renew

delivering specialist construction services

Interim Report & Accounts 2006

Chairman's Statement

Introduction

The performance during the first half of the year is in line with the Board's expectations. The Group continues to make progress, benefiting from its focus on the core market sectors in which it has particular skills and experience. Brian May is providing the experience and leadership missing over recent years and has quickly restored the confidence of our staff, providing clear direction and support.

At the end of last year the Board expressed its confidence that the legacy contract exposures which have so negatively impacted the Group's results over the past two years were fully provided for and were consistent with the expected level of cash recoverable from those contracts. It is the Board's view that this is still the case and robust procedures are in place to manage risk. There are no exceptional items in these results.

Results and dividend

Group turnover from ongoing operations for the six months ended 31 March 2006 was £162.4m (2005: £165.1m) and operating profit for the period was £1.4m (2005: £0.7m). These results reflect the growing impact of the management control mechanisms established last year to focus on lower risk contracts. Profit before tax was £1.8m (2005: £0.1m). Earnings per share were 3.01p (2005: 0.25p).

Shareholders' funds have increased by 13% since last year end and now stand at £5.4m. Cash balances at 31 March were £8.2m.

In accordance with the progressive policy indicated last year, the Board is declaring an interim dividend of 0.4p per share (2005: nil) to be paid on 7 July 2006 to shareholders on the register as at 16 June 2006.

Acquisition

The Group is pleased to announce that it has acquired PPS Electrical Limited, an electrical contractor specialising in asset support for the nuclear sector, for a cash consideration of £650,000. This acquisition will significantly strengthen the Group's capability as a multi-disciplined site contractor for the nuclear industry. The acquisition is expected to be modestly earnings enhancing.

Board

As we announced at the time of our trading update in March, on 1 May John Samuel joined the Board as Group Finance Director and Philip Underwood stepped down from the Board to concentrate on running VHE Construction and Shepley Engineers.

Outlook

The Board is satisfied by the progress being made throughout the Group. Trading into the second half gives the Board confidence that this progress will be sustained for the full year.

Roy Harrison
Chairman
5 June 2006

Chief Executive's Review

Review of operations
I am pleased to report further progress in the first half of the year, with Group turnover from ongoing operations of £162.4m and corresponding cash backed operating profit of £1.4m. The majority of the Group's turnover is now being generated from longer-term framework agreements and negotiated contracts, improving the quality of earnings while strengthening relationships with key clients.

Since my last review, the Group has continued to strengthen its risk management processes, particularly in the area of contract selectivity. The Group's order book at 31 March of this year was £226m, of which approximately 70% is repeat business. 75% of new orders booked in the first half fall within our core specialist areas of activity, and this proportion is expected to increase as the Group continues to pursue this strategy.

None of the Group's activities has been loss making in the period. Performance in the Land Remediation, Nuclear, Social Housing and Retail sectors has been encouraging with over 50% of the Group's new orders generated in the first half of the year being achieved in these areas. For example, in Social Housing, Allenbuild is now working with five of the top six housing associations in the UK. Genesis Housing Group, part of the Gentect Housing consortium of which Allenbuild is a member, was also awarded the highest allocation of funds (£139m) to help deliver 84,000 new homes over the next two years as part of the Government's £3.9bn investment in the National Affordable Housing Programme.

In the half year, the Group won a £15.5m pre-sold project to develop over 92,000 sq ft of office, production and warehousing facilities on a six-acre site in Lancashire. Following the identification and purchase of the site by the Group, VHE Construction carried out remediation works on the brownfield site and Allenbuild is delivering the construction works, which are due to complete in November. This is an excellent example of the benefits of offering our clients integrated services through our portfolio of businesses.

Net cash outflow from operating activities was £8.5m. This was in line with the Group's budget and the Group anticipates an improved cash position at the year end. The net outflow includes an increase in stock and work in progress of £4.7m on the development site in Lancashire. This contract is separately funded by a £4m loan which is not included as an operating cash inflow. This loan is expected to increase as the project progresses and will be repaid from the proceeds of the sale. During the first half of the year, the realisation of surplus property assets has continued with the sale of a London property for book value and the repayment of the associated debt. Further realisations are anticipated in the second half of the year.

Acquisition
The Group has completed the acquisition of PPS Electrical Limited, a privately owned electrical contractor based in Barrow-in-Furness, specialising in the area of nuclear work. PPS will become a subsidiary of Shepley Engineers Limited establishing the combined business as the largest mechanical and electrical contractor on the Sellafield site and strengthening Shepley's capabilities as a multi-disciplined site contractor for the nuclear industry. The acquisition price is £650,000 which will be met from the Group's existing cash resources. In the year ended 31 December 2005, PPS recorded sales of £3.3m and a profit before taxation of £121,000. Net assets were £375,000.

Prospects
The order book is growing in both quality and scale and in our chosen specialist markets. These offer good opportunities for growth and profitability, while the overall risk profile of the Group is much improved. I am pleased with the progress the Group is making towards delivering reliable and growing profits.

Brian May
Chief Executive

Group Profit and Loss Account

for the six months ended 31 March 2006

	Notes	Six months ended 31 March 2006 Unaudited £000	Six months ended 31 March 2005 Unaudited £000	Year ended 30 September 2005 Restated Audited £000
Turnover: Group and share of joint ventures		**179,363**	227,320	457,750
Less share of joint ventures' turnover		**(1,150)**	(2,113)	(2,714)
Ongoing operations		**162,442**	165,111	330,113
Discontinuing operations	1	**15,771**	20,641	39,052
Total continuing operations		**178,213**	185,752	369,165
Discontinued operations	1	**-**	39,455	85,871
Group turnover		**178,213**	225,207	455,036
Cost of sales (including exceptional items)	1	**(160,613)**	(204,995)	(437,409)
Gross profit		**17,600**	20,212	17,627
Administrative expenses (including exceptional items)	1	**(16,210)**	(19,497)	(37,689)
Other operating income		**-**	-	53
Group operating profit/(loss)		**1,390**	715	(20,009)
Income from joint ventures		**-**	-	-
Ongoing operations before exceptionals		**1,390**	1,355	2,687
Exceptional items	1	**-**	(2,220)	(19,845)
Ongoing operations after exceptionals		**1,390**	(865)	(17,158)
Discontinuing operations	1	**-**	(2,142)	(8,351)
Total continuing operations		**1,390**	(3,007)	(25,509)
Discontinued operations	1	**-**	3,722	5,500
Total operating profit/(loss) before interest, including share of joint ventures		**1,390**	715	(20,009)
Profit on disposal of subsidiary companies	1	**-**	-	22,300
Profit on ordinary activities before interest		**1,390**	715	2,291
Interest receivable		**569**	328	921
Interest payable		**(661)**	(656)	(1,597)
Other finance income/(charges) - FRS 17 pension		**505**	(240)	(440)
Profit on ordinary activities before taxation		**1,803**	147	1,175
Taxation on profit on ordinary activities	3	**-**	-	899
Profit for the period		**1,803**	147	2,074
Basic and diluted earnings per share	4	**3.01p**	0.25p	3.46p
Basic and diluted earnings/(loss) per share on continuing operations	4	**3.01p**	(5.95p)	(42.76p)
Proposed dividend	5	**0.40p**	-	0.20p

Group Statement of Total Recognised Gains & Losses

for the six months ended 31 March 2006

	Notes	Six months ended 31 March 2006 Unaudited £000	Six months ended 31 March 2005 Unaudited £000	Year ended 30 September 2005 Restated Audited £000
Profit for the period		**1,803**	147	2,074
Exchange movements in reserves		**64**	(67)	(171)
Net movements relating to defined benefit pension scheme	2	**(1,126)**	(103)	(2,222)
Total recognised gains and losses since last annual report		**741**	(23)	(319)

Group Balance Sheet

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at 31 March 2006

	Notes	2006 Unaudited £000	31 March 2005 Unaudited £000	30 September 2005 Restated Audited £000
Fixed assets				
Intangible assets: Goodwill		**4,450**	4,753	4,602
Tangible assets		**14,663**	16,169	14,930
Investments		**-**	30	-
Investments in joint ventures:				
Loans to joint ventures		**439**	444	438
Share of gross assets		**8,361**	9,495	9,704
Share of gross liabilities		**(4,805)**	(4,905)	(5,276)
		3,995	5,034	4,866
		23,108	25,986	24,398
Current assets				
Stocks and work in progress	6	**13,651**	16,574	9,573
Debtors: due after more than one year		**5,850**	8,252	5,751
due within one year		**73,655**	87,698	72,836
Current asset investments - assets held for resale		**3,182**	7,375	6,089
Cash at bank and in hand		**8,194**	9,823	13,590
		104,532	129,722	107,839
Creditors: amounts falling due within one year	6	**(109,608)**	(134,122)	(115,020)
Net current liabilities		**(5,076)**	(4,400)	(7,181)
Total assets less current liabilities		**18,032**	21,586	17,217
Creditors: amounts falling due after more than one year				
Long-term debt		**(8,363)**	(8,363)	(8,363)
Other creditors		**(4,252)**	(6,066)	(4,058)
Net assets excluding pension liability		**5,417**	7,157	4,796
Pension liability	2	**-**	(2,065)	-
Net assets		**5,417**	5,092	4,796
Share capital		**5,990**	5,990	5,990
Share premium account		**5,893**	5,893	5,893
Capital redemption reserve		**3,896**	3,896	3,896
Revaluation reserve		**73**	489	73
Profit and loss account		**(10,435)**	(11,176)	(11,056)
Equity shareholders' funds	7	**5,417**	5,092	4,796

Group Cash Flow Statement

for the six months ended 31 March 2006

	Notes	Six months ended 31 March 2006 Unaudited £000	Six months ended 31 March 2005 Unaudited £000	Year ended 30 September 2005 Restated Audited £000
Net cash outflow from operating activities	8	**(8,538)**	(21,849)	(25,338)
Returns on investments and servicing of finance				
Net interest paid		**(92)**	(218)	(676)
Taxation		**-**	-	-
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		**(507)**	(659)	(640)
Proceeds on sale of tangible fixed assets		**58**	142	225
Proceeds on sale of current asset investments		**2,907**	-	-
Loans repaid by joint venture		**871**	155	200
		3,329	(362)	(215)
Acquisitions and disposals				
Proceeds from sale of subsidiaries and businesses		**-**	-	21,343
Proceeds from sale of shared equity loans		**-**	1,894	1,894
Cash disposed on disposal of subsidiaries and businesses		**-**	-	(3,380)
		-	1,894	19,857
Equity dividends paid to shareholders		**(120)**	-	-
Cash outflow before financing		**(5,421)**	(20,535)	(6,372)
Financing				
Short-term development funding	6	**3,953**	-	-
Movement in short-term borrowings		**(3,600)**	3,600	3,600
Finance lease payments		**(328)**	(240)	(623)
		25	3,360	2,977
Decrease in cash during the period		**(5,396)**	(17,175)	(3,395)

Note 1 Discontinued/discontinuing operations & exceptional items

(a) Discontinued and discontinuing operations

Discontinued operations and the profit on disposal of subsidiary companies in 2005 relate to the activities of Bullock Construction Limited which was sold on 16 September 2005.

Discontinuing operations in the periods relate to the activities of YJL Construction (excluding YJL Infrastructure) and a division of Britannia Joinery Limited, which were in the process of being closed down. These activities were shown as discontinuing as they did not meet the definition of discontinued as defined by FRS 3.

(b) Operating exceptional items

The operating profit/(loss) in the prior periods included the following amounts that the Directors regarded as exceptional because of their value and nature, but which did not fall to be recorded as non-operating exceptional items under the requirements of FRS 3.

		Six months ended 31 March				Year ended 30 September	
		2006 Unaudited		2005 Unaudited		2005 Audited	
		Ongoing £000	**Discontinuing £000**	Ongoing £000	Discontinuing £000	Ongoing £000	Discontinuing £000
Reduction in pension deficit following settlements of liabilities	(i)	**-**	**-**	-	-	3,650	-
Cost of incentives to members connected to the settlements	(i)	**-**	**-**	-	-	(1,111)	-
		-	**-**	-	-	2,539	-
Contract losses on specific problem contracts incepted in prior years	(ii)	**-**	**-**	(1,875)	(1,024)	(15,437)	(4,758)
Impairment of fixed assets and current asset investments	(iii)	**-**	**-**	-	-	(1,749)	-
Redundancy and reorganisation costs	(iv)	**-**	**-**	(345)	(864)	(454)	(1,289)
Other non-recurring costs	(v)	**-**	**-**	-	-	(4,744)	-
Discontinuing activities operating loss pre exceptional costs	(vi)	**-**	**-**	-	(254)	-	(2,045)
Closure costs	(vi)	**-**	**-**	-	-	-	(259)
		-	**-**	(2,220)	(2,142)	(19,845)	(8,351)

(i) *Defined benefit pension scheme*

During the year ended 30 September 2005 the Directors made a number of offers to deferred members of the scheme to transfer their entitlements under the defined benefit scheme to a defined contribution arrangement and a number of offers to pensioners of the scheme to buy out certain benefits attributable under the scheme. The figure recorded above shows the movement on the FRS 17 actuarial deficit relating to these transfers and the costs reflect the sums paid to facilitate these transfers.

(ii) *Contract losses*

During the year ended 30 September 2005, the Group suffered a number of contractual issues that related to contracts procured during or before 2002/2003 where the difficulties relating to these contracts were not identified in the prior period or became more apparent in the year ended 30 September 2005 as negotiations to resolve the contract terms progressed.

(iii) *Impairment of fixed assets and current asset investments*

Provision was made in the year ended 30 September 2005 against the carrying value of three properties to reflect their market value as at 30 September 2005.

(iv) *Redundancy and reorganisation costs*

During the year ended 30 September 2005 a number of exceptional costs, which primarily related to redundancies, were incurred as a result of reorganisations within the Group which did not constitute a fundamental reorganisation as defined by FRS 3. In the period to 30 September 2005 these costs related to the reorganisation of Allenbuild and the closure of YJL Construction.

(v) *Other non-recurring costs*

During the year ended 30 September 2005, the Group incurred £4.7m of non-recurring costs in respect of the resolution of legacy non-contract issues.

(vi) *Discontinuing activities and closure costs*

The losses of the discontinuing operations were included as part of the exceptional items in 2005. In addition, provision was made for the remaining costs of closure of YJL Construction's contracting division.

Note 2 **Defined benefit pension scheme**

As at 30 September 2005, the FRS 17 valuation, prepared by Barnett Waddingham, Consulting Actuaries, showed a surplus of £1,628,000, which was not recorded as an asset in the accounts in accordance with the requirements of FRS 17 as there was, and is, no expectation that the surplus will result in a reduction in contributions or a refund from the scheme. No updating FRS 17 valuation has been performed for these interim accounts and the Directors consider that the position shown at 30 September 2005 should be maintained in the accounts at 31 March 2006.

As the balance sheet position of the pension scheme has been maintained at £nil during the period all contributions have been shown as part of the movements in the Group Statement of Total Recognised Gains and Losses.

Note 3 **Taxation on profit on ordinary activities**

	Six months ended 31 March		Year ended 30 September
	2006	2005	2005
	Unaudited	Unaudited	Audited
	£000	£000	£000
Current tax:			
UK corporation tax on profits for the period	**-**	-	-
Adjustments in respect of previous periods	**-**	-	1
	-	-	1
Foreign tax	**-**	-	-
Total current tax	**-**	-	1
Deferred tax	**-**	-	898
Taxation credit on profit on ordinary activities	**-**	-	899

The Group and Company have unused tax losses available to carry forward against future taxable profits, although a significant element of these losses relates to activities which are not forecast to generate the level of profits needed to utilise these losses. A deferred tax asset of £1,474,000 has been recognised to the extent considered reasonable by the Directors and included in Debtors: due within one year. This is in respect of losses where recovery can be reasonably expected within twelve months of the balance sheet date. The amount has been maintained at the same level as 30 September 2005.

Note 4 **Earnings per share**

	Six months ended 31 March 2006 Earnings £000	31 March 2006 Weighted average number of shares 000	31 March 2006 EPS Pence	31 March 2005 Earnings £000	31 March 2005 Weighted average number of shares 000	31 March 2005 EPS Pence	Year ended 30 September 2005 Earnings £000	30 September 2005 Weighted average number of shares 000	30 September 2005 EPS Pence
Basic and diluted earnings per share	**1,803**	**59,899**	**3.01**	147	59,899	0.25	2,074	59,899	3.46
Basic and diluted earnings per share on continuing operations pre exceptional items	**1,803**	**59,899**	**3.01**	799	59,899	1.33	2,584	59,899	4.31
Basic and diluted earnings/(loss) per share on exceptional items	**-**	**59,899**	**-**	(4,362)	59,899	(7.28)	(28,196)	59,899	(47.07)
Basic and diluted earnings/(loss) per share on continuing operations after exceptional items	**1,803**	**59,899**	**3.01**	(3,563)	59,899	(5.95)	(25,612)	59,899	(42.76)
Basic and diluted earnings per share on discontinued operations	**-**	**59,899**	**-**	3,710	59,899	6.19	27,686	59,899	46.22

There are no options with a dilutive effect.

The earnings on discontinued operations, for the year ended 30 September 2005, includes the profit on the sale of Bullock Construction Ltd of £22,300,000.

Basic and diluted earnings per share for both net profit and profit from continuing operations have been disclosed in accordance with the requirements of FRS 22 (Earnings per share) which will be applicable for the Group for the year ending 30 September 2006.

Note 5 **Dividends**

The proposed interim dividend is 0.4p per share (2005 interim: nil, 2005 final paid: 0.2p). This will be paid out of the Company's available distributable reserves to shareholders on the register on 16 June 2006, payable on 7 July 2006. This dividend has not been accrued in the six months ended 31 March 2006, in accordance with the requirements of FRS 21 (Events after the balance sheet date) and FRS 25 (Financial instruments: disclosure and presentation), both of which will be applied by the Group in respect of the accounts for the year ending 30 September 2006, and have therefore been treated as applicable for these interim accounts. These standards require that dividends payable are recorded only when paid and are shown as a movement in equity rather than as a charge to profit. An adjustment has been made to restate the accounts for the year ended 30 September 2005 and to account for the proposed dividend of £120,000 as a movement through reserves in the current period.

Note 6 Development funding

Included in Creditors: amounts falling due within one year is £3,953,000 which relates to a short-term loan taken out to fund a development. The loan is secured by a first charge on a development property which is included in stock and work in progress at its cost to date of £4,702,000. The property on this development is being constructed by the Group under normal contractual terms. A binding agreement to sell the building on completion of the construction has been signed with an independent third party which has lodged an amount of £2.0m in escrow. In accordance with the Group's normal accounting policies, profit is being recognised on the construction element of the contract but profit on the development aspect of the contract will only be recorded on sale.

Note 7 Reconciliation of movements in Group shareholders' funds

	Six months ended 31 March		Year ended 30 September
	2006	2005	2005 Restated
	Unaudited	Unaudited	Audited
	£000	£000	£000
Profit for the period	**1,803**	147	2,074
Dividends	**(120)**	-	-
	1,683	147	2,074
Other recognised net gains and losses for the year	**(1,062)**	(170)	(2,393)
Net movement on shareholders' funds	**621**	(23)	(319)
Opening shareholders' funds	**4,796**	5,115	5,115
Closing shareholders' funds	**5,417**	5,092	4,796

Note 8 Net cash outflow from operating activities

	Six months ended 31 March		Year ended 30 September
	2006	2005	2005
	Unaudited	Unaudited	Audited
	£000	£000	£000
Operating profit/(loss)	**1,390**	715	(20,009)
Depreciation	**735**	1,380	2,657
Amortisation of subsidiary goodwill	**152**	152	303
Profit on sale of fixed assets	**(19)**	(50)	(78)
Impairment of fixed assets	**-**	-	450
Impairment of current asset investments	**-**	-	1,299
Increase in stocks and work in progress	**(4,078)**	(7,933)	(932)
(Increase)/decrease in operating debtors and prepayments	**(918)**	7,228	7,705
Decrease in creditors and accruals	**(5,243)**	(22,167)	(12,952)
Decrease in pension deficit	**-**	(625)	(3,552)
Cash contributions to defined benefit scheme	**(621)**	(643)	(1,457)
Profit on sale of shared equity loans	**-**	(412)	(412)
Foreign exchange and other non-cash movements	**64**	506	1,640
Net cash outflow from operating activities	**(8,538)**	(21,849)	(25,338)

Note 9 **Basis of preparation**

(a) The accounts for the six months ended 31 March 2006 and the equivalent period in 2005 have not been audited or reviewed by the Company's auditors. They have been prepared on a going concern basis in accordance with applicable accounting standards consistent with the accounting policies set out in the 2005 Annual Report, as updated for the adoption of FRS 21 (Events after the balance sheet date), FRS 22 (Earnings per share), and FRS 25 (Financial Instruments : disclosure and presentation). The interim report was approved by the Directors on 5 June 2006.

(b) The abridged information in this report relating to the year ended 30 September 2005 is derived from full accounts upon which the auditors issued an unqualified opinion and which did not contain a statement under S237(2) of the Companies Act 1985 and which have been delivered to the Registrar of Companies.

(c) The Group continues to have net current liabilities at the period end and has incurred a cash outflow during the period. The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future.

This interim report is being sent to all shareholders and is also available upon request from the Company Secretary, Renew Holdings plc, 39 Cornhill, London EC3V 3NU, or via the website **www.renewholdings.com.**

Electronic communications

Following shareholder approval to amend the Company's Articles at the AGM in March 2006, the Company may deliver shareholder information including Annual and Interim Reports and Notices of General Meetings in an electronic format to shareholders.

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

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

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

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

Directors and Administrators

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B May (Chief Executive Officer)
J Samuel FCA (Finance Director)
A Wagner OBE (Non-executive)

Company Secretary
C J Wright LLB FCIS

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