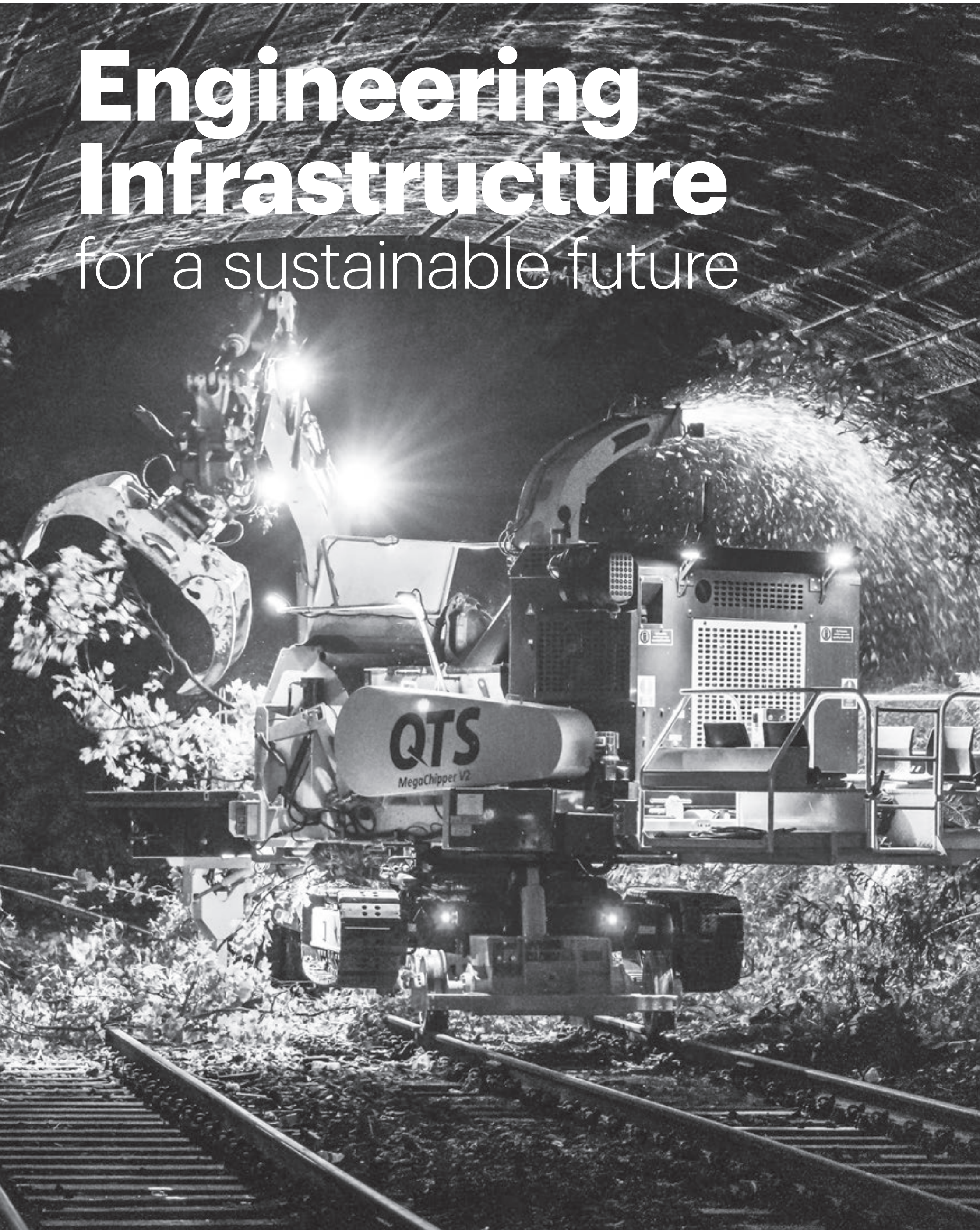
Renew Holdings plc
Interim Report and Accounts 2021

Engineering Infrastructure
for a sustainable future



Engineering Infrastructure for a sustainable future

Our purpose

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.

Our vision

To safely and responsibly deliver essential engineering services to the country's key infrastructure assets.

Read more online at: www.renewholdings.com

Strategic report

Financial statements

On the front foot

The Group delivered a robust trading performance over the first six months of the financial year, demonstrating the virtues of our differentiated business model and the attractive, non-discretionary structural growth drivers within our end markets. Renew is a leading provider of essential maintenance and renewals-led engineering services to UK infrastructure networks, operating in regulated markets including rail, highways, mobile telecommunications, civil nuclear, water and environmental.

Despite the third national lockdown taking effect on 6 January 2021, the restrictions did not have any material impact on trading during the period, with the Group experiencing continuity in demand for its services across all markets. This bears testimony to the resilience of our business and the essential role we perform in keeping the nation's infrastructure functioning efficiently and safely at all times.

I would again like to express my gratitude, on behalf of the Board, to our colleagues who can be proud of the way they have continued to deliver the day-to-day renewal and maintenance tasks for our clients in spite of the challenges that come with enhanced social distancing practices and personal safety requirements.

We have a proven track record of organic growth supplemented by acquisitions with attractive end markets, with strong margin and cash generation characteristics, to deliver excellent shareholder returns. Our organic revenue growth of 12 per cent during the period highlights the quality of the underlying businesses within the Group and the investments made over recent years, such as in the Rail and Highways sectors, to seize the growth opportunities in our chosen markets. This pleasing performance was complemented by the acquisition of Browne in March 2021, a water focused engineering services business based in London, which strengthens our exposure to the £51bn[2] water sector, adds material scale and is immediately earnings enhancing.

Thanks to the positive trading performance during the period, the highly cash generative nature of our business and our confidence in the Group's prospects, we are pleased to be able to reinstate the interim dividend.

Our strengths

Renew has a number of core strengths which provide distinct competitive advantages in our chosen markets and leave us well placed to build on our strong track record of value creation:

- We operate a differentiated, diversified, low-risk, low-capital business model, providing critical asset maintenance and renewals services that are not dependent on large, capital-intensive contract awards;
- Our directly employed workforce enables us to provide a more efficient and valuable service to our clients, reducing our exposure to sub-contractor pricing volatility and delivering extremely responsive solutions;
- Our businesses work in markets with high barriers to entry which demand a highly skilled and experienced workforce and a proven track record of safe delivery;
- We work in markets underpinned by resilient, long-term growth dynamics and highly visible committed regulatory spending periods, providing predictable cashflows;
- We are committed to growing the business both organically and through selective complementary acquisitions whilst maintaining a disciplined approach to capital allocation and risk; and
- Our high quality model of compounding earnings through the redeployment of internally generated cashflows enables us to execute on our strategy of delivering reliable growth for all our stakeholders.

Market drivers

Our businesses are exposed to attractive long-term, non-discretionary structural growth drivers. Increasing demand for the maintenance and renewal of existing UK infrastructure is driven by a number of factors including:

- A commitment by the Government to level up the economy by investing £640bn[3] in an infrastructure-led recovery, with fiscal stimulus measures likely to flow through to lower cost infrastructure maintenance programmes ahead of capital-intensive projects;
- Greater focus on sustainability and climate change, the UK's net zero carbon emissions target, flood risk and investment in renewables and electrification programmes;
- Population growth increasing the pressure on housing, energy, water and demand for natural resources;
- Technological innovation driving a shift towards digital roads, smart cities and the transformation of transport and telecommunications networks; and
- Increased Government regulation to improve safety, efficiency and resilience of key infrastructure assets leading to more demanding maintenance, renewal and upgrading requirements.

Sustainability strategy

A long-term approach to sustainability has always been at the heart of our business and we are ideally positioned to assist in the delivery of the UK Government's committed green infrastructure investment as part of its net zero carbon target by 2050.

As part of efforts to integrate our ESG strategy within our wider business strategy and to monitor the progress we are making, we have introduced quantitative targets which will be continuously measured in the following five key areas:

- customer value;
- climate action;
- operating responsibly;
- engaging our people; and
- supporting our local communities.

Renew already holds the London Stock Exchange's Green Economy Mark, which recognises companies that derive 50 per cent or more of their total annual revenue from products and services that contribute to the global "Green Economy". Renew also reports under the Streamlined Energy and Carbon Reporting ("SECR") regulations which ensure we continue to support the UK target to deliver net zero carbon by 2050.

Innovations

We continuously seek to develop and implement innovative working techniques to improve operational performance for our clients across all of our sectors. This includes the introduction of bespoke plant-led technology to deliver cost, time and environmental improvements for routine maintenance and renewal activities. An example of this in the period was our deployment of the MegaVac, a unique Road Rail Vehicle which significantly improves the capacity and efficiency of drain management operations on the rail network.

Results

During the period, Group revenue[1] increased to £366.4m (HY2020: £313.6m), including organic growth of 12%, with an adjusted operating profit[1] of £22.0m (HY2020: £19.9m). Adjusted operating profit margin[1] was 6.0% (HY2020: 6.4%) and this is expected to increase during the second half of the year. As at 31 March 2021, the Group had pre-IFRS16 net debt of £16.9m (31 March 2020: £16.1m) as a consequence of the £29.5m acquisition of Browne and reflecting the Group's continued focus on cash generation, tight working capital management and conservative approach to gearing. The Group's order book at 31 March 2021 was £750m (HY2020: £690m), underpinned by long-term framework positions.

As previously announced during the period, the Trustees of the Lovell Pension Scheme, in consultation with the Board of Renew, entered into a "buy-in" agreement with Rothesay Life plc. This transaction significantly de-risks the Group's balance sheet, further reduces the Group's pension exposure risks and will improve its cashflow in the medium term.

Dividend

The Group's robust trading performance, cash position and positive outlook have given the Board the confidence to declare an interim dividend of 4.83p (HY2020: nil; HY2019: 3.83p) per share. This represents a 26 per cent increase on the last interim dividend paid. This will be paid on 15 July 2021 to shareholders on the register as at 18 June 2021, with an ex-dividend date of 17 June 2021.

Engineering Services

Our Engineering Services activities account for over 95 per cent of the Group's adjusted operating profit and delivered revenue of £327.5m (HY2020: £293.1m) with an adjusted operating profit of £22.2m (HY2020: £20.5m) resulting in an operating margin of 6.8% (HY2020: 7.0%). At 31 March 2021, the Engineering Services order book was £665m (31 March 2020: £591m). The Group's strong organic growth performance was driven by continued positive momentum in our rail business, along with framework wins and operational progress across our diverse Engineering Services business.

Rail

Network Rail, a significant strategic customer for the Group, has committed an extra £10bn of funding specifically for maintenance and renewals as part of the current control period (CP6), which runs to 2024, during which time it will invest a total of £53bn[4]. This increased focus on operational support, renewal and maintenance plays to our strengths as does the Government's commitment to its rail decarbonisation programme, including a significant investment in electrification programmes, as part of the overall UK target to deliver net zero by 2050.

During the period, we secured new positions on the five-year Southern Buildings and Civils Framework and the five-year Structures Integrity Framework in the South which continues to grow our position with Network Rail.

As a major provider of multidisciplinary maintenance and renewals engineering services to Network Rail, we support the day-to-day operation of the rail network nationally, directly delivering essential asset maintenance through our long-term CP6 frameworks as well as providing 24/7 emergency response across the network. The Group now holds in excess of fifty CP6 maintenance and renewals frameworks across all disciplines, covering the entire UK rail network.

We continue to develop industry leading innovations in order to deliver value-add services within our Rail business. These include bespoke solutions built around the needs of our clients, including 'one of a kind' equipment deployed across geotechnical & earthworks, tunnels, de-vegetation and drainage.

The compelling maintenance-focused structural growth drivers within this sector, combined with Renew's high quality engineering expertise, leaves the Group ideally positioned to deliver long-term, profitable growth in Rail.

Infrastructure

Highways

The Group continued to make good operational and strategic progress within the Highways segment in the first half, delivering essential asset maintenance and critical infrastructure renewals underpinned by non-discretionary regulatory requirements.

With the UK Government committing to an investment of £27.4bn[5] in the strategic road network over a five-year period, as part of its second Road Investment Strategy ("RIS2"), £11.9bn of this funding will be ringfenced for operations, maintenance and renewals. This represents a significant market opportunity for Renew. Having acquired Carnell, a leading provider of specialist engineering services on the strategic road network, in January 2020, the business continues to leverage its innovative technological solutions to support the needs of major clients such as Highways England, for which it is one of only three suppliers working across all asset delivery areas.

During the period, Carnell continued to perform in line with our expectations and remains well placed to seize the attractive growth and market share opportunities within Highways.

Wireless Telecoms

The wireless telecoms sector contains many attractive growth drivers, from the UK Government's £5bn[3] investment in gigabit broadband and the accelerated roll-out of 5G connectivity through to the expansion of the Shared Rural Network, the Government's £500m[6] programme to extend 4G mobile coverage to 95 per cent of the UK. Our long-term relationships with the main UK network operators, managed service providers and equipment vendors offers exposure to all of these opportunities.

During the period, we built on the operational and strategic progress made previously, consolidating our position on Telefonica's and MBNL's 5G services frameworks. We also saw further progress in our work for the Government, alongside EE and BT, to remove Huawei equipment from the UK's 5G networks by 2027. We were also appointed to a new framework supporting the 5G rollout programme for Cornerstone on behalf of Telefonica and Vodafone.

With faster mobile internet connectivity becoming ever more critical in the digital age and a key part of the Government's levelling up agenda, we expect to benefit from these trends thanks to our specialist engineering expertise and mission-critical solutions.

Energy

Nuclear

The Government's total nuclear decommissioning provision is estimated at £124bn[7] over the next 120 years, with around 75 per cent of the total spend allocated to Sellafield which is the largest of the Nuclear Decommissioning Authority's sites and where we remain a principal Mechanical, Electrical and Instrumentation ("ME&I") services contractor.

Encouragingly, the mobilisation of work programmes and decommissioning at Sellafield continued to gain momentum during the period after the majority of operations at the site were suspended at the start of the Covid-19 lockdown in March 2020. We expect the site to be fully operational again in the second half of the financial year.

Having worked for over 75 years in civil nuclear, we deliver a multidisciplinary service through our large complement of highly skilled employees who operate to demanding nuclear standards. Outside of Sellafield, we are fully operational at Springfields and continue to develop our relationship with Hinkley Point "C".

Thermal Power, Renewables and Networks

Our essential engineering maintenance services continued at a number of the UK's thermal power stations at near normal levels. During the period we secured an extension to the SSE Hydro Tunnels Framework. We remain operational on the Minor Works Framework with National Grid as well as on the Minor Civils Framework with Western Power Distribution.

Environmental

Water

The acquisition of Browne broadens our exposure to the UK water sector, an attractive market with £51bn[2] committed by Ofwat to deliver service improvements as part of the current five-year investment period (AMP7) which runs to 2025. By adding material scale to Renew's water business and bringing new water clients into the Group, including Thames Water, Southern Water, Affinity Water and South East Water, the acquisition means we are now even more strongly positioned to capitalise on the long-term growth opportunities in this market, underpinned by committed regulatory spend.

As part of AMP7, additional investment is allocated to deliver supply resilience including dam safety and infrastructure refurbishment schemes. These long-term renewal programmes require sustained investment through our clients' operational expenditure budgets, benefiting Renew. In the period other water customers included Dŵr Cymru Welsh Water, Wessex Water, Yorkshire Water and Bristol Water.

We see an attractive opportunity to drive margin-accretive revenue growth in this sector with our enhanced capabilities following the acquisition of Browne.

Environmental continued

Land Remediation and Specialist Restoration

In Land Remediation, we have seen continuous demand for our specialist environmental services during the period. Similarly, works at the Palace of Westminster continue to be carried out at normal capacity and we have also commenced new works as part of a five-year conservation framework at this UNESCO World Heritage Site.

Specialist Building

Our Specialist Building business focuses on the High Quality Residential and Science markets in London and the Home Counties.

Revenue was £38.9m (HY2020: £20.5m) with operating profit of £0.8m (HY2020: £0.4m) delivering a margin of 2.1% (HY2020: 2.0%). The Specialist Building order book was £85.0m (HY2020: £99.0m). Work continues uninterrupted across all of our schemes including those for Defra and the MRC London Institute of Medical Science.

Health and safety

We continue to make health and safety a priority, ensuring safe working practices for the Group's employees and those who work with us.

Track record of value creation

Renew has a strong track record of sustainable value creation across the economic cycle thanks to our high-quality, value-accretive compound earnings model. Over the past five years, we have delivered:

- adjusted earnings per share growth of 72 per cent;
- an increase in our adjusted operating margin from 4.0 per cent to 6.0 per cent; and
- revenue growth of 38 per cent.

Our track record of reliable revenue growth and cash generation has resulted in our ability to deliver highly predictable organic earnings growth and funding for the acquisition of complementary businesses that meet our strategic requirements.

Outlook – The growth opportunity ahead

In the context of a challenging macro-economic backdrop, we have delivered a robust set of results that demonstrate Renew's core resilience, our differentiated, low-risk, capital-light business model and the attractive growth opportunities which exist in our chosen markets, driven by long-term programmes of investment, providing visibility of spend over regulatory cycles.

We remain focused on leveraging the Group's strengths to build on our track record of good organic growth and selected M&A activity in related end markets with strong prospects, twinned with high cash generation and shareholder returns.

The acquisition of Browne further increases our exposure to a water market with an attractive long-term growth profile and highly visible cashflows. We will continue to seek opportunities in markets with similar characteristics of non-discretionary regulated investment, ongoing renewal and maintenance requirements and high barriers to entry, adopting a disciplined approach to capital allocation that is additive to our focus on delivering profitable organic growth.

Trading has started strongly in the second half of the year underpinned by a record order book and we are well positioned to take advantage of the compelling infrastructure-led growth opportunities that will play a key role in the UK's economic recovery.

Paul Scott
Chief Executive Officer
18 May 2021

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 30 of the 2020 Annual Report and Accounts.

2 Ofwat PR19 final determinations December 2019.

3 HM Treasury Budget 2020 12 March 2020.

4 Network Rail Delivery Plan Control Period 6 High Level Summary 26 March 2020.

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

6 UK Government press release "£1bn deal to end poor rural mobile coverage agreed" 9 March 2020.

7 UK Government Nuclear Provision: the cost of cleaning up Britain's historic nuclear sites 4 July 2019.

Differentiated business model

• **Markets with committed regulatory funding**	• Visible, reliable and resilient revenue via maintenance and renewal programmes within long-term regulatory spending periods • The UK Government committed to a record £640bn[3] investment in the UK's infrastructure from 2020–2025
• **Delivering mission-critical infrastructure services across the UK**	• Exposure to core infrastructure markets underpins business model strengths • Providing 24/7 specialist engineering solutions to keep the nation's infrastructure operational
• **Low-risk, non-discretionary maintenance and renewals**	• Lower financial and contractual risk profile than those delivering large capital-led enhancement schemes • Capital-light, opex-led maintenance and renewals model
• **Operating in complex, challenging and highly regulated environments**	• End markets with high barriers to new entrants requiring specialist skillsets • Ensuring compliance through an embedded safety culture
• **Highly skilled, directly employed workforce**	• High quality engineering expertise • Responsiveness, control and agility • Reduced exposure to sub-contractor pricing volatility
• **Proven track record of compounded earnings growth and strong cash generation**	• Differentiated investment case based on resilience of business model, structurally attractive end markets and scope for further growth as infrastructure spend increases
• **Committed to adding value through innovation**	• Investing in innovation to deliver superior and more sustainable customer service solutions

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 March 2021

	Note	Before exceptional items and amortisation of intangible assets 2021 Unaudited £000	Exceptional items and amortisation of intangible assets (see Note 3) 2021 Unaudited £000	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020* Unaudited £000	Before exceptional items and amortisation of intangible assets 2020 Audited £000	Exceptional items and amortisation of intangible assets (see Note 3) 2020 Audited £000	Year ended 30 September 2020 Audited £000
Revenue: Group including share of joint venture	2	**366,411**	**—**	**366,411**	313,566	620,375	—	620,375
Less share of joint venture's revenue		**—**	**—**	**—**	—	—	—	—
Group revenue from continuing activities	2	**366,411**	**—**	**366,411**	313,566	620,375	—	620,375
Cost of sales		**(316,127)**	**—**	**(316,127)**	(268,924)	(527,274)	—	(527,274)
Gross profit		**50,284**	**—**	**50,284**	44,642	93,101	—	93,101
Administrative expenses		**(28,284)**	**(3,479)**	**(31,763)**	(28,609)	(53,453)	(6,741)	(60,194)
Share of post-tax result of joint venture		**—**	**—**	**—**	—	(39)	—	(39)
Operating profit	2	**22,000**	**(3,479)**	**18,521**	16,033	39,609	(6,741)	32,868
Finance income		**13**	**—**	**13**	1	44	—	44
Finance costs		**(478)**	**—**	**(478)**	(863)	(1,343)	—	(1,343)
Other finance income – defined benefit pension schemes		**—**	**—**	**—**	—	532	—	532
Profit before income tax	2	**21,535**	**(3,479)**	**18,056**	15,171	38,842	(6,741)	32,101
Income tax expense	5	**(3,567)**	**538**	**(3,029)**	(3,251)	(6,905)	1,146	(5,759)
Profit for the period from continuing activities		**17,968**	**(2,941)**	**15,027**	11,920	31,937	(5,595)	26,342
Loss for the period from discontinued operations	4			**—**	—			(5,590)
Profit for the period attributable to equity holders of the parent company				**15,027**	11,920			20,752
Basic earnings per share from continuing operations	6	**22.86p**	**(3.74p)**	**19.12p**	15.60p	41.22p	(7.22p)	34.00p
Diluted earnings per share from continuing operations	6	**22.70p**	**(3.72p)**	**18.98p**	15.48p	40.89p	(7.17p)	33.72p
Basic earnings per share	6	**22.86p**	**(3.74p)**	**19.12p**	15.60p	41.22p	(14.44p)	26.78p
Diluted earnings per share	6	**22.70p**	**(3.72p)**	**18.98p**	15.48p	40.89p	(14.32p)	26.57p
Proposed dividend	7			**4.83p**	0.00p			8.33p

* Operating profit for the six months ended 31 March 2020 is stated after charging £2,148,000 of amortisation cost and £1,762,000 acquisition cost (see Note 3).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2021

	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Year ended 30 September 2020 Audited £000
Profit for the period attributable to equity holders of the parent company	**15,027**	11,920	20,752
Items that will not be reclassified to profit or loss:			
Movement in actuarial valuation of the defined benefit pension schemes	**(27,337)**	—	(2,775)
Movement on deferred tax relating to the defined benefit pension schemes	**9,568**	—	971
Total items that will not be reclassified to profit or loss	**(17,769)**	—	(1,804)
Items that are or may be reclassified subsequently to profit or loss:			
Exchange movement in reserves	**(30)**	(5)	(23)
Total items that are or may be reclassified subsequently to profit or loss	**(30)**	(5)	(23)
Total comprehensive income for the period attributable to equity holders of the parent company	**(2,772)**	11,915	18,925

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2021

	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 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
Transfer from income statement for the period						8,832	8,832
Share premium cost reclassification	1	(550)					(549)
Dividends paid						(8)	(8)
Recognition of share based payments					249		249
Exchange differences				(18)			(18)
Actuarial movement recognised in the pension schemes						(2,775)	(2,775)
Movement on deferred tax relating to the pension schemes						971	971
At 30 September 2020	7,856	66,378	3,896	1,316	821	40,180	120,447
Transfer from income statement for the period						15,027	15,027
Dividends paid						(6,554)	(6,554)
New shares issued	12	647					659
Recognition of share based payments					(30)		(30)
Exchange differences				(30)			(30)
Actuarial movement recognised in the pension schemes						(27,337)	(27,337)
Movement on deferred tax relating to the pension schemes						9,568	9,568
At 31 March 2021	**7,868**	**67,025**	**3,896**	**1,286**	**791**	**30,884**	**111,750**

CONDENSED CONSOLIDATED BALANCE SHEET

at 31 March 2021

	31 March 2021 Unaudited £000	31 March 2020 Unaudited £000	30 September 2020 Audited £000
Non-current assets			
Intangible assets – goodwill	**139,479**	125,092	124,691
– other	**34,394**	26,442	23,062
Property, plant and equipment	**15,324**	22,242	14,806
Right of use assets	**17,940**	10,157	17,481
Investment in joint ventures	**586**	39	—
Retirement benefit assets*	**974**	27,936	28,059
Deferred tax assets	**2,233**	1,462	2,164
	210,930	213,370	210,263
Current assets			
Inventories	**1,699**	1,675	1,619
Assets held for resale	**1,500**	1,500	1,500
Trade and other receivables	**150,640**	110,700	129,838
Current tax assets	**911**	1,334	2,174
Cash and cash equivalents	**1,836**	31,430	13,396
	156,586	146,639	148,527
Total assets	**367,516**	360,009	358,790
Non-current liabilities			
Borrowings	**—**	(38,750)	(4,373)
Lease liabilities	**(9,740)**	(10,320)	(9,347)
Deferred tax liabilities	**(6,925)**	(14,755)	(14,252)
Provisions	**(441)**	(452)	(441)
	(17,106)	(64,277)	(28,413)
Current liabilities			
Borrowings	**(18,750)**	(8,750)	(8,752)
Trade and other payables	**(210,728)**	(167,512)	(192,370)
Lease liabilities	**(6,421)**	(5,714)	(6,047)
Provisions	**(2,761)**	(11)	(2,761)
	(238,660)	(181,987)	(209,930)
Total liabilities	**(255,766)**	(246,264)	(238,343)
Net assets	**111,750**	113,745	120,447
Share capital	**7,868**	7,855	7,856
Share premium account	**67,025**	66,928	66,378
Capital redemption reserve	**3,896**	3,896	3,896
Cumulative translation adjustment	**1,286**	1,334	1,316
Share based payments reserve	**791**	572	821
Retained earnings	**30,884**	33,160	40,180
Total equity	**111,750**	113,745	120,447

* See Note 8 for details of the Lovell Pension Scheme buy-in.

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

for the six months ended 31 March 2021

	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Year ended 30 September 2020 Audited £000
Profit for the period from continuing operating activities	**15,027**	11,920	26,342
Share of post-tax trading result of joint venture	**—**	—	39
Amortisation of intangible assets	**2,810**	2,148	5,529
Depreciation	**4,799**	4,749	9,672
Profit on sale of property, plant and equipment	**(80)**	(308)	(483)
(Increase)/decrease in inventories	**(45)**	245	301
(Increase)/decrease in receivables	**(8,560)**	20,647	1,465
Increase/(decrease) in payables	**9,565**	(5,005)	17,080
Current and past service cost in respect of defined benefit pension scheme	**25**	25	69
Cash contribution to defined benefit pension schemes	**(252)**	(2,382)	(4,817)
(Credit)/charge in respect of share options	**(30)**	(4)	245
Finance income	**(13)**	(1)	(44)
Finance expense	**478**	863	811
Interest paid	**(478)**	(863)	(1,343)
Income taxes paid	**(2,862)**	(5,372)	(8,179)
Income tax expense	**3,029**	3,251	5,759
Net cash inflow from continuing operating activities	**23,413**	29,913	52,446
Net cash outflow from discontinued operating activities	**(1,111)**	(213)	(592)
Net cash inflow from operating activities	**22,302**	29,700	51,854
Investing activities			
Interest received	**13**	1	44
Dividend received from joint venture	**—**	100	100
Proceeds on disposal of property, plant and equipment	**483**	376	725
Purchases of property, plant and equipment	**(1,327)**	(1,710)	(3,756)
Acquisition of subsidiaries net of cash acquired	**(29,206)**	(40,512)	(40,512)
Net cash outflow from investing activities	**(30,037)**	(41,745)	(43,399)
Financing activities			
Dividends paid	**(6,554)**	(5,770)	(5,778)
Issue of Ordinary Shares	**659**	15,346	14,797
New loan	**10,000**	49,000	—
Loan repayments	**(4,375)**	(23,375)	(8,750)
Repayment of obligations under finance leases	**(3,528)**	(3,394)	(6,972)
Net cash (outflow)/inflow from financing activities	**(3,798)**	31,807	(6,703)
Net (decrease)/increase in continuing cash and cash equivalents	**(10,422)**	19,975	2,344
Net decrease in discontinued cash and cash equivalents	**(1,111)**	(213)	(592)
Net (decrease)/increase in cash and cash equivalents	**(11,533)**	19,762	1,752
Cash and cash equivalents at beginning of period	**13,396**	11,667	11,667
Effect of foreign exchange rate changes on cash and cash equivalents	**(27)**	1	(23)
Cash and cash equivalents at end of period	**1,836**	31,430	13,396
Bank balances and cash	**1,836**	31,430	13,396

1 Basis of preparation

(a) The condensed consolidated interim financial report for the six months ended 31 March 2021 and the equivalent period in 2020 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 applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). 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 18 May 2021.

(b) The accounts for the year ended 30 September 2020 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 2020 have been audited. The comparative figures for the period ended 31 March 2020 are unaudited.

(c) The accounting policies applied in preparing the condensed consolidated interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 30 September 2020 as described in those financial statements.

(d) The principal risks and uncertainties affecting the Group are unchanged from those set out in the Group's Accounts for the year ended 30 September 2020. 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 2021 Unaudited £000	**Less share of joint venture 2021 Unaudited £000**	**Group revenue from continuing activities Six months ended 31 March 2021 Unaudited £000**	Group revenue from continuing activities Six months ended 31 March 2020 Unaudited £000	Group including share of joint venture 2020 Audited £000	Less share of joint venture 2020 Audited £000	Group revenue from continuing activities Year ended 30 September 2020 Audited £000
Analysis of revenue							
Engineering Services	**327,514**	**—**	**327,514**	293,093	577,238	—	577,238
Specialist Building	**38,897**	**—**	**38,897**	20,473	43,207	—	43,207
Inter segment revenue	**(1,047)**	**—**	**(1,047)**	(965)	(2,025)	—	(2,025)
Segment revenue	**365,364**	**—**	**365,364**	312,601	618,420	—	618,420
Central activities	**1,047**	**—**	**1,047**	965	1,955	—	1,955
Group revenue from continuing operations	**366,411**	**—**	**366,411**	313,566	620,375	—	620,375

2 Segmental analysis continued

	Before exceptional items and amortisation of intangible assets 2021 Unaudited £000	Exceptional items and amortisation of intangible assets 2021 Unaudited £000	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020* Unaudited £000	Before exceptional items and amortisation of intangible assets 2020 Audited £000	Exceptional items and amortisation of intangible assets 2020 Audited £000	Year ended 30 September 2020 Audited £000
Analysis of operating profit							
Engineering Services	**22,218**	**(3,479)**	**18,739**	16,632	40,754	(6,741)	34,013
Specialist Building	**786**	**—**	**786**	415	1,014	—	1,014
Segment operating profit	**23,004**	**(3,479)**	**19,525**	17,047	41,768	(6,741)	35,027
Central activities	**(1,004)**	**—**	**(1,004)**	(1,014)	(2,159)	—	(2,159)
Operating profit	**22,000**	**(3,479)**	**18,521**	16,033	39,609	(6,741)	32,868
Net financing expense	**(465)**	**—**	**(465)**	(862)	(767)	—	(767)
Profit before income tax	**21,535**	**(3,479)**	**18,056**	15,171	38,842	(6,741)	32,101

* Operating profit for the six months ended 31 March 2020 is stated after charging £2,148,000 of amortisation cost and £1,762,000 acquisition cost (see Note 3).

3 Exceptional items and amortisation of intangible assets

	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Year ended 30 September 2020 Audited £000
Acquisition costs	**669**	1,762	1,212
Total losses arising from exceptional items	**669**	1,762	1,212
Amortisation of intangible assets	**2,810**	2,148	5,529
Total exceptional items and amortisation charge before income tax	**3,479**	3,910	6,741
Taxation credit on exceptional items and amortisation	**(538)**	(504)	(1,146)
Total exceptional items and amortisation charge	**2,941**	3,406	5,595

4 Loss for the period from discontinued operations

	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Year ended 30 September 2020 Audited £000
Revenue	**—**	—	—
Expenses	**—**	—	(5,590)
Loss before income tax	**—**	—	(5,590)
Income tax charge	**—**	—	—
Loss for the period from discontinued operations	**—**	—	(5,590)

5 Income tax expense

	Six months ended 31 March 2021 Unaudited £000	Six months ended 31 March 2020 Unaudited £000	Year ended 30 September 2020 Audited £000
Current tax:			
UK corporation tax on profit for the period	**(4,075)**	(2,774)	(5,732)
Adjustments in respect of previous periods	**531**	—	216
Total current tax	**(3,544)**	(2,774)	(5,516)
Deferred tax	**515**	(477)	(243)
Income tax expense	**(3,029)**	(3,251)	(5,759)

6 Earnings per share

	Six months ended 31 March 2021			Six months ended 31 March 2020			Year ended 30 September 2020		
	Unaudited			Unaudited			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	**17,968**	**22.86**	**22.70**	15,326	20.06	19.90	31,937	41.22	40.89
Exceptional items and amortisation	**(2,941)**	**(3.74)**	**(3.72)**	(3,406)	(4.46)	(4.42)	(5,595)	(7.22)	(7.17)
Basic earnings per share – continuing activities	**15,027**	**19.12**	**18.98**	11,920	15.60	15.48	26,342	34.00	33.72
Loss for the period from discontinued operations	**—**	**—**	**—**	—	—	—	(5,590)	(7.22)	(7.15)
Basic earnings per share	**15,027**	**19.12**	**18.98**	11,920	15.60	15.48	20,752	26.78	26.57
Weighted average number of shares		**78,587**	**79,166**		76,405	77,016		77,480	78,114

The dilutive effect of share options is to increase the number of shares by 579,000 (March 2020: 611,000; September 2020: 634,000) and reduce basic earnings per share by 0.14p (March 2020: 0.12p; September 2020: 0.21p).

7 Dividends

The proposed interim dividend is 4.83p (2020: 0.00p) per share. This will be paid out of the Company's available distributable reserves to shareholders on the register on 18 June 2021, payable on 15 July 2021. The ex-dividend date will be 17 June 2021. In accordance with IAS 1 "Presentation of Financial Statements", dividends are recorded only when paid and are shown as a movement in equity rather than as a charge in the income statement.

8 Lovell Pension Scheme buy-in

Renew Holdings plc's statutory accounts for the year ended 30 September 2020 noted that the following transaction took place as a post balance sheet event. On 26 November 2020, 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" where the annuity policy remains an asset of the scheme. Following the conclusion of this buy-in, all the scheme's liabilities are now matched within the annuities which has removed the scheme's investment and funding risks. Consequently, there has been a reduction in the IAS 19 Retirement Benefit assets in the Group's accounts for the 6 months ended 31 March 2021. The effect has been to reduce the Retirement benefit asset by £27,337,000, reverse the associated Deferred tax liability of £9,568,000 resulting in a £17,769,000 reduction in the Group's Retained earnings.

9 Acquisition of subsidiary undertaking – J Browne Group Holdings Ltd

On 26 March 2021, the Company acquired the whole of the issued share capital of J Browne Group Holdings ("J Browne") for a cash consideration of £29.5m plus a net cash adjustment of £12.0m. The £12.0m represents J Browne's surplus cash held in an escrow account at completion which was subsequently paid to the vendor. The net acquisition cost was funded by a combination of cash and the Group's existing revolving credit facility provided by HSBC UK Bank plc and National Westminster Bank plc.

The provisional value of the assets and liabilities of J Browne at the date of acquisition were:

	Book value £000	Adjustments £000	Fair value £000
Non-current assets			
Intangible assets – goodwill	2,673	12,115	14,788
– other	—	14,142	14,142
Property, plant and equipment	629	—	629
Right of use assets	—	317	317
Investment in joint ventures	586	—	586
	3,888	26,574	30,462
Current assets			
Inventories	35	—	35
Trade and other receivables	12,266	—	12,266
Cash and cash equivalents	12,293	—	12,293
	24,594	—	24,594
Total assets	28,482	26,574	55,056
Non-current liabilities			
Obligations under finance leases	—	(244)	(244)
Deferred tax liabilities	—	(2,687)	(2,687)
	—	(2,931)	(2,931)
Current liabilities			
Trade and other payables	(9,899)	—	(9,899)
Obligations under finance leases	(72)	(73)	(145)
Current tax liability	(581)	—	(581)
	(10,552)	(73)	(10,625)
Total liabilities	(10,552)	(3,004)	(13,556)
Net assets	17,930	23,570	41,500

9 Acquisition of subsidiary undertaking – J Browne Group Holdings Ltd continued

Goodwill of £14,788,000 arises on acquisition and is attributable to the expertise and workforce of the acquired business. Other intangible assets provisionally valued at £14,142,000, 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 will commence from April 2021.

Right of use assets and obligations under finance leases

J Browne's statutory accounts are prepared under FRS 102. The group has made an adjustment for operating leases obtained on acquisition whereby the leases are capitalised based on discounted future lease payments together with an equivalent leasing liability to be consistent with Group reporting under IFRS 16.

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, OFFICERS AND ADVISORS

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P Scott	(Chief Executive Officer)
S C Wyndham-Quin	(Chief Financial Officer)
S D Dasani	(Independent non-executive)
D A Brown	(Independent non-executive)
S A Hazell	(Independent non-executive)
A P Liebenberg	(Executive Director)

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