(25,313)	**(21,446)**

Company balance sheet

At 30 September

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	E	**679**	625
Investments	F	**167,325**	100,825
		168,004	101,450
Current assets			
Assets held for resale	G	**1,500**	1,500
Debtors due after one year	H	**19,335**	9,692
Debtors due within one year	H	**65,503**	74,301
Cash at bank		**48**	89
		86,386	85,582
Creditors: amounts falling due in less than one year	I	**(125,729)**	(112,283)
Net current liabilities		**(39,343)**	(26,701)
Total assets less current liabilities		**128,661**	74,749
Creditors: amounts falling due after more than one year	J	**(28,641)**	(3,387)
Net assets		**100,020**	71,362
Capital and reserves			
Share capital	L	**7,527**	6,259
Share premium account		**51,684**	9,635
Capital redemption reserve		**3,896**	3,896
Share based payments reserve		**698**	680
Profit and loss account		**36,215**	50,892
Equity shareholders' funds		**100,020**	71,362

Approved by the Board and signed on its behalf by:

D M Forbes
Chairman
27 November 2018

Company statement of comprehensive income

for the year ended 30 September

	2018 £000	2017 £000
(Loss)/profit for the year attributable to equity holders of the parent company	**(11,714)**	11,128
Items that will not be reclassified to profit or loss:		
Movement in actuarial valuation of the defined benefit pension scheme	**5,076**	(2,506)
Movement on deferred tax relating to the pension scheme	**(1,777)**	877
Total items that will not be reclassified to profit or loss	**3,299**	(1,629)
Items that are or may be reclassified subsequently to profit or loss:		
Total items that are or may be reclassified subsequently to profit or loss	**—**	—
Total comprehensive income for the year attributable to equity holders of the parent company	**(8,415)**	9,499

Company statement of changes in equity

for the year ended 30 September

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share based payments reserve £000	Retained earnings £000	Total equity shareholders' funds £000
At 1 October 2016	6,232	8,481	3,896	571	46,619	65,799
Transfer from profit and loss account for the year					11,128	11,128
Dividends paid					(5,226)	(5,226)
New shares issued	27	1,154				1,181
Recognition of share based payments				109		109
Movement in actuarial valuation of the defined benefit pension scheme					(2,506)	(2,506)
Movement on deferred tax relating to the pension scheme					877	877
At 30 September 2017	6,259	9,635	3,896	680	50,892	71,362
Transfer from profit and loss account for the year					(11,714)	(11,714)
Dividends paid					(6,262)	(6,262)
New shares issued	1,268	42,049				43,317
Recognition of share based payments				18		18
Movement in actuarial valuation of the defined benefit pension scheme					5,076	5,076
Movement on deferred tax relating to the pension scheme					(1,777)	(1,777)
At 30 September 2018	**7,527**	**51,684**	**3,896**	**698**	**36,215**	**100,020**

Notes to the company accounts

A Accounting policies

(i) Basis of accounting

Renew Holdings plc (the "Company") is a company limited by shares and domiciled in the UK.

The accounts have been prepared on the going concern basis and in accordance with FRS 102, under the historical cost convention. In determining that the going concern basis is appropriate the Directors have reviewed budgets, including cash flow forecasts, and concluded that the Company has adequate cash resources to continue trading for the foreseeable future.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's results are included in the consolidated financial statements of the Group. The consolidated financial statements of Renew Holdings plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosure:

- Cash Flow Statement and related notes.

As the consolidated financial statements of Renew Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- the disclosure required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 stated at cost less accumulated depreciation. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. The Company assesses at each reporting date whether tangible fixed assets are impaired.

Provision is made at rates calculated to write off the cost of each asset, less estimated residual value, evenly over its expected useful life as follows:

Freehold land	– no depreciation charge
Freehold buildings	– fifty years
Plant, vehicles and equipment	– three to ten years

(iv) Leasing commitments

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

(v) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. In accordance with FRS 102 'The Financial Reporting Standard', deferred tax is not provided on permanent timing differences. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

(vi) Basic financial instruments – trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

(vii) Related party transactions

Interest is neither recognised nor charged on balances outstanding with fellow subsidiaries as they are repayable on demand.

(viii) 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.

Notes to the company accounts continued

A Accounting policies continued

(ix) Employee benefits

Defined benefit pension scheme

The Company's net asset/(liability) in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any scheme assets is deducted. The Company determines the net interest income/(expense) on the net defined benefit asset/ (liability) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset/ (liability) taking account of changes arising as a result of contributions and benefit payments. The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of, the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit scheme assets to the extent that it is able to recover the surplus. Changes in the net defined benefit asset/(liability) arising from employee service rendered during the period, net interest on net defined benefit asset/(liability), and the cost of scheme introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss. Remeasurement of the net defined benefit asset/(liability) is recognised in other comprehensive income in the period in which it occurs.

Defined contribution pension schemes

A defined contribution scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised in expense in the profit and loss account in the periods during which services are rendered by employees.

Share based payments

FRS 102 "The Financial Reporting Standard' requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured using a Monte Carlo valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period based on the Directors' estimate of shares that will eventually vest.

(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.

B Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The loss after taxation for the financial year dealt with in the accounts of the Company was £(11,714,000) (2017: profit £11,128,000).

The audit fee charged within the profit and loss account amounted to £75,000 (2017: £34,000).

C Employee numbers and remuneration

	2018 Number	2017 Number
The average monthly number of employees, all of whom were administrative staff including Executive Directors, employed in continuing activities during the year was:	28	31
At 30 September:	26	29

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

	£000	£000
Wages and salaries	2,745	2,278
Social security costs	338	478
Other pension costs	168	235
Share based payments	18	1,290
	3,269	4,281

Directors' emoluments

	£000	£000
Aggregate emoluments	1,801	2,022
Highest paid director: aggregate emoluments	663	946

Details of individual Directors' emoluments and pension contributions can be found in Note 6 to the consolidated accounts.

D Dividends

	2018 Pence/share	2017 Pence/share
Interim (related to the year ended 30 September 2018)	3.33	3.00
Final (related to the year ended 30 September 2017)	6.00	5.35
Total dividend paid	9.33	8.35

D Dividends continued

	2018 £000	2017 £000
Interim (related to the year ended 30 September 2018)	**2,506**	1,877
Final (related to the year ended 30 September 2017)	**3,756**	3,349
Total dividend paid	**6,262**	5,226

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 6.67p per Ordinary Share be paid in respect of the year ended 30 September 2018. This will be accounted for in the 2018/19 financial year.

E Tangible fixed assets

	Freehold land and buildings £000	Plant, vehicles & equipment £000	Total £000
Cost:			
At 1 October 2017	701	75	776
Additions	—	74	74
At 30 September 2018	**701**	**149**	**850**
Depreciation:			
At 1 October 2017	86	65	151
Charge for year	10	10	20
At 30 September 2018	**96**	**75**	**171**
Net book value:			
At 30 September 2018	**605**	**74**	**679**
At 30 September 2017	615	10	625

F Investments

	Subsidiary undertakings £000
Shares at cost:	
At 1 October 2017	224,718
Additions	80,000
Disposals	(6,893)
At 30 September 2018	**297,825**
Provisions:	
At 1 October 2017	123,893
Provided during the year	6,607
At 30 September 2018	**130,500**
Net book value:	
At 30 September 2018	**167,325**
At 30 September 2017	100,825

Details of subsidiary undertakings are included in Note S.

On 10 May 2018, the Company acquired the whole of the issued share capital of QTS Group Ltd for a cash consideration of £80m.

On 2 February 2018 Ferns Group Ltd acquired 100% of the ordinary share capital of Forefront Group Ltd for a cash consideration of £1.

Following a strategic review opportunities available, the Board has decided to close Lovell America Inc, a subsidiary which carried out land development projects around Maryland in the USA. The investment has been written down accordingly.

Notes to the company accounts continued

G Assets held for resale

	2018 £000	2017 £000
Property	**1,500**	1,500

This office property has been actively marketed but disposal has been delayed by current market conditions. The building is carried at net realisable value based on an annual independent third party valuation.

H Debtors due after one year

	2018 £000	2017 £000
Debtors due after one year:		
Pension scheme asset (see Note R)	**19,335**	9,692
Due within one year:		
Trade debtors	**13**	73
Due from subsidiary undertakings	**63,086**	69,042
Corporation tax	**2,128**	4,903
Other debtors	**21**	26
Prepayments and accrued income	**255**	257
	65,503	74,301
	84,838	83,993

I Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans and overdraft (secured)	**87,971**	77,036
Trade creditors	**565**	409
Other taxation and social security	**635**	1,565
Due to subsidiary undertakings	**29,515**	26,801
Other creditors	**186**	297
Accruals and deferred income	**6,857**	6,175
	125,729	112,283

J Creditors falling due after more than one year

	2018 £000	2017 £000
Bank loans	**21,873**	—
Deferred tax	**6,768**	3,387
	28,641	3,387

Bank loans and overdraft repayable:		
Within one year	**87,971**	77,036
Within two to five years	**21,873**	—
	109,844	77,036

Under the terms of the Renew Holdings plc's group banking agreement, security has been granted over the Company's assets.

Deferred tax liability:		
Defined benefit pension scheme	**6,767**	3,392
Accelerated capital allowances	**1**	(5)
	6,768	3,387

K Derivatives and other financial instruments

Currency exposures

The principal 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) was in respect of an inter-company loan. At 30 September 2018, this loan was $Nil (2017: $4,521,000).

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.

L Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid:		
75,267,507 (2017: 62,591,451) Ordinary Shares of 10p each	**7,527**	6,259

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.

On 9 May 2018 12,676,056 Ordinary Shares were issued in a placing to raise £45m to partly fund the acquisition of QTS Group Ltd.

Share options

Renew Holdings 2004 Executive Share Option Scheme

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

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

As at 30 September 2018, there were no options outstanding under the scheme. During the year 31,467 options were exercised at an exercise price of 286p. Any options granted under the scheme are subject to the same performance criteria as options issued under the long term incentive plan described below.

Renew Holdings plc Long Term Incentive Plan

At the Annual General Meeting held on 25 January 2012 the shareholders approved the long term incentive plan ("LTIP") which succeeded the Renew Holdings plc 2004 Executive Share Option Scheme as the Directors believed that the LTIP was a more effective method of aligning executive and shareholder interests.

As at 30 September 2018, there were 530,800 options outstanding under the scheme. On 22 November 2017, options to subscribe for a further 246,000 Ordinary Shares were granted. During the year 107,136 options were exercised and 76,864 options lapsed.

The options are exercisable at a nominal cost or at the par value of an Ordinary Share three years after the date of grant subject to the achievement of certain performance criteria. Details of the options are given in the Directors' Remuneration Report. To the extent that there is a gain arising in respect of the approved options noted above, the option holder will forfeit LTIP options to the same value.

Vesting of one half of the options is dependant on absolute growth in the Company's Total Shareholder Return ('TSR'), and the other half is dependant on the Company's TSR performance as compared to the TSR achieved by other companies in a comparator group of companies selected by the Remuneration Committee. All TSR calculations are based on the average of the opening and closing share price over a 30 day period prior to the commencement and the end of the performance period.

The absolute TSR growth target requires the Company's TSR over the three year performance period to grow by more than 25%. For TSR growth between 25% and 100%, the half of the option which is subject to the absolute TSR growth target vests on a straight-line basis from nil vesting at 25% growth, to 100% vesting at 100% growth. There will be no vesting if TSR growth is 25% or less.

The comparator group TSR performance target measures the Company's TSR over the 3 year performance period against the TSR of a group of companies selected by the Remuneration Committee. If the Company's TSR performance falls below the median performance of the comparator group then the options lapse forthwith. If the Company is ranked within the top decile of the comparator group the options shall vest in full. If the Company's TSR performance is ranked between the median position and the top decile of the comparator group then the options shall vest on a straight-line basis from nil, at or below the median position, to 100% at the top decile.

M Share based payments reserve

Renew Holdings plc Long Term Incentive Plan

Fair value has been independently measured by PricewaterhouseCoopers LLP using a Monte Carlo model methodology. 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 Board's estimate of shares that will eventually vest.

£18,000 (2017: £109,000) has been charged to administrative expenses in accordance with FRS 102. There is no impact on net assets since an equivalent amount has been credited to share based payments reserve. 184,000 options were exercised during the year. The value per option represents the fair value of the option less the consideration payable.

The expected volatility has been calculated based on weekly historical volatility of the Company's share price over the three years prior to the date of grant. The risk free rate of return has been based on the yields available on three year UK government bonds as at the date of grant.

M Share based payments reserve continued

Renew Holdings plc Long Term Incentive Plan continued

Options granted under the Renew Holdings plc Long Term Incentive Plan over the Company's Ordinary Shares at 30 September 2018 were as follows:

Date of grant	27 January 2016	24 November 2016	22 November 2017	Total
Awards outstanding at 30 September 2018				
– Directors and employees	125,700	159,100	246,000	530,800
Exercise price	10.0p	10.0p	10.0p	
Price at date of grant	410.0p	394.0p	428.75p	
Maximum option life	10 years	10 years	10 years	
Assumed option life for purposes of valuation	3 years	2.85 years	2.86 years	
Expected volatility	30%	28%	25%	
Dividend yield	1.7%	2.0%	2.1%	
Risk free interest rate	0.58%	0.29%	0.52%	
Value per option	212.5p	289.0p	262.0p	

N Capital and leasing commitments

	Land and buildings £000	Other £000	Total 2018 £000	Total 2017 £000
Annual commitments under non-cancellable operating leases expiring in:				
Under one year	**269**	**21**	**290**	251
Two to five years	**786**	**25**	**811**	677
Five or more years	**296**	**—**	**296**	—
	1,351	**46**	**1,397**	928

During the year £203,000 (2017: 348,000) was recognised as an expense in the profit and loss account in respect of operating leases.

The Company had no capital commitments at 30 September 2018 (2017: £nil).

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.

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

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

P Defined contribution pension scheme

The Company operates a defined contribution pension scheme with individual stakeholder pension plans for its employees.

The Company made contributions of £167,000 (2017: £241,000) into these plans during the year. There are also £12,000 (2017: £11,000) of accruals relating to these plans.

Q Related parties

The Company has a related party relationship with its key management personnel who are the Main Board Directors: P Scott, A Liebenberg, S Wyndham-Quin, J Samuel, DM Forbes, J Bishop, DA Brown and RJ Harrison, whose total compensation amounted to £1,801,000 (2017: £2,131,000) all of which was represented by short-term employment benefits including £268,000 (2017: £109,000) relating to share options exercised during the year. An analysis of this compensation is given in Note 6 of the consolidated accounts.

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

R Employee benefits: Retirement benefit obligations

Defined benefit pension schemes

The Company operates a defined benefit pension scheme, the Lovell Pension Scheme. The scheme has been closed to new members and to further benefits accrual for many years.

The Directors have discussed the assumptions used in determining the actuarial valuation set out below with independent pensions advisors and have determined that they are appropriate. The Lovell scheme's valuation at 30 September 2018 shows a surplus of £19,335,000 based on the assumptions set out below.

R Employee benefits: Retirement benefit obligations continued

Defined benefit pension schemes continued

The Directors have determined that it is appropriate to recognise the surplus as, having reviewed the rules of the Lovell scheme, they are of the view that the employer has an unconditional right to that surplus.

The following disclosures required by FRS 102 have been based on the most recent actuarial valuation as at 30 September 2018 carried out by Lane Clark & Peacock LLP, Consulting Actuaries, using the following assumptions:

	As at 30 September 2018	As at 30 September 2017	As at 30 September 2016
Rate of increase in salaries	**4.0%**	4.0%	4.0%
LPI increases to pensions in payment	**4.3%**	3.5%	3.0%
Discount rate	**2.9%**	2.4%	3.7%
Inflation assumption (CPI)	**2.2%**	2.0%	2.0%
Inflation assumption (RPI)	**3.3%**	3.0%	3.0%
Increases in deferred pensions	**3.1%**	2.9%	2.9%

The mortality tables adopted for the valuation of the Lovell scheme are the S2NA tables with future improvements in line with the Continuing Mortality Investigations 2017 model with long-term improvement rates of 1.25% per annum for both males and females. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 65 year old male pensioner is forecast to live for a further 22.5 years and the further life expectancy of a male aged 65 in 2038 is 23.9 years.

The assets in the Lovell scheme were:

	Value as at 30 September 2018 £000	**Current allocation**	Value as at 30 September 2017 £000	Current allocation	Value as at 30 September 2016 £000	Current allocation
Annuities	**85,850**	**51%**	91,400	53%	101,201	53%
Diversified portfolio	**81,202**	**48%**	81,273	47%	88,592	47%
Cash	**2,117**	**1%**	778	—	731	—
Total	**169,169**	**100%**	173,451	100%	190,524	100%

During 2011 and 2016, the Trustees of the Lovell scheme, in consultation with the Directors, used scheme assets to purchase annuities which match certain pension liabilities in a transaction known as a "buy in". This asset provides protection against falls in gilt yields and risks in the performance of other asset classes.

Scheme Funding Level and Actuarial Valuation

The scheme actuary carried out the triennial valuation of the Lovell Pension Scheme as at 31 March 2015. The scheme showed a deficit of £12.1m compared to £24.1m when measured as at 31 March 2012. The Group has agreed a revised recovery plan with the Trustees which commits the Group to paying annual contributions of £4,260,000 which was expected to result in the elimination of this deficit by 31 July 2018. This recovery plan aims to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004. The Group may be required to make further contributions to achieve a buy out of all pension liabilities and the Group has agreed to continue to make such contributions under a secondary funding objective. The necessity and quantum of these contributions will be remeasured by the scheme actuary at the next triennial valuation which was due as at 31 March 2018.

For accounting purposes under FRS 102, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on assets of the scheme which includes a number of return seeking assets invested with BlackRock Asset Management. The key sensitivity for the valuation of the scheme under FRS 102 is the selection of the discount rate which is the major determinant in measuring scheme liabilities. A reduction of 0.1% in the discount rate would increase scheme liabilities by £2.2m.

The scheme rules permit the return of any surplus funds to the Company on the winding up of the scheme.

	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Actual return on scheme assets less interest on scheme assets	**(1,138)**	(14,565)	22,781	18,145	16,348
As a percentage of the assets at the end of the year	**(0.7)%**	(8.4)%	12.0%	11.0%	11.2%
Total amount recognised in the statement of comprehensive income	**5,076**	(2,506)	(12,348)	10,664	1,514
As a percentage of the obligations at the end of the year	**3.4%**	(1.5)%	(6.8)%	7.1%	1.0%

R Employee benefits: Retirement benefit obligations continued

Scheme Funding Level and Actuarial Valuation continued

The following amounts at 30 September were measured in accordance with the requirements of FRS 102.

	2018 £000	2017 £000
Movements in scheme assets and obligations		
Total fair value of scheme assets brought forward	**173,451**	190,524
Interest on scheme assets	**4,412**	4,489
Employer contributions	**4,323**	4,319
Benefits paid	**(11,879)**	(11,315)
Running costs	**—**	(1)
Actual return on scheme assets less interest on scheme assets	**(1,138)**	(14,565)
Total fair value of scheme assets carried forward	**169,169**	173,451
Present value of scheme obligations brought forward	**163,759**	182,820
Interest on scheme obligations	**4,104**	4,253
Current and past service costs	**64**	60
Benefits paid	**(11,879)**	(11,315)
Actuarial movement due to experience on benefit obligation	**2,404**	(220)
Actuarial movement due to changes in financial assumptions	**(7,437)**	(6,652)
Actuarial movement due to changes in demographic assumptions	**(1,181)**	(5,187)
Total fair value of scheme obligations carried forward	**149,834**	163,759
Surplus in the scheme	**19,335**	9,692
Deferred tax	**(6,767)**	(3,392)
Net surplus	**12,568**	6,300
Amount charged to operating profit:		
Current and past service costs	**(64)**	(60)
Running costs	**—**	(1)
	(64)	(61)
Amount credited to other financial income:		
Interest on scheme assets	**4,412**	4,489
Interest on scheme obligations	**(4,104)**	(4,253)
Net pension interest	**308**	236
Amounts recognised in the statement of comprehensive income:		
Actual return on scheme assets less interest on scheme assets	**(1,138)**	(14,565)
Actuarial movement due to changes in assumptions on scheme obligations	**6,214**	12,059
Actuarial movement	**5,076**	(2,506)
Movement in the net scheme surplus during the year:		
Net scheme surplus brought forward	**9,692**	7,704
Current and past service costs	**(64)**	(60)
Running costs	**—**	(1)
Employer contributions	**4,323**	4,319
Net pension interest	**308**	236
Actuarial movement	**5,076**	(2,506)
Net scheme surplus carried forward	**19,335**	9,692

S Subsidiary undertakings

Renew Holdings plc acts as the holding company of the Group. The principal activity of the Group during the year was as contractors in Engineering Services and Specialist Building. The subsidiary undertakings and joint ventures are listed below.

Subsidiary undertakings and joint ventures		Incorporation & principal place of business	Proportion of Ordinary Shares held by the Company
Amco Group Holdings Ltd	Owned by Renew Holdings plc	England and Wales	100%
Britannia Group Ltd	Owned by Renew Holdings plc	England and Wales	100%
Clarke Telecom Ltd	Owned by Renew Holdings plc	England and Wales	100%
Inhoco 3520 Ltd	Owned by Renew Holdings plc	England and Wales	100%
Lewis Civil Engineering Ltd	Owned by Renew Holdings plc	England and Wales	100%
QTS Group Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Corporate Director Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Fleet Management Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Group Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Nominees Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Pension Trustee Company Ltd	Owned by Renew Holdings plc	England and Wales	100%
Renew Property Developments Ltd	Owned by Renew Holdings plc	England and Wales	100%
Seymour (C.E.C.) Holdings Ltd	Owned by Renew Holdings plc	England and Wales	100%
Shepley Engineers Ltd	Owned by Renew Holdings plc	England and Wales	100%
V.H.E. Construction PLC	Owned by Renew Holdings plc	England and Wales	100%
VHE Land Projects Ltd	Owned by Renew Holdings plc	England and Wales	100%
YJL Homes Ltd	Owned by Renew Holdings plc	England and Wales	100%
YJL Ltd	Owned by Renew Holdings plc	England and Wales	100%
YJL Pension Trustee Company Ltd	Owned by Renew Holdings plc	England and Wales	100%
Lovell America, Inc	Owned by Renew Holdings plc	USA	100%
Amalgamated Construction (Scotland) Ltd	Owned by subsidiary	Scotland	100%
Amalgamated Construction Ltd	Owned by subsidiary	England and Wales	100%
Amco Engineering Ltd	Owned by subsidiary	England and Wales	100%
Amco Group Ltd	Owned by subsidiary	England and Wales	100%
Amco Giffen Ltd (formerly Amco Group Trustees Ltd)	Owned by subsidiary	England and Wales	100%
Amco Rail Engineering Ltd	Owned by subsidiary	England and Wales	100%
Amco Rail Ltd	Owned by subsidiary	England and Wales	100%
Britannia Construction Ltd	Owned by subsidiary	England and Wales	100%
David Lewis Civil Engineering Ltd	Owned by subsidiary	England and Wales	100%
Geodur UK Ltd	Owned by subsidiary	England and Wales	100%
Giffen Holdings Ltd	Owned by subsidiary	England and Wales	100%
Giffen Group Ltd	Owned by subsidiary	England and Wales	100%
'Hire One' Ltd	Owned by subsidiary	England and Wales	100%
Knex Pipelines & Cables Ltd	Owned by subsidiary	England and Wales	100%
Mothersill Engineering Ltd	Owned by subsidiary	England and Wales	100%
Nuclear Decontamination Services Ltd	Owned by subsidiary	England and Wales	100%
P.P.S. Electrical Ltd	Owned by subsidiary	England and Wales	100%
QTS Rail Ltd	Owned by subsidiary	Scotland	100%
QTS Specialist Plant Services Ltd	Owned by subsidiary	Scotland	100%
QTS Training Ltd	Owned by subsidiary	Scotland	100%
Renew Civil Engineering Ltd	Owned by subsidiary	England and Wales	100%
Renew Construction Ltd	Owned by subsidiary	England and Wales	100%
Renew Specialist Services Ltd	Owned by subsidiary	England and Wales	100%
Seymour (Civil Engineering Contractors) Ltd	Owned by subsidiary	England and Wales	100%
VHE (Civil Engineering) Ltd	Owned by subsidiary	England and Wales	100%

Notes to the company accounts continued

S Subsidiary undertakings continued

Subsidiary undertakings and joint ventures		Incorporation & principal place of business	Proportion of Ordinary Shares held by the Company
VHE Equipment Services Ltd	Owned by subsidiary	England and Wales	100%
VHE Technology Ltd	Owned by subsidiary	England and Wales	100%
Walter Lilly & Co Ltd	Owned by subsidiary	England and Wales	100%
West Cumberland Engineering Ltd	Owned by subsidiary	England and Wales	100%
YJL Construction Ltd	Owned by subsidiary	England and Wales	100%
YJL Infrastructure Ltd	Owned by subsidiary	England and Wales	100%
YJL London Ltd	Owned by subsidiary	England and Wales	100%
Switchgear & Substation Alliance Ltd	Owned by subsidiary	England and Wales	33.3%
Inject-O-Matic Guarantee Ltd	Owned by subsidiary	England and Wales	28.9%

The registered office of Amalgamated Construction (Scotland) Ltd is 5 Carradale Crescent, Glasgow, G68 9LE.

The registered office of Lovell America Inc, is 9200 Rumsey Road, Columbia, Maryland, MD 21045, USA.

The registered office of Switchgear & Substation Alliance Ltd is Hamilton Office Park, 31 High View Close, Leicester, LE4 9LJ.

The registered office of QTS Group Ltd and its subsidiaries is Rench Farm, Drumclog, Strathaven, Lanarkshire, ML10 6QJ.

The registered office of all other subsidiary undertakings is Yew Trees, Main Street North, Aberford, LS25 3AA.

Directors, officers and advisors

Directors

D M Forbes	(Non-executive Chairman)
P Scott	(Chief Executive Officer)
S Wyndham-Quin CA	(Chief Financial Officer)
J Bishop FCA	(Independent non-executive)
D A Brown	(Independent non-executive)
A Liebenberg	(Executive Director)

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditor
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Financial PR
Walbrook PR Ltd
4 Lombard Street
London
EC3V 9HD

Nominated advisor and broker
Numis Securities Limited
London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Company Secretary
S Wyndham-Quin CA

Company number
650447

Registered address
Yew Trees
Main Street North
Aberford
Leeds
LS25 3AA

Website address
www.renewholdings.com

Shareholder information

Annual General Meeting	30 January 2019
Results	Announcement of interim results – May 2019
	Preliminary announcement of full year results – November 2019

Share Portal

The Share Portal is a secure online site where you can manage your shareholding quickly and easily. To register for the Share Portal just visit www.signalshares.com.

Dividend re-investment plan

Link's Dividend Re-investment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. For more information please call +44 (0)371 664 0381 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Alternatively, you can email shares@linkgroup.co.uk or log on to www.signalshares.com.

Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity 1052686). Find out more at www.sharegift.org or by telephoning 020 7930 3737.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls typically come from fraudsters operating in "boiler rooms" that are mostly based abroad. If you are offered unsolicited investment advice you should:

- Check the Financial Services Register at www.fca.org.uk to ensure they are authorised.
- Call the FCA Consumer Helpline on 0800 111 6768 or use the share fraud reporting form at www.fca.org.uk/scams.

If you use an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme ("FSCS").

Link's Customer Support Centre

By phone +44 (0)871 664 0300 (Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. By email shareholderenquiries@linkgroup.co.uk.

Our subsidiary businesses

Engineering services

AmcoGiffen
Whaley Road
Barugh
Barnsley
South Yorkshire
S75 1HT
Tel: 01226 243 413

Clarke Telecom
Unit E
Madison Place
Northampton Road
Manchester
M40 5AG
Tel: 0161 785 4500

Lewis Civil Engineering
Mwyndy Cross Industries
Cardiff Road
Pontyclun
Rhondda Cynon Taff
CF72 8PN
Tel: 01443 449 200

QTS
Rench Farm
Drumclog
Strathaven
South Lanarkshire
ML10 6QJ
Tel: 01357 440 222

Seymour Civil Engineering
Seymour House
Harbour Walk
Hartlepool
TS24 0UX
Tel: 01429 233 521

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

VHE
Whaley Road
Barugh
Barnsley
South Yorkshire
S75 1HT
Tel: 01226 320 150

Specialist building

Walter Lilly
Knollys House
17 Addiscombe Road
Croydon
Surrey
CR0 6SR
Tel: 020 8730 6200

Renew Holdings plc
Yew Trees
Main Street North
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LS25 3AA
tel: 0113 281 4200
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web: www.renewholdings.com

Company Number: 650447
Registered in England & Wales