Renew Holdings plc
Interim Report and Accounts 2020

renew

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: www.renewholdings.com

Strategic report

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Record interim results

As a leading provider of essential engineering support services to UK infrastructure networks, Renew operates in the regulated Rail, Infrastructure, Energy and Environmental markets. Our essential infrastructure maintenance and renewal services are underpinned by regulatory requirements and, as such, benefit from long-term visible cycles of investment. Our differentiated business model delivers reliability and a competitive advantage and is key to the Group's success in these markets.

How we are responding to the Covid-19 pandemic

We continue to respond decisively and effectively to the ongoing challenges of the Covid-19 pandemic. The health, safety and wellbeing of our people and all stakeholders continues to be our highest priority especially during this unprecedented period. I continue to be immensely proud of the reaction to this event by my colleagues and our entire workforce who remain fully committed to complying with the UK Government's safety guidelines whilst delivering essential services.

Where it remains safe to do so we continue to operate across the majority of our sectors; albeit some disruption has been inevitable. In Rail and Highways, which account for the majority of our engineering activity, we are working closely with our public sector customers in areas designated critical to the Covid-19 response. We continue to see clear commitment and ongoing demand for our directly delivered maintenance and renewal services. Water and Telecommunications have also been designated 'critical sectors' and our key workers continue to be deployed across all network areas where we have framework contracts. In total, approximately 80% of our activities have continued as they are in areas deemed critical to the Covid-19 response.

In response to the escalation of the Covid-19 pandemic, the Board has been focused on taking actions to preserve cash and protect liquidity in a way that does not compromise the long-term prospects of the business. These include deferral of all non-essential capital expenditure, a hiring freeze, deferral of VAT payments (£2.6m deferred in March 2020), utilisation of the Government's Coronavirus Job Retention Scheme (c.15% of the workforce furloughed) and a temporary 20% reduction in the salaries of the Board and senior management from 1 April 2020. As stated in the trading update on 1 April 2020, the Board has suspended payment of the interim dividend which would ordinarily have been paid to shareholders in July 2020. We understand the importance of the dividend to our shareholders and will keep our dividend policy under review in the coming months.

The Group recently refinanced its working capital facilities as part of the acquisition of Carnell Support Services ("Carnell") in January 2020 and now has a revolving credit facility ("RCF") provided by HSBC and NatWest of £44.2m, expiring in January 2024. In addition, the Group has a £10m unsecured overdraft facility. As at 31 March 2020, headroom in our available facilities was approximately £55m, plus a £15m uncommitted accordion facility on the RCF. The Group's cash generation has continued to be strong since the end of March with our regulated public sector customers adhering to the Government's Public Procurement Notice guidelines, that encourages prompt payment.

In order to provide a picture of the impact Covid-19 has had on our various market sectors we have provided a specific commentary in each of the following sector reviews. In general, while there is naturally some disruption, the Group's inherently defensive qualities are providing a good degree of resilience in these unprecedented circumstances.

Group results

The Group has seen record trading in the first half of the year. Adjusted[1] operating profit increased 8% to £19.9m (2019: £18.4m) on revenue of £313.6m (2019: £301.0m). Adjusted[1] operating margin, increased to 6.4% (2019: 6.1%). Adjusted[1] earnings per share was 20.1p (2019: 19.2p). Statutory profit before income tax was £15.2m (2019: £14.5m). The Group's order book at 31 March 2020 was £690m (2019: £580m) and includes significant new awards during the first half of the year. Since 31 March 2020 we have seen no significant change in the order book characteristics as a consequence of the pandemic. At 31 March 2020, the Group had net debt of £16.1m (2019: £17.2m) which reflects the Group's continued focus on cash generation and conservative approach to gearing. Included in this amount is the balance outstanding on the term loan used to fund the acquisition of QTS which is £17.5m.

The results include a contribution from Carnell which was acquired in January 2020. The integration of the business has progressed well and its results are in line with our expectations.

Engineering Services

Engineering Services revenue was £293.1m (2019: £281.6m) with an adjusted[1] operating profit of £20.5m (2019: £19.1m) resulting in an operating margin of 7.0% (2019: 6.8%). At 31 March 2020, the Engineering Services order book was £591m (2019: £531m).

Across our Engineering Services markets we focus on directly delivering high volumes of non-discretionary maintenance and renewals tasks. The average task size is comparatively small which minimises financial and contractual risk compared with those businesses delivering larger enhancement schemes.

Engineering Services continued

Rail

Over the current 5-year investment cycle, Control Period 6 ("CP6"), which runs to 2024, Network Rail will spend £48bn on the network which includes a circa 25 per cent increase in spending on operations, maintenance, support and renewals activities compared to Control Period 5[2]. As a major provider of infrastructure services to Network Rail nationally, we support the day-to-day operation of the network by directly delivering essential asset maintenance through our long-term CP6 frameworks.

When the lockdown restrictions were imposed in March, our largest customer Network Rail confirmed their intention to proceed with all our planned works where we were able to comply with the UK Government's Covid-19 safety guidelines. We have experienced limited site closures to-date and in some cases we have taken the opportunity to deliver some schemes ahead of plan while the network has been running at limited capacity. We remain operational in all Network Rail routes and regions where, during April and into May, we have seen activity levels similar to those experienced prior to the pandemic's impact.

During the period we secured new positions on the CP6 Wales and Western 5-year Renewals frameworks across all 5 lots, where we will deliver a programme of engineering services to assets across the rail network including bridges, embankments, tunnels and electrification & plant. We were also awarded a further rail drainage framework in Scotland, complementing our existing rail drainage framework positions. We continue to operate on the Multidisciplinary Renewals and Geotechnical & Earthworks 5-year frameworks in Scotland as well as on existing frameworks for Slab Track in Scotland and for Station Information & Security Systems and Telecoms nationally. We provide a range of integrated services across the rail network which include civils asset management, signalling, fencing, devegetation and drainage.

In response to the effects of Storm Ciara and Storm Dennis in February 2020, which flooded rail and road networks across the country, we have seen significant and sustained demand for our emergency support services across the most severely impacted locations in Wales, North West and Central, Eastern and Scotland. Working around the clock, despite the challenging weather conditions and remote locations, our teams undertook vital works to ensure the integrity and safety of the railway for passengers and freight customers, minimising disruption and protecting community transport links. Works included repairs to a major landslide between Thornhill and Dumfries in Scotland and slope failure repairs at Auldgirth, Scotland. Emergency repairs were also undertaken on the Glasgow South Western Line following a significant landslip and at a number of locations on the Hereford to Newport Line in South Herefordshire.

Through our framework agreements with London Underground, we deliver specialist electrical, plant and power schemes. In addition to these frameworks we are also undertaking a number of depot control system and major depot refurbishment schemes. Work on Merseyrail's Principal Contractors 3-year framework and on the Transport for Wales STRIDE framework continues.

In the period we were awarded our first project to deliver a temporary compound for HS2. We are in negotiations to provide further compounds as part of a larger programme to establish around 100 similar facilities over the next 2 years.

Infrastructure

To support the Group's growth strategy, in January 2020 we were pleased to announce the acquisition of Carnell Support Services. Carnell is a leading provider of specialist engineering services on the Strategic Road Network where it directly delivers non-discretionary renewals and maintenance through long-term framework agreements. Post the period end, Carnell was awarded additional Asset Delivery frameworks in Areas 6 and 8, for its largest customer, Highways England. Carnell's complementary services are an excellent fit with the Group's established and proven strategy.

Further endorsement of this acquisition was provided when the Government confirmed in its latest Budget that it would spend £27.4bn as part of its 5-year Road Investment Strategy ("RIS2")[3]. £11.9bn of this funding will be ringfenced for operations, maintenance and renewals, a significant increase from £5.1bn in RIS1[4].

Highways England remains focused on safely maintaining critical services to support the Strategic Road Network and the UK Government is clear that the industry should continue to operate whilst observing the Covid-19 safety guidelines. We remain operational across all areas for Highways England which is reflective of the resilience of this new market sector for Renew. During April and May, we have experienced similar levels of activity to those seen prior to the pandemic's impact.

In Wireless Telecoms, a sector also designated critical at this time, we have experienced limited interruption with some access restrictions across London. We continue to support the network operators to ensure the operation of critical services where it remains safe for our employees to do so. We have seen a significant increase in work across our framework contracts throughout the UK as the 5G roll-out accelerates including the first of several large packages to carry out 5G street works installations. We are gradually seeing a return to pre-Covid-19 activity levels and we anticipate this positive momentum will continue.

Energy

The Nuclear Decommissioning Authority continues to commit around £3bn[5] per annum on the decommissioning programme across its 17 nuclear licensed sites in the UK. We operate on sites that command approximately 90 per cent of this provision. The largest of these sites is Sellafield in Cumbria, where we remain a principal mechanical, electrical and instrumentation contractor.

We further strengthened our position at Sellafield in the period with the appointment to both lots of the 4-year Fabrication and Machining Spares Framework where we will be supplying engineering components to very demanding nuclear standards. We continue to work on numerous high hazard retrievals and risk reduction activities across the site through established, long-term framework agreements for decontamination, decommissioning and waste management. Our Decommissioning Delivery Partnership Framework, which runs to 2026, delivers work across some of the most hazardous areas including waste retrieval from legacy storage ponds and silos.

The Sellafield site instigated emergency measures at the start of the Covid-19 lockdown and consequently all site work activity was suspended. This remained the case until the end of April 2020 when it restarted work on one prioritised programme. It still remains unclear when the suspended programmes will be recommenced. We continue to work very closely with this long-term customer, with which we have contractual protection measures, to retain our highly qualified resources and to cover the majority of costs associated with the interruption whilst assisting with the development of plans for the resumption of decommissioning activities.

At Springfields, all activity was initially suspended with the lockdown at the end of March. During April approximately 50 per cent of our activities, including operational support and decommissioning, recommenced at the site and we anticipate this positive momentum will continue.

Elsewhere in nuclear, we continue to work on the 7-year Decommissioning Services Framework at Dounreay and to support Rolls Royce on its Diesel Generator Programme at Hinkley Point 'C'.

Our essential engineering maintenance services at 6 of the UK's thermal power stations, including Drax, have continued with little interruption. We also have a Minor Works framework with National Grid as well as securing a Minor Civils framework with Western Power Distribution in the period.

Environmental

We provide a range of engineering services to support the renewal and maintenance of water infrastructure assets including those on clean and wastewater networks, flood alleviation and coastal protection systems. Spending on the latest 5-year investment cycle (AMP7) is estimated to be circa £50bn[6] as demand continues to be driven by population growth, ageing infrastructure and environmental considerations. These long-term renewal programmes require sustained investment through our clients' operational expenditure budgets.

Work continues for all our water clients and the Environment Agency where we are able to comply with the UK Government's Covid-19 safety guidelines. The nature of the essential maintenance and renewals tasks we undertake designates our teams as key workers and we remain fully operational across all our frameworks.

Since the extensive flooding that was caused by Storm Ciara and Storm Dennis in February 2020, we have been extremely busy delivering critical reactive works, through our framework agreements, to keep the water network operational. These essential works interrupted the delivery of regular planned maintenance and renewals works which are now recommencing.

For Dŵr Cymru Welsh Water, we operate on the Pressurised Pipelines Framework, Major Civils Framework and the Capital Delivery Alliance Civils contracts across the region. In addition to ongoing maintenance and renewals tasks, we have provided extensive 24/7 emergency reactive works on the water network during the period to ensure continuity of supply. As an approved dam safety contractor, we continue to grow our portfolio of work with the award of 2 new dam infrastructure schemes.

Works continue with Wessex Water and Bristol Water as they develop their plans for AMP7. With new client Yorkshire Water, we will carry out engineering works to existing assets on operational treatment and distribution facilities over the next 5 years through the AMP7 Minor Civils Framework.

In the latest Budget the Government committed a record investment of £5.2bn[7] over the next 6 years to improve flood defences nationally. We see this as a major growth opportunity, where we currently work for customers including the Environment Agency and Canal and Rivers Trust delivering essential maintenance and improvement works nationally.

Engineering Services continued

Environmental continued

In Land Remediation, we have experienced disruption across our site activities due to the Covid-19 pandemic. A number of remediation sites have now reopened with enhanced safety protection in line with the UK Government's Covid-19 guidelines. In the period we worked on regeneration schemes for Homes England and Harworth Estates.

In Specialist Restoration, site work at the Palace of Westminster was suspended at the start of the Covid-19 restrictions, however, we have continued with renovation activities in our restoration workshop. Working closely with this client we have gradually restarted site operations and anticipate this momentum will continue.

Specialist Building

We specialise in the High Quality Residential and Science markets in London and the Home Counties. During the period, work continued uninterrupted on schemes for our Science clients including schemes for Defra and MRC London Institute of Medical Science. We experienced some disruption in the High Quality Residential sector in Central London; however, we are actively working with all of our clients in developing plans to safely resume site operations in May and June 2020. The Group continues to be selective in these markets where we have a long-established track record.

Revenue was in line with the Group's expectations at £20.5m (2019: £19.4m) reflecting a continued focus on contract selectivity and risk management. Operating profit was £0.4m (2019: £0.3m), with an operating margin of 2.0% (2019: 1.5%).

In Specialist Building, the order book was £99m (2019: £49m).

Board changes

In February 2020 we were pleased to announce the appointment of Stephanie Hazell to the Renew Board as a Non-Executive Director from 1 March 2020. Stephanie has over 20 years' relevant experience working in high profile businesses including PricewaterhouseCoopers LLP, Orange SA, Virgin Management Ltd and National Grid Plc, where she held the position of director, strategy and corporate development. Stephanie is an industrial partner at Infracapital and a non-executive director for a number of its investments. Stephanie's appointment will bring additional valuable experience in a number of the Group's existing markets and strategic experience across the Infrastructure sector to assist in the development and delivery of the Group's established strategy.

Sustainability

In order to be able to deliver long-term value for all our stakeholders, we continue to embed robust environmental, social and governance ("ESG") practice and procedures throughout our business. Examples in the period include our work to develop the diversity of the Board and improvements in training and wellness opportunities for all our employees. Our subsidiary businesses also continue to work towards obtaining the latest environmental accreditations. The Group's strong core values underpin our approach to sustainable ESG, and we consider these to be fundamental to the long-term sustainability of the Group.

Outlook

Our strong trading performance and cash generation in the period is reflective of the reliable long-term nature of the UK infrastructure markets in which we operate, a strategy reinforced in the Government's latest Budget when it committed to investing £640bn in infrastructure over the next 5 years[7]. The acquisition of Carnell has broadened our service offering into the Highways market, increasing the opportunities available to the Group under this long-term spending programme.

Where we are able to satisfy the requirements of the Covid-19 safety guidelines, we continue to work closely with our customers directly delivering essential network services. In total, approximately 80% of our activities have continued during the crisis as they are deemed critical to the Covid-19 response. Following the UK Government's recovery strategy launched on 10 May 2020, we are addressing immediate opportunities to remobilise the remaining 20% of our operations and we anticipate this positive momentum will continue.

The strength of the Group's position in its markets and the essential nature of the work we undertake give the Board confidence that Renew remains well placed to play a significant role in the long-term opportunities that will emerge across UK infrastructure, a sector that will play an important role in rebuilding our economy.

Paul Scott
Chief Executive
19 May 2020

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 the Group's 2019 Annual Report and Accounts.

2 CP6 Network Rail Strategic Business Plan – Summary, 9 February 2018.

3 Department for Transport, Road Investment Strategy 2: 2020–2025, March 2020.

4 Department for Transport, Road Investment Strategy: for the 2015/16–2019/20 Road Period, March 2015.

5 NDA Business Plan 1 April 2019 to 31 March 2022, March 2019.

6 Water UK – A Manifesto for Water, Summary of the Water Industry's Plans in England 2020–25, 3 September 2018.

7 Budget 2020 – What you need to know: Government website, 11 March 2020.

Our differentiated business model

• Our Infrastructure, Energy and Environmental markets enjoy committed funding	• Provides visible, reliable and resilient revenues via long-term maintenance and renewal programmes
• We deliver non-discretionary maintenance and renewals tasks	• We have little exposure to the financial and contractual risks facing those businesses that deliver large enhancement schemes funded by capex spend • In rail maintenance our average task size is less than £20k • Mainly funded from opex budgets
• We work in complex, challenging and highly regulated environments	• Markets with high barriers to entry
• We employ a highly skilled, directly employed workforce	• Underpins safe working practices • Creates a culture of responsiveness to client needs • Reduces our exposure to sub-contractor pricing volatility
• We have a proven track record of revenue growth, profitability and cash generation	• Presenting an attractive, long-term investment case

	Note	Before exceptional items and amortisation of intangible assets 2020 Unaudited £000	Exceptional items and amortisation of intangible assets (see Note 3) 2020 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Six months ended 31 March 2019* Unaudited £000	Before exceptional items and amortisation of intangible assets 2019 Audited £000	Exceptional items and amortisation of intangible assets (see Note 3) 2019 Audited £000	Year ended 30 September 2019 Audited £000
Revenue: Group including share of joint venture	2	**313,566**	**—**	**313,566**	300,978	600,631	—	600,631
Less share of joint venture's revenue		**—**	**—**	**—**	—	(709)	—	(709)
Group revenue from continuing activities	2	**313,566**	**—**	**313,566**	300,978	599,922	—	599,922
Cost of sales		**(268,924)**	**—**	**(268,924)**	(258,964)	(514,299)	—	(514,299)
Gross profit		**44,642**	**—**	**44,642**	42,014	85,623	—	85,623
Administrative expenses		**(24,699)**	**(3,910)**	**(28,609)**	(26,848)	(47,390)	(10,788)	(58,178)
Share of post-tax result of joint venture		**—**	**—**	**—**	—	96	—	96
Operating profit	2	**19,943**	**(3,910)**	**16,033**	15,166	38,329	(10,788)	27,541
Finance income		**1**	**—**	**1**	1	50	—	50
Finance costs		**(863)**	**—**	**(863)**	(691)	(1,244)	—	(1,244)
Other finance income – defined benefit pension schemes		**—**	**—**	**—**	—	615	—	615
Profit before income tax	2	**19,081**	**(3,910)**	**15,171**	14,476	37,750	(10,788)	26,962
Income tax expense	4	**(3,755)**	**504**	**(3,251)**	(2,749)	(7,306)	2,601	(4,705)
Profit for the period attributable to equity holders of the parent company		**15,326**	**(3,406)**	**11,920**	11,727	30,444	(8,187)	22,257
Basic earnings per share	5	**20.06p**	**(4.46p)**	**15.60p**	15.58p	40.43p	(10.88p)	29.55p
Diluted earnings per share	5	**19.90p**	**(4.42p)**	**15.48p**	15.49p	40.13p	(10.79p)	29.34p
Proposed dividend	6			**0.00p**	3.83p			11.50p

* Operating profit for the six months ended 31 March 2019 is stated after charging £3,264,000 of amortisation cost (see Note 3).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2020

	Six months ended 31 March 2020 Unaudited £000	Six months ended 31 March 2019 Unaudited £000	Year ended 30 September 2019 Audited £000
Profit for the period attributable to equity holders of the parent company	**11,920**	11,727	22,257
Items that will not be reclassified to profit or loss:			
Movement in actuarial valuation of the defined benefit pension schemes	**—**	—	3,543
Movement on deferred tax relating to the defined benefit pension schemes	**—**	—	(1,240)
Total items that will not be reclassified to profit or loss	**—**	—	2,303
Items that are or may be reclassified subsequently to profit or loss:			
Exchange movement in reserves	**(5)**	(5)	28
Total items that are or may be reclassified subsequently to profit or loss	**(5)**	(5)	28
Total comprehensive income for the period attributable to equity holders of the parent company	**11,915**	11,722	24,588

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2020

	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 Unaudited £000
At 1 October 2018	7,527	51,684	3,896	1,311	698	10,355	75,471
Transfer from income statement for the period						11,727	11,727
Dividends paid						(5,020)	(5,020)
New shares issued	6	220					226
Recognition of share based payments					(272)		(272)
Exchange differences				(5)			(5)
At 31 March 2019	7,533	51,904	3,896	1,306	426	17,062	82,127
Transfer from income statement for the period						10,530	10,530
Dividends paid						(2,885)	(2,885)
Recognition of share based payments					150		150
Exchange differences				33			33
Actuarial movement recognised in the pension schemes						3,543	3,543
Movement on deferred tax relating to the pension schemes						(1,240)	(1,240)
At 30 September 2019	7,533	51,904	3,896	1,339	576	27,010	92,258
Transfer from income statement for the period						11,920	11,920
Dividends paid						(5,770)	(5,770)
New shares issued	322	15,024					15,346
Recognition of share based payments					(4)		(4)
Exchange differences				(5)			(5)
At 31 March 2020	**7,855**	**66,928**	**3,896**	**1,334**	**572**	**33,160**	**113,745**

CONDENSED CONSOLIDATED BALANCE SHEET

at 31 March 2020

	31 March 2020 Unaudited £000	31 March 2019 Unaudited £000	30 September 2019* Audited £000
Non-current assets			
Intangible assets – goodwill	**125,092**	105,282	105,282
– other	**26,442**	12,727	9,463
Property, plant and equipment	**22,242**	20,182	20,932
Right of use assets*	**10,157**	—	—
Investment in joint venture	**39**	123	139
Retirement benefit assets	**27,936**	23,271	25,554
Deferred tax assets	**1,462**	1,502	1,416
	213,370	163,087	162,786
Current assets			
Inventories	**1,675**	1,624	2,632
Assets held for resale	**1,500**	1,500	1,500
Trade and other receivables	**110,700**	119,133	118,623
Current tax assets	**1,334**	—	—
Cash and cash equivalents	**31,430**	8,999	11,667
	146,639	131,256	134,422
Total assets	**360,009**	294,343	297,208
Non-current liabilities			
Borrowings	**(38,750)**	(17,498)	(13,123)
Obligations under finance leases**	**(10,320)**	(2,645)	(3,214)
Deferred tax liabilities	**(14,755)**	(10,353)	(10,598)
Provisions	**(452)**	(298)	(452)
	(64,277)	(30,794)	(27,387)
Current liabilities			
Borrowings	**(8,750)**	(8,752)	(8,752)
Trade and other payables	**(167,512)**	(166,527)	(164,450)
Obligations under finance leases**	**(5,714)**	(2,228)	(2,546)
Current tax liabilities	**—**	(1,864)	(1,804)
Provisions	**(11)**	(2,051)	(11)
	(181,987)	(181,422)	(177,563)
Total liabilities	**(246,264)**	(212,216)	(204,950)
Net assets	**113,745**	82,127	92,258
Share capital	**7,855**	7,533	7,533
Share premium account	**66,928**	51,904	51,904
Capital redemption reserve	**3,896**	3,896	3,896
Cumulative translation adjustment	**1,334**	1,306	1,339
Share based payments reserve	**572**	426	576
Retained earnings	**33,160**	17,062	27,010
Total equity	**113,745**	82,127	92,258

* The Group has adopted IFRS 16 from 1 October 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. (See Note 1.)

** At 31 March 2020 current lease obligations included £3,301,000 of additional liabilities and non-current lease obligations included £6,925,000 of additional liabilities recognised under IFRS 16.

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

for the six months ended 31 March 2020

	Six months ended 31 March 2020 Unaudited £000	Six months ended 31 March 2019 Unaudited £000	Year ended 30 September 2019 Audited £000
Profit for the period from continuing operating activities	**11,920**	11,727	22,257
Share of post-tax trading result of joint venture	**—**	—	(96)
Impairment and amortisation of intangible assets	**2,148**	3,264	6,528
Defined benefit pension scheme guaranteed minimum pension equalisation	**—**	—	4,260
Depreciation*	**4,749**	2,826	5,561
Profit on sale of property, plant and equipment	**(308)**	(377)	(621)
Decrease/(increase) in inventories	**245**	67	(210)
Decrease in receivables	**20,647**	7,187	7,769
Decrease in payables	**(5,005)**	(11,946)	(15,239)
Current and past service cost in respect of defined benefit pension scheme	**25**	30	46
Cash contribution to defined benefit pension schemes	**(2,382)**	(2,847)	(5,279)
Credit in respect of share options	**(4)**	(272)	(122)
Finance income	**(1)**	(1)	(50)
Finance expense	**863**	691	629
Interest paid	**(863)**	(691)	(1,244)
Income taxes paid	**(5,372)**	(2,600)	(5,524)
Income tax expense	**3,251**	2,749	4,705
Net cash inflow from continuing operating activities	**29,913**	9,807	23,370
Net cash (outflow)/inflow from discontinued operating activities	**(213)**	1,585	71
Net cash inflow from operating activities	**29,700**	11,392	23,441
Investing activities			
Interest received	**1**	1	50
Dividend received from joint venture	**100**	—	80
Proceeds on disposal of property, plant and equipment	**376**	581	939
Purchases of property, plant and equipment	**(1,710)**	(1,680)	(2,619)
Acquisition of subsidiaries net of cash acquired	**(40,512)**	—	—
Net cash outflow from investing activities	**(41,745)**	(1,098)	(1,550)
Financing activities			
Dividends paid	**(5,770)**	(5,020)	(7,905)
Issue of Ordinary Shares	**15,346**	226	226
New loan	**49,000**	—	—
Loan repayments	**(23,375)**	(4,375)	(8,750)
Repayment of obligations under finance leases**	**(3,394)**	(1,303)	(3,076)
Net cash inflow/(outflow) from financing activities	**31,807**	(10,472)	(19,505)
Net increase/(decrease) in continuing cash and cash equivalents	**19,975**	(1,763)	2,315
Net (decrease)/increase in discontinued cash and cash equivalents	**(213)**	1,585	71
Net increase/(decrease) in cash and cash equivalents	**19,762**	(178)	2,386
Cash and cash equivalents at beginning of period	**11,667**	9,179	9,179
Effect of foreign exchange rate changes on cash and cash equivalents	**1**	(2)	102
Cash and cash equivalents at end of period	**31,430**	8,999	11,667
Bank balances and cash	**31,430**	8,999	11,667

* Additional depreciation on the Group's right of use assets due to the adoption of IFRS 16 amounted to £1,863,000 for the six months ended 31 March 2020.

** Additional lease repayments of £1,794,000 were recorded due to the adoption of IFRS 16 for the six months ended 31 March 2020.

1 Basis of preparation

(a) The condensed consolidated interim financial report for the six months ended 31 March 2020 and the equivalent period in 2019 has not been audited or reviewed by the Group's auditor. It does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. It has been prepared under the historical cost convention and on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The report does not comply with IAS 34 "Interim Financial Reporting" which is not currently required to be applied for AIM companies and it was approved by the Directors on 19 May 2020.

(b) The accounts for the year ended 30 September 2019 were prepared under IFRS and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Sections 498 (2) or (3) of the Companies Act 2006. In this report, the comparative figures for the year ended 30 September 2019 have been audited. The comparative figures for the period ended 31 March 2019 are unaudited.

(c) For the year ending 30 September 2020, one new accounting standard, IFRS 16 "Leases", has been adopted by the EU, applied and has been implemented for the condensed consolidated interim financial report. The accounting policies adopted in the preparation of the condensed consolidated interim financial report are consistent with those adopted in the Group's accounts for the year ended 30 September 2019 except for the impact of IFRS 16.

IFRS 16 has become effective for the year ending 30 September 2020 and replaces the requirements of IAS 17 "Leases". The Group has adopted IFRS 16 using the modified retrospective approach under which the cumulative effect of adoption is recognised through reserves, with comparatives continuing to be reported under IAS 17. An asset representing the Group's right as a lessee to use a leased item and a liability for the associated future lease payments has been recognised for all leases, subject to limited exemptions for short term leases and low value lease assets. The cost of leases has been recognised in the condensed consolidated income statement split between depreciation of the lease asset and a finance charge on the lease liability. This is similar to the accounting for finance leases under IAS 17, but different to the accounting for operating leases (under which no lease asset or lease liability was recognised, and operating lease rentals were charged to the condensed consolidated income statement on a straight-line basis).

As a result of adopting the new accounting standard for the six months ended 31 March 2020, the Group's profit before tax has reduced by £69,000 and operating profit has increased by £79,000. The reduction in profit before tax is the net impact of £148,000 of additional finance charges and £1,863,000 of additional depreciation, replacing £1,942,000 of operating lease rental charges. Finance charges under IFRS 16 are front-loaded in the early part of the lease term and, when using the modified retrospective approach to adoption, this resulted in the overall cost of leases being greater than the operating lease rental charges would have been under IAS 17.

The Group adopted IFRS 16 with a date of initial application of 1 October 2019 using the modified retrospective approach whereby the right of use asset on transition equalled the lease liability. The comparative information for the six months ended 31 March 2019 and for the year ended 30 September 2019 has not been restated and continues to be reported under IAS 17.

The Group applied the following measures/exemptions available on transition to IFRS 16, to leases previously classified as operating leases:

- on transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applies IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 October 2019;

- the Group has relied on its previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;

- the Group has not recognised right of use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis; and

- the Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term in a similar class of underlying assets).

The Group has changed its accounting policies and updated its internal processes and controls related to leasing. The new definition of a lease has been applied to contracts entered into from 1 October 2019.

1 Basis of preparation continued

Lease accounting policy

(c) The Group has relied upon the exemption under IFRS 16 to exclude the impact of low-value leases and leases that are short term in nature (defined as leases with a term of 12 months or less). Costs on these leases are recognised on a straight-line basis as an operating expense within the income statement. All other leases are accounted for in accordance with this policy.

The Group has various lease arrangements for properties (e.g. office buildings and storage facilities), vehicles, and other equipment including plant and machinery. At the inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Group recognises a lease liability and a corresponding right of use asset with respect to all such lease arrangements in which it is a lessee.

A right of use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right of use asset at inception. Right of use assets are depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term and are assessed in accordance with IAS 36 "Impairment of Assets" to determine whether the asset is impaired and to account for any loss.

The lease liability is initially measured at the present value of lease payments as outlined above and is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease payments comprise fixed lease rental payments. Lease liabilities are classified between current and non-current on the balance sheet.

The key estimate applied by management relates to the assessment of the incremental borrowing rate adopted by the Group to discount the future lease rentals to present value in order to measure the lease liabilities at 1 October 2019. The weighted average rate applied by the Group at transition was 3.0%.

The impact on the Group's opening balance sheet at 1 October 2019 as a result of the adoption of IFRS 16 was as follows:

	£000
Net assets at 30 September 2019	92,258
Right of use assets recognised	10,001
Lease liabilities recognised	(10,001)
Net assets at 1 October 2019	92,258

Applying the Group's incremental borrowing rate to discount the operating lease commitments reported at 30 September 2019 results in a liability of £10.0m. This reconciles to the right of use asset recognised as follows:

	£000
Operating lease commitments at 30 September 2019	10,885
Recognition exemption for short-term and low-value leases	(272)
Discount using the incremental borrowing rate at 1 October 2019	(612)
Right of use asset recognised at 1 October 2019	10,001

(d) The Board has reviewed the principal risks and uncertainties affecting the Group in the context of the impact of the Covid-19 pandemic. The Board recognises that the impact of Covid-19 is being felt across all aspects of the Group's operations and that the overall risk environment has increased as a result of the pandemic. Despite this, the Board considers that the principal risks and uncertainties set out in the Group's accounts for the year ended 30 September 2019 are still appropriate and has taken additional actions to address those risks specifically arising from Covid-19. In this context, the Directors have reviewed financial forecasts and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis in preparing the condensed consolidated interim financial report.

This condensed consolidated interim financial report is being sent to shareholders and is also available upon request from the Company Secretary, Renew Holdings plc, 3175 Century Way, Thorpe Park, Leeds LS15 8ZB, or via the website, www.renewholdings.com.

2 Segmental analysis

Operating segments have been identified based on the internal reporting information provided to the Group's Chief Operating Decision Maker. From such information, Engineering Services and Specialist Building have been determined to represent operating segments.

	Group including share of joint venture 2020 Unaudited £000	Less share of joint venture 2020 Unaudited £000	Group revenue from continuing activities Six months ended 31 March 2020 Unaudited £000	Group revenue from continuing activities Six months ended 31 March 2019 Unaudited £000	Group including share of joint venture 2019 Audited £000	Less share of joint venture 2019 Audited £000	Group revenue from continuing activities Year ended 30 September 2019 Audited £000
Analysis of revenue							
Engineering Services	**293,093**	**—**	**293,093**	281,552	564,478	(709)	563,769
Specialist Building	**20,473**	**—**	**20,473**	19,426	36,125	—	36,125
Inter segment revenue	**(965)**	**—**	**(965)**	(633)	(1,461)	—	(1,461)
Segment revenue	**312,601**	**—**	**312,601**	300,345	599,142	(709)	598,433
Central activities	**965**	**—**	**965**	633	1,489	—	1,489
Group revenue from continuing operations	**313,566**	**—**	**313,566**	300,978	600,631	(709)	599,922

	Before exceptional items and amortisation of intangible assets 2020 Unaudited £000	Exceptional items and amortisation of intangible assets 2020 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Six months ended 31 March 2019* Unaudited £000	Before exceptional items and amortisation of intangible assets 2019 Audited £000	Exceptional items and amortisation of intangible assets 2019 Audited £000	Year ended 30 September 2019 Audited £000
Analysis of operating profit							
Engineering Services	**20,542**	**(3,910)**	**16,632**	15,832	39,410	(6,788)	32,622
Specialist Building	**415**	**—**	**415**	333	882	—	882
Segment operating profit	**20,957**	**(3,910)**	**17,047**	16,165	40,292	(6,788)	33,504
Central activities	**(1,014)**	**—**	**(1,014)**	(999)	(1,963)	(4,000)	(5,963)
Operating profit	**19,943**	**(3,910)**	**16,033**	15,166	38,329	(10,788)	27,541
Net financing expense	**(862)**	**—**	**(862)**	(690)	(579)	—	(579)
Profit before income tax	**19,081**	**(3,910)**	**15,171**	14,476	37,750	(10,788)	26,962

* Operating profit for the six months ended 31 March 2019 is stated after charging £3,264,000 of amortisation cost (see Note 3).

3 Exceptional items and amortisation of intangible assets

	Six months ended 31 March 2020 Unaudited £000	Six months ended 31 March 2019 Unaudited £000	Year ended 30 September 2019 Audited £000
Defined benefit pension scheme guaranteed minimum pension equalisation	**—**	—	4,260
Acquisition costs	**1,762**	—	—
Total charges arising from exceptional items	**1,762**	—	4,260
Amortisation of intangible assets	**2,148**	3,264	6,528
Total exceptional items and amortisation charge before income tax	**3,910**	3,264	10,788
Taxation credit on exceptional items and amortisation	**(504)**	(555)	(2,601)
Total exceptional items and amortisation charge	**3,406**	2,709	8,187

4 Income tax expense

	Six months ended 31 March 2020 Unaudited £000	Six months ended 31 March 2019 Unaudited £000	Year ended 30 September 2019 Audited £000
Current tax:			
UK corporation tax on profit for the period	**(2,774)**	(2,218)	(5,291)
Adjustments in respect of previous periods	**—**	—	208
Total current tax	**(2,774)**	(2,218)	(5,083)
Deferred tax	**(477)**	(531)	378
Income tax expense	**(3,251)**	(2,749)	(4,705)

5 Earnings per share

	Six months ended 31 March 2020 Unaudited			Six months ended 31 March 2019 Unaudited			Year ended 30 September 2019 Audited		
	Earnings £000	**EPS Pence**	**DEPS Pence**	Earnings £000	EPS Pence	DEPS Pence	Earnings £000	EPS Pence	DEPS Pence
Earnings before exceptional items and amortisation	**15,326**	**20.06**	**19.90**	14,436	19.18	19.06	30,444	40.43	40.13
Exceptional items and amortisation	**(3,406)**	**(4.46)**	**(4.42)**	(2,709)	(3.60)	(3.57)	(8,187)	(10.88)	(10.79)
Basic earnings per share	**11,920**	**15.60**	**15.48**	11,727	15.58	15.49	22,257	29.55	29.34
Weighted average number of shares		**76,405**	**77,016**		75,285	75,721		75,308	75,856

The dilutive effect of share options is to increase the number of shares by 611,000 (March 2019: 436,000; September 2019: 548,000) and reduce basic earnings per share by 0.12p (March 2019: 0.09p; September 2019: 0.21p).

6 Dividends

The proposed interim dividend is 0.00p per share (2019: 3.83p).

7 Acquisition of subsidiary undertaking – Agger Ltd

On 30 January 2020, the Company acquired the whole of the issued share capital of Agger Ltd ("Agger") for a cash consideration of £38m plus a net cash and working capital adjustment of £5.7m. The acquisition was funded by a placement of 3,157,894 new ordinary shares raising £15m and a revolving credit facility provided by HSBC Bank plc and NatWest Bank plc.

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

	Book value £000	Adjustments £000	Fair value £000
Non-current assets			
Intangible assets – goodwill	12,142	7,668	19,810
– other	—	19,127	19,127
Property, plant and equipment	905	—	905
Right of use assets	63	—	63
	13,110	26,795	39,905
Current assets			
Inventories	20	—	20
Trade and other receivables	13,523	—	13,523
Current tax asset	540	—	540
Cash and cash equivalents	3,203	—	3,203
	17,286	—	17,286
Total assets	30,396	26,795	57,191
Non-current liabilities			
Obligations under finance leases	(36)	—	(36)
Deferred tax liabilities	—	(3,634)	(3,634)
	(36)	(3,634)	(3,670)
Current liabilities			
Trade and other payables	(9,779)	—	(9,779)
Obligations under finance leases	(27)	—	(27)
	(9,806)	—	(9,806)
Total liabilities	(9,842)	(3,634)	(13,476)
Net assets	20,554	23,161	43,715

Goodwill of £19,810,000 arises on acquisition and is attributable to the expertise and workforce of the acquired business.

Other intangible assets provisionally valued at £19,127,000, 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 February 2020.

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.

Directors

D M Forbes	(Non-executive Chairman)
P Scott	(Chief Executive Officer)
S Wyndham-Quin CA	(Chief Financial Officer)
A Liebenberg	(Executive Director)
D A Brown	(Independent non-executive Director)
S Dasani	(Independent non-executive Director)
S Hazell	(Independent non-executive Director)

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