renew

annual report & accounts 2005

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renew

highlights

turnover

£455m

2004: £459m

profit before tax

£1.2m

2004: loss of £6.9m

earnings per share

3.46p

2004: loss of 11.62p

ongoing operations before exceptionals

£2.7m

2004: £0.3m

- **Financial position underpinned by £18m net cash inflow from sale of Bullock**
- **Elimination of FRS 17 pension liability**
- **Appointment of Group Chief Executive**
- **Strategy in place to leverage extensive skills base within specialist markets**
- **Dividend of 0.2p (2004: nil)**
- **Group name changed to Renew Holdings plc at EGM on 12 January 2006**

chairman's statement

Introduction
I am pleased to report a year of significant and positive change for the Group. As a result of the sale of Bullock Construction, which was approved by shareholders on 16 September 2005, the Group has been able to underpin its financial position. The total consideration was £42.2m, resulting in a net cash inflow of £18m after the repayment of intra group balances. In June, Brian May was appointed as the Group's new Chief Executive. Since his arrival he has visited all of the Group's businesses and as part of these visits has completed, with the support of the subsidiary company directors and the Board, a further review of its legacy contract exposures. It is the Board's view that these legacy contract issues have now been provided for consistent with the expected level of cash recoveries from those contracts.

The Group's activities have been reorganised in line with its core skills base and it is now operating from a much reduced overhead base. Actions have been taken to reduce the Group's exposure to higher risk, lower margin contracts and the Group's businesses are now winning new work through partnering agreements with their key clients. With the successful introduction of the control mechanisms which were noted in this report last year and which have now been fully implemented, the Group's overall risk profile has been greatly reduced.

Group strategy and name change
The second half of the year has seen continued success from the Group's strategy of focusing on the market sectors in which we have excellent skills and extensive experience. Following the sale of Bullock, Brian May will look to develop this strategy and create even greater focus on the Group's core strengths in its specialist areas of activity. This is outlined in more detail in the Chief Executive's review that follows.

The past year has been an incredibly difficult and challenging period for the Group and there has been a great deal of change, including the sale and closure of a number of the Group's businesses. Reflecting this more focused approach, the Board's proposal to change the Group's name to Renew Holdings plc was approved by shareholders at the EGM held on 12 January 2006.

Results and dividend
Group turnover for the year ended 30 September 2005 was £455m (2004: £459m) and profit before tax was £1.2m (2004: loss before tax of £6.9m). The resulting earnings per share for the period was 3.46p compared to a loss per share last year of 11.62p. Net assets on the Group balance sheet as at 30 September were £4.7m with a cash balance of £13.6m and indebtedness of £12m.

Group turnover from ongoing operations was £330m (2004: £349m). Profit from ongoing operations before exceptional items was £2.7m (2004: £0.3m). The total provisions made during the year against legacy contracts in our ongoing businesses, which were procured during 2002-2003 and all of which are now nearing financial agreement with the client, was a further £15.4m. The restructuring of ongoing businesses and other exceptional items amounted to £4.4m.

The Board is recommending the payment of a dividend of 0.2p in the current year, and having returned to the dividend list, it intends to pursue a progressive dividend policy.

Lovell Pension Scheme
The Group adopted FRS 17 with effect from 1 October 2003. The Group has again this year implemented a number of pension transfer initiatives to both deferred members and pensioners of the scheme that resulted in a reduction of the pension scheme fund deficit of £3.7m with a total cost of £1.1m. The benefit of this further reduction in deficit, along with an improved investment performance after a review of investment strategy by the fund's Trustees, has resulted in there being no FRS 17 liability as at 30 September 2005. The resultant asset has not been recognised in the Group balance sheet in accordance with the guidance established by FRS 17.

The second half of the year has seen continued success from the Group's strategy of focusing on the market sectors in which we have excellent skills and extensive experience.

Property
The Group continues its strategy of realising value and cashflow from its portfolio of UK and US property assets. These assets are being actively managed, and during the year £1.3m was written off the value of two of the Group's UK properties in order to facilitate their future sale. During the year, the Group realised £2.6m (2004: £4.4m) from property sales.

Employees
This year has again been a difficult one for our employees and the Board appreciates the continued hard work, commitment and loyalty they have demonstrated throughout the period.

Board and Management
With the appointment of Brian May as Chief Executive, I stepped down as executive Chairman and took up the role of non-executive Chairman as from 1 October 2005.

Outlook
At 31 December 2005 the Group's order book stood at £210m (2004: £234m). This accords with the Group's focus on the specialist areas of activity that will form the core of its strategy going forward and on lower risk, higher margin contracting. By continuing this focus and taking advantage of the strong markets in which its businesses operate, the Board is confident that the Group is now capable of delivering reliable and growing cash backed profits.

Roy Harrison
Chairman

26 January 2006

chief executive's review

In the period to the end of the financial year, and subsequently, I have visited all of our subsidiary businesses, met our senior staff and visited a large number of our projects. These visits have enabled me to undertake a detailed assessment of the performance and prospects for each business. The majority of the Group's businesses have been profitable for many years and trade under well-respected and long-standing brand identities operating in selected markets, defined by specialist activity, regional knowledge and experience.

This review process has enabled me to gain a full understanding of the Group's businesses and agree with the Board a strategy for the Group going forward. This is fundamentally a development of the Group strategy which was implemented last year, focusing on the specialisms of our constituent brands which sets them apart from others in the market. As mentioned in the Chairman's Statement the Group's name has been changed to Renew Holdings plc to better reflect this strategy.

The Group's specialist areas of activity are:

Land remediation
Nuclear decommissioning
Social housing
High quality residential
Structural refurbishment
Restoration
Retail
Science and Education
Rail infrastructure

These markets have good future prospects and the Board will look to grow the Group's operations in each while building on client relationships which have been developed over many years. All the Group's businesses will continue developing these relationships to ensure longer term working arrangements and increased repeat and negotiated business.

Key to the Group's strategic objectives is having an effective and efficient executive control in place. I have formed an Executive Management Committee comprising the Managing Directors of the subsidiary businesses, who will all report directly to me. This new committee will co-ordinate the strategy, across the Group, sharing knowledge and best practice, and continue to implement key processes to ensure that we effectively manage all our risks and safely deliver high quality services.

In addition, control will be enhanced by regular visits to the individual businesses by me and my senior financial and commercial colleagues to ensure that all controls are being implemented and that Group policies are communicated widely.

The specialist differentiators within the Group give us an excellent opportunity to develop the business further and I am confident that we will deliver reliable and growing profits in the years ahead.

Brian May
Chief Executive

The specialist differentiators within the Group give us an excellent opportunity to develop the business further

land remediation

VHE is a leading provider of brownfield land remediation services with a client base including public sector organisations such as Regional Development Agencies and Local Authorities, together with private sector house builders and property developers.

VHE has extensive experience in reclaiming brownfield land, providing a range of services including bioremediation, soil washing, stabilisation and groundwater treatment solutions for its clients to maximise the value of their redundant land resources. The company's expertise in providing innovative and sustainable treatment technologies, designed and developed in-house, was demonstrated during the year for Berkeley Homes at their former Eagle Works foundry development in Oxford, where materials received on-site treatment for immediate re-use, and for Liverpool Land Development Company at a former transport depot in Watertree, which has been reclaimed for commercial use by extensive processing and bioremediation of on-site materials.

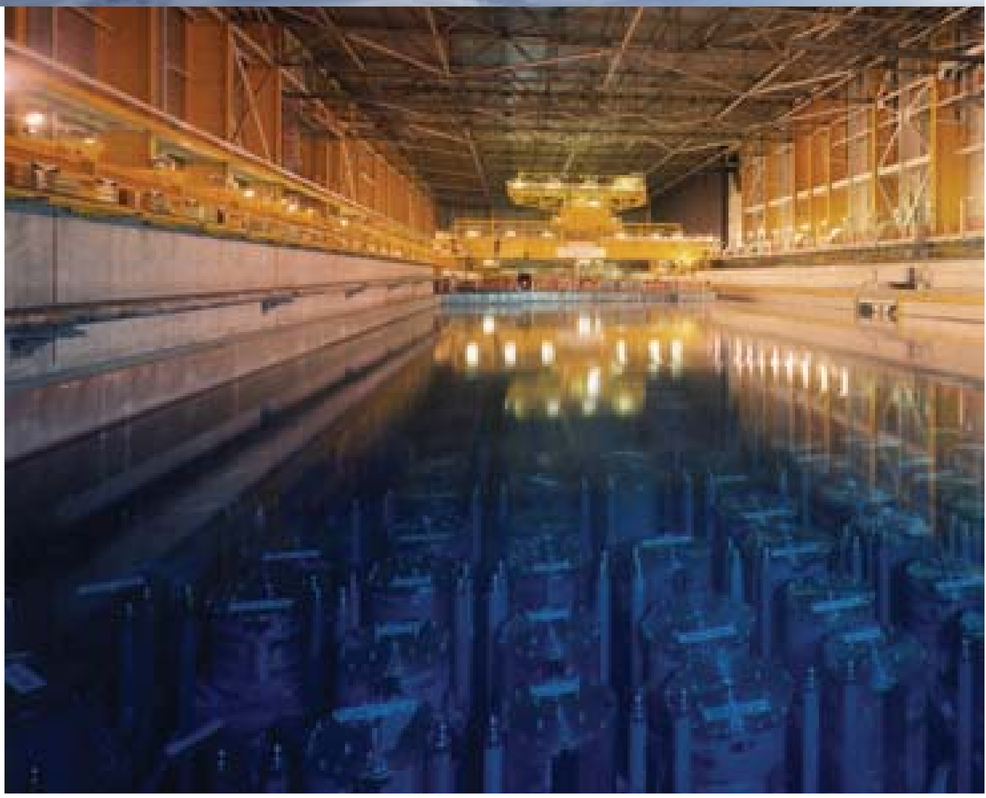
Through collaboration with leading consultants, VHE is able to provide full turnkey design and construct projects for its clients, which are independently validated to current regulatory standards.

Demolition and site clearance, together with infrastructure works are provided as part of a complete enabling package to allow clients to be on site more quickly. A key project due for completion in December 2005 is the £6.5m remediation of the former Manor Farm Sewage Treatment Works for Kennet Properties, the property division of RWE Thames Water. This involves the removal and treatment of contaminated materials including sewage sludge, removal of existing concrete structures, and processing of materials for re-use as construction fills and aggregates within the new infrastructure and subsequent development.

One of the larger projects commenced and completed during the year was the £12.3m remediation at the former Phurnacite smokeless fuel plant at Abercwmboi, in the Cynon Valley near Aberdare, South Wales. The contract for the Welsh Development Agency comprised the removal of around 122,000 tonnes of waste tar and contaminated soil and replacement with clean material.

VHE is also retained by National Grid Property (formerly British Gas property division) for its term contract for the remediation of its UK-wide portfolio of redundant gas works.

nuclear decommissioning

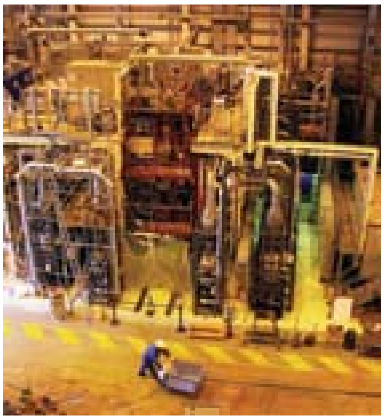


Shepley Engineers Ltd and its subsidiary, West Cumberland Engineering Ltd (WCEL), operate exclusively in niche sectors within the nuclear market. They have a 60-year track record of working in highly regulated areas and operating in often very difficult conditions, having to factor in sensitivities concerning the environment, radiological dangers and security problems.

Based in West Cumbria, Shepley Engineers is well positioned to benefit from the The Nuclear Decommissioning Authority's £50 billion spend programme of which 70% is earmarked for the region.

Shepley Engineers and WCEL's £21m nuclear workload is evenly split between operational engineering support and post-operational support (decommissioning).

Shepley Engineers is currently working on a framework contract to provide a multi-discipline engineering service for THORP, SMP and HLWP, three of the principal plant areas within the Sellafield site. The work ranges from repair and maintenance through plant modifications and shut-downs to capital work. Shepley provides the on-site engineers, trades, management and administration whilst WCEL provide the off-site fabrication facility and any special prototype or test rig work. This three-year contract is worth approximately £30m.



Although nuclear decommissioning is perceived as a new industry, Shepley and WCEL have been involved in this work for over 10 years. The work is predominantly carried out in-house utilising the resources available primarily within Shepley, WCEL and VHE.

Shepley has a long track record at the Springfield, Sellafield and Harwell nuclear licenced sites, having successfully decommissioned facilities involving de-planting, clean out, dismantling, demolition and re-landscaping in preparation for development. It has also been carrying out decommissioning, engineered demolition and remediation work for more than 15 years at the BNG/Westinghouse site at Springfield in Lancashire and has recently commenced a two-year framework agreement for decommissioning works at the former Chapelcross Power Station in Scotland.

social housing

© British Nuclear Group

New build social housing is a key issue for a number of regions across the country. Allenbuild has a long history of working for clients such as Community Housing Association, Family Housing Association and London and Quadrant.

Allenbuild is part of the Gentect Homes consortium, comprising Genesis Housing Group, leading architects and a number of contractors. Gentect's initial plans to develop 1,500 homes over a four-year period have now been significantly extended. Allenbuild is already working on seven schemes totalling 300 units, including a £2m timber-framed development in Crawley.

One of Allenbuild's largest projects is the £14.7m reconstruction of a six-storey Victorian property in Clerkenwell to create 90 apartments. The scheme is the latest in a six-year strategic alliance with Community Housing Association.

Allenbuild also has a well established track record of working for social housing providers in the Midlands. It recently carried out a scheme for Accord Housing Association to design and construct 30 houses in Redditch, and a £2.7m scheme is currently underway in Grantham for South Kesteven District Council.

high quality residential

Walter Lilly's single most active sector has been high quality residential refurbishment in the prime London market, with schemes currently being completed in Belgravia, Kensington & Chelsea, Mayfair and Hampstead. The company combines specialist in-house engineering and traditional contracting skills with high quality finishes to meet the demands of its largely international clients.

Walter Lilly is also seeing growth in the new build high quality residential sector and is currently carrying out a £21m scheme to construct three properties in Kensington.

Britannia Construction has also carried out work on a project to alter and extend a manor house in Hereford.

YJL London's recent residential expertise ranges from the creation of 13 luxury flats and a town house in Dorset Square to the fit-out of a three-storey penthouse flat in Avenue Road, London.

structural refurbishment

Since its formation in 2001, YJL London has carved a market niche as a specialist structural refurbishment contractor. The company's track record and reputation has resulted in 80% of current business being secured through repeat opportunities.

One of its largest projects is in Clerkenwell for the Workspace Group to refurbish a Victorian workshop. The £6.5m contract involves the construction of a new floor on top of part of the existing building, gutting of the internal structure of the existing building, and construction of a new lift shaft, windows and a "futuristic" flying roof over an internal courtyard.

A second contract at Ealing College, worth £6.6m, comprises the construction of a multi-media classroom block, featuring an external projection screen covering almost the whole of the 250 sq m front elevation. The contract was negotiated on the back of a successfully completed project in 2004 to restore a teaching block which was destroyed by fire.

YJL London is also nearing the end of a three-year programme of work at East Surrey Hospital worth almost £9m. This work poses a number of unusual challenges including having to work alongside live operating theatres and critical illness wards and coordinate installation of specialist equipment.

Walter Lilly has also carried out a significant number of structural refurbishment projects including the

completion this year of a £14.5m scheme in Mayfair for a private client, which featured hand-dug caisson piles to create a double basement and extensive structural alterations to the main building and the adjoining mews property.

restoration

The UK has a rich architectural heritage and the preservation of historic and listed buildings requires an in-depth understanding of traditional construction methods.

Shepley Engineers is currently carrying out a major restoration of the wrought and cast iron Victorian structural roof and platform support at St Pancras Station. This £10m, three-year project involves overcoming a number of very difficult engineering, logistical and heritage issues. The skilled work required on site is very intensive using modern techniques whilst satisfying the regulator's demands for faithful restoration.

Shepley Engineers is also well advanced with the dismantling and reconstruction of Kibble Palace. The Category 'A' listed cast and wrought iron glasshouse located in the Botanic Gardens, Glasgow, is being returned to its former glory in a £5.8m contract for Glasgow City Council.

YJL London is managing a particularly sensitive job in Piccadilly to completely restore the external fabric of Burlington House which adjoins the Royal Academy of Arts. The project, for the Office of the Deputy Prime Minister (ODPM), includes natural stonework repairs, stone cleaning, roof repairs and renewals, leadwork replacement and architectural metalwork repairs to gates and railings which are centuries old.

Allenbuild has undertaken extensive work in the listed and historic palaces sector, working for the Royal Household, Cabinet Office, Downing Street and Palace of Westminster (Houses of Parliament). The company acted as management contractor for the refurbishment of the Grade II listed Royal Lodge which was completed during the year.

Walter Lilly secured a £5.1m high quality commercial new build project for The Caledonian Club in London's Halkin Street, involving the construction of an extension to the existing club building, in keeping with the original architect's design. The company also completed the refurbishment of the Willett Building in Sloane Square, its seventeenth project with the Cadogan Estate. In October 2005, Walter Lilly's Matthew Stagg was awarded the Construction Manager of the Year Award by the Chartered Institute of Building. His Gold Medal in the £5m-10m 'Refurbishment and Fit Out' category was earned as project manager for the conversion of a listed church building into the new Cadogan Hall in Chelsea, now home to the Royal Philharmonic Orchestra.

retail

Britannia Construction has been a Tesco framework contractor for more than 20 years. During this period, 80 projects valued in excess of £175m have been completed, including new stores, extensions and refits.

Refits and extensions provided the bulk of work for Tesco over the year, with schemes in Cirencester, Midsomer Norton, Bishop's Cleeve, Worcester, Swindon and New Milton. A new store at Pontardawe was also completed.

A recent innovation is the erection of temporary stores to enable Tesco to continue trading while stores are altered. Britannia built two of these temporary stores at Evesham and Solihull, which were subsequently taken down on completion of the store alterations.

Britannia has wide experience of the retail sector, encompassing town centre developments, edge of town centres and retail parks. At Talbot Green in South Wales, the company completed a 10 unit retail park for Spen Hill Developments, Tesco's non-food retail park development arm. Work was also undertaken at Banbury Retail Park, a new Honda car showroom constructed in Bristol for J T Bayliss & Co Ltd and two units completed in Evesham for Morbaine.

Other retail work across the Group includes Allenbuild's construction of Phase II of the Three Lakes Retail Park development in Selby for Dransfield Properties. The £5m development will provide over 57,000 sq ft of new space, with the retail giant JJB Sports already signed up to operate their successful new combined gym and shop concept. Allenbuild also completed the £3m second phase of the Crystal Peaks Shopping Centre redevelopment near Sheffield for Hermes Property Asset Management.

science & education

In what has been a successful trading year for Walter Lilly, it has continued its progress in the science and university sectors with the completion of the Weatherall Institute of Molecular Medicine at Oxford University, the fourth major project for this client. In addition, it has secured its first project under its framework agreement at Imperial College with the £1.8m refurbishment and extension to the NMR Cross Faculty Centre.

The completion of a £32m scheme at the University of Surrey Roehampton involved an extensive refurbishment of Parkstead House, a Grade 1 listed building, with a newly built extension incorporating offices and laboratories. A 307-room residential accommodation block was also constructed.

Walter Lilly is also approaching the completion for London's Kings College of the £21m new build laboratory project on the Denmark Hill site in Camberwell.

Following successful negotiations, Walter Lilly's framework agreement with DEFRA (Department for Environment Food and Rural Affairs) at Weybridge was extended to 2008 with an option for a further two years.

In October 2005, the ASU Headquarters building was completed on the same site, in a £3.3m design and build contract. The project has secured an 83% BREEAM (Building Research Establishment's Environmental Assessment Method) rating, which is believed to be the highest achieved for a bespoke BREEAM assessment.

The company has re-established its long-term relationship with GlaxoSmithKline at its Ware facility with a contract to provide new laboratory space in GSK's pioneering flexilab program.

rail infrastructure

YJL Infrastructure (YJLi) operates almost exclusively within the rail environment, having developed a close working relationship over the past 20 years with both London Underground and Network Rail.

Privatisation within the rail industry has expanded YJLi's prospective client base and the company is actively involved with both Tube Lines and Metronet, the two companies appointed by London Underground to carry out refurbishment works on London's tube network under Public Private Partnership agreements. During the past year, YJLi has worked predominantly on refurbishing and modernising stations on the Northern Line under its framework agreement with Tube Lines, which has been worth some £50m since 2002. Burnt Oak, Tufnell Park, Borough and Kennington have all been completed and were amongst the first stations to be delivered under the PPP agreement.

YJLi is currently looking at opportunities within Network Rail, both directly with the company and with the Train Operating Companies. It continues to develop its disabled access capability by way of the Step Free Access projects, and is currently on site at Morden with a commencement at Golders Green scheduled for the current year. There is likely to be a strong market for SFA provision at both underground and overground stations as London mobilises to host the Olympic Games in 2012, and YJLi is well placed to respond to this demand.

group businesses

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YJL London
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YJL Infrastructure
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EC3V 3NU
Tel: 020 7522 3220

The Directors present their Report and the audited accounts for the year ended 30 September 2005.

Principal activities
For the year ended 30 September 2005 the principal activity of the Group was in construction and construction related activities. The main construction activities are carried out in the United Kingdom and a segment of the land development activities in the USA. More details of these activities, the year's trading and future developments are contained in the Chairman's Statement and the Chief Executive's Review. A list of the principal operating subsidiaries and joint ventures of the Group as at 30 September 2005 appears on page 49.

Results and dividend
The Group made a profit for the year before taxation of £1,175,000 (2004: loss £6,939,000). The Group profit attributable to shareholders was £2,074,000 (2004: loss £7,045,000). The Directors recommend the payment of a final dividend on Ordinary Shares of 0.2p (2004: nil) and, as there was no interim dividend, the total for the year is 0.2p (2004: nil). A profit of £1,954,000 (2004: loss £7,045,000) has been transferred to reserves.

Financial review

Shareholders' funds is made up as follows:	£000
Cash and short-term deposits	13,590
Bank loans and overdrafts	(11,963)
Net cash balance	1,627
Finance leases	(1,358)
Net cash including liquid resources	269
Other net assets	4,407
Equity shareholders' funds	4,676

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

Interest rate risk
The Group borrows in sterling at floating rates of interest under the terms of overdraft and bond facilities with Barclays Bank Plc and HBOS Plc. Interest rates are linked to London Inter-Bank Offer Rate (LIBOR) and the Bank's base rates, hence enabling the Group to track market interest rates. The Group also has loan arrangements with HBOS Plc at floating rates of interest under separate agreements.

Liquidity risk
The Group's objective is to maintain an appropriate balance between continuity of funding and flexibility through the use of overdrafts and bank loans provided by the current loan facilities.

Loans maturity	%
By 30 September 2006	30
By 30 September 2007	1
By 30 September 2010	5
After 30 September 2010	64
	100

Foreign currency risk
As a result of the investment in operations in the United States, movements in the US dollar/sterling exchange rates could significantly affect the Group's balance sheet. The Group seeks to mitigate the effect of this structural currency exposure by using foreign currency borrowings to hedge these investments against currency depreciation. The principal hedging instrument used by the Group is a back-to-back bank deposit and US$ bank loan that was taken out on 8 November 2000 when the US$ to £stg rate was $1.446. The original hedge amounted to US$25m and this has been reduced to US$15.5m by the receipt of funds from the US in the intervening period. The current hedging arrangements expire in November 2008. As at 30 September 2005, £13,639,000 of the Group's net assets are denominated in foreign currency.

Donations
Charitable donations made by the Group during the year amounted to £12,170 (2004: £15,483) being £215 (2004: £245) for education, £6,963 (2004: £11,996) for health and environment, £2,853 (2004: £1,941) for sports facilities and £2,139 (2004: £1,301) for other charitable purposes. The Group made no political donations during the year (2004: £nil).

Related party transactions
Details of related party transactions can be found under note 31 of these accounts.

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

(a) agree payment terms in advance of any commitment being entered into;
(b) ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract;
c) ensure that payments are made in accordance with the terms of the contract or order providing that the presented documentation is complete and accurate. The Company's average creditor days during the year were 30 days (2004: 35 days).

Employees
The Directors recognise the need for communication with employees at every level. All employees have access to a copy of the Annual Report and Accounts, which together with staff briefings, internal notice-board statements and newsletters, keeps them informed of the Group's progress. The Directors are actively considering ways to increase further the involvement of employees in the Group's performance.

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

Safety at Work Act 1974, and all other relevant regulatory and legislative requirements. It is the policy of the Group that there shall be no discrimination or less favourable treatment of employees, workers or job applicants in respect of race, colour, ethnic or national origins, religious beliefs, sex, sexual orientation, disability, political beliefs or marital status. Full consideration will be given to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in another position. Renew and its subsidiaries engage, promote, and train staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the Group.

Health and safety management

B May is the designated Board Director of Health and Safety with Group responsibilities for safety management. In addition to regular safety reviews at the Group Board meetings, control has been increased by the introduction of regular Executive Management Committee meetings where safety management is first on the agenda and allocated suitable and sufficient time for discussion and progression. These meetings are chaired by the Chief Executive with attendance from all subsidiary Managing Directors, Department Heads and the Company Secretary. The agenda includes issues on policies; legislation; best practice; enforcement authority focus; training; monitoring inspections; incidents and trends; performance measurement; reviews; auditing; and a specific focus on improvement.

Control at business level is driven by subsidiary Managing Directors who are required to appoint a Director who is responsible for safety. The first item on the agenda at monthly board meetings is safety. Each business also holds monthly safety meetings to encourage open communication between all employees.

New Minimum Group Safety Standards are currently under development for launch during the 2005/06 financial year. Management advice continues to be provided by the Group Safety Department consisting of the Group Safety Manager, an Administrator and eight Group Safety Advisors. Shepley Engineers Ltd and YJL Infrastructure Ltd also employ additional advisors for activities in their specific business environments. The Group maintains its membership with The Royal Society for the Prevention of Accidents (RoSPA), all safety department personnel hold memberships with the Institute of Occupational Safety & Health (IOSH), and a number of advisors are members of The Institute of Environmental Management and Assessment (IEMA). These advisors undertook 1,332 monitoring inspections and reports during the last 12-month period.

Attendance on the 5-day CITB 'Site Safety Management Training Scheme' continues to be a requirement for all construction management personnel, with 2-day refresher courses provided within 5 years of attendance. A 1-day 'Directors & Senior Managers' course, and a 1-day 'Occupational Health' course is being developed to add to the existing safety training courses. Short duration 'Desk-Talks' are to be specifically developed to enhance the knowledge and competence of site/office managers and senior supervisors.

It continues to be the Group policy that each business reports and records all injuries, diseases and dangerous occurrences, regardless of severity. An incident database is maintained to collate incident details and provide statistical data from which to measure performance and determine future training requirements. New methods of communicating and recording incidents and inspections are currently under development and trial. The Accident Incidence Rate (AIR) for the 12-month period to 30 September 2005, measured on the standard base line of 100,000 persons at work, stands at 1,097.

Directors

The present Directors of the Company are set out below. B May was appointed as Chief Executive Officer on 20 June 2005 and J Gaffney resigned as a Director on 30 August 2005. B May will offer himself for re-appointment at the Annual General Meeting ("AGM"). The Director retiring by rotation is R Harrison, who being eligible, offers himself for re-election at the AGM.

Brief biographical details of the present Directors are set out below.

Non-executive Directors

Arnold Wagner OBE - Director, 56, joined the Board as a non-executive Director in November 2003. He is Director, Human Resources for Smiths Group plc having previously held the position of Director of Group Personnel for Bunzl plc. Arnold is Governor of a large comprehensive school in northwest London, having served as Chairman from 1993-2003, and was awarded the OBE in June 2003 for services to education.

Roy Harrison - Director, 58, appointed to the Board as a non-executive Director in November 2003 and subsequently appointed as executive Chairman in March 2004, reverting to non-executive Chairman with effect from 1 October 2005. He is a former Chief Executive of the Tarmac Group and has a number of investing Director positions in private construction materials companies. Roy is a non-executive Director of BSS Group Plc, President of the Construction Products Association, a member of the Government's Strategic Forum for Construction, Chairman of Thomas Telford City Technology Trust, the No 1 UK comprehensive school, and Chairman of Thomas Telford On-Line, a major curriculum provider.

Executive Directors

Brian May - Director, 54, appointed to the Board as Chief Executive Officer in June 2005. He is a chartered civil engineer who progressed his career in Tarmac, subsequently holding a number of senior positions in Mowlem plc before becoming Chief Executive of Laing Construction plc and more latterly HBG Construction Ltd. Brian is also a non-executive Director of Parkwood Holdings plc.

Phil Underwood - Director, 52, joined VHE Construction plc in March 1995 and became Chief Executive of the VHE Group in 2000. He was appointed to the Board of Renew Holdings plc in October 2003. He has 20 years experience in the Civil Engineering and Land Remediation industry.

An organogram with the Directors' areas of responsibility can be found on the Company's website: www.renewholdings.com

Directors' interests
The interests of the Directors, their wives and infant children in the shares and options for shares of the Company, all of which were beneficial interests at the year end, were as shown on page 20 at the year-end. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on pages 19 and 20.

Substantial shareholdings
At 26 January 2006 the following shareholders had notified interests of 3% or more in the Company's issued Ordinary Share capital:

	Number of shares	Percentage
Anglo Irish Trust Company Ltd as Trustees of the OG McLaughlin Settlements	10,000,000	16.69%
Goldman Sachs International	7,329,624	12.24%
Johan Claesson and connected parties	5,930,723	9.90%
G Merrett	2,073,173	3.46%

Share capital
During the current financial year the Company has not bought-back any of its own shares nor issued any new share capital and as a result the total number of shares in issue remains at 59,898,927 as at 30 September 2005 (see note 22 for share capital details).

Going concern
The Directors have prepared detailed profit and cash flow forecasts for the next financial year and overview forecasts for the following two years. The detailed forecasts show that the cash generation capabilities of the Group remain strong and that the Group should operate well inside its expected overdraft facilities over the next 12 months. Based on these underlying factors, the Directors, having made appropriate enquiries of internal management and external funders, are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing the accounts.

Corporate governance
A statement by the Directors on corporate governance is included on pages 21 to 22 and a statement of Directors' responsibilities for the accounts is included on page 22.

Auditors
RSM Robson Rhodes LLP have expressed their willingness to continue in office as Auditors to the Group and a resolution will be proposed at the forthcoming AGM to re-appoint RSM Robson Rhodes LLP and authorise the Directors to determine their remuneration.

Approval
The Board approved the Report of the Directors on 26 January 2006.

By Order of the Board

Catherine Wright LLB ACIS
Company Secretary

directors' remuneration report

The Directors present the Directors' Remuneration Report (the "Remuneration Report") for the financial year ended 30 September 2005. As an AIM listed company, Renew is not required to prepare the Report in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"), which introduced new requirements in respect of financial periods ending on or after 31 December 2002. However, the Directors recognise the importance and support the principles of the Regulations and would normally seek to follow them to the extent considered relevant for an AIM listed company.

The Auditors are required to report to the shareholders on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion the "auditable part" of the Remuneration Report has been properly prepared in accordance with the Companies Act 1985. This Report therefore has separate sections containing unaudited and audited information.

UNAUDITED INFORMATION

Remuneration Committee

Following the appointment of R Harrison as executive Chairman in March 2004, A Wagner OBE, became the sole independent non-executive Director and the Committee was rendered inquorate. The Board therefore decided in July 2004 to temporarily suspend all Committees. Any matters normally reserved for consideration by the Remuneration Committee are currently decided upon by the full Board, with any individual having a personal interest in the matter under consideration not taking part in the meeting. The Board has held four meetings during the financial year to discuss remuneration arrangements. As at 1 October 2005, R Harrison reverted to non-executive Chairman. However his role as an executive Director prevents him from being considered as independent under the Combined Code (the "Code") and so the Board has decided to continue to review remuneration matters as a full Board.

The Remuneration Committee's normal terms of reference include:

(a) To determine and agree with the Board the framework and policy for the remuneration packages, including bonuses, incentive payments and share options or share awards, of the executive Directors and members of the executive management it is designated to consider.
(b) To review and approve the design of all share incentive plans and performance related pay schemes for approval by the Board and shareholders as applicable.
(c) To determine targets and awards made under share incentive plans and performance related pay schemes.
(d) To determine the policy for, and scope of, pension arrangements for each executive Director and other senior executives.
(e) To ensure contractual terms on termination and payments made are fair to the individual and Company and that failure is not rewarded.

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

Remuneration policy

The Company's remuneration policy is that the remuneration package of the executive Directors should be sufficiently competitive to attract, retain and motivate Directors to achieve the Company's objectives, without making excessive payments. The remuneration and employment terms of the executive Directors are determined by the Committee by comparison with salaries paid and terms agreed with Directors in similar companies in the same sector and of a similar size and after a review of the performance of the individual.

It is the aim of the Committee to reward executive Directors competitively and on the broad principle that they should be in the range of median to upper-quartile of remuneration paid to senior management of comparable public companies. For guidance, the Committee refers to published survey data. The Board determines the terms and conditions of non-executive Directors.

There are four main elements to the remuneration packages of the executive Directors and other senior executives:

- basic salary, including benefits;
- annual bonus awards;
- share option plans; and
- pension arrangements.

Basic salary

Basic salaries are reviewed annually by the Board in its capacity as Remuneration Committee, and increased where the Committee believes that adjustments are appropriate to reflect performance, increased responsibilities and/or market conditions. Other benefits for executive Directors include car allowances and certain medical cover for the Director and immediate family. The Company also has a permanent health insurance policy to provide cover for the executive Directors.

Annual bonus awards

The Company provides a bonus incentive scheme for Directors and senior executives of the operating companies, linked to the performance of the business for which they are responsible. All performance criteria are subject to approval by the Remuneration Committee before payment is made.

Share option plans

The Montpellier 2004 Executive Share Option Scheme (the "2004 ESOS") approved at the Extraordinary General Meeting ("EGM") held on 11 March 2004 replaced The Lovell 1995 Executive Share Option Scheme. There are no options outstanding under the latter scheme and no new options were granted during the year under the 2004 ESOS. The Montpellier Savings Related Share Option scheme (the "MG SAYE") also approved at the EGM on 11 March 2004 replaced the old SAYE scheme rules, which expired on 20 January 2004. There are no options outstanding under the latter scheme and no new grants have been made under the MG SAYE. The Long Term Incentive Plan ("LTIP") rules terminated on 21 January 2002, and although there was provision for unconditional allocations to be exercised before the expiry date of 11 February 2007, in any event all options had been exercised by April 2004. New scheme rules have not been introduced and consequently no new allocations were granted during the year under the LTIP and there were no outstanding options at the end of the financial year.

The Company's policy to grant options or awards under the above schemes is at the Remuneration Committee's discretion as and when considered appropriate.

Pension arrangements
The Group provides retirement benefits for executive Directors and employees through independent pension schemes. The assets of these schemes are held by trustees and managed by independent investment managers. The retirement age of the executive Directors is 62. J Gaffney was a member of the Lovell Pension Scheme, a defined benefit scheme, up until 31 July 2001, and then transferred active membership to the Montpellier Group Pension Plan, a defined contribution scheme, until his resignation as an employee on 19 September 2005. Messrs. May and Underwood are not members of either scheme and do not receive pension contributions from the Company.

Service contracts and letters of appointment
The Company's policy is for the executive Directors to have 12-month rolling service contracts that provide for a 12-month notice period. The non-executive Directors do not have service contracts. The non-executive Directors have letters of appointment concerning, amongst other things, the initial terms for which they are appointed, a general statement of their role and duties and the fees they will receive as a Director. The fees of non-executive Directors are determined by the full Board within the limits set out in the Memorandum and Articles of Association. The non-executive Directors are not eligible for bonuses, pension benefits, share options or other benefits. The letters of appointment do not contain a provision for termination payments. The Directors are indemnified to the full extent permitted by Statute under the Articles of Association. The service contracts and letters of appointment of the Directors, who served during the year ended 30 September 2005, include the following terms:

Directors	Executive/ Non-executive	Letter or contract of appointment	Date of contract or letter	Unexpired terms (months)	Notice period (months)
J Gaffney*	Executive	Contract	29 April 2004	N/A	12
R Harrison**	Executive	Letter	4 October 2004	-	12
B May	Executive	Contract	20 June 2005	Rolling one year	12
P Underwood	Executive	Contract	29 April 2004	Rolling one year	12
A Wagner OBE	Non-executive	Letter	25 November 2003	12	1

* J Gaffney resigned from the Company as a Director on 30 August 2005 and later resigned as an employee on 19 September 2005.

** Upon R Harrison's appointment reverting to that of non-executive Chairman on 1 October 2005, he was issued with a revised letter of appointment dated 7 October 2005, in which the contract for services was amended from a 12-month contract to a 1 month notice period, see page 20 for details of salary changes.

AUDITED INFORMATION

Directors' remuneration

Information is provided below for Directors who served during the financial year and as at 30 September 2005:

	Notes	Salary/fees £000	Bonuses £000	Benefits £000	Pension contributions 2005 £000	Total emoluments 2005 £000	Pension contributions 2004 £000	Total emoluments 2004 £000
Executive Directors								
J Gaffney	2, 3 and 4	180	165	20	24	389	25	254
R Harrison	1	125	125	-	-	250	-	76
B May	4 and 5	43	-	13	-	56	-	-
P Underwood	4 and 5	184	65	49	-	298	-	238
Former Directors	2	-	-	-	-	-	7	370
						993		938
Non-executive Directors								
Fees								
A Wagner OBE		25	-	-	-	25	-	19
Former Directors		-	-	-	-	-	-	32
						25		51

1. R Harrison's appointment reverted to non-executive Chairman with effect from 1 October 2005. He was issued with a replacement service letter dated 7 October 2005 at a salary of £50,000 p.a and a review date of 1 October 2007.
2. The highest paid Director for 2005 was J Gaffney who received emoluments of £365,308 (excluding pension contributions) and the highest paid Director for 2004 was P Sellars who received emoluments of £345,263 (excluding pension contributions).
3. The amount paid by the Company into J Gaffney's money purchase scheme in 2005 was £24,157.
4. Benefits include car allowances and certain medical cover for the Director and immediate family.
5. Messrs. May and Underwood received salary payments in lieu of Company pension contributions, which are paid through payroll and taxed as salary.

Directors' share options

No Directors who served during the financial year held any share options as at 30 September 2005 and no options were granted or awarded during 2004 or 2005. No options were exercised during 2005. The market price of the Company's shares at 30 September 2005 was 36p and the range of market prices during the year was between 17p and 36p.

Directors' share interests

Those Directors serving at the end of the year had interests in the share capital of the Company at 30 September 2005 as follows:

	Ordinary Shares of £0.10 each	
	30/09/05	30/09/04
R Harrison	60,000	40,000
*B May	45,000	-
P Underwood	20,000	-
A Wagner OBE	40,000	-

*Since the year end B May has purchased 60,000 shares resulting in a total holding of 105,000 as at 26 January 2006.

Directors' pension information

No Director had pension entitlements under the Company's defined benefit pension scheme.

Approval

The Directors' Remuneration Report was approved by the Board on 26 January 2006 and signed on its behalf by:

A Wagner OBE
Chairman of Remuneration Committee

As an AIM listed company, Renew is not required to follow the provisions of the Combined Code, as set out in the Financial Services Authority's Listing Rules. The Directors, however, recognise the importance, and accordingly support the principles, of good corporate governance as contained within the Combined Code. Because of this the Directors would normally seek to follow the Code to the extent considered relevant for an AIM listed company but have been unable to achieve compliance with the Code in a number of areas this year, primarily because of the lack of independent non-executive Directors for much of the year and to date. These matters are explained in further detail in the sections below.

The Board of Directors

The Board currently comprises the Chief Executive Officer, the non-executive Chairman, one executive Director and one independent non-executive Director. Brief biographies of the Directors are given on page 16.

Following the changes in the Board in March 2004, noted within the Remuneration report on page 18 and in the section on Board Committees below, the independent non-executive Directors did not comprise more than half of the Board and the Company has not been compliant with this aspect of the Code since that time and to date. A Wagner OBE, is considered the only independent non-executive Director within the meaning of the Code.

The composition of the Board is reviewed regularly. Last year, the Board identified the need for both additional executive and non-executive Directors. The Board in its capacity as Nomination Committee considered internal and external candidates, leading to the appointment of a new Chief Executive Officer during the year, and will seek to appoint additional executive and non-executive Directors in due course. Appropriate training, briefings and induction are available to all Directors on appointment and subsequently as necessary, taking into account existing qualifications and experience. New Directors are subject to election by shareholders at the first AGM after their appointment.

The Board met formally 15 times in the year plus Committee meetings dealing with the daily business of the Company being held as necessary. The Board receives written and oral reports from the executive Directors ensuring matters are considered fully and enabling Directors to discharge their duties properly. There is a formal schedule of matters reserved for the Board's decision ensuring the maintenance of control over strategic, financial and operational matters.

In addition, the Directors have access to the advice and services of the Company Secretary and procedures are in place for them to seek independent professional advice, if necessary, at the Company's expense.

Board Committees

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

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

The Remuneration Committee determines and agrees with the Board the framework and policy of executive remuneration packages, including bonuses, incentive payments, share options or awards and pension arrangements. Further information concerning the Remuneration Committee is set out in the Directors' Remuneration Report on pages 18 to 20.

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

The Nomination Committee terms of reference include:

(a) To review the structure, size and composition of the Board;
(b) To consider succession planning for Directors and senior executives;
(c) To identify and nominate, for approval by the Board, suitable candidates to fill Board vacancies;
(d) To make recommendations to the Board on the contents of letters of appointment, Directors' duties, re-appointment or re-election of Directors upon conclusion of a specified term or retirement by rotation.

The Company ceased to comply with the Code guidance (Section D 3.1) that the Audit Committee should comprise at least three non-executive Directors following the appointment of R Harrison as an executive Director. The Board in its capacity as Audit Committee has held two meetings to consider Audit Committee business.

In normal circumstances the Audit Committee considers the adequacy and effectiveness of the risk management and control systems of the Group, and reports the results to the Board. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the Auditors. The Audit Committee monitors the non-audit work performed by the Auditors to help ensure that the independence of the Auditors is maintained. The Audit Committee also reviews the interim statement, the preliminary announcement and accounting policies. The Board is currently reviewing financial controls within the Group and the need for an internal audit function.

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

Internal controls

Throughout the financial year to 30 September 2005 and up to the date of approval of the Report and Accounts, the Group has fully complied with the relevant provisions of the Code and the Turnbull guidance. The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing and monitoring its effectiveness. The system of internal control is designed to manage and mitigate, rather than eliminate, the risks to which the Company is exposed and therefore provides a reasonable, but not absolute, assurance against a company failing to meet its business objectives or against material misstatement or loss. Consequently, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

Following the detailed reviews commissioned by the Board last year supported by the continuing reviews in the year and to date the Directors are satisfied that the internal controls within the Group (particularly in respect of contracts) are appropriate.

The Group operates a risk management process, which is embedded in normal management and governance processes. There is a system of self-examination of risk areas and controls by subsidiaries and departments within the Group. Where significant risks are identified, the probability of those risks occurring, their potential impact and the plans for managing and mitigating each of those risks is reported. The Group operates a series of controls which include, the annual strategic planning and budgeting process, short-term cash monitoring achieved by means of monthly forecasts, which are compared against budget and previous forecasts, clearly defined capital investment guidelines and levels of authority, a clear organisational structure within which individuals' responsibilities are identified and monitored. These results and processes are monitored, updated, reviewed and considered by the Board.

Directors' remuneration
The Company's policy on the remuneration of executive Directors, and information relating to the Directors' remuneration and their interests in share options, is included in the Directors' Remuneration Report.

Directors and officers indemnity
Article 154 of the existing Articles of Association provides that each Director or other officer or Auditor of the Company shall be indemnified by the Company against losses, costs, and expenses he may sustain or incur in connection with the performance of his duties of office, to the fullest extent of the permitted by law. It is proposed to amend this indemnity as explained on page 55 of the notes to the Notice of AGM.

Shareholder relationships
Members of the Board have dialogue with individual shareholders during the year. In addition to the Annual Report and Accounts and the Interim Statement, the Chairman addresses shareholders at the AGM and invites questions to any members of the Board.

The AGM is normally attended by all Directors and provides an opportunity for communication with those shareholders attending. Notice of the AGM is given to shareholders at least 20 working days in advance and separate resolutions are proposed on each substantially separate issue. Where resolutions at the AGM are dealt with by show of hands, the results of proxy votes for and against are still announced.

Financial and other information about the Company is available on the Company's web site: www.renewholdings.com from which shareholders can also access their shareholding details via a link from the Renew website to the Capita Registrars plc website.

Annual General Meeting
The AGM will be held on 22 March 2006, the Notice for which is set out on page 53. The Notice contains special business, including the adoption of proposed new Articles of Association and the renewal of the Board's power to allot equity shares. Brief details of the purpose and effect of the proposed resolutions are set out at pages 54 and 55 of the Notes to the Notice of AGM. Shareholders should complete the proxy form accompanying this document in accordance with the notes contained in the Notice of AGM.

Statement of Directors' responsibilities
Company law in the United Kingdom requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available on the Company's web site. The maintenance and integrity of Renew's web site is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

Approval
The Board approved the Corporate Governance Report on 26 January 2006.

By Order of the Board
Catherine Wright LLB ACIS
Company Secretary

Independent Auditors' Report to the Shareholders of Renew Holdings plc (formerly Montpellier Group Plc)
We have audited the accounts of Renew Holdings plc for the year ended 30 September 2005, which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes to the accounts numbered 1 to 31. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This Report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report and accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Review, the Corporate Governance Statement and the Five Year Review. We consider the implications for our Report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2005 and of the Group's profit for the year then ended; and
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England

26 January 2006

group profit & loss account

For the year ended 30 September 2005

	Note	**Total 2005 £000**	Total 2004 £000
Turnover: Group and share of joint ventures		**457,750**	461,695
Less share of joint ventures' turnover		**(2,714)**	(3,036)
Ongoing operations		**330,113**	349,485
Discontinuing operations		**39,052**	53,171
Total continuing operations		**369,165**	402,656
Discontinued operations		**85,871**	56,003
Group turnover	2 (a)	**455,036**	458,659
Cost of sales (including exceptional items)	2 (b)	**(437,409)**	(442,534)
Gross profit		**17,627**	16,125
Administrative expenses (including exceptional items)	2 (b)	**(37,689)**	(22,834)
Other operating income	4	**53**	2,098
Group operating loss	2 (b)	**(20,009)**	(4,611)
Income from joint ventures		**-**	-
Ongoing operations before exceptionals		**2,687**	272
Exceptional items	2 (c)	**(19,845)**	1,038
Ongoing operations after exceptionals	2 (b)	**(17,158)**	1,310
Discontinuing operations	2 (b)	**(8,351)**	(10,378)
Total continuing operations		**(25,509)**	(9,068)
Discontinued operations	2 (b)	**5,500**	4,457
Total operating loss before interest, including share of joint ventures		**(20,009)**	(4,611)
Profit/(loss) on disposal of subsidiary companies	2 (d)	**22,300**	(495)
Profit/(loss) on ordinary activities before interest		**2,291**	(5,106)
Bank interest receivable		**921**	2,280
Interest payable	5	**(1,597)**	(2,192)
Other finance charges - FRS 17 pension	5	**(440)**	(1,921)
Profit/(loss) on ordinary activities before taxation		**1,175**	(6,939)
Taxation receivable/(payable) on ordinary activities	7	**899**	(106)
Profit/(loss) for the financial year		**2,074**	(7,045)
Dividends proposed	8	**(120)**	-
Profit/(loss) transferred to/(from) reserves		**1,954**	(7,045)
Basic earnings/(loss) per Ordinary Share	9	**3.46p**	(11.62p)
Diluted earnings/(loss) per Ordinary Share	9	**3.46p**	(11.62p)

group statement of total recognised gains & losses

For the year ended 30 September 2005

	Note	**Total 2005 £000**	Total 2004 £000
Profit/(loss) for the financial year		**2,074**	(7,045)
Exchange movements in reserves	23	**(171)**	110
Surplus on revaluation of landfill assets		**-**	416
Movements in defined benefit pension scheme		**(1,216)**	11,294
Movement on deferred tax relating to the defined benefit pension scheme		**(1,006)**	(8,943)
Total recognised gains and losses for the year		**(319)**	(4,168)
Prior year adjustment	3	**-**	(21,712)
Total recognised gains and losses since the last annual report		**(319)**	(25,880)

balance sheets

At 30 September 2005

	Note	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Fixed assets					
Intangible assets: Goodwill	10	**4,602**	4,905	**-**	-
Tangible assets	11	**14,930**	16,969	**298**	794
Investments	12	**-**	30	**83,672**	83,702
Investments in joint ventures:	13				
Loans to joint ventures		**438**	625	**-**	-
Share of gross assets		**9,704**	13,241	**-**	-
Share of gross liabilities		**(5,276)**	(8,105)	**-**	-
		4,866	5,761	**-**	-
		24,398	27,665	**83,970**	84,496
Current assets					
Stocks and work in progress	14	**9,573**	8,641	**-**	-
Debtors: due after more than one year	15	**5,751**	10,160	**580**	350
Debtors: due within one year	15	**72,836**	94,500	**24,951**	19,787
Current asset investments	16	**6,089**	7,388	**6,089**	7,388
Cash at bank and in hand	17	**13,590**	18,068	**15,579**	1,678
		107,839	138,757	**47,199**	29,203
Creditors: amounts falling due in less than one year	18	**(115,140)**	(145,383)	**(113,761)**	(103,144)
Net current liabilities		**(7,301)**	(6,626)	**(66,562)**	(73,941)
Total assets less current liabilities		**17,097**	21,039	**17,408**	10,555
Creditors: amounts falling due after more than one year					
Long-term debt	19	**(8,363)**	(8,363)	**-**	-
Other creditors	20	**(4,058)**	(5,215)	**-**	-
Net assets excluding pension liability		**4,676**	7,461	**17,408**	10,555
Pension liability	28	**-**	(2,346)	**-**	(2,346)
Net assets		**4,676**	5,115	**17,408**	8,209
Capital and reserves					
Share capital	22	**5,990**	5,990	**5,990**	5,990
Share premium	23	**5,893**	5,893	**5,893**	5,893
Capital redemption reserve	23	**3,896**	3,896	**3,896**	3,896
Revaluation reserve	23	**73**	489	**73**	73
Profit and loss account	23	**(11,176)**	(11,153)	**1,556**	(7,643)
Equity shareholders' funds	24	**4,676**	5,115	**17,408**	8,209

Approved by the Board and signed on its behalf:

R Harrison
Chairman

26 January 2006

group cash flow statement

For the year ended 30 September 2005

	Note	Total 2005 £000	Total 2004 £000
Net cash (outflow)/inflow from operating activities	29	**(25,338)**	1,677
Returns on investments and servicing of finance			
Interest received		**921**	2,279
Interest paid		**(1,597)**	(2,192)
		(676)	87
Taxation			
Net corporation tax received		**-**	527
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(640)**	(682)
Payments to acquire current asset investments		**-**	(9,005)
Proceeds on sale of tangible fixed assets		**225**	2,681
Proceeds on sale of current asset investments		**-**	150
Loans repaid by joint venture		**200**	1,053
		(215)	(5,803)
Acquisitions and disposals			
Proceeds from sale of subsidiaries and businesses		**21,343**	3,746
Proceeds from sale of shared equity loans		**1,894**	-
Cash disposed on disposal of subsidiaries and businesses		**(3,380)**	(1,076)
		19,857	2,670
Equity dividends paid to shareholders		**-**	(682)
Cash outflow before financing		**(6,372)**	(1,524)
Financing			
Issue of share capital		**-**	256
Acquisition of own shares		**-**	(192)
Movement in short-term borrowings		**3,600**	(1,103)
Finance lease payments		**(623)**	(360)
		2,977	(1,399)
Decrease in cash during the year		**(3,395)**	(2,923)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash during the year		**(3,395)**	(2,923)
Movement in borrowings		**(2,977)**	1,463
Changes in net funds arising from cash flows		**(6,372)**	(1,460)
Other non-cash movements		**(1,680)**	4,776
Movement in net funds during the year		**(8,052)**	3,316
Opening net funds		**8,321**	5,005
Closing net funds		**269**	8,321

1 Accounting policies

(i) Basis of accounting
The accounts have been prepared on the going concern basis and in accordance with applicable accounting standards under the historical cost convention, modified by the revaluation of certain land and buildings. A summary of the more important Group accounting policies, which have been applied consistently is set out below.

(ii) Basis of consolidation
The Group accounts consolidate the accounts of the Company and its subsidiary undertakings and include the attributable share of the results and net assets of joint ventures. The results and net assets of undertakings acquired are included in the Group profit and loss account and balance sheet using the acquisition method of accounting from the effective date of acquisition. The results of undertakings disposed of are included to the effective date of disposal. Subsidiary undertakings have been consolidated using the acquisition method of accounting and joint ventures are included in accordance with the accounting policies noted below.

(iii) Joint ventures
In the normal course of business, the Group invests in joint ventures which are classified as fixed asset investments. Joint ventures arise where the Group has a participating interest in an entity and shares the control of its strategic and operational policies. Joint ventures are accounted for using the gross equity method of accounting. Where necessary, adjustments are made on consolidation to bring the results and net assets of joint ventures into line with Group accounting policies.

(iv) Investments in subsidiaries
Investments in subsidiaries are recorded at cost less provision for impairment.

(v) Goodwill
Goodwill is the difference between the amount paid on the acquisition of a business, be it a subsidiary or joint venture, and the aggregate fair value of its separable net assets. Goodwill arising on acquisitions prior to 30 September 1997 has been written off directly against the profit and loss reserve and has not been reinstated on implementation of FRS 10 "Goodwill and intangible assets" as allowed by the standard. Goodwill arising on acquisition of subsidiaries after 1 October 1997 is capitalised in the balance sheet and is being amortised over its estimated useful economic life up to a maximum of 20 years.

Reviews for impairment of goodwill are performed at the end of the first full financial year following the related acquisition and, thereafter, if events indicate that the carrying value may not be recoverable. On the sale of a subsidiary undertaking any goodwill relating to the disposed subsidiary is written off in the year.

(vi) Long-term contracts
Long-term contracts are stated at cost plus attributable profit after providing for anticipated future losses and contingencies. Progress payments received are deducted from these amounts. Cost includes attributable overheads. Long-term contract work in progress is recorded in turnover on a monthly basis as the contract proceeds and therefore is included in debtors as amounts recoverable on contracts.

(vii) Stocks and work in progress
Stocks and work in progress comprise residential and commercial developments and raw materials and are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads and excludes interest. Where necessary, provision is made for obsolete, slow moving and defective stocks.

(viii) Current asset investments
Current asset investments are stated at the lower of cost and net realisable value.

(ix) Tangible fixed assets
Tangible fixed assets are recorded at cost or valuation for certain properties, less provision for impairment if required. Depreciation is provided on all tangible fixed assets, other than investment properties. Provision is made at rates calculated to write off the cost of each asset, less estimated residual value, evenly over its expected useful life as follows:

- Group occupied property
  Freehold land and buildings - fifty years
  Long leasehold land and buildings - shorter of fifty years and remainder of lease
- Plant and vehicles - three to ten years
- Office equipment - two to seven years

Changes in the revalued amounts of assets carried at valuation are taken directly to the revaluation reserve. Upon disposal, the balance of any revaluation reserve relating to the property sold is transferred to the profit and loss account in reserves.

1 Accounting policies (continued)

Landfill developments
The landfill developments owned by the Group were included in tangible fixed assets at open market valuation for existing use within these accounts. Depreciation was charged at a rate that matched the net income derived from the landfill operation until the asset was completely written down. Full provision was made for the net present value of the Group's landfill site rectification costs. An asset was also recognised in relation to these future costs, which has been amortised on the basis of tonnages deposited over the expected life of the site.

(x) Deferred taxation
The payment of taxation is deferred or accelerated because of timing differences between treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19 "Deferred tax".

Deferred tax assets are recognised to the extent it is considered more likely than not that they will be reversed. In accordance with FRS 19 deferred tax is not provided for:
a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
c) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made;
d) extra tax payable if the overseas retained profits of subsidiaries, joint ventures or associates are remitted in the future.

Deferred tax assets are recognised for taxable losses relating to trading to the extent that those losses are expected to be recoverable within the foreseeable future, and also in respect of the pensions deficit recorded under FRS 17 where the Directors consider that the asset will be utilised by the expected future profitability of the Group.

(xi) Turnover
Turnover, which excluding sales within the Group and Value Added Tax, comprises:
- the value of work executed during the year on construction contracts;
- sales of residential properties and land based upon legal completions;
- sales of commercial properties based upon legal completions.

(xii) Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. The accounts of overseas subsidiary and joint venture undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves together with differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises. All other exchange differences are taken to the profit and loss account.

(xiii) Leasing commitments
Assets held under finance leases, where substantially all the benefits and risks of ownership of an asset have been transferred to the Group, are capitalised and are depreciated in accordance with the depreciation policy for the relevant class of asset or the remaining lease if shorter. The interest element of the rental obligations is charged to the profit and loss account and represents a constant proportion of the balance of capital repayments outstanding. Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

(xiv) Defined benefit pension scheme
The Group has fully adopted the requirements of FRS 17 "Retirement Benefits". The defined benefit scheme was closed to new members in June 2000 and in August 2001 the Board decided that no further benefits would accrue to exisiting members with more than five years expected service life remaining. These members were transferred to the defined contribution plan but retained the benefit earned to that date under the defined benefit scheme. The pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the Group's defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/cost. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

1 Accounting policies (continued)

Pension scheme surpluses, to the extent they are considered recoverable (under the guidance of FRS 17), or deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

Further information on the structure of the defined benefit scheme is contained within note 28 to these accounts.

(xv) Defined contribution pension scheme
Contributions to the defined contribution scheme are charged to the profit and loss account as incurred.

2 (a) Segmental analysis

External turnover is analysed as follows:

	2005 £000	2004 £000
Construction	450,367	454,718
UK Property	5,966	2,726
USA Property	1,417	4,251
Turnover: Group and share of joint ventures' turnover	457,750	461,695
Less: Share of joint ventures' turnover	(2,714)	(3,036)
Ongoing operations	330,113	349,485
Discontinuing operations	39,052	53,171
Continuing operations	369,165	402,656
Discontinued operations	85,871	56,003
External turnover	455,036	458,659

The Directors have not disclosed segmental information relating to the profits/(losses) and net assets since they are of the opinion that to fully comply with the requirements of SSAP 25 "Segmental Reporting" would be seriously prejudicial to the interests of the Group.

2 (b) Analysis of operations

	Ongoing Activities £000	Discontinuing Activities £000	Discontinued Activities £000	2005 Total £000	Ongoing Activities £000	Discontinuing Activities £000	Discontinued Activities £000	2004 Total £000
Group turnover	**330,113**	**39,052**	**85,871**	**455,036**	349,485	53,171	56,003	458,659
Cost of sales	**(316,373)**	**(43,600)**	**(77,436)**	**(437,409)**	(334,284)	(59,326)	(48,924)	(442,534)
Gross profit	**13,740**	**(4,548)**	**8,435**	**17,627**	15,201	(6,155)	7,079	16,125
Administrative expenses	**(30,951)**	**(3,803)**	**(2,935)**	**(37,689)**	(15,989)	(4,223)	(2,622)	(22,834)
Other operating income	**53**	**-**	**-**	**53**	2,098	-	-	2,098
Group operating profit/(loss) pre exceptional costs	**2,687**	**(2,045)**	**5,500**	**6,142**	272	542	4,457	5,271
Exceptional costs	**(19,845)**	**(6,306)**	**-**	**(26,151)**	1,038	(10,920)	-	(9,882)
Group operating (loss)/profit post exceptional costs	**(17,158)**	**(8,351)**	**5,500**	**(20,009)**	1,310	(10,378)	4,457	(4,611)
Income from joint ventures	**-**	**-**	**-**	**-**	-	-	-	-
Total operating (loss)/profit before interest, including share of joint ventures	**(17,158)**	**(8,351)**	**5,500**	**(20,009)**	1,310	(10,378)	4,457	(4,611)
Profit/(loss) on disposal of subsidiary undertakings				**22,300**				(495)
Profit on ordinary activities before interest				**2,291**				(5,106)

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

(ii) Discontinued operations
Discontinued operations relate to the activities of Bullock Construction Limited, which was sold on 16 September 2005 (as detailed in note 26).

2 (c) Operating exceptional items

The operating profit/(loss) includes the following amounts that the Directors regard as exceptional because of their value and nature, but which do not fall to be recorded as non-operating exceptional items under the requirements of FRS 3 "Reporting Financial Perfomance".

		Year ended 30 September 2005		Year ended 30 September 2004	
		Ongoing £000	**Discontinuing £000**	Ongoing £000	Discontinuing £000
Reduction in pension deficit following settlements of liabilities	(i)	**3,650**	**-**	19,250	-
Cost of incentives to members connected to the settlements	(i)	**(1,111)**	**-**	(4,959)	-
		2,539	**-**	14,291	-
Contract losses on specific problem contracts incepted in prior years	(ii)	**(15,437)**	**(4,758)**	(10,754)	(10,660)
Impairment of fixed assets and current asset investments	(iii)	**(1,749)**	**-**	(1,617)	-
Redundancy and reorganisation costs	(iv)	**(454)**	**(1,289)**	(882)	(260)
Other non-recurring costs	(v)	**(4,744)**	**-**	-	-
Closure costs	(vi)	**-**	**(259)**	-	-
		(19,845)	**(6,306)**	1,038	(10,920)

With the exception of contract losses, which have been included within cost of sales, all of the exceptional (charges)/credits have been included within administrative expenses.

(i) Defined benefit pension scheme
During the years ended 30 September 2005 and 30 September 2004 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 both the current and preceding years, the Group suffered a number of contractual issues that relate to contracts procured during or before 2002/2003 where the difficulties relating to these contracts were not identified in the prior periods or became more apparent in this period as negotiations to resolve the contract terms progressed.

(iii) Impairment of fixed assets and current asset investments
Provision has been made in both the current and preceding year, against the carrying value of three (2004: two) properties, to reflect their market values at 30 September 2005 and 2004.

(iv) Redundancy and reorganisation costs
During the current and preceding periods a number of exceptional costs, which primarily relate to redundancies, have been incurred as a result of reorganisations within the Group which do not constitute a fundamental reorganisation as defined by FRS 3. In the period to 30 September 2005 these costs relate to the reorganisation of Allenbuild and the closure of YJL Construction.

(v) Other non-recurring costs
During the current period the Group incurred £4.7m of non-recurring costs in respect of the resolution of legacy non-contract issues.

(vi) Closure costs
Provision has been made for the remaining costs of closure of YJL Construction's contracting division.

2 (d) Non-operating exceptional items

	Year ended 30 September 2005 £000	Year ended 30 September 2004 £000
Profit/(loss) on disposal of subsidiary companies	22,300	(495)

Profit on disposal of subsidiary companies in the current year relates to the sale of Bullock Construction Limited - further details are set out in note 26.

The loss on disposal of subsidiary companies relates to the disposal, during the year ended 30 September 2004, of the Group's loss-making subsidiaries Cornhill Interiors Limited, Lodge & Sons (Builders) Limited and YJL Facilities Limited.

2 (e) Company profit and loss account

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The profit after taxation for the financial year dealt with in the accounts of the Company was £11,633,000 (2004: £438,000 loss).

3 Prior year adjustment

In the annual report for the year ended 30 September 2004, a prior year adjustment was recorded in respect of the adoption of FRS 17, with effect from 1 October 2003. The impact of the adoption of FRS 17 was to reduce reserves at 1 October 2003 by £21,712,000. Full details as to this adjustment can be found in note 3 in the annual report for the year ended 30 September 2004.

4 Operating profit

	2005 £000	2004 £000
Operating profit is arrived at after charging/(crediting):		
Auditors' remuneration - audit services (Company: £89,000; 2004: £50,000)	210	190
Depreciation of owned assets	2,089	1,479
Depreciation of assets held under finance leases	568	360
Amortisation of goodwill	303	304
Impairment of current asset investments	1,299	-
Impairment of long leasehold assets	450	-
Operating lease rentals - Plant and machinery	278	733
Operating lease rentals - Motor vehicles	365	1,022
Operating lease rentals - Other	1,164	893
Profit on sale of fixed assets	(78)	(25)
Foreign exchange losses	500	-
Other operating income comprises:		
Property sales and overage payments	13	1,973
Other income	40	125
	53	2,098

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

	2005 £000	2004 £000
Audit services - Group and statutory audits	210	190
Other assurance services	142	73
Tax services - compliance services	55	55
- advisory services	15	73
	422	391

Included in the above are fees and expenses of £331,000 (2004: £251,000) in respect of the parent company.

5 Interest payable and other finance (charges)/income

	2005 £000	2004 £000
Interest payable:		
On bank loans and overdrafts	**1,313**	1,979
Other interest payable	**284**	213
	1,597	2,192
Other finance (charges)/income - FRS 17 pension:		
Expected return on assets	**5,431**	5,705
Interest on scheme liabilities	**(5,871)**	(7,626)
	(440)	(1,921)

Further information on the pension scheme is set out in note 28 to the accounts.

6 Employee numbers and remuneration

	2005 Number	2004 Number
The average monthly number of employees, including executive Directors, during the year was:	**1,794**	1,782
At 30 September	**1,378**	1,716

The analysis of average monthly number of employees, including executive Directors, during the year was:

	2005 Number	2004 Number
Continuing		
Ongoing: Construction	**1,278**	1,326
Other	**28**	29
Discontinuing	**83**	146
Discontinued	**405**	281
	1,794	1,782

Cost of staff, including executive Directors, during the year amounted to:	£000	£000
Wages and salaries	**59,450**	59,746
Social security costs	**6,392**	6,405
Other pension costs	**1,972**	2,007
	67,814	68,158

Details of individual Directors' emoluments and pension contributions can be found on page 20. These numbers have been audited.

7 Taxation credit/(charge) on ordinary activities

(a) Analysis of credit/(charge) in year

	2005 £000	2004 £000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustments in respect of previous periods	1	150
	1	150
Foreign tax	-	33
Total current tax	1	183
Deferred tax	898	(289)
Taxation credit/(charge) on profit on ordinary activities	899	(106)

(b) Factors affecting tax credit for the year

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before taxation	1,175	(6,939)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(353)	2,082
Effects of:		
Income not subject to tax	6,690	-
Expenses not deductible for tax purposes	(2,144)	(450)
Accelerated/(decelerated) capital allowances	140	(196)
Net creation of tax losses	(4,333)	(1,403)
Adjustments to tax charge in respect of previous periods	1	150
Current tax credit for the year	1	183

The Group and Company have available further unused tax losses to carry forward against future taxable profits. A significant element of these losses relate to activities which are not forecast to generate the level of profits needed to utilise these losses. A deferred tax asset has been provided to the extent considered reasonable by the Directors, where recovery is expected to be recognisable within the foreseeable future.

(c) Deferred tax

The deferred tax asset comprises:

	2005 £000	2004 £000
Accelerated capital allowances	(260)	(120)
Tax losses	1,734	696
	1,474	576

(d) Reconciliation of deferred tax asset

	2005 £000	2004 £000
As at 1 October	576	865
Origination/reversal of timing differences	898	(289)
At 30 September	1,474	576

8 Dividends

	2005 Pence/share	2004 Pence/share
Interim	**-**	-
Final	**0.20**	-
Total dividend	**0.20**	-

	£000	£000
Interim	**-**	-
Final	**120**	-
Total dividend	**120**	-

9 Earnings/(loss) per Ordinary Share

	Earnings £000	2005 Weighted average number of shares 000s	EPS Pence	Earnings £000	2004 Weighted average number of shares 000s	EPS Pence
FRS 14 basis						
Basic earnings/(loss) per share	2,074	59,899	3.46	(7,045)	60,609	(11.62)
Dilutive effect of options	-	-	-	-	-	-
Diluted earnings/(loss) per share	2,074	59,899	3.46	(7,045)	60,609	(11.62)

10 Intangible fixed assets

	Goodwill £000
Group	
Cost:	
At 1 October 2004 and 30 September 2005	7,559
Amortisation:	
At 1 October 2004	2,654
Charge for year	303
At 30 September 2005	2,957
Net book value:	
At 30 September 2005	**4,602**
At 30 September 2004	4,905

11 Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Landfill development £000	Plant, vehicles & equipment £000	Total £000
Group					
Cost or valuation:					
At 1 October 2004	11,461	784	822	5,348	18,415
Additions	221	5	-	1,012	1,238
Disposals	-	-	-	(1,288)	(1,288)
Disposal of subsidiary	-	-	-	(324)	(324)
At 30 September 2005	11,682	789	822	4,748	18,041
Depreciation:					
At 1 October 2004	625	190	-	631	1,446
Charge for the year	349	5	822	1,481	2,657
Impairment	-	450	-	-	450
Disposals	-	-	-	(1,138)	(1,138)
Disposal of subsidiary	-	-	-	(304)	(304)
At 30 September 2005	974	645	822	670	3,111
Net book value:					
At 30 September 2005	**10,708**	**144**	**-**	**4,078**	**14,930**
At 30 September 2004	10,836	594	822	4,717	16,969
At cost less depreciation	10,708	-	-	4,078	14,786
At valuation	-	144	-	-	144
At 30 September 2005	**10,708**	**144**	**-**	**4,078**	**14,930**
Historical cost of revalued properties:					
Cost	-	715	781	-	1,496
Accumulated depreciation	-	(645)	(781)	-	(1,426)
At 30 September 2005	**-**	**70**	**-**	**-**	**70**

The valuations applied as noted above to the freehold and long leasehold land and buildings are based on Directors' valuation.

The net book value of assets under finance leases at 30 September 2005 was £1,747,000 (2004: £1,384,000). During the year £568,000 (2004: £360,000) of depreciation was charged against assets held under finance leases.

11 Tangible fixed assets (continued)

	Long leaseholds £000	Plant, vehicles & equipment £000	Total £000
Company			
Cost or valuation:			
At 1 October 2004	784	419	1,203
Additions	5	18	23
Disposals	-	(75)	(75)
At 30 September 2005	789	362	1,151
Depreciation:			
At 1 October 2004	190	219	409
Provision for year	5	64	69
Impairment	450	-	450
Disposals	-	(75)	(75)
At 30 September 2005	645	208	853
Net book value:			
At 30 September 2005	**144**	**154**	**298**
At 30 September 2004	594	200	794
At cost less depreciation	-	154	154
At Directors' valuation	144	-	144
At 30 September 2005	**144**	**154**	**298**
Historical cost of revalued properties:			
Cost	715	-	715
Accumulated depreciation	(645)	-	(645)
At 30 September 2005	**70**	**-**	**70**

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

12 Investments

	Other investments £000
Group	
Shares at cost:	
At 1 October 2004	30
Additions	-
Disposals	(30)
At 30 September 2005	**-**
Net book value:	
At 30 September 2005	**-**
At 30 September 2004	30

	Subsidiary undertakings £000	Other investments £000	Total £000
Company			
Shares at cost:			
At 1 October 2004	152,552	30	152,582
Additions	-	-	-
Disposals	-	(30)	(30)
At 30 September 2005	152,552	-	152,552
Provisions:			
At 1 October 2004 and 30 September 2005	68,880	-	68,880
Net book value:			
At 30 September 2005	**83,672**	**-**	**83,672**
At 30 September 2004	83,672	30	83,702

Details of the principal subsidiary undertakings are included in note 30.

The investment in the dormant or non-trading subsidiaries is supported by the net asset values of the subsidiaries, and the investment in the continuing trading subsidiaries is supported by the current and expected future profits of those businesses.

13 Investments in joint venture developments

The investments in joint venture developments consist of:

	Share of net assets £000	Loan advances £000	Total £000
Group			
1 October 2004	5,136	625	5,761
Exchange movements	107	13	120
Net loan repayments	-	(200)	(200)
Reclassification	(815)	-	(815)
30 September 2005	**4,428**	**438**	**4,866**

13 Investments in joint venture developments (continued)

The Group's share of assets and liabilities in these joint ventures comprises:

	2005 £000	2004 £000
Stocks	5,649	8,051
Debtors	4,036	5,118
Cash	19	72
Gross assets	**9,704**	13,241
Less:		
Creditors	(5,084)	(8,004)
Partner loans	(192)	(101)
Gross liabilities	**(5,276)**	(8,105)
Share of net assets	**4,428**	5,136

The Group's share of the assets and liabilities in each joint venture varies. Stocks and work in progress include interest on non-Group specific project finance of £721,000 (2004: £1,163,000). Details of the principal joint ventures are shown in note 30.

A letter of credit for £1,335,000 (2004: £1,602,000) remains outstanding at 30 September 2005. This letter of credit was issued by Barclays Bank plc to Allfirst Bank in the US in respect of the Russett Center joint venture, which is guaranteed by the Company.

14 Stocks and work in progress

Group

	2005 £000	2004 £000
Developments and undeveloped land	**9,297**	8,393
Raw materials	**276**	248
	9,573	8,641

15 Debtors

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Due after more than one year:				
Amounts recoverable on contracts	**4,434**	6,241	**-**	-
Mortgage debtors	**23**	1,540	**-**	-
Other debtors	**1,294**	2,379	**580**	350
	5,751	10,160	**580**	350
Due within one year:				
Trade debtors	**34,320**	32,657	**673**	511
Due from subsidiary undertakings	**-**	-	**19,792**	18,102
Amounts recoverable on contracts	**28,448**	54,795	**-**	-
Mortgage debtors	**23**	1,108	**-**	-
Other debtors	**6,515**	3,148	**3,548**	265
Corporation tax	**191**	191	**-**	-
Deferred tax (note 7)	**1,474**	576	**97**	-
Prepayments and accrued income	**1,865**	2,025	**841**	909
	72,836	94,500	**24,951**	19,787

16 Current asset investments

	Group and Company £000
At 1 October 2004	7,388
Adjustment to write down to market value	(1,299)
At 30 September 2005	**6,089**

The current asset investments comprise three properties that are held for resale and where the Group is looking for a disposal within 12 months of the balance sheet date. The properties are carried in the accounts at expected market valuation as applied by the Directors.

17 Cash at bank and in hand

	Group 2005 £000	2004 £000	**Company 2005 £000**	2004 £000
Cash at bank	**13,580**	18,045	**15,579**	1,678
Cash in hand	**10**	23	**-**	-
	13,590	18,068	**15,579**	1,678

Cash at bank includes an overnight deposit on 30 September 2005 of £19,015,000 (2004: £10,391,000) with Barclays Bank Plc.

Cash at bank includes £(0.7)m (2004: £3.0m) in respect of the net position on a £stg bank deposit of £8.1m [US $15.5m at the rate of US $1.446 to £stg existing when the hedging arrangements were put in place, less amounts repaid by Barclays Bank Plc during the year of £2.6m (2004: £nil)] (2004: £11.4m) and a connected US$ loan of £8.8m [US $15.5m translated at the year end rate (2004: £8.4m)] used to hedge US$ assets within the US subsidiary company and joint ventures. The original amount hedged was US$25m and the reduction represents US$ received from the US in the intervening period.

18 Creditors: amounts falling due within one year

	Group 2005 £000	2004 £000	**Company 2005 £000**	2004 £000
Bank loans - secured	**3,600**	-	**-**	-
Obligations under finance leases	**692**	493	**-**	-
Payments received on account	**14,862**	16,064	**-**	-
Trade creditors	**35,789**	54,139	**156**	747
Corporation tax	**160**	160	**-**	-
Other taxation and social security	**2,158**	2,374	**1,128**	1,230
Due to subsidiary undertakings	**-**	-	**104,163**	96,959
Other creditors	**9,409**	3,014	**6,841**	1,181
Accruals and deferred income	**48,350**	69,139	**1,353**	3,027
Proposed dividend	**120**	-	**120**	-
	115,140	145,383	**113,761**	103,144

In December 2004 the Group borrowed £3.6m at a floating rate of interest secured against two of the properties in current asset investments. The loan is repayable in January 2006.

19 Long-term debt

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Secured bank loans falling due:				
In one year or less	**3,600**	-	**-**	-
Between one and two years	**100**	-	**-**	-
Between two and five years	**600**	500	**-**	-
More than five years	**7,663**	7,863	**-**	-
	11,963	8,363	**-**	-
Less amount due within one year	**(3,600)**	-	**-**	-
	8,363	8,363	**-**	-

In 2002 the Group borrowed £8.36m at a floating rate of interest, secured against a freehold property. The first instalment of the repayment is due in June 2007, continuing every quarter until December 2011 when the balance of £7.4m will be due.

The Group has an undrawn committed facility of £9,914,000 (2004: £12,098,000) which will expire within one year.

20 Other creditors

	Group 2005 £000	2004 £000	Company 2005 £000	2004 £000
Obligations under finance leases	**666**	891	**-**	-
Accruals and deferred income	**3,392**	4,324	**-**	-
	4,058	5,215	**-**	-

Obligations under finance leases comprise £469,000 (2004: £523,000) due between one and two years and £197,000 (2004: £368,000) due between two and five years.

21 Derivatives and other financial instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks facing the Group can be found within the Directors' Report on page 15. The disclosures below do not include short-term debtors and creditors.

Interest rate profile of financial assets and liabilities

	Fixed rate weighted average interest rate %	Financial assets/(liabilities) Fixed rate £000	Floating rate £000	No interest charged £000	**Total £000**
2005					
Assets					
Sterling	**-**	**-**	**13,111**	**-**	**13,111**
Dollar	**-**	**-**	**479**	**-**	**479**
		-	**13,590**	**-**	**13,590**
Liabilities					
Sterling	**3.0**	**(1,358)**	**(11,963)**	**-**	**(13,321)**
Dollar	**-**	**-**	**-**	**-**	**-**
		(1,358)	**(11,963)**	**-**	**(13,321)**
2004					
Assets					
Sterling	-	-	17,559	2,647	20,206
Dollar	-	-	509	-	509
		-	18,068	2,647	20,715
Liabilities					
Sterling	2.8	(1,384)	(8,363)	-	(9,747)
Dollar	-	-	-	-	-
		(1,384)	(8,363)	-	(9,747)

21 Derivatives and other financial instruments (continued)

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

The maturity of financial liabilities is disclosed in notes 19 and 20. The fixed rate liabilities have a weighted average period of two years (2004: two years).

The assets where no interest is charged have a weighted average period of one year.

Currency exposures
The only exposure of the Group to currency risk (i.e. exposure to gains or losses on foreign exchange which would be recognised in the profit and loss account) is in respect of the US dollar bank account which is maintained by the parent company in the UK and the unhedged portion of an inter company loan. At 30 September 2005 the un-hedged portion of the inter-company loan was $4,905,000 (2004: $4,905,000). At 30 September 2005 the balance on the US dollar bank account was $1,000 (2004: $2,000).

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

Hedges
In November 2000 the Group undertook a loan hedge of $25million with Barclays Bank Plc against the net assets of Lovell America Inc. This was undertaken to minimise the foreign exchange movements of retranslating the net assets of Lovell America Inc. at prevailing rates. Exchange losses of £179,000 (2004: gains £847,000) were made during the year on foreign currency borrowings. This has been offset in reserves against exchange gains made on the investment in Lovell America Inc. The year end intercompany balance subject to hedging is US$15,537,000 (2004: US$16,537,000). The US$ loan used for this arrangement is scheduled for repayment in November 2008.

Fair value of financial assets and liabilities
There are no material differences between the fair value and the book value of the Group's financial assets and liabilities.

22 Share capital

Group and Company

	2005 £000	2004 £000
Authorised:		
100,000,000 (2004: 100,000,000) Ordinary Shares of 10p each	**10,000**	10,000
Allotted, called up and fully paid:		
59,898,927 (2004: 59,898,927) Ordinary Shares of 10p each	**5,990**	5,990

Changes in share capital
During the current financial year the Company has not bought-back any of its own shares nor issued any new share capital and as a result the total number of shares in issue remains at 59,898,927 as at 30 September 2005.

Share options
No grants or awards have been made in connection with any employee or executive share scheme during the financial year and there were no outstanding options or unissued Ordinary Shares reserved for any scheme as at 30 September 2005. No options were exercised during the year.

23 Reserves

	Share premium £000	Revaluation £000	Capital Redemption £000	Profit & Loss Account £000
Group				
At 1 October 2004	5,893	489	3,896	(11,153)
Transfer from profit and loss account for the year	-	-	-	1,954
Exchange differences	-	-	-	(171)
Realisation of landfill asset revaluation surplus	-	(416)	-	416
Actuarial gain recognised in pension scheme	-	-	-	412
Movement on deferred tax relating to pension scheme	-	-	-	(1,006)
Adjustment to reduce pension surplus to nil	-	-	-	(1,628)
At 30 September 2005	**5,893**	**73**	**3,896**	**(11,176)**

	2005 £000	2004 £000
Profit and loss reserves excluding pension liability	**(11,176)**	(8,807)
Pension liability	**-**	(2,346)
Profit and loss reserves including pension liability	**(11,176)**	(11,153)

There is no available analysis of goodwill written off against reserves in respect of existing subsidiaries that were acquired prior to 1989 and therefore, in accordance with the guidance of FRS 10, the Directors are not able to state this figure. Goodwill written off against reserves in respect of subsidiaries acquired after 1989 amounts to £nil (2004: £nil).

	Share premium £000	Revaluation £000	Capital Redemption £000	Profit & Loss Account £000
Company				
At 1 October 2004	5,893	73	3,896	(7,643)
Transfer from profit and loss account for the year	-	-	-	11,633
Exchange differences	-	-	-	(212)
Actuarial gain recognised in pension scheme	-	-	-	412
Movement on deferred tax relating to pension liability	-	-	-	(1,006)
Adjustment to reduce pension surplus to nil	-	-	-	(1,628)
At 30 September 2005	**5,893**	**73**	**3,896**	**1,556**

24 Reconciliation of movements in Group shareholders' funds

	2005 £000	2004 £000
Group		
Profit/(loss) for year	**2,074**	(7,045)
Dividends payable	**(120)**	-
	1,954	(7,045)
Other recognised gains and losses for the year	**(2,393)**	2,878
Share issue	**-**	256
Share buyback	**-**	(8,192)
Net movement on shareholders' funds	**(439)**	(12,103)
At 1 October	**5,115**	17,218
At 30 September	**4,676**	5,115

The opening shareholders' funds as at 1 October 2004 are stated after prior year adjustments in respect of the adoption of FRS 17 amounting to £21,712,000 (see note 3).

25 Capital and leasing commitments

	Land & buildings £000	Other £000	Total 2005 £000	Total 2004 £000
Group				
Annual commitments under non-cancellable operating leases expiring in:				
Under one year	861	89	**950**	861
Two to five years	110	163	**273**	1,812
Five or more years	2,465	11	**2,476**	2,566
	3,436	263	**3,699**	5,239

	Land & buildings £000	Other £000	Total 2005 £000	Total 2004 £000
Company				
Annual commitments under non-cancellable operating leases expiring in:				
Under one year	861	-	**861**	112
Two to five years	30	-	**30**	912
Five or more years	2,546	-	**2,546**	2,765
	3,437	-	**3,437**	3,789

The Group and Company have no capital commitments at 30 September 2005 (2004: £nil).

26 Disposal of subsidiary undertaking

On 16 September, the Group disposed of Bullock Construction Limited, for consideration of £42,172,000. Consideration was payable in cash and there is no deferred consideration element.

Net assets disposed of were as follows :

	£000
Investments	186
Tangible fixed assets	20
Debtors - intercompany	20,129
Debtors - other	17,599
Cash	3,380
Creditors	(22,142)
Net assets disposed	19,172
Net cash consideration	41,472
Less net assets disposed	(19,172)
Net profit on disposal	22,300

The Group profit before taxation includes profits of £5,614,000 (operating profit of £5,500,000 and interest received of £114,000) generated by Bullock Construction Limited up to the date of disposal. During the year, Bullock Construction Limited accounted for £1,159,000 of the Group's net operating cash inflow, received £114,000 in respect of net returns on investments and servicing of finance, paid/received £nil in respect of taxation, paid/received £nil for capital expenditure and financial investment and paid/received £nil in respect of financing.

Actual cash received by the Group totalled £21,343,000 after repayment of intercompany balances totalling £20,129,000.

No adjustment has been made in the calculation of the profit on disposal for any goodwill relating to Bullock Construction Limited that may previously have been written off against reserves as there is no analysis of the total goodwill balance written off against reserves for subsidiaries acquired prior to 1989 (note 23) which includes Bullock Construction Limited.

27 Contingent liabilities

The Company has guaranteed performance bonds in respect of contracts and leasing arrangements in the normal course of business.

A letter of credit, guaranteed by the Company, has been issued by Barclays Bank Plc to Allfirst Bank (see note 13).

28 Pension commitments

Defined benefit scheme

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

A valuation of the closed scheme under the Minimum Funding Requirement (MFR) rules was completed as at March 2003. This indicated an MFR deficit of £8.6m. It is a requirement of the MFR rules that this deficit should be cleared over a maximum period of 10 years and the Group has accepted responsibility for the clearance of this deficit. The actuary has prepared a schedule of contributions showing required payments of £98,000 per month (£1,176,000 per annum) commencing in December 2003 for a ten year period. Contributions to the cost of the defined benefit scheme comprise three key elements; the amounts payable in respect of the continuing members of the scheme, amounts paid to transfer members into the defined contribution scheme and the payments required to make up the deficit.

FRS 17 "Retirement Benefits"

The Directors have adopted the accounting required by FRS 17 with effect from 1 October 2003.

The following disclosures required by FRS 17 have been based on the most recent actuarial valuation as at 30 September 2005 carried out by Barnett Waddingham, Consulting Actuaries, using the following financial assumptions:

	As at 30 September 2005	As at 30 September 2004	As at 30 September 2003
Rate of increase in salaries	**4.00%**	4.00%	4.25%
LPI increases to pensions in payment	**2.50%**	2.50%	2.50%
Discount rate	**5.20%**	5.70%	5.50%
Inflation assumption	**2.50%**	2.50%	2.75%
Increases to deferred pensions	**2.50%**	2.50%	2.75%

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

	Value as at 30 September 2005 £000	**Expected rate of return**	Value as at 30 September 2004 £000	Expected rate of return	Value as at 30 September 2003 £000	Expected rate of return
Equities	**-**	**7.85%**	16,604	8.35%	21,360	8.20%
Gilt + 2.5% fund	**57,212**	**6.85%**	-	n/a	-	n/a
Bonds	**51,401**	**5.20%**	-	5.50%	-	5.50%
Gilts	**-**	**4.35%**	84,501	4.85%	88,417	4.70%
Cash	**(79)**	**4.50%**	1,383	4.75%	191	2.80%
Total	**108,534**		102,488		109,968	

28 Pension commitments (continued)

The following amounts at 30 September were measured in accordance with the requirements of FRS 17.

	At 30 September 2005 £000	At 30 September 2004 £000	At 30 September 2003 £000
Total market value of assets	**108,534**	102,488	109,968
Present value of scheme liabilities	**(106,906)**	(105,840)	(143,128)
Surplus/(deficit) in the scheme	**1,628**	(3,352)	(33,160)
Deferred tax	**-**	1,006	9,948
Net surplus/(deficit)	**1,628**	(2,346)	(23,212)
Balance sheet adjustment to reduce surplus to nil at 30 September 2005	**(1,628)**		
Net surplus	**-**		

Under the circumstances of the scheme there is no current expectation that the surplus would result in a reduction in contributions or a refund from the scheme and therefore the surplus has not been recognised as an asset in accordance with FRS 17. Because of losses available to the Group there is no overall tax charge for the year. All of the movements in the deferred tax amount related to the pension scheme deficit are shown as a movement through the statement of total recognised gains and losses.

FRS 17 was adopted with effect from 1 October 2003. The two columns in the following tables identify the actual amounts included in the 2005 accounts and the 2004 comparatives.

	At 30 September 2005 £000	At 30 September 2004 £000
Amount charged to operating profit:		
Current service cost (excluding employee contributions)	**(98)**	(104)
Reduction in deficit as a result of settlements	**3,650**	19,250
Payments made to pensioners to effect the settlements	**(1,111)**	(4,959)
	2,441	14,187
Amount charged to other financial income/(charges):		
Expected return on assets	**5,431**	5,705
Interest on scheme liabilities	**(5,871)**	(7,626)
	(440)	(1,921)
Amount recognised in the statement of total recognised gains and losses:		
Actual less expected return on assets	**6,623**	426
Experience gains on liabilities	**647**	1,176
Effect of change in assumptions on liabilities	**(6,858)**	9,692
Actuarial gain	**412**	11,294
Adjustment to reduce balance sheet surplus to nil	**(1,628)**	-
	(1,216)	11,294
Movement in the deficit during the year:		
Deficit brought forward	**(3,353)**	(33,160)
Current service cost (excluding employee contributions)	**(98)**	(104)
Cash contribution (excluding employee contributions)	**1,457**	1,288
Settlements	**3,650**	19,250
Other financial charges	**(440)**	(1,921)
Actuarial gain	**412**	11,294
Net surplus/(deficit)	**1,628**	(3,353)
Adjustment to reduce balance sheet surplus to nil	**(1,628)**	-
Surplus/(deficit) carried forward	**-**	(3,353)

28 Pension commitments (continued)

	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets	**£6,623,000**	£426,000	(£338,000)	£4,532,000
As a percentage of the assets at the end of the year	**6.10%**	0.42%	(0.23%)	4.00%
Experience gains on scheme liabilities	**£647,000**	£1,176,000	£336,000	£427,000
As a percentage of the liabilities at the end of the year	**0.61%**	1.11%	0.23%	0.35%
Total amount recognised in the statement of total recognised gains and losses	**£412,000**	£11,294,000	(£25,340,000)	(£3,224,000)
As a percentage of the liabilities at the end of the year	**0.39%**	10.7%	(17.7%)	(2.66%)

Money purchase scheme

The assets of the money purchase scheme are held in separate trustee-administered funds. The Group made contributions of £1,246,000 (2004: £1,376,000) into the money purchase scheme during the year. There was also £100,000 (2004: £108,000) of accruals relating to this scheme.

Company balance sheet

The full surplus/(deficit) relating to the pension scheme has been included in the parent Company balance sheet. This is because it is not possible to allocate this balance between the various subsidiary companies and the Directors consider that it is most appropriate to allocate it to the Company, rather than leaving as an unallocated consolidation adjustment as allowed by FRS 17, as the Company has ultimate responsibility for all of the liabilities under the scheme. Consistent with the Group balance sheet, an adjustment has been made to the Company balance sheet to reduce the pension scheme surplus to nil as at 30 September 2005.

29 Cash flow notes

	2005 £000	2004 £000
Operating loss	**(20,009)**	(4,611)
Amortisation of subsidiary goodwill	**303**	304
Depreciation	**2,657**	1,840
Profit on sale of fixed assets	**(78)**	(91)
Impairment of fixed assets	**450**	-
Impairment of current asset investments	**1,299**	1,616
(Increase)/decrease in stocks and work in progress	**(932)**	4,816
Decrease/(increase) in operating debtors and prepayments	**7,705**	(7,338)
(Decrease)/increase in creditors and accruals	**(12,952)**	24,795
Net movement on pension deficit included within operating profit (note 28)	**(3,552)**	(19,146)
Cash contributions to defined benefit scheme	**(1,457)**	(1,288)
Profit on sale of shared equity loans	**(412)**	-
Other non-cash movements	**1,640**	780
Net cash (outflow)/inflow from operating activities	**(25,338)**	1,677

29 Cash flow notes (continued)

Analysis of net funds

	At 1 October 2004 £000	Cashflow £000	Non-cash Movements £000	**At 30 September 2005 £000**
Cash	18,068	(3,395)	(1,083)	**13,590**
Debt due after one year	(8,363)	-	-	**(8,363)**
Debt due within one year	-	(3,600)	-	**(3,600)**
Finance leases due after one year	(891)	492	(267)	**(666)**
Finance leases due within one year	(493)	131	(330)	**(692)**
	(9,747)	(2,977)	(597)	**(13,321)**
Net funds	8,321	(6,372)	(1,680)	**269**

The non-cash movement on cash relates to an unrealised exchange loss which is offset by an equal and opposite amount in the US balance sheet as part of the hedging arrangement described in further detail in note 21 to the accounts. The non-cash movement on finance leases relates to new leases acquired during the year.

30 Principal subsidiary undertakings and joint ventures

The Company acts as the holding company of the Group. The principal activity of the Group during the year was construction and construction related activities.

The principal subsidiary undertakings and joint ventures are shown below.

Subsidiary undertakings	Incorporation & principal place of business	Proportion of Ordinary Shares held by Company
Construction		
Allenbuild Ltd	England and Wales	100%
Britannia Construction Ltd	England and Wales	100%
Shepley Engineers Ltd	England and Wales	100%
VHE Construction Plc	England and Wales	100%
Walter Lilly & Co Ltd	England and Wales	100%
YJL London Ltd	England and Wales	100%
YJL Infrastructure Ltd	England and Wales	100%
Property		
Montpellier Group Properties Ltd	England and Wales	100%
YJL Homes Ltd	England and Wales	100%
Lovell America Inc	USA	100%
Joint ventures		% Interest
Russett Center	USA	50%
Center 9500	USA	67%

All of the companies listed under construction are held by YJL Limited which is a subsidiary of Renew Holdings plc. The joint venture entities are held by Lovell America Inc.

31 Transactions with related parties

FRS 8 “Related Party Transactions”, requires the disclosure of the details of material transactions between the reporting entity and related parties. The Group has taken advantage of exemptions under FRS 8 not to disclose transactions between Group companies.

Rental income of £48,000 (2004: £61,000) was received from Browallia Discount Company Limited, which is a subsidiary of Forvaltnings AB Bronsstadt which was a principal shareholder of Renew Holdings plc during the year.

In August 2005, the Board announced that it had conditionally agreed to sell Bullock Construction Limited, its principal social housing subsidiary, to DTB Holdings, a company which was established by a Management Buy-Out team led by John Gaffney, managing director of Bullock (see note 26). This transaction was approved by shareholders on 16 September 2005.

five year review

Year ended 30 September

	2005 £000	2004 £000	2003 restated £000	2002 £000	2001 £000
Fixed assets	**24,398**	27,665	32,529	40,584	19,875
Net current (liabilities)/assets	**(7,301)**	(6,626)	20,949	2,248	8,694
Long-term liabilities	**(12,421)**	(15,924)	(36,260)	(8,498)	(1,250)
Net assets employed	**4,676**	5,115	17,218	34,334	27,319
Share capital	**5,990**	5,990	7,881	7,838	6,089
Other capital and reserves	**(1,314)**	(875)	9,337	26,496	17,638
Minority interests	-	-	-	-	3,592
Shareholders' funds	**4,676**	5,115	17,218	34,334	27,319
Turnover	**455,036**	458,659	434,056	445,235	309,761
Profit/(loss) before taxation	**1,175**	(6,939)	6,166	4,851	3,534
Taxation recoverable/(payable)	**899**	(106)	1,030	363	120
Profit/(loss) after taxation	**2,074**	(7,045)	7,196	5,214	3,654
Minority interests	**-**	-	-	(147)	(41)
Ordinary dividends	**(120)**	-	(1,077)	(862)	(609)
Profit/(loss) retained	**1,954**	(7,045)	6,119	4,205	3,004
On balance sheet funds/(borrowings) (£m)	**1.63**	9.71	5.19	(2.40)	12.20
Off balance sheet borrowings (£m)	**-**	-	(0.65)	(1.20)	(3.90)
Total funds/(debt) (£m)	**1.63**	9.71	4.54	(3.60)	8.30
Earnings/(loss) per Ordinary Share (p)	**3.46**	(11.62)	9.16	7.25	5.34
Diluted earnings per Ordinary Share (p)	**3.46**	(11.62)	9.05	7.13	5.30
Dividend per Ordinary Share (p)	**0.20**	-	1.65	1.10	1.00
Net assets per Ordinary Share (p)	**7.81**	8.54	21.85	43.80	38.90

Note
The balance sheet information and results for the three years ended 30 September 2002 are based on accounting for the pension scheme under the requirements of SSAP 24. The results and balance sheet for the three years ended 30 September 2005 are based on accounting for the pension scheme under the requirements of FRS 17.

shareholder information

Annual General Meeting	**22 March 2006**
Results	**Announcement of interim results – June 2006** **Preliminary announcement of full year results – December 2006**

Ownership of Ordinary Shares January 2006	**Number of shareholders**	**%**	**Number of Ordinary Shares**	**%**
Size of shareholdings				
1-1,000	2,520	64.30	873,276	1.46
1,001 – 5,000	832	21.23	2,197,349	3.67
5,001 – 10,000	251	6.41	2,024,013	3.38
10,001 – 100,000	264	6.74	8,280,403	13.82
100,001 – 250,000	24	0.61	4,059,131	6.78
250,001 – 500,000	8	0.20	2,720,128	4.54
500,001 – 1,000,000	12	0.31	8,714,310	14.55
1,000,001 and over	8	0.20	31,030,317	51.80
	3,919	100.00%	59,898,927	100.00%
Category of owner				
Private shareholders	3,653	93.22	13,349,890	22.29
Deceased Accounts	6	0.15	7,432	0.01
Pension Fund	4	0.10	14,980	0.03
Nominee company	214	5.46	27,282,908	45.55
Limited companies	30	0.77	337,969	0.56
Bank and Bank Nominees	6	0.15	8,777,500	14.65
Other institutions	6	0.15	10,128,248	16.91
	3,919	100.00%	59,898,927	100.00%

directors & advisors

R Harrison (Non-executive Chairman)
B May (Chief Executive Officer)
P Underwood (Executive Director)
A Wagner OBE (Independent non-executive)

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

Auditors
RSM Robson Rhodes LLP
186 City Road
London
EC1V 2NU

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

Company Secretary Catherine Wright

Company Number 650447

Registered Address
39 Cornhill
London
EC3V 3NU

Web-site address www.renewholdings.com

Solicitors
Charles Russell
Compass House
Lypiatt Road
Cheltenham
GL50 2QJ

Principal Bankers
Barclays Bank Plc
Corporate Banking Centre
PO Box 729
Eagle Point
1 Capability Green
Luton
LU1 3US

notice of annual general meeting

Notice is hereby given that the forty-sixth Annual General Meeting of the Company will be held at 39 Cornhill, London EC3V 3NU on 22 March 2006 at 11.00 am.

The meeting will then consider the following business.

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

1 To receive and adopt the accounts for the year to 30 September 2005 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect the following Director who retires in accordance with the Company's Articles of Association: R Harrison. **(Resolution 2)**

3. To re-appoint the following as a Director of the Company having been appointed since the last AGM: B May. **(Resolution 3)**

4. To approve the Remuneration Report for the year ended 30 September 2005. **(Resolution 4)**

5. To re-appoint RSM Robson Rhodes LLP as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Resolution 5)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass resolutions 6, 7 and 8, which shall be proposed as special resolutions:

6. That the Company adopts new Articles of Association in the form produced to the meeting and signed for the purposes of identification by the Chairman, in substitution for, and to the exclusion of, the Company's existing Articles of Association. **(Resolution 6)**

7. That the general and unconditional authority to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985) conferred upon the Directors by regulation 5.2 of the Company's proposed Articles of Association be renewed for the period ending 22 March 2011 and for such period the "Section 80 Amount" referred to in regulation 5 of the Company's proposed Articles of Association shall be £1,976,665. **(Resolution 7)**

8. That the power conferred upon the Directors by regulation 5.3 of the Company's proposed Articles of Association to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) wholly for cash free from the pre-emption provisions in section 89 of the Companies Act 1985 be renewed for the period ending on the date of the Annual General Meeting in 2007 or on 22 June 2007, whichever is the earlier, and for such period the "Section 89 Amount" referred to in regulation 5 of the Company's proposed Articles of Association shall be £299,495. **(Resolution 8)**

26 January 2006
Registered Office
39 Cornhill
London
EC3V 3NU

By Order of the Board
C J WRIGHT LLB ACIS
Company Secretary

Notes

1. Holders of Ordinary Shares are entitled to attend and vote at this meeting. A shareholder entitled to attend and vote may appoint a proxy, who need not be a shareholder of the Company, to attend (and on a poll to vote) instead of him or her.

2. Proxy forms and the powers of attorney or other authority, if any, under which they are signed need to be deposited at the office of the Company's Registrars, Capita Registrars plc, Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting.

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

4. By resolution 6, your Directors are seeking your approval to the adoption of new Articles of Association. Since 10 March 2000, when the Company's existing Articles of Association were last amended, there have been a number of legislative, regulatory and best practice developments which the Directors believe should be reflected in the Articles of Association. In addition, some specific changes are included in the proposed new Articles of Association of which details are set out below.

   A copy of the Company's proposed new Articles of Association will be available for inspection at the Company's registered office during weekdays (excluding Saturdays and public holidays) from the date of this Notice until the completion of the AGM and will also be available for inspection at the place of the AGM from 15 minutes before the AGM until its conclusion.

General (References to Legislation)
The existing Articles of Association include references to certain statutes which have now been superseded. The proposed Articles of Association will update the existing Articles of Association by replacing references to out of date legislation with references to current legislation and will include references to new legislation.

Quorum for general meetings
Article 52.1: The quorum for all purposes at general meetings is reduced from 3 to 2 members present in person or by proxy and entitled to vote.

Quorum for meetings of the Board of Directors
Article 93: The quorum for meetings of the board of Directors is reduced from 3 to 2 Directors.

Treasury Shares
Treasury shares are shares in a listed or AIM company which have been purchased by that company out of its distributable profits and are then held by the company in treasury for the purpose of either re-sale for cash, transfers in connection with an employee share scheme, or cancellation.

The Articles of Association already permit the Company to buy back, or agree to buy back in the future, any shares of any class in accordance with the Companies Act 1985 and other applicable laws. If Resolution 6 is passed and the new Articles of Association are adopted, the Company will continue to be authorised to make market purchases of its own ordinary shares. Shares which are bought back may then be held in treasury and will not be required to be cancelled.

Article 5: This article contains the permission for the Company to hold shares as treasury shares. It also provides that a sale by the Company of treasury shares will fall within the definition of an allotment of shares by the Company.

Article 12: This article provides that if the Company purchases its own shares neither the Company nor the Directors are required to select the shares to be purchased rateably or in any other particular manner as between the shareholders of the same class.

CREST
Some minor alterations to the Articles are proposed to clarify the provisions in the light of the underlying legislation introduced in 2003. These include:

Article 7: This permits the Directors to refuse to register shares in the names of more than four people. The proposed Articles of Association deals with such a situation if the shares are in uncertificated form.

Article 15: No certificate will normally be issued in respect of the shares held by a recognised clearing house.

Article 17: Share certificates no longer need to be issued where shares are held in uncertificated form.

Article 35.2: Transfers of shares which are in uncertificated form may be affected by means of a relevant system such as CREST.

Article 36: The Register of Members shall not be closed without the consent of CREST Co in respect of shares which are participating securities in CREST.

Article 37: The Directors' discretion to refuse to register shares is subject to the CREST Regulations.

Article 41: This Article permits classes of shares to be held in uncertificated form and title to such shares to be transferred by means of a relevant system. It also disapplies provisions of the Company's Articles of Association to the extent that they are inconsistent with the holding of shares in uncertificated form and the transfer of title to shares by means of a relevant system or any provision of the CREST Regulations.

Article 124: Dividends may be payable through a relevant system (including CREST).

Electronic Communications
Some of the main changes introduced by The Companies Act 1985 (Electronic Communications) Order 2000 are that a company may send notices of meetings and copies of its annual accounts to its members electronically (by e-mail or by utilising a website address), and members may lodge an appointment of a proxy electronically. The proposed new Articles of Association contain provisions which reflect the current position as regards electronic communications between the Company and its members.

Article 68: The Directors may determine that an instrument appointing a proxy may be delivered electronically.

Article 69: An instrument of proxy may be revoked in writing or, if the Directors so permit, electronically or by telephone not less than 48 hours or such lesser period as the Directors may determine prior to the commencement of the meeting.

Article 134: Notices and documents may be sent to members electronically or by being made available on a particular web site, provided that a share certificate shall be delivered personally or by post to a member.

Audio-Visual Link
Article 49.5: The Directors may make arrangements for members or their proxies to participate in any meeting by means of an audio-visual link.

Article 53: This extends the existing Articles of Association to permit the Chairman (without the consent of the meeting) to adjourn any meeting to another time or place if it seems to him that the members wishing to attend cannot be conveniently accommodated in the place appointed for the meeting or are otherwise unable to attend and participate via an audio-visual link.

Untraced Shareholders

Article 45.1: It is now no longer necessary for the Company to advertise, in national newspapers, notice of its intention to sell shares held by a member of the Company who the Company has not been able to trace in the last twelve years.

Directors' and Officers' Indemnity

The Companies (Audit Investigations and Community Enterprise) Act 2004 inserts a new section 309A in the Companies Act 1985 which allows a company to indemnify its directors against any liability incurred by Directors to any person (other than the Company or any associated company) in connection with any negligence, default, breach of duty or breach of trust in relation to the Company. This was previously prohibited under section 310 of the Companies Act 1985.

The Companies (Audit Investigations and Community Enterprise) Act 2004, also inserts a new section 337A in the Companies Act 1985 which permits a company to provide its directors with funds to cover the costs incurred by a director in defending legal proceedings against the director without such funding being treated as an illegal loan. Previously a company had only been able to fund a director's defence costs once final judgement in his favour had been reached.

Your Directors believe that the provision of appropriate indemnities and the funding of Directors' defence costs as they are incurred, as permitted by the new legislation, are reasonable protection for the Directors and are important to ensure that the Company continues to attract and retain the highest calibre of Directors.

Article 79: The power to purchase and maintain insurance for Directors and Officers excludes the Auditors.

Article 144: Each Director or other officer (other than any Auditor) is entitled to be indemnified by the Company to the fullest extent permitted by the law.

5. Resolution 8: By resolution 8 your Directors are seeking renewal of the power to allot shares for cash for the purposes of a rights issue or in connection with a scrip dividend offer, or otherwise than in connection with a rights issue or a scrip dividend offer but in such circumstances limited to the issue of shares up to an aggregate nominal value of £299,495 being 5% of the issued Ordinary Share capital at 26 January 2006. If given, this power will expire at the Company's AGM in 2007 or on 22 June 2007, whichever is earlier.

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