Delivering Engineering Services to UK Infrastructure

Renew Holdings plc
Annual Report and Accounts 2012

renew

Delivering Engineering Services to UK Infrastructure through our branded businesses nationwide

Renew provides multidisciplinary engineering services to maintain and develop UK infrastructure focused in the Energy, Environmental and Infrastructure markets

Highlights
Our performance in 2012

/ Engineering Services revenue up 24% to £214.1m (2011: £172.8m)

/ Engineering Services adjusted operating profit* up 28% to £9.6m (2011: £7.5m) – an increase in margin to 4.5% (2011: 4.3%)

/ Group order book up 16% to £331m (2011: £286m) with Engineering Services order book up 31% to £235m (2011: £179m)

/ Nuclear order book up 51% to £109m (2011: £72m)

/ Net debt reduced to £5.5m (2011: £6.8m)

Financial highlights

Revenue
£337.4m
(2011: £352.8m)

Adjusted operating profit*
£10.3m
(2011: £7.9m)

Adjusted earnings per share*
13.9p
(2011: 9.7p)

Dividend per share
3.15p
(2011: 3.0p)

* Adjusted results are shown prior to exceptional items of £1.1m (2011: £5.2m), amortisation charges of £0.5m (2011: £0.4m) and a £2.4m loss from a discontinued operation.

This report can also be read online:
ar2012.renewholdings.com

In this report

Chairman's statement

Chairman Roy Harrison OBE reflects on the Group's performance over the last 12 months and its outlook.

pg08

Review of operations

This section looks at the Group's target markets and highlights our achievements during the year.

pg16

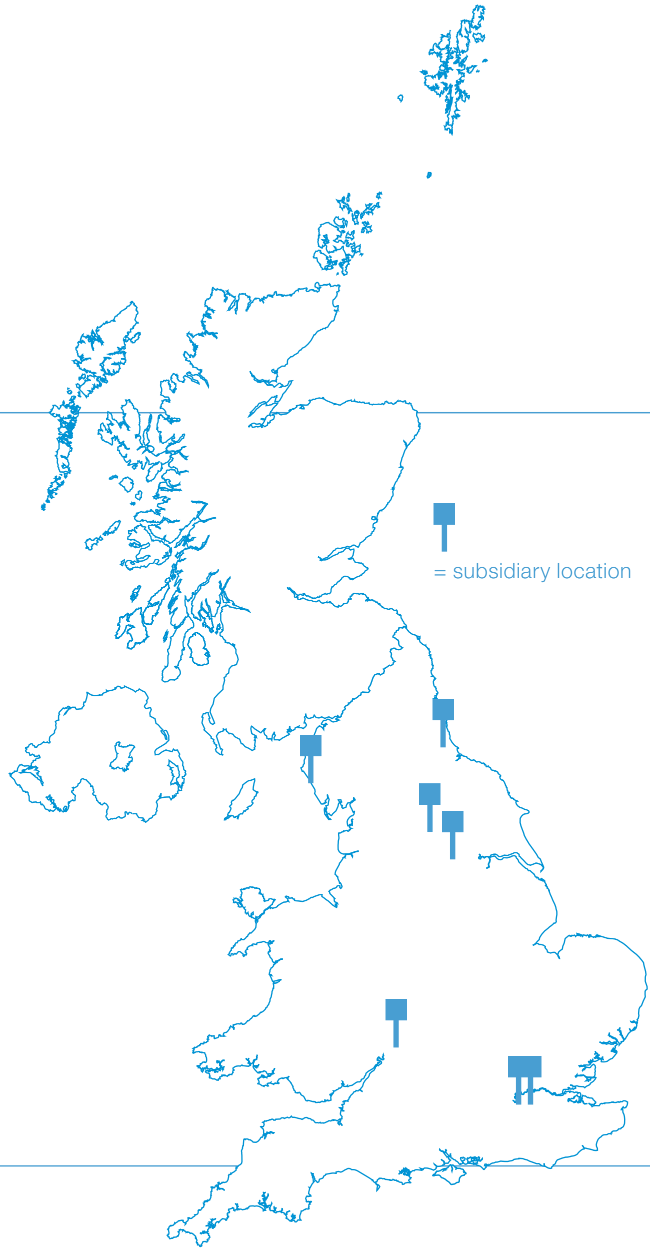
Corporate governance

This section details the Group's corporate governance procedures including corporate social responsibility and the directors' reports.

pg26

Our business
What we do at Renew

We improve
We maintain
We renew



Our integrated multidisciplinary engineering expertise supports the development and maintenance of UK infrastructure.

We provide multidisciplinary integrated Engineering Services nationwide. The past six years have seen us move the balance of our operations progressively into higher margin Engineering Services transforming Renew into an Engineering Services Group supporting UK infrastructure.

7

Integrated, individually branded UK subsidiary businesses

over **1,800**

Dedicated employees throughout the UK

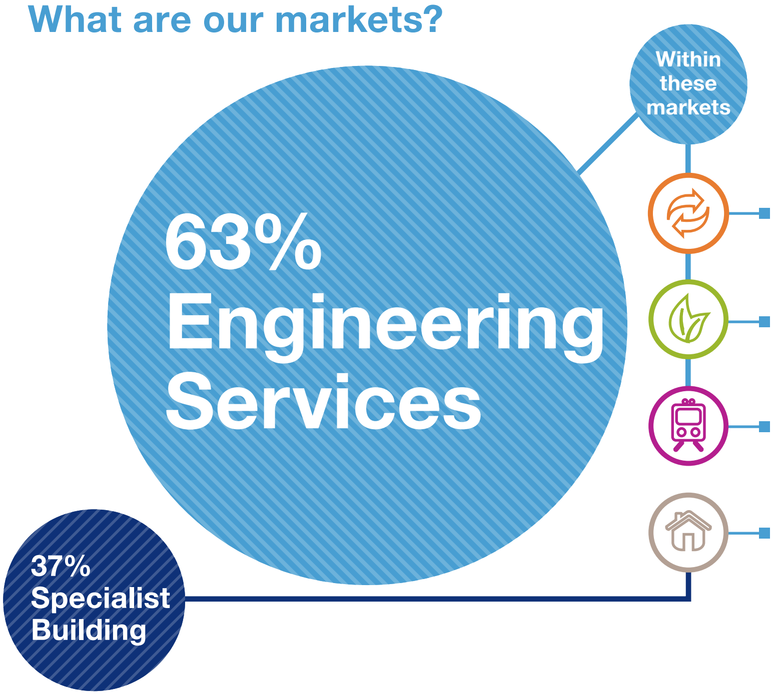
AMCO
SEL
seymour civil engineering
VHE
Walter Lilly
Allenbuild
BRITANNIA

Nuclear

Water

We differentiate ourselves in these markets with our branded businesses providing a locally delivered service through our multi-skilled, directly employed workforce.

What are our markets?



Energy
nuclear, renewables, traditional

Environmental
water, flood alleviation, river and coastal defence, land remediation

Infrastructure
rail, highways, industrial

Specialist Building
high quality residential, new build affordable housing, retail

Read on for more on our markets pg16

Rail

Specialist Building

Our business model
Why our business is sustainable

Generating further growth and creating value

Renew is a holding company with 7 UK operating subsidiary businesses.

The role of Renew is to set overall standards and to promote synergies and best practice within the Group to maximise potential. This structure enables our subsidiaries to be more competitive and efficient in their individual marketplaces. Through effective controls and management we seek to deliver value to shareholders in the form of reliable capital growth and a progressive dividend policy.

Find out more at
www.renewholdings.com

1 We target sustainable, regulated markets with potential for growth

Energy

We work across the energy market in the nuclear, renewable and traditional sectors nationwide. Our skills are employed in supporting the decommissioning, power generation, transportation and distribution functions.

Review of operations ▷ pg18

Environmental

We specialise in the water, flood alleviation and land remediation sectors where we provide a range of multidisciplinary engineering services.

Review of operations ▷ pg20

Infrastructure

Our nationwide work ranges from critical and planned asset support and renewal to our leading position in tunnel refurbishment.

Review of operations ▷ pg22

Specialist Building

Working in the high quality residential, new build affordable housing and retail markets in the South, our Specialist Building operations target sustainable markets that have good visibility of earnings and high levels of repeat business.

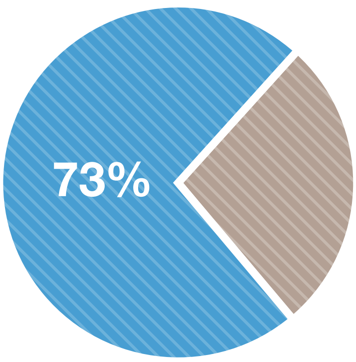
Review of operations ▷ pg24

"Through effective controls and management we seek to deliver value to shareholders in the form of reliable capital growth and a progressive dividend policy."

2 Our markets exist in secure and predictable environments

Our Engineering Services focus on the non-discretionary refurbishment and maintenance of essential operational assets critical to the UK economy. Consequently, our Engineering Services activities have more predictable work streams. In Specialist Building, our work concentrates on key markets in the South where we have a strong position with particular expertise.

Percentage of Engineering Services frameworks non-discretionary in nature



3 We generate revenue based on long-term client relationships

Many of our existing maintenance framework agreements are renewals or extensions to previous agreements, building on our long-term relationships with clients such as Network Rail, Northumbrian Water and Sellafield.

62

framework agreements across our Engineering Services markets

45

of these framework agreements are maintenance in nature

"Our vision is to be a leading provider of Engineering Services to UK infrastructure. We believe our integrated approach to selected markets, local knowledge and directly employed workforce together with our specialist expertise and methods of procuring work are what differentiate us."

Review of operations pg16

Our strategy
An established plan for growth

We continue to grow our Engineering Services operations organically and by acquisition

The core of our strategy

Since establishing our strategy in 2006 we have grown our Engineering Services activities from 15% to 63% of revenue. In addition to our Engineering Services operations we have three Specialist Building businesses which are focused on stable and discrete markets in the South of England.

Adding value and resilience to Group operations

Expand

Goal

Expand our Engineering Services both organically and by acquisition whilst maintaining Group operating margins above 3%.

Result

Engineering Services operating margins

4.5% (2011: 4.3%)

What's next?

/ Engineering Services Director appointed to accelerate synergies and drive organic expansion in our Engineering Services business.

/ Identify earnings enhancing acquisition opportunities with margins in our target range which will provide complementary skills to those of our existing businesses.

Identify

Goal

In Engineering Services we focus on providing non-discretionary maintenance and renewal services securing additional sustainable positions on framework agreements.

Result

Number of Engineering Services framework agreements

62 (2011: 51)

What's next?

/ Continue to focus on areas of non-discretionary spend securing additional sustainable positions on framework agreements.

/ Maintain selectivity of opportunities in markets where the Group has expertise and experience.

Deliver

Goal

It is the Group's ambition to deliver an operating margin of at least 3%, with Engineering Services accounting for at least 70% of Group revenue and with turnover of over £500m by 2014, through a combination of acquisition and organic growth.

Result

Engineering Services % of ongoing Group revenue

63% (2011: 49%)

What's next?

/ It's the Group's ambition to establish Renew as a leading Engineering Services group, operating in markets that are key to the UK's future prosperity and that have long-term spending characteristics. We deliver Engineering Services mainly in regulated sectors that give good visibility of committed funding.

> **"It is the Group's ambition to have turnover of over £500m by 2014, through a combination of acquisition and organic growth."**

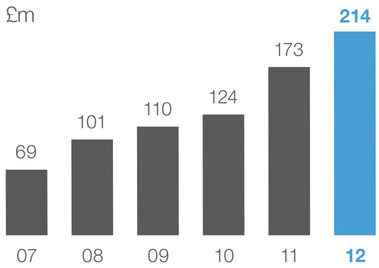
How we will achieve our targets

- Focus on key regulated markets, critical to the UK economy, that have long-term spending commitments.
- Concentrate on renewal, refurbishment and maintenance of essential operational assets, targeting clients' operating expenditure budgets.
- Maximise penetration of existing, and develop new, blue-chip clients.
- Emphasise our differentiating importance of local delivery teams and management.
- Deliver organic growth with selective acquisitions in Engineering Services markets.

Measuring our performance

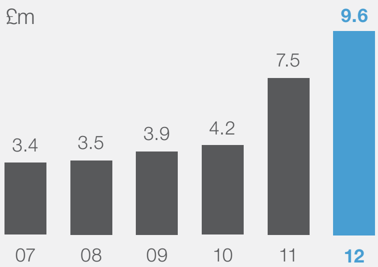
Engineering Services revenue

£214m



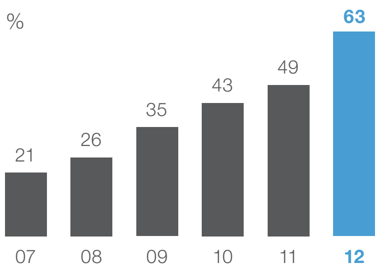
Engineering Services operating profit

£9.6m



Engineering Services % of Group revenue

63%



Chairman's statement
R J Harrison OBE, Chairman

Record results for the year

The Group has achieved record results for the year ended 30 September 2012 ahead of market expectations.

Summary

/ The Group is successfully positioned as a provider of engineering services to key clients in the UK's Energy, Environmental and Infrastructure markets, and has been reclassified on the London Stock Exchange as a Business Support Services company.

/ Both our Nuclear and Rail businesses, which represent over 60% of our Engineering Services activity, performed strongly.

/ Our acquisition of Amco in February 2011 has proved highly successful, delivering results ahead of our expectations and generating cash.

Results

The Group has achieved record results for the year ended 30 September 2012 ahead of market expectations and has strengthened its position as a provider of Engineering Services to UK infrastructure.

Profit before income tax was up 22% to £10.0m (2011: £8.2m) on Group revenue of £337.4m (2011: £352.8m). Adjusted earnings per share increased by 43% to 13.9p (2011: 9.7p). Basic earnings per share increased by 259% to 7.9p (2011: 2.2p).

Results for the year are stated after charging exceptional costs of £1.1m (2011: £5.2m) and a loss of £2.4m from the discontinued operation, C&A Pumps Ltd, which was sold in November 2012 for a nominal consideration. These amounts have been excluded from the adjusted financial results to show the underlying performance of the business. The exceptional costs in the period relate to the planned scale down of Specialist Building and the integration of our rail business following the acquisition of Amco.

It is particularly pleasing that Engineering Services revenue grew by 24% to £214.1m (2011: £172.8m), with operating profit prior to exceptional items and amortisation up 28% to £9.6m (2011: £7.5m), an increase in margin to 4.5% from 4.3%. Both our Nuclear and Rail businesses, which represent over 60% of our Engineering Services activity, performed strongly and have growing order books for both the new financial year and beyond.

In Specialist Building, our focus on selective niche markets in the South, has delivered increased operating profit of £2.1m (2011: £1.9m) prior to exceptional items and an improvement in margin to 1.7% from 1.1% on revenue of £123.1m (2011: £178.9m).

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ar2012.renewholdings.com

"Last year, the Board declared its ambition to grow turnover to over £500m by 2014, through both organic growth and selective acquisitions, with targets that Engineering Services will account for at least 70% of Group revenue and that the Group operating margin will exceed 3%. These results and our strong forward order book demonstrate that the Group is well placed to achieve these targets."

The Group's contracted order book at 30 September 2012 stood at £331m (2011: £286m), a 16% increase from one year ago, with the Engineering Services order book up 31% to £235m (2011: £179m).

The Group has reduced net debt to £5.5m (2011: £6.8m) comprising a loan of £7.5m (2011: £12.5m) and cash of £2.0m (2011: £5.7m).

Dividend

The Board is proposing a final dividend at 2.10p per share, increasing the full year dividend by 5% to 3.15p (2011: 3.00p). The dividend will be paid on 4 March 2013 to shareholders on the register as at 1 February 2013. The dividend is 4.4x (2011: 3.2x) covered by adjusted earnings per share.

Outlook

The Group is successfully positioned as a provider of engineering services to key clients in the UK's Energy, Environmental and Infrastructure markets, and has been reclassified on the London Stock Exchange as a Business Support Services company.

Last year, the Board declared its ambition to grow turnover to over £500m by 2014, through both organic growth and selective acquisitions, with targets that Engineering Services will account for at least 70% of Group revenue and that the Group operating margin will exceed 3%. These results and our strong forward order book demonstrate that the Group is well placed to achieve these targets.

Our acquisition of Amco in February 2011 has proved highly successful, delivering results ahead of our expectations and generating cash such that we have now repaid 50% of the £15m term loan taken out for the acquisition. Our reducing net debt and gearing of 61% (2011: 76%) together with our interest cover of over 16x provides the Group with funding flexibility should further suitable acquisition opportunities be identified.

Our Engineering Services operations continue to focus on securing further sustainable framework positions, concentrating on areas of non-discretionary spend. In Specialist Building, our businesses are delivering improved operating margins as they target the stable markets of High Quality Residential, New Build Affordable Housing and Retail in the South where the Group has particular expertise and experience.

The Board believes our key markets and framework positions provide good and continuing opportunities through 2013 and beyond and that the Group is well positioned to deliver further profitable growth.

R J Harrison OBE
Chairman
27 November 2012

Chief Executive's review
Brian May, Chief Executive

A year of further progress for the Group

Our strategy is delivering both strong financial results and growth.

Summary

/ The Group concentrates on the renewal and maintenance of essential operational assets delivered through its multidisciplinary workforce employed by our strong local and independently branded businesses.

/ It remains the Group's strategy to grow its Engineering Services both organically and by targeting earnings enhancing acquisitions in sustainable markets.

/ Our recent success in key framework appointments in Nuclear, Rail and Water together with our strong list of future opportunities demonstrates that the Group is pursuing the right strategy, evidenced by our growing forward order book and our record financial results.

The Group has made further progress in growing its Engineering Services business which focuses on supporting the maintenance and renewal of UK infrastructure increasing both revenue and operating profit. Specialist Building has increased its operating margin in the year and is concentrated on sustainable markets in the South.

Engineering Services

Renew provides integrated engineering services nationwide focusing on the highly regulated markets of Energy, Environmental and Infrastructure. The Group concentrates on the renewal and maintenance of essential operational assets delivered through its multidisciplinary workforce employed by our strong local and independently branded businesses.

Our strategy is delivering both strong financial results and growth. Revenue in Engineering Services grew by 24% to £214.1m (2011: £172.8m) and now accounts for 63% of ongoing Group revenue and over 90% of operating profit. Operating margin increased to 4.5% (2011: 4.3%).

The Engineering Services order book is growing strongly and is underpinned by 62 frameworks, an increase of 22% in the year, of which 45 are for maintenance work. Non-discretionary orders account for 95% of the £235m (2011: £179m) order book which has grown by 31% in the year.

Our order book in Energy grew by 51% to £124m (2011: £82m), by 14% in Environmental to £33m (2011: £29m) and by 15% in Infrastructure to £78m (2011: £68m).

It remains the Group's strategy to grow its Engineering Services both organically and by targeting earnings enhancing acquisitions in sustainable markets. The recent appointment of Paul Scott, Managing Director of our Nuclear business, as Engineering Services Director, will assist in developing our integrated offering to these markets.

> **"We are committed to the safety of our employees and those who work with us evidenced in the record reduction in the Group's Accident Incidence Rate during 2012, now at its lowest figure in 7 years, a reduction of 87% over that period."**

Energy

Renew operates nationally in the nuclear, renewable and traditional power generation sectors where work concentrates on the critical planned and reactive maintenance and asset renewal programmes. Much of the work is delivered through our 24 framework agreements.

In Nuclear, Renew operates across the Nuclear Decommissioning Authority ("NDA") estate in high hazard reduction programmes, decommissioning and in operational asset care. We are strongly positioned with engagements on 9 licenced nuclear sites that command around 70% of the NDA's £3bn annual expenditure. Within that budget, over 55% of the spend is allocated to Sellafield, where we have been active for over 60 years and where we are the principal provider of mechanical and electrical services.

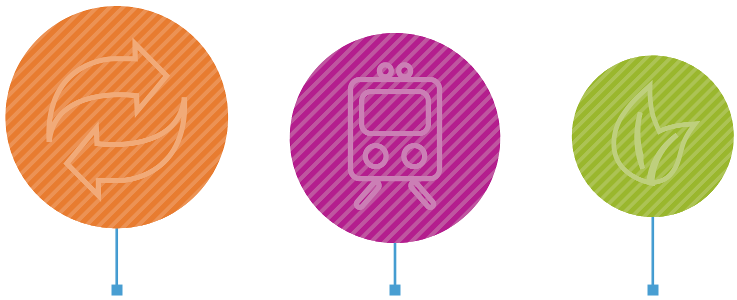
Our revenue at Sellafield grew by 12% in the last twelve months and has grown by over 150% in the last 7 years. All of our 2012/13 revenue budget in Nuclear is already secured in an order book that has grown by 51% to £109m (2011: £72m).

Operational asset care is vital to Sellafield which derives substantial revenue from spent fuel management and reprocessing. For the last 15 years we have carried out production operations support under the Multi Discipline Site Works framework. Since the year end, we have again been appointed as one of three participants to deliver work packages worth up to £280m over 4 years commencing in April 2013. During the year, we were also appointed as the sole mechanical and electrical partner to Stobbarts on the £58m Site Wide Asset Care framework which runs until April 2016.

Engineering Services performance

The development of our Engineering Services business has created a platform of sustainable revenue generated from over 60 framework agreements with major clients, most of which operate in regulated markets.

Engineering Services order book by market



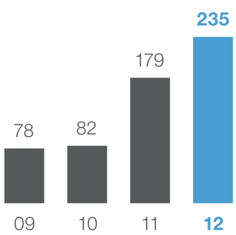
Energy 53%

Infrastructure 33%

Environmental 14%

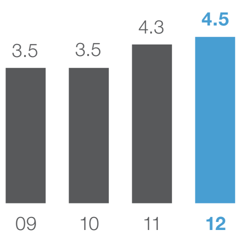
Engineering Services Order Book

+31%



Engineering Services Operating Margin

4.5%



Chief Executive's review continued

Key Performance Indicators

The Directors have established a number of key performance indicators which they use to measure and monitor the performance of the Group in a number of different areas.

The order targets have been established as part of the Board's drive to improve the quality and sustainability of the Group's workload and to support the reliability of financial performance. The safety record improvement target is set annually and achievement of this target is an essential component of the bonus scheme for each Director and senior manager within the Group.

Energy continued

During the year, in high hazard risk reduction, we were appointed as sole participant to the 4 year £26m Bulk Sludge Retrievals Framework and we deliver a wide range of decommissioning tasks through the Decommissioning Framework Agreement which is secured until 2015. The Evaporator D programme is the UK's largest current nuclear project where our mechanical and electrical services contract has recently been extended to provide over £50m of work through to completion in 2015. We are able to secure positions on these highly sensitive programmes due to the large number of our employees who carry the highest level of site security clearance.

Our predominant position on the site makes us a partner of choice on major programmes. A good example of this is our appointment as a Supply Chain Partner to Morgan Sindall which recently announced its appointment as preferred delivery partner for a potential £1.1bn contract delivering a range of essential services at the Sellafield site, under the Infrastructure Strategic Alliance. These services will include the maintenance of steam and electricity generation, water supply, chemical storage and distribution, drainage networks and all transport infrastructure at the site.

The Group undertakes work at 8 other nuclear licenced sites across the UK including work on the 2 year decommissioning and demolition contract associated with a redundant Fuel Manufacturing Facility at Springfields for Westinghouse. We continue to support the consortia involved in the Nuclear New Build programme where we provide skills in stainless steel fabrications.

We continue to provide support at some of the UK's largest traditional power stations, where we provide maintenance services under 7 framework agreements. There are also increasing opportunities in the renewables market and we are active in investment programmes in biomass and hydro generation technologies where we are currently delivering initial works on two 3 year hydroelectric frameworks with Scottish Water and Welsh Water.

Environmental

The Group has extensive expertise in water infrastructure development and operational maintenance, flood alleviation, river and coastal defences and land remediation. A large portion of work in this sector is procured under long term framework agreements.

In Water, we continue to work for Northumbrian Water under the 10 year AMP5 programme. In addition to carrying out works under the major waste water project framework we now have a position on 7 non-discretionary maintenance frameworks which accounts for 80% of ongoing activity. In particular we have developed specialist skills in providing services to the existing trunk mains network both in cleaning and general maintenance. This shift in the profile of our work in the Water sector has led to a doubling of our order book at the year end and an improvement in margins which we expect to build upon in 2012/13.

In Land Remediation, we extended our 16 year relationship with National Grid where we were reappointed to 3 remediation frameworks nationally. Also in the year we were appointed to the Environment Agency's National Contaminated Land Remediation Contractors framework which runs to 2015. Ongoing work for the Environment Agency is delivered through 7 minor works and river maintenance frameworks for civil, mechanical and electrical services.

Infrastructure

The Group continues to access the rail, highways and industrial markets across the UK where work is underpinned by 17 framework agreements for the delivery of integrated civil, mechanical and electrical engineering services.

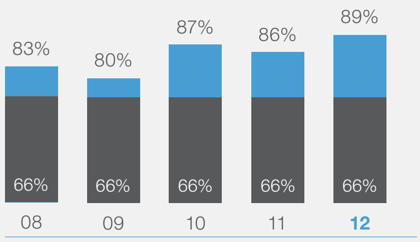
The majority of activity this year has been in Rail where we have seen a 23% increase in our order book to £74m (2011: £60m). Our focus is on the renewal, refurbishment and maintenance of operational assets for clients, including our largest client Network Rail where we remain a leading provider of engineering maintenance works. These works include off-track renewal and maintenance of line side structures including tunnels, bridges and viaducts, mechanical and electrical installations and the delivery of a wide range of planned and reactive maintenance services. We have particular skills in managing complicated tunnel refurbishment projects and earlier this year completed our largest individual project at Ore Tunnel near Hastings.

During the year our existing Asset Management frameworks were renewed for up to 5 years and extended by a new framework appointment in Scotland. These frameworks, along with our established Buildings and Civils Delivery Partnership framework agreements, where we have seen increased spend, have reinforced our position with Network Rail as the only provider delivering these services nationally.

The recent McNulty Report recommends the devolution of responsibility so that decisions are made as close to customers and the market as possible. Network Rail has commenced implementation of these recommendations by appointing management responsible for the 10 operating routes. As the only national provider of off-track maintenance of existing assets, with 12 local depots spread across the country, these initiatives play to our strengths and we are well placed to support our key Rail client as these changes are implemented.

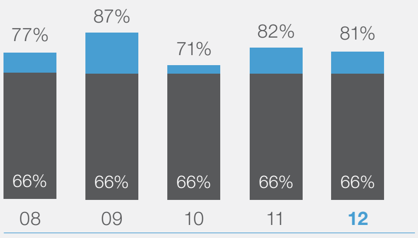
Percentage of orders in specialist sectors

89% Target: 66%



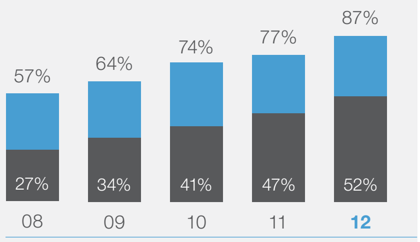
Percentage of orders from repeat clients

81% Target: 66%



Cumulative reduction in accident incidence rate

87% Target: 52%



"The Group is focused on developing its maintenance, refurbishment and renewal activities in its target regulated sectors where sustainable revenue is generated through its core maintenance and renewal frameworks with major clients, many of which the Group has worked with for a number of years."

Specialist Building

The Group's Specialist Building activities are focused in the South targeting the High Quality Residential, New Build Affordable Housing and Retail markets. These niche markets, in which we have particular experience and expertise, provide sustainable opportunities for the future. Following our decision to withdraw from public sector building markets in the North, Specialist Building revenue reduced as expected to £123.1m (2011: £178.9m) whilst delivering operating profits up 11% at £2.1m (2011: £1.9m) and increasing operating margin to 1.7% (2011: 1.1%), thereby justifying our strategy.

In High Quality Residential, the Group's activities are focused in and around London where the market remains strong with over £400m of current opportunities identified. Our experience in this sector as a leading quality provider, with particular skills in providing the temporary works engineering solutions to extend properties below ground, continues to prove a differentiator and provides opportunity for early involvement in schemes.

In New Build Affordable Housing, the Group has recently been appointed to a new framework with Catalyst Housing where, as one of 7 providers, we will access up to an advertised £350m of projects over the next 4 years. The Group now has a position on 14 framework agreements with leading Housing Associations which provide access to a £700m annual market.

In Retail, there remains good visibility of opportunities with new clients including Morrisons and Odeon Cinemas. We continue our 24 year relationship with Tesco and remain the preferred fit out contractor for Cineworld.

People

We are committed to the safety of our employees and those who work with us evidenced in the record reduction in the Group's Accident Incidence Rate during 2012, now at its lowest figure in 7 years, a reduction of 87% over that period.

The strong financial results demonstrate the skills and determination of all our employees. The success of the Group depends on our employees continued hard work and commitment, for which the Board would like to express its gratitude.

Summary

Renew provides engineering services to support the essential ongoing operations of critical UK infrastructure through experienced local delivery teams. The Group is focused on developing its maintenance, refurbishment and renewal activities in its target regulated sectors where sustainable revenue is generated through its core maintenance and renewal frameworks with major clients, many of which the Group has worked with for a number of years.

Our recent success in key framework appointments in Nuclear, Rail and Water together with our strong list of future opportunities demonstrates that the Group is pursuing the right strategy, evidenced by our growing forward order book and our record financial results.

B. W. May

Brian May
Chief Executive
27 November 2012

Financial review
John Samuel, Group Finance Director

Dividend increased by 5%

The Group has reduced its net debt by 19%.

Results
Group revenue from ongoing operations was £337.4m (2011: £352.8m) with a profit before tax of £10.0m (2011: £8.2m) prior to exceptional items and amortisation charges and the loss from the discontinued operation. A tax charge of £1.7m (2011: £2.4m), resulted in a profit after tax for the year of £8.3m (2011: £5.8m) prior to exceptional items and amortisation charges and the loss from the discontinued operation. After tax, exceptional items and amortisation, the profit for the year from continuing operations was £7.1m (2011: £1.4m).

Exceptional items
During the year, the Group incurred £1.1m of exceptional redundancy and restructuring costs. £0.6m of these relate to Specialist Building where further staff reductions have been made to align this business segment with the current trading environment. £0.5m relates to Engineering Services, primarily in respect of the integration of our rail businesses following the acquisition of Amco Group Holdings Limited. Additionally, £0.5m (2011: £0.4m) of amortisation charges were incurred.

Discontinued operation
During the year, the Board decided to close the business of C&A Pumps Ltd. It had become increasingly difficult for this small business to trade profitably following changes to Water industry framework arrangements in AMP5. C&A has been accounted for as a discontinued operation in the year to 30 September 2012 and a loss of £2.4m, including £0.3m of redundancy costs and £1.0m of non-cash asset write downs including £0.8m of goodwill, has been incurred.

Cash
In 2011, the Group arranged a £15m three year term loan to fund the acquisition of Amco, also using £7.2m of its own cash resources. During the year, £5.0m of repayments have been made reducing the loan balance to £7.5m at the year end. Our cash balances stood at £2.0m (2011: £5.7m) at the year end after £1.9m of non-recurring outflows associated with the restructuring costs and the C&A closure. As a result, the Group's net debt position as at 30 September 2012 was £5.5m (2011: £6.8m). The Group has complied with the covenants associated with this loan.

Working capital
As a result of the reduction in revenue in Specialist Building, amounts received in advance from construction contract customers reduced from £5.7m to £1.9m. As the balance of the Group's revenue continues to shift towards Engineering Services, the positive working capital characteristics of Specialist Building have been diluted. This reduced level of activity in Specialist Building has also resulted in a reduction in the total quantum of current assets and current liabilities with trade debtors and trade payables each reducing by around £11m.

Pension schemes
The IAS 19 valuation of the Lovell Pension Scheme, which was closed to new members in 2000, has resulted in a small deficit of £0.6m (2011: £0.1m). In 2011, the Board, in conjunction with the Trustees of the Lovell Scheme, completed a buy-in of part of the pensioner liabilities of the scheme. This measure, which was completed without any further cash contribution to the scheme by the Group, has reduced the risks associated with those liabilities and, at the year end, the annuities purchased represented 35% of the scheme's total liabilities. In accordance with the scheme specific funding requirements of the Pensions Act 2005 and, following the triennial valuation of the scheme which was carried out as at 31 March 2009, the Board has an agreement with the Trustees of the scheme on the level of future contributions which are currently approximately £3.0m per annum inclusive of costs. The next triennial valuation is being carried out as at 31 March 2012. Preliminary indications are that current levels of contributions will not change materially.

"The Board is recommending a final dividend of 2.10p (2011: 2.00p) per share bringing the total for the year to 3.15p (2011: 3.00p), an increase of 5%."

The IAS 19 valuation of the Amco Pension Scheme shows a surplus of £1.8m (2011: £1.1m). In accordance with the scheme specific funding requirements of the Pensions Act 2005 and, following the triennial valuation of the scheme which was carried out as at 31 December 2010, the Board has an agreement with the Trustees of the scheme on the level of future contributions which are currently £0.2m per annum inclusive of costs. The next triennial valuation will be carried out as at 31 December 2013.

Due to the impact of actuarial losses measured in these schemes in the year, £2.6m (2011: £3.9m), net of deferred tax, has been charged to the statement of comprehensive income, reducing the Group's net assets accordingly.

Taxation

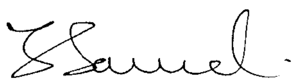
A deferred tax asset included in non-current assets of £2.9m (2011: £3.3m) is carried in the balance sheet, which principally results from the likely future utilisation of tax losses. A deferred tax liability related to the Amco defined benefit pension scheme of £0.4m (2011: £0.3m) is shown in non-current liabilities. The remaining deferred tax liability of £0.6m (2011: £0.8m) relates to fair value adjustments arising on the Amco acquisition.

The UK tax charge on profits for the year is £0.3m (2011: £nil). The deferred tax charge of £1.2m (2011: £1.6m) is attributable primarily to the defined benefit pension schemes. The total tax charge for the year of £1.3m (2011: £1.2m) represents an effective Group tax rate of 15.5% (2011: 46%). Only the £0.3m current year charge is payable.

The Group has material tax losses to carry forward and the rate of corporation tax payable in each of the next few years is expected to remain below the headline rate.

Distributable profits

The distributable profits of Renew Holdings plc stood at £11.2m (2011: £11.6m) enabling the Board to recommend a final dividend of 2.10p (2011: 2.00p) per share bringing the total for the year to 3.15p (2011: 3.00p), an increase of 5%.



John Samuel
Group Finance Director
27 November 2012

Review of operations

This section looks at the Group's target markets and highlights our achievements during the year.

In this section

Review of operations

Energy

Renew is ideally positioned to access essential maintenance and renewal spending in the energy market where we provide multidisciplinary engineering services.

How we target the energy market

Our energy expertise

The Group delivers multidisciplinary civil, mechanical and electrical engineering services nationwide, concentrating on critical planned and reactive maintenance and asset renewal programmes. Our integrated offering in supporting generation, grid and decommissioning proves a differentiator.

Our markets:

/ Nuclear

/ Renewables

/ Traditional

Nuclear

Opportunity

Decommissioning and clean-up operations remain a large part of the UK nuclear market. The Nuclear Decommissioning Authority's 2012/13 planned expenditure is expected to be around £3bn of which around 55% is allocated to Sellafield.[1]

Significant investment is planned in nuclear new build in the UK as most of the existing fleet of nuclear power stations will retire by 2023.[2]

Our response

We operate at 9 nuclear licenced sites in the UK where our operations focus on high hazard risk reduction, providing engineering support on the care and maintenance of operational plant associated with waste treatment or processing, decommissioning, demolition and clean-up of redundant facilities. Our directly employed multi-skilled operatives undertake all aspects of mechanical and electrical project support, outage management and working in line processes. The Group is also a supplier of high integrity fabrications to the nuclear industry.

Renewables

Opportunity

The 2009 Renewable Energy Directive set a target for the UK to achieve 15% of its energy consumption from renewable sources by 2020.[3] It is estimated the generation necessary to meet this target could be delivered from technologies including biomass, hydro and wind.[4]

Our response

The Group is experienced in providing design and procurement as well as asset care and maintenance. Our expertise in the newer forms of renewable energy includes specialist capabilities in biomass materials handling, hydroelectric development and post warranty wind turbine operations and maintenance.

Traditional

Opportunity

Traditional fuels will continue to play an important role in the UK's future energy provision.

Opportunities remain in the maintenance of existing generation assets and in the capital investment required to meet emission control and environmental improvements.

Our response

The Group provides engineering services for the majority of the UK generators. Our capabilities include mechanical and electrical as well as civil engineering services delivered in partnership with our clients through embedded support teams.

Sources

[1] Nuclear Decommissioning Authority, Business Plan 2012 – 2015.

[2] HM Government Department for Business, Enterprise and Regulatory Reform, Meeting the energy challenge, A White Paper on Nuclear Power (January 2008).

[3] National Renewable Energy Action Plan for the United Kingdom, Article 4 of the Renewable Energy Directive (2009/28/EC).

[4] Department of Energy & Climate Change, UK Renewable Energy Roadmap (July 2011).

"Renew's Engineering Services are strongly positioned across the Nuclear Decommissioning Authority's portfolio with engagements on sites that command around 70% of the 2012/13 planned expenditure."

What have we achieved?

/ We are engaged on 9 nuclear licenced sites that command around 70% of the NDA's £3bn 2012/2013 planned expenditure.

/ At Sellafield, where we have been active for over 60 years, we remain the principal provider of mechanical and electrical services.

/ Appointed after the year end as one of three participants on the Multi Discipline Site Works framework to deliver work packages worth a potential £280m over four years at Sellafield.

/ Frameworks at Sellafield include the £26m Bulk Sludge Retrievals Framework (sole appointment), the Site Services Framework for National Nuclear Laboratories and sole M&E partner to Stobbarts on the Site Wide Asset Care framework.

/ Expansion of service provision on Evaporator D, the UK's largest current nuclear project, to provide over £50m of work through to completion in 2015.

/ Supply Chain Partner to Morgan Sindall which has been appointed as preferred delivery partner for a contract to deliver a range of essential services at Sellafield.

/ Initial works on two 3 year hydroelectric frameworks with Scottish Water and Welsh Water.

What's next?

/ Continue to undertake work at Sellafield on framework agreements including the long-standing Multi Discipline Site Works framework.

/ Continue to support the ongoing major project programmes at the Sellafield site.

/ Continue to undertake works as part of Cumbrian Nuclear Solutions Limited on the decommissioning and demolition framework secured until March 2015.

/ Work continues on the decommissioning and demolition contract at Springfields for Westinghouse.

/ Develop our position and continue to support the consortia involved in the Nuclear New Build programme where we have expertise as a supplier of stainless steel fabrications.

/ Continue to differentiate ourselves by integrating our generation, grid and decommissioning skills.

/ Ongoing support for maintenance services at some of the UK's largest traditional power stations.

/ Continue to develop hydroelectric operation and maintenance opportunities within the utilities sector.

Review of operations

Environmental

We deliver sustainable solutions in our Environmental markets utilising integrated Engineering Services capabilities from across the Renew Group.

How we target the environmental market

Our environmental expertise

Renew provides a range of multidisciplinary engineering services in water infrastructure development and maintenance, flood alleviation, river and coastal defence and brownfield land remediation sectors.

Our markets:

/ Water

/ Flood alleviation

/ River and coastal defence

/ Land remediation

Water

Opportunity

The UK water industry continues to spend on infrastructure development and operational maintenance in the current AMP5 period, which runs to 2015, when it is estimated that around £12.9bn will be invested in maintaining and replacing infrastructure assets.[5]

2012 has also seen major programmes of work to clean and upgrade water trunk mains systems.

Our response

The Group has extensive expertise in water infrastructure development and maintenance, flood alleviation, river and coastal defences. A large portion of work in this sector is procured under long term framework agreements, many of these with repeat clients. The Group undertakes trunk mains cleaning using innovative and specialist techniques to clean sections of the large network of pipes that transport water underground.

"A large portion of work in this sector is procured under long term framework agreements, many of these with repeat clients."

Land Remediation

Opportunity

The Government deals with areas of contaminated land, from the country's past industrial heritage, through the planning process and the Contaminated Land Regime under Part 2A of the Environmental Protection Act 1990.[6] The removal of the Landfill Tax Exemptions earlier this year, means the cost of disposing of any actively contaminated soils could continue to rise, placing increasing importance on retaining, remediating and reusing excavated soils on site.

Our response

Renew is a leading provider of sustainable land remediation services nationwide with over 30 years' expertise in specialist soil and groundwater remediation, associated earthworks and highway infrastructure in the UK. In-house capabilities include soil washing, biophysical treatment, solidification and stabilisation, enhanced segregation and geotechnical improvements. Our ability to recover up to 100% of soils and excavated materials on site can provide a sustainable and cost effective solution for our clients.

30

Years' expertise in specialist soil and groundwater remediation

Sources

[5] OFWAT, Future water and sewerage charges 2010-15: Final determinations.

[6] Department for Environment, Food and Rural Affairs, Environmental Protection Act 1990: Part 2A, Contaminated Land Statutory Guidance (April 2012).

> "Renew is a leading provider of sustainable land remediation services nationwide with over 30 years' expertise in specialist soil and groundwater remediation, associated earthworks and highway infrastructure in the UK."

What have we achieved?

/ We have positions on 7 non-discretionary maintenance frameworks with Northumbrian Water where we are seeing increasing workload for services including sewer maintenance and strategic water mains maintenance.

/ We have developed specialist skills in providing services to the trunk mains network for cleaning and general maintenance.

/ We have extended our 16 year relationship with National Grid with the reappointment to 3 remediation frameworks nationally.

/ We secured a number of regional framework contracts with the Environment Agency for civil, mechanical and electrical engineering works.

/ Completed further works for the Royal States of Jersey on the former gas works site at St Helier. The project was a zero waste gasworks project which won the "2012 Jersey Electricity Sustainability Award" at the Jersey Construction Awards.

What's next?

/ Continue to work for Northumbrian Water under the 10 year AMP5 framework.

/ Continue to develop our non-discretionary maintenance activities in the water sector, particularly in trunk mains cleaning.

/ Develop partnering relationships to extend our services in flood protection and prevention to principal suppliers on the new Environment Agency Water and Environment Management Framework due to commence in April 2013.

/ Further develop our position as the UK's premier Part 2A contractor working for Local Authorities and under the Environment Agency's National Contaminated Land Remediation Contractors Framework which runs to 2015.

/ Ongoing work for the Environment Agency is delivered through 7 minor works and river maintenance frameworks.

/ Develop further opportunities in the growing waste and energy sectors.

/ Continue to develop strong relationships with clients responsible for delivering infrastructure renewal and enhancement programmes.

Review of operations

Infrastructure

We deliver integrated and sustainable solutions across the rail network for a range of clients including Network Rail, where our service is enhanced by our leading expertise in tunnel refurbishment.

How we target the Infrastructure market

Our Infrastructure expertise

We provide a range of civil, mechanical and electrical engineering and maintenance services nationally. Our strength lies in our ability to successfully deliver a variety of integrated and sustainable solutions for our clients.

Our markets:

/ Rail

/ Highways

/ Industrial

Rail

Opportunity

As part of the UK's transport strategy, investment in the rail network remains key to ensuring future transport challenges are met.

Network Rail undertakes a programme of enhancement and modernisation on the rail network with planned expenditure in the current control period CP4, giving visibility to 2014.

over
3,000

Asset Management tasks undertaken for Network Rail during the year

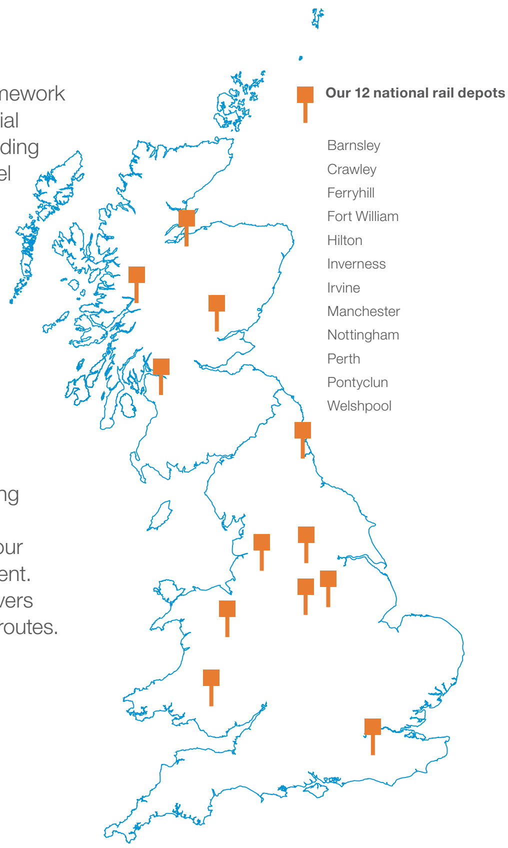
10

We currently deliver works along all 10 major Network Rail routes

Our response

Our work in rail is underpinned by framework agreements and is focused on essential maintenance and renewal works including off-track civil engineering works, tunnel and shaft refurbishment and enhancement, structural renewal and maintenance and refurbishment of lineside structures. We undertake the renewal and maintenance of mechanical and electrical installations and delivery of a wide range of planned and reactive maintenance and asset management services.

With 12 national depots our engineering services are undertaken through local delivery teams and are enhanced by our leading expertise in tunnel refurbishment. Our engineering service currently delivers works along all 10 major Network Rail routes.



"Network Rail undertakes a programme of enhancement and modernisation on the rail network with planned expenditure in the current control period CP4, giving visibility to 2014. Our engineering service currently delivers works along all 10 major Network Rail routes."

What have we achieved?

/ Leading provider of engineering maintenance work nationally to Network Rail.

/ Renewal of our existing Asset Management frameworks with Network Rail for up to 5 years.

/ A new Asset Management framework appointment secured in Scotland.

/ Work on the Building and Civils Delivery Partnership framework continues for Network Rail where we are the only provider delivering these services nationally.

/ Successfully completed major repairs at the Ore Tunnel, near Hastings.

What's next?

/ Maintain our excellent record for safe and effective delivery.

/ Deliver engineering maintenance services nationally to Network Rail through our Asset Management and Building and Civils Delivery Partnership framework agreements.

/ Broaden our skills through continued investment in directly employed staff and operatives.

/ Pursue tunnel refurbishment projects on a national basis.

/ Become an established supplier of substation, points heating and low voltage distribution works for Network Rail.

Review of operations

Specialist Building

In Specialist Building our work targets sustainable markets in the South which have good visibility of earnings. In these markets, our activities concentrate on opportunities where the Group has established expertise and extensive experience.

How we target the Specialist Building market

Our Specialist Building expertise

Our Specialist Building operations are focused on the High Quality Residential, New Build Affordable Housing and Retail markets in the South of England.

Our markets:

/ High Quality Residential

/ New Build Affordable Housing

/ Retail

High Quality Residential

Opportunity

The High Quality Residential market in London, where work is undertaken for high net worth individuals, continues to be largely unaffected by the economic downturn. Space restrictions in the South and the complex nature of developments, which can include features such as underground car stacking systems and swimming pools, mean this market has high barriers to entry with specialist engineering and temporary works skills required.

Our response

We are recognised as a leading quality provider with expertise in new build, fit out and refurbishment of prestigious private residential projects in and around London. Our particular skills in listed and historic buildings, and challenging structural works provide a differentiator in this market. Our in-house specialist temporary works design and engineering capabilities are able to provide innovative solutions when extending properties below ground. Our services include design management, planning, traffic management and logistics support as well as expertise in specialist fine finishes.

New Build Affordable Housing

Opportunity

In 2010 the Government announced its commitment to deliver approximately 80,000 homes through the Affordable Homes Programme. The South has been allocated over 50% of the Affordable Homes Programme investment of £1.8bn where the majority of work will be undertaken for Housing Association clients.[7]

Our response

The Group is a leading provider with extensive expertise in delivering new build affordable housing schemes in the South where most of the work is undertaken for repeat clients in this market. We deliver new build contracts for Housing Association clients under 14 framework agreements, accessing a £700m annual spend.

Retail

Opportunity

The UK retail market continues to experience significant changes. Opportunities for work in this sector remain with the expansion and refurbishment of large supermarket and leisure developments.

Our response

We have extensive expertise in the retail market with over 50 years' experience of undertaking projects for large retail clients.

We deliver design and build through to refurbishment and restoration, with experience in fast track and innovative delivery programmes. We have strong relationships with blue chip clients in the retail sector where there continues to be strong demand.

Sources

[7] National Audit Office Department for Communities and Local Government, Financial viability of the social housing sector: introducing the Affordable Homes Programme (July 2012).

"The Group is a leading provider with extensive expertise in delivering new build affordable housing schemes in the South where most of the work is undertaken for repeat clients in this market."

What have we achieved?

/ Successfully completed major High Quality Residential scheme for Grosvenor Estates.

/ Private residence schemes successfully completed in Mayfair and Belgravia.

/ We have a position on 14 framework agreements with leading Housing Associations including London & Quadrant, Notting Hill Home Ownership, Hyde Housing Association and One Housing Group.

/ Appointment to a new framework with Catalyst Housing where, as one of seven providers, we will access up to an advertised £350m of projects over the next 4 years.

/ New affordable housing awards received with Notting Hill Home Ownership, One Housing Group and London & Quadrant.

/ Continuation of our 24 year relationship with Tesco.

/ New retail clients including Morrisons and Odeon Cinemas.

What's next?

/ Carry out new awards for private residential refurbishments in Chelsea, Wimbledon and Wentworth.

/ Continue to assist our High Quality Residential clients and their teams in achieving statutory consents for complex structural engineering projects.

/ Over £400m of identified opportunities in the High Quality Residential market.

/ Continue to work for some of the largest Housing Associations in the South-East.

/ Good visibility of opportunities in retail through repeat clients, opportunities identified for Tesco and Morrisons following the successful completion of recent projects.

/ Preferred fit out contractor for Cineworld.

Corporate governance

This section details the Group's corporate governance procedures including corporate social responsibility and the directors' reports.

In this section

Corporate social responsibility

Committed to acting as a responsible business

We are committed to balancing our economic sustainability alongside our social and environmental responsibilities. It is our aim to leave a lasting positive impact on the communities in which we operate.

Our commitments to CSR

Renew's CSR in 2012

We endeavour to minimise the impact of our operations whilst maximising the benefits of any work we undertake, beyond compliance with our minimum legal requirements. Our responsibility encompasses the treatment of our employees, our interactions within the communities in which we operate and the management of the relationships with our clients, consultants and supply chain.

Employment and training ▷ pg31

"Shepley Engineers was awarded Sellafield's '2012 Resident Engineers Contractors Safety Award' for continuing to deliver exemplary health and safety performance at the Sellafield site in Cumbria."

Awards

Among other awards, Renew was recognised by the RoSPA and the Considerate Constructors Scheme in 2012

The Royal Society for the Prevention of Accidents ("RoSPA")

During the year many of our businesses were recognised at the 2012 RoSPA Occupational Health and Safety Awards. Shepley Engineers received an "Order of Distinction" for 16 consecutive years of excellent safety performance. PPS Electrical and VHE received President's Awards for achieving 10 consecutive Gold Awards and a Silver Award was given to West Cumberland Engineering. Britannia also achieved its third Gold Award in 3 years.

Considerate Constructors Scheme

All our sites are required to register with the Considerate Constructors Scheme. The scheme is designed to improve the image of the construction industry and looks at how a site considers the general public, its workforce and the environment. In the year Walter Lilly received no less than ten Performance Beyond Compliance certificates along with Britannia which was also awarded two certificates. In the annual awards Walter Lilly received a Silver Medal for its work at a large private residence in Mayfair and Allenbuild was Highly Commended in the Most Considerate Public Housing Contractor category.

Other awards

Shepley Engineers was awarded Sellafield's 2012 Resident Engineers Contractors Safety Award for continuing to deliver exemplary health and safety performance at the Sellafield site in Cumbria.

Britannia received the Construction Skills Certification Scheme's Platinum Award which recognises ongoing commitment to training employees to the highest industry standards. Two project managers from Britannia reached the finals of the Chartered Institute of Building's 2011 Construction Manager of the Year Awards.

Seymour won Project of the Year at Northumbrian Water's "Going the Extra Mile" Awards for the Longbenton Flood Relief Scheme and was also highly commended in three further categories. At the South East Institute of Civil Engineering Excellence Awards 2012, Amco received the Structures Award for the Ore Tunnel Refurbishment Project undertaken for Network Rail.

VHE, along with client Barnsley Metropolitan Borough Council, was awarded the John Smeaton Best Highways and Transportation Scheme Award 2011 for the Cudworth and West Green Bypass project from the Yorkshire and Humberside Chartered Institute of Highways and Transportation.

Safety ▷ pg30

Corporate social responsibility continued

Committed to acting as a responsible business

Consideration of the impact of our operations is especially important when we work within the community. We work hard to ensure our operations are carried out in a respectful manner.

Safety

The safety of our employees, suppliers and those affected by our activities remains the Group's priority. Whilst the target is to achieve zero accidents, we continued to make progress towards this during the year alongside the development of a responsible safety culture. In 2012, we achieved a record reduction in the Group's Accident Incidence Rate which is now at its lowest figure for 7 years, an improvement of 87% over the period.

The Renew Safety and Environmental Management Group co-ordinates safety activity across the Group. Our businesses' initiatives reflect the unique characteristics and challenges of the markets in which they operate. One of the most challenging is nuclear where the Group has operated for more than 3 years since a lost time event at Sellafield, including over 3 million man hours of operations.

Group safety initiatives include cross project safety audits, tool box talks and warning card systems. Behavioural safety management schemes, such as VHE's Prevention of Unsafe Conditions and Acts scheme, allow anonymous reporting of conditions or situations which could lead to an incident. Amco's STOP, LOOK and THINK, Whiteboard and "You said, we did" campaigns continue to contribute to the ongoing improvement of employee safety culture. Walter Lilly and Amco present annual safety awards which help to raise awareness across the businesses.

Environment and sustainability

Our environmental initiatives are wide ranging and encourage our employees and subcontractors to adopt sound environmental understanding and practices through a mixture of training and awareness programmes.

Our subsidiary businesses are accredited to the ISO 14001 standard which demonstrates a commitment to monitoring the impact of their operations on the environment. Environmental targets include minimising waste to landfill, reducing our carbon footprint, increasing our environmental awareness and continually improving environmental and sustainability management.

Sustainable solutions are integral to the design process and can help towards achieving environmental objectives. VHE, alongside National Grid, recently won the Sustainability Award at Ground Engineering Magazine's 2012 awards for delivering the UK's first multi-site Hub and Cluster project in Partington, Manchester. The innovative scheme remediated contaminated waste from four former gas manufacturing sites in the North-West using a single site which provided substantial cost savings for National Grid.

> "Whilst the target is to achieve zero accidents, we continued to make progress towards this during the year alongside the development of a responsible safety culture."

Employment and training

Our businesses provide training and employment opportunities from apprenticeship schemes and scholarships to work experience in partnership with local communities.

Walter Lilly and Seymour are licensed training providers to the Engineering and Construction Industry Training Boards for their Supervisory Management Training and Development programmes. In the year Amco introduced a Graduate Training Programme approved by the Institute of Civil Engineering and a Supervisory Management Development Programme. Both programmes currently have a number of trainees registered.

Working in the nuclear industry, Shepley Engineers continues to invest significantly in its craft apprenticeship training programme which supports over 40 trainees. Shepley currently employs over half of the apprentices on site at Sellafield. As part of the 2014 Commonwealth Games Athletes' Village contract, VHE provided a number of modern apprenticeships through the Community Benefit Scheme, implemented by Glasgow City Council, to maximise the opportunities for securing training and employment in the area, and has subsequently added an additional 3 new apprentices to its core delivery team. Amco's engineering business units continue to invest heavily in graduate recruitment and craft apprenticeship schemes to ensure that the traditional electrical and mechanical engineering skills base is maintained for the future.

Walter Lilly provides work experience opportunities for local schools in the Croydon area and currently sponsors 8 Loughborough University students. In the North-East, Seymour extended its relationship with St. Hild's Specialist Engineering School, providing work placement in collaboration with Hartlepool College of Further Education and Construction Skills. Allenbuild has seen success through its mentor and trainee programme "Achieve with Allenbuild", which provides placements, trainee positions and employment.

Community engagement and charitable giving

We work hard to ensure our activities leave a positive impact on local communities. Britannia has been working closely with School Sports Gloucestershire to provide after school sports activities, including handball and athletics, for up to 30 local children a week.

Shepley Engineers continues to support the Calvert Trust on a range of projects. The Lake District charity provides outdoor activity adventure holidays for all ages and abilities. This year saw the creation of a zipwire challenge and the construction of a new wheelchair accessible path. Seymour, as part of a team from Northumbrian Water, provided materials and labour to support a renovation project at "The Cave" Community Arts Centre in South Shields.

Allenbuild's approach to establishing and maintaining excellent relationships within the local communities included supporting the Lynton Road Community Group with a donation towards its annual street summer party held earlier this year.

Many of our businesses participate in fundraising events for their chosen charities. In the South a team of colleagues from Walter Lilly along with friends and family successfully completed this year's 26.2 mile Shine London event, Cancer Research UK's nighttime walking marathon. Also for the second year running Walter Lilly took part in the Cyclothon UK event at Brands Hatch, a 12 hour endurance challenge raising money for a variety of charitable causes.

Seymour supports its local hospice and lifeboat station undertaking many fundraising activities in the year. Amco took part in Breast Cancer Campaign's "Wear it Pink" day with employees pledging to wear pink for a day and Shepley Engineers works with West Cumbria's "Hospice at Home" as well as pledging support to other local Cumbrian causes in the year. During the year VHE held events to raise funds for The Pippa Jones Little Treasure Trust.

Many other charities were supported throughout the year including the British Heart Foundation, the Guide Dogs, the Royal National Lifeboat Institution and Ilkley Candlelighters.

Directors' report

The Directors present their report and the audited accounts for the year ended 30 September 2012.

Principal activities

For the year ended 30 September 2012 the principal activity of the Group was as contractors in Engineering Services and Specialist Building. The main activities are carried out in the United Kingdom with some development activities in the USA. More details of these activities, the year's trading and future developments are contained in the Chairman's Statement, the Chief Executive's Review, the Review of Operations and the Financial Review. A list of the principal operating subsidiaries of the Group as at 30 September 2012 appears on page 75.

Results and dividends

The Group profit for the year was £4,741,000 (2011: £1,305,000). The Directors recommend the payment of a final dividend on the Ordinary Shares of 2.10p (2011: 2.00p) giving a total for the year of 3.15p (2011: 3.00p).

Business review

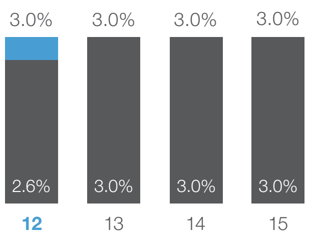
Information that fulfils the business review requirements applicable to the Group can be found in this report, the Chief Executive's Review and the Review of Operations and is incorporated into this report by cross reference.

Key performance indicators

The Directors have established a number of key performance indicators which they use to measure and monitor the performance of the Group in a number of different areas. These measures are set out in the tables below. Operating profit margin is a major performance indicator and the Board has set a target to sustain this over the next few years. The order targets have been established as part of the Board's drive to improve the quality and sustainability of the Group's workload and to support the reliability of financial performance. The safety record improvement target is set annually and achievement of this target is an essential component of the bonus scheme for each Director and senior manager within the Group.

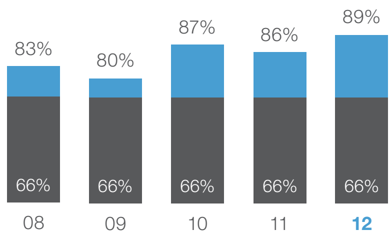
Operating profit % of revenue

3.0% Target: 2.6%



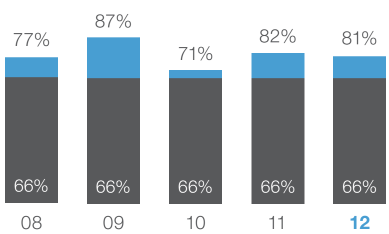
Percentage of orders in specialist sectors

89% Target: 66%



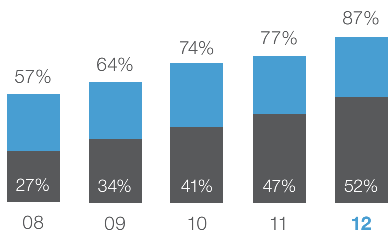
Percentage of orders from repeat clients

81% Target: 66%



Cumulative reduction in accident incidence rate

87% Target: 52%



Principal risks and uncertainties

This Annual Report contains certain forward looking statements. These statements are made by the Directors in good faith, based on the information available to them up to the time of approval of this report. Actual results may differ to those expressed in such statements, depending on a variety of factors. These factors include customer acceptance of the Group's services, levels of demand in the market, restrictions to market access, competitive pressure on pricing or additional costs, failure to retain or recruit key personnel and overall economic conditions.

A risk inherent in the contracting industry occurs in the nature, timing and contractual conditions which exist at the time of contract procurement. To mitigate these risks, the Group has a system of pre-contract and pre-tender risk assessment whereby senior management, including the Executive Directors where appropriate, review and advise on specific issues arising in the contract procurement process. The Group also seeks to limit its risks by specialising in certain markets where it has extensive experience and a particular skills base.

Derivatives and other financial instruments

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

Interest rate risk

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

Liquidity risk

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

Foreign currency risk

As a result of the investment in operations in the United States, movements in the US dollar/sterling exchange rate could materially affect the Group's and the Company's balance sheet. As at 30 September 2012, £9,506,000 (2011: £11,501,000) of the Group's net assets are denominated in foreign currency. The Group does not use derivative financial instruments in its management of foreign currency risk.

Credit risk

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

The Group's credit risk is primarily attributable to its amounts recoverable on contracts and trade receivables.

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

Payment of creditors

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

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

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

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

The Group's average creditor days during the year were 42 days (2011: 40 days).

Donations

Charitable donations made by the Group during the year amounted to £34,606 (2011: £38,492).

The Group made no political donations during the year (2011: £nil).

Directors' report continued

Employees

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

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

It is the policy of the Group that there shall be no discrimination or less favourable treatment of employees, workers or job applicants in respect of race, colour, ethnic or national origins, religious beliefs, sex, sexual orientation, disability, political beliefs, age or marital status. Full consideration will be given to suitable applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in another position. 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 W May continues as the designated Board Director of Health and Safety with Group responsibility for safety and environmental management. Health, safety and environmental management issues and reports are reviewed at every Group Board meeting with the Head of Department in attendance when necessary.

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

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

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

Group policy requires each business to report and record all injuries, diseases and dangerous occurrences, regardless of severity. An incident database is maintained to collate this information and provide statistical data allowing performance to be measured and determine system amendment and future training requirements. A system of Safety and Environmental Alerts ensures lessons learnt and changes to working practices are rapidly transmitted to our workforce, businesses and their contractors. The Accident Incidence Rate ("AIR") for the year ended 30 September 2012, measured on the standard base line of 100,000 persons at work, is a key area where the Group measures its performance.

Corporate social responsibility and the environment

The Group's Corporate Social Responsibility Report, which includes its report on the environment, is on pages 28 to 31.

Directors

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

Non-executive Directors

John Bishop – Director, 67, was appointed to the Board as a non-executive Director in October 2006. He is a Chartered Accountant with over 20 years' PLC experience at main board level. Before retiring in 2005, John spent twelve years at Morgan Sindall Plc as Development Director and latterly as Finance Director. He is a non-executive director of Beagle Aircraft Limited.

David Forbes – Director, 52, was appointed to the Board as a non-executive Director in June 2011. He qualified as a Chartered Accountant in 1984 and has over 20 years' experience in corporate advisory services with N M Rothschild & Son Limited. He is a non-executive director of Vertu Motors plc.

Roy Harrison OBE – Director, 65, was appointed to the Board as a non-executive Director in November 2003. Subsequently, he was appointed 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, a former director of BSS Group PLC and has a number of investing director positions in private construction materials companies. He is governor and chairman of a number of City Academies.

Executive Directors

Brian May – Director, 61, was appointed to the Board as Chief Executive Officer in June 2005. He is a Chartered Civil Engineer. He 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.

John Samuel – Director, 56, joined the Board in May 2006 as Group Finance Director. He was previously Group Finance Director at Filtronic plc from 1991 until 2004 and subsequently Chief Financial Officer of Zetex plc from July 2004 until February 2006. He qualified as a Chartered Accountant in 1981 with Deloitte, Haskins and Sells before serving as a partner with Baker Tilly from 1987 until 1991.

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

John Bishop retires by rotation at the 2013 Annual General Meeting ("AGM") and will offer himself for reappointment. The Board recommends the reappointment of John Bishop as it considers that he brings considerable management and industry experience to the Group's business.

The Articles of Association provide that each Director shall be indemnified by the Company against losses, costs and expenses he may sustain or incur in connection with the performance of his duties of office, to the fullest extent permitted by law. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of its Directors.

Directors' interests

The beneficial interests of the Directors (and their immediate family members) in the shares of the Company and options for shares are set out on page 38. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on page 37.

Disclosable interests

As at the date of this report, the Company has been notified of the following disclosable interests in the voting rights of the Company:

	Number of ordinary shares	Percentage of issued share capital
Octopus Investments Nominees Limited	9,483,480	15.83%
Henderson Global Investors Limited	7,674,986	12.81%
Hargreave Hale Limited	6,707,925	11.20%
Brewin Dolphin Limited	2,800,783	4.68%

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 10p each) is 59,898,927.

During the year, the Company has not bought back any of its own shares nor issued any new share capital.

Disclosure of information to the auditor

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

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

Auditor

Resolutions will be proposed at the forthcoming AGM to re-appoint KPMG Audit Plc as Auditor to the Group and to authorise the Directors to determine their remuneration.

Approval

The Board approved the Report of the Directors on 27 November 2012.

By Order of the Board

J Samuel

John Samuel FCA
Company Secretary
27 November 2012

Company number 650447

Directors’ remuneration report

The Directors present the Directors’ Remuneration Report (the “Remuneration Report”) for the financial year ended 30 September 2012.

As an AIM listed company, Renew is not required to prepare the Report in accordance with the Directors’ Remuneration Report Regulations 2002 (“the Regulations”). 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 Auditor is not required to report to the shareholders on the Directors’ Remuneration Report.

Remuneration Committee

On his appointment as a Director on 1 June 2011, David Forbes assumed the Chairmanship of the Remuneration Committee which also comprises Roy Harrison and John Bishop. The Committee held 4 meetings during the financial year to discuss remuneration arrangements.

The Remuneration Committee’s terms of reference include:

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

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

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

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

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

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

Remuneration policy

The Company’s remuneration policy is that the remuneration 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;
- equity incentive plans; and
- pension arrangements.

Basic salary

Basic salaries are reviewed annually by the Remuneration Committee, and adjusted where the Committee believes that adjustments are appropriate to reflect performance, changed responsibilities and/or market conditions.

Other benefits for Executive Directors include car allowances and certain medical cover for 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.

Equity incentive plans

In 2011, the Remuneration Committee of the Company had been concerned that the existing Renew Holdings plc 2004 Executive Share Option Scheme (“ESOS”) was failing to achieve its primary objectives, being the retention and motivation of senior management.

Part of the reason for this was that only a part of the value of the share being issued (the excess of the value at the date of exercise over the value at the date of grant) could be used as a potential reward or incentive. This meant that, given normal dilution limits, the potential rewards available to management were modest for a company of the size of Renew Holdings plc. Consequently the level of dilution required to deliver these incentives was disproportionately large.

Equity incentive plans continued

The Remuneration Committee believes that long term incentive plans, which deliver shares at no cost to the participants but subject to more challenging performance criteria, are a more effective motivational and retention tool than a traditional share option scheme under which market value options are granted.

As a result, the Remuneration Committee proposed to replace the ESOS with a new long term incentive plan ("LTIP"), at the Annual General Meeting held on 25 January 2012 and the proposal was passed by shareholders. The LTIP has been designed so as to comply with ABI guidelines in all material respects. No further options will now be granted under the ESOS which has been terminated save in respect of options previously granted under it. The performance criteria to be achieved by the Company in respect of the LTIP are as follows:

Vesting of one half of the Options is dependent on absolute growth in the Company's Total Shareholder Return ('TSR'), and the other half dependent on the Company's TSR performance as compared to the TSR achieved by other companies in a comparator group of companies selected by the Remuneration Committee. All TSR calculations will be based on the average of the opening and closing share price over a 30 day period prior to the commencement and end of the performance period. The absolute TSR growth target will require the Company's TSR over the three year performance period to have grown by more than 25%. For TSR growth between 25% and 100%, the half of the Option which is subject to the absolute TSR growth target will vest on a straight-line basis from nil vesting at 25% growth, to 100% vesting at 100% growth. There will be no vesting if TSR growth is 25% or less. There are 400,000 options outstanding under the LTIP which may be exercised between 2 March 2015 and 1 March 2022. The ESOS was approved at an Extraordinary General Meeting ("EGM") held on 11 March 2004. There are 2,194,486 options outstanding under the scheme all of which have now vested and may be exercised between now and 25 November 2019.

The Renew Savings Related Share Option Scheme (the "Renew SAYE") was also approved at the EGM on 11 March 2004. There are no options outstanding under this scheme. 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 has established individual stakeholder plans for each employee who elects to join into which the Group makes contributions; B May and J Samuel receive salary in lieu of pension contributions from the Company. Following the adoption of new Articles of Association at the AGM on 28 January 2009, the restriction on the retirement age of the Executive Directors was removed.

Service contracts and letters of appointment

The Company's policy is for all of the Directors to have twelve month rolling service contracts that provide for a twelve month notice period. The fees of non-executive Directors are determined by the full Board within the limits set out in the Articles of Association. The non-executive Directors are not eligible for bonuses, pension benefits, share options or other benefits. The Directors are indemnified to the full extent permitted by Statute under the Articles of Association.

The service contracts of the Directors, who served during the year ended 30 September 2012, include the following terms:

Directors	Executive/Non-executive	Date of contract	Unexpired term	Notice period (months)
J Bishop	Non-executive	1 September 2008	Rolling one year	12
D Forbes	Non-executive	1 June 2011	Rolling one year	12
R Harrison	Non-executive	1 February 2009	Rolling one year	12
B May	Executive	20 June 2005	Rolling one year	12
J Samuel	Executive	17 May 2006	Rolling one year	12

Directors' remuneration

Information is provided below for Directors who served during the financial year and as at 30 September 2012:

	Notes	Salary/fees £000	Bonuses £000	Benefits £000	Total Emoluments 2012 £000	Total Emoluments 2011 £000
Executive Directors						
B May	1,2,3,4	291	164	55	510	630
J Samuel	1,2,3,4	224	126	43	393	486
					903	1,116
Non-executive Directors						
R Harrison		56	–	–	56	55
J Bishop		30	–	–	30	30
D Forbes		30	–	–	30	10
					1,019	1,211

Notes:

1. The highest paid Director for 2012 and 2011 was B May who received emoluments of £510,000 (2011: £630,000).
2. Benefits include car allowances and certain medical cover for the Director and immediate family.
3. B May and J Samuel received payments in lieu of Company pension contributions, which are paid through payroll and taxed as salary and are included in Benefits above.
4. Bonuses were earned by B May and J Samuel during the current financial year and will be paid in the year ending 30 September 2013.

Directors' remuneration report continued

Equity incentive plans

Directors' share options under the ESOS

Options have been granted to B May and J Samuel under the ESOS as set out in the table below. The market price of the Company's shares at 30 September 2012 was 94p and the range of market prices during the year was between 55p and 94p.

Information is provided below for Directors who served during the financial year and as at 30 September 2012:

				Cumulative Total	
	2010 Award	2009 Award	2006 Award	**30 September 2012**	1 October 2011
B May	831,884	76,264	476,190	**1,384,338**	1,384,338
J Samuel	480,435	43,999	285,714	**810,148**	810,148
Date of award	25 November 2009	26 November 2008	7 June 2006		
Exercise price (£)	0.345	0.545	0.525		
Earliest exercise date	25 November 2012	26 November 2011	7 June 2009		
Expiry of exercise period	25 November 2019	26 November 2018	7 June 2016		

Directors' share options under the LTIP

Pursuant to the LTIP, the Board granted the following options to the Executive Directors which are exercisable at a nominal cost between 2 March 2015 and 1 March 2022.

B W May	240,000
J Samuel	160,000

Performance criteria for the vesting of the share options under both the ESOS and the LTIP are set out in Note 20 to the financial statements.

Directors' share interests

Those Directors serving at the end of the year and their immediate families had interests in the share capital of the Company at 30 September 2012 as follows:

	Ordinary Shares of £0.10 each	
	30 September 2012	30 September 2011
J Bishop	**10,000**	10,000
D Forbes	**20,000**	—
R Harrison	**150,000**	100,000
B May	**505,000**	405,000
J Samuel	**50,000**	210,000

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 27 November 2012 and signed on its behalf by:

D M Forbes
Chairman
27 November 2012

Corporate governance

R J Harrison OBE
Non-executive Chairman

John Bishop
Non-executive Director

David Forbes
Non-executive Director

As an AIM listed company, Renew is not required to follow the provisions of the UK Corporate Governance Code ("the Code"), as set out in the Financial Services Authority's Listing Rules. The Directors, however, recognise the importance of, and accordingly support, the principles of good corporate governance as contained within the Code. The Directors normally seek to follow the Code to the extent considered relevant for an AIM listed company but are unable to achieve compliance with the Code in a number of areas this year, primarily because of the lack of independent non-executive Directors. 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 two independent non-executive Directors. Brief biographies of the Directors are given on pages 34 and 35.

The Company is not compliant with the requirement of the Code that more than half of the Board should be comprised of independent non-executive Directors because R Harrison is not regarded as independent due to the period in 2004/2005 when he acted as Executive Chairman.

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

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

Board committees

The Board operates with a number of Board Committees. J Bishop, the senior independent non-executive Director, acts as Chairman of the Audit Committee and D Forbes, an independent non-executive Director, acts as Chairman of the Remuneration Committee. The Nominations Committee is chaired by R Harrison.

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

The Remuneration Committee, which comprises all of the non-executive Directors, determines and agrees with the Board the framework and policy of executive remuneration packages, including bonuses, incentive payments, share options or awards and pension arrangements. Further information concerning the Remuneration Committee is set out in the Directors' Remuneration Report on pages 36 to 38.

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

The Nominations Committee terms of reference include:

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

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

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

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

The Audit Committee has held three meetings to consider Audit Committee business. The Audit Committee consists of all three non-executive Directors. The Executive Directors are invited to attend Audit Committee meetings but at least two meetings are held each year with the external Auditor at which the Executive Directors are not present. The Audit Committee considers the adequacy and effectiveness of the risk management and control systems of the Group, and reports the results to the Board. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the Auditor. The Audit Committee monitors the non-audit work performed by the Auditor to help ensure that the independence of the Auditor is maintained. The Audit Committee also reviews the interim statement, the preliminary announcement and accounting policies.

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

Corporate governance continued

Internal controls

Throughout the financial year ended 30 September 2012 and up to the date of approval of the Annual 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 Group is exposed and therefore provides a reasonable, but not absolute, assurance against a company failing to meet its business objectives or against material misstatement or loss. Consequently, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and that it is regularly reviewed by the Board.

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 weekly forecasts which are compared against budget and previous forecasts, clearly defined capital investment guidelines and levels of authority and a clear organisational structure within which individuals' responsibilities are identified and monitored. These results and processes are monitored, updated, reviewed and considered by the Board. The Group has established a series of minimum standards in a number of financial and operational areas with which each business within the Group must comply. Group management monitors and reviews compliance with these requirements on a periodic basis. Due to the size and nature of the Group, the Board does not consider that a separate internal audit function is necessary. For the last five years and including 2012, the Group has carried out a programme of internal audit conducted by the Group Commercial Director and by members of the various subsidiaries' finance teams. This system of peer review promotes best practice as well as ensuring that Group minimum requirements as to procedures and internal controls are being complied with. The reports from these internal audits are made available both to the Board and to the external Auditor.

Going concern

The Directors have reviewed the budgets and forecasts prepared by the Group and its trading subsidiaries and consider that at the time of approving the financial statements, there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

The Articles of Association provide 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 permitted by law.

Shareholder relationships

Members of the Board have dialogue with individual shareholders during the year. In addition to the Annual and Interim Report and Accounts, 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 21 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 Group is available on the Company's website: www.renewholdings.com, from which shareholders can also access their shareholding details via a link to the website of Capita Registrars plc.

Annual General Meeting

The AGM will be held on 30 January 2013, the Notice for which accompanies this report and accounts. The Notice contains special business relating to the renewal of the Board's power to allot equity shares. Brief details of the purpose and effect of the proposed resolutions are enclosed with the Notice of AGM.

Shareholders should complete the proxy form accompanying this document in accordance with the notes contained in the Notice of AGM.

Approval

The Board approved the Corporate Governance Report on 27 November 2012.

By Order of the Board

John Samuel
Company Secretary
27 November 2012

Statement of directors' responsibilities
in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounts

This section details the Group's accounts for the year ended 30 September 2012.

In this section

Independent auditor's report
to the members of Renew Holdings plc

We have audited the financial statements of Renew Holdings plc for the year ended 30 September 2012 set out on pages 45 to 75. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 41, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

R I Moffatt (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
27 November 2012

Group income statement
for the year ended 30 September

	Note	**Before exceptional items and amortisation of intangible assets 2012 £000**	**Exceptional items and amortisation of intangible assets (see Note 3) 2012 £000**	**Total 2012 £000**	Before exceptional items and amortisation of intangible assets 2011 £000	Exceptional items and amortisation of intangible assets (see Note 3) 2011 £000	Total 2011 £000
Group revenue from continuing activities	2	**337,423**	**—**	**337,423**	352,760	—	352,760
Cost of sales		**(301,040)**	**—**	**(301,040)**	(319,661)	—	(319,661)
Gross profit		**36,383**	**—**	**36,383**	33,099	—	33,099
Administrative expenses		**(26,115)**	**(1,620)**	**(27,735)**	(25,205)	(5,651)	(30,856)
Operating profit	3	**10,268**	**(1,620)**	**8,648**	7,894	(5,651)	2,243
Finance income	4	**45**	**—**	**45**	167	—	167
Finance costs	4	**(518)**	**—**	**(518)**	(387)	—	(387)
Other finance income – defined benefit pension schemes	4	**246**	**—**	**246**	530	—	530
Profit before income tax		**10,041**	**(1,620)**	**8,421**	8,204	(5,651)	2,553
Income tax expense	6	**(1,713)**	**405**	**(1,308)**	(2,397)	1,220	(1,177)
Profit for the year from continuing activities		**8,328**	**(1,215)**	**7,113**	5,807	(4,431)	1,376
Loss for the year from discontinued operation	3			**(2,372)**			(71)
Profit for the year attributable to equity holders of the parent company				**4,741**			1,305
Basic earnings per share from continuing activities	8			**11.87p**			2.30p
Diluted earnings per share from continuing activities	8			**11.38p**			2.22p
Basic earnings per share	8			**7.91p**			2.18p
Diluted earnings per share	8			**7.59p**			2.10p

Group statement of comprehensive income
for the year ended 30 September

	Note	2012 £000	2011 £000
Profit for the year attributable to equity holders of the parent company		**4,741**	1,305
Exchange movement in reserves		**(407)**	123
Movement in actuarial valuation of the defined benefit pension schemes	24	**(3,442)**	(5,265)
Movement on deferred tax relating to the defined benefit pension schemes		**847**	1,382
Total comprehensive income/(expense) for the year attributable to equity holders of the parent company		**1,739**	(2,455)

Group statement of changes in equity
for the year ended 30 September

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cumulative translation adjustment £000	Share based payments reserve £000	Retained earnings £000	Total equity £000
At 1 October 2010	5,990	5,893	3,896	1,059	217	(3,893)	13,162
Transfer from income statement for the period						1,305	1,305
Dividends paid						(1,797)	(1,797)
Recognition of share based payments					66		66
Exchange differences				123			123
Actuarial losses recognised in pension schemes						(5,265)	(5,265)
Movement on deferred tax relating to the pension schemes						1,382	1,382
At 30 September 2011	5,990	5,893	3,896	1,182	283	(8,268)	8,976
Transfer from income statement for the period						4,741	4,741
Dividends paid						(1,827)	(1,827)
Recognition of share based payments					6		6
Exchange differences				(407)			(407)
Actuarial losses recognised in pension schemes						(3,442)	(3,442)
Movement on deferred tax relating to the pension schemes						847	847
At 30 September 2012	**5,990**	**5,893**	**3,896**	**775**	**289**	**(7,949)**	**8,894**

Group balance sheet
at 30 September

	Note	2012 £000	2011 (Restated*) £000
Non-current assets			
Intangible assets – goodwill	9	**26,918**	27,726
– other	9	**2,250**	2,750
Property, plant and equipment	10	**4,690**	4,805
Retirement benefit assets	24	**1,820**	1,089
Deferred tax assets	6	**2,929**	3,329
		38,607	39,699
Current assets			
Inventories	11	**9,109**	8,918
Trade and other receivables	12	**73,958**	84,901
Current tax assets		**834**	646
Cash and cash equivalents	14	**2,040**	5,688
		85,941	100,153
Total assets		**124,548**	139,852
Non-current liabilities			
Borrowings	16	**(2,500)**	(7,500)
Obligations under finance leases	17	**(676)**	(369)
Retirement benefit obligations	24	**(569)**	(119)
Deferred tax liabilities	6	**(1,039)**	(1,091)
Provisions	18	**(566)**	(566)
		(5,350)	(9,645)
Current liabilities			
Borrowings	16	**(5,000)**	(5,000)
Trade and other payables	15	**(104,302)**	(115,543)
Obligations under finance leases	17	**(570)**	(291)
Current tax liabilities		**(266)**	(231)
Provisions	18	**(166)**	(166)
		(110,304)	(121,231)
Total liabilities		**(115,654)**	(130,876)
Net assets		**8,894**	8,976
Share capital	20	**5,990**	5,990
Share premium account	21	**5,893**	5,893
Capital redemption reserve	21	**3,896**	3,896
Cumulative translation adjustment	21	**775**	1,182
Share based payments reserve	21	**289**	283
Retained earnings	21	**(7,949)**	(8,268)
Total equity		**8,894**	8,976

* Details of the restated balance sheet are set out in Note 26.

Approved by the Board and signed on its behalf by:

R J Harrison OBE
Chairman
27 November 2012

Group cashflow statement
for the year ended 30 September

	2012 £000	2011 £000
Profit for the year from continuing operating activities	**7,113**	1,376
Amortisation of intangible assets	**500**	404
Depreciation	**905**	1,111
Profit on sale of property, plant and equipment	**(17)**	(32)
Increase in inventories	**(501)**	(248)
Decrease in receivables	**10,081**	8,567
Decrease in payables	**(10,969)**	(337)
Current service cost in respect of defined benefit pension scheme	**54**	56
Cash contribution to defined benefit pension schemes	**(3,477)**	(4,039)
Expense in respect of share options	**6**	66
Financial income	**(291)**	(697)
Financial expenses	**518**	387
Interest paid	**(518)**	(387)
Income taxes paid	**(333)**	(523)
Income tax expense	**1,308**	1,177
Net cash inflow from continuing operating activities	**4,379**	6,881
Net cash outflow from discontinued operating activities	**(794)**	(205)
Net cash inflow from operating activities	**3,585**	6,676
Investing activities		
Interest received	**45**	167
Proceeds on disposal of property, plant and equipment	**191**	1,768
Purchases of property, plant and equipment	**(270)**	(447)
Acquisition of subsidiaries net of cash acquired	**–**	(29,319)
Net cash outflow from continuing investing activities	**(34)**	(27,831)
Net cash inflow from discontinued investing activities	**36**	8
Net cash inflow/(outflow) from investing activities	**2**	(27,823)
Financing activities		
Dividends paid	**(1,827)**	(1,797)
New loan	**–**	15,000
Loan repayments	**(5,000)**	(2,500)
Repayments of obligations under finance leases	**(396)**	(109)
Net cash (outflow)/inflow from continuing financing activities	**(7,223)**	10,594
Net cash (outflow) from discontinued financing activities	**–**	(6)
Net cash (outflow)/inflow from financing activities	**(7,223)**	10,588
Net decrease in continuing cash and cash equivalents	**(2,878)**	(10,356)
Net decrease in discontinued cash and cash equivalents	**(758)**	(203)
Net decrease in cash and cash equivalents	**(3,636)**	(10,559)
Cash and cash equivalents at beginning of year	**5,688**	16,245
Effect of foreign exchange rate changes on cash and cash equivalents	**(12)**	2
Cash and cash equivalents at end of year	**2,040**	5,688
Bank balances and cash	**2,040**	5,688

Notes to the accounts

1 Accounting policies

Presentation of consolidated financial statements

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

Accounting estimates and judgements

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

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

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

b) Impairment of goodwill in accordance with IAS 36 "Impairment of Assets"
In accordance with IAS 36, goodwill is tested annually for impairment by comparing the carrying value of goodwill with the recoverable amount which is determined by an estimation of the value in use of the related cash generating unit to which the goodwill is attributed. The calculation of the value in use requires estimates to be made of the future cash flows of the cash generating unit and the timescale over which they will arise. Estimated growth rates and discount factors are also used in the calculation to estimate the net present value of the cash flows. More information is given in Note 9 to these financial statements.

c) Accounting for the defined benefit pension schemes in accordance with IAS 19 "Employee Benefits"
Independent actuaries calculate the Group's liability in respect of the defined benefit schemes. The actuaries make assumptions as to discount rates, salary escalations, expected returns on scheme assets, future pension increases, mortality rates applicable to members and future rates of inflation. These assumptions are made under the Board's direction. The Board determines the appropriateness of these assumptions by benchmarking them against those used by other schemes and by taking advice from the independent actuaries. If the actual experience of the schemes is different from the assumptions used then the pension liability may differ from that shown in these financial statements. More information is given in Note 24 to these financial statements.

d) Accounting for provisions in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
The Group makes provisions where the Board determines that liabilities exist but where judgements have to be made as to the quantification of such liabilities. A provision has been made for onerous lease contracts in respect of property leases where the Board has determined that the expected economic benefits to be derived from the leases are less than the unavoidable cost of meeting the Group's obligations under the lease contract. This could arise where the Group is the head lessee for a property lease contract where the property is not used by the Group and where the Group has not been able to sublet the property or has only been able to do so on terms which are less favourable than those of the head lease.

e) Accounting for deferred taxation in accordance with IAS 12 "Income Taxes"
The Group provides for deferred taxation using the balance sheet liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for each taxable entity within the Group. If the actual profits earned by the Group's taxable entities is different from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

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

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

(ii) Basis of consolidation
The Group accounts consolidate the accounts of the Company and its subsidiary undertakings. The results and net assets of undertakings acquired are included in the Group income statement and balance sheet using the acquisition method of accounting. The results of undertakings acquired/disposed of are included from/to the date the Group obtains/loses control.

(iii) Revenue
Revenue, which excludes intra-group revenue and Value Added Tax, comprises:

- value of work executed during the year on construction contracts based on monthly valuations; and
- sales of developments and land which are recorded upon legal completion.

Notes to the accounts continued

1 Accounting policies continued

(iv) Construction contracts

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

(v) Segment reporting

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

(vi) Intangible assets

a) Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. On disposal of a subsidiary undertaking, the attributable amount of unamortised goodwill which has not been subject to impairment is included in the determination of the profit or loss on disposal.

b) Other intangible assets are stated at cost less accumulated amortisation and impairment losses. The cost of intangible assets is amortised over their expected useful lives. These intangibles relate to customer relationships and contractual rights and are amortised over the period over which the Board has determined that future cash flows are likely to arise from these relationships and rights.

(vii) Property, plant and equipment

Property, plant and equipment are recorded at cost less provision for impairment if required.

Depreciation is provided on all property, plant and equipment, other than freehold land. Provision is made at rates calculated to write off the cost of each asset, less estimated residual value, evenly over its expected useful life as follows:

Group occupied property

Freehold land	– no depreciation charge
Long leasehold land and buildings	– shorter of fifty years and period of lease
Plant and vehicles	– three to ten years
Office equipment	– two to seven years

(viii) Impairments

Goodwill arising on acquisitions and other assets that have an indefinite useful life and are therefore not subject to amortisation, are reviewed at least annually for impairment. Other intangible assets and property, plant and equipment are reviewed for impairment whenever there is any indication that the carrying amount of the asset may not be recoverable. If the recoverable amount of any asset is less than its carrying amount, a loss on impairment is recognised. Recoverable amount is the higher of the fair value of the asset less any costs which would be incurred in selling the asset and its value in use. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate. For this purpose, assets are grouped into cash generating units which represent the lowest level for which there are separately identifiable cash flows. Impairment losses in respect of goodwill are not reversed in future accounting periods. Reversals of other impairment losses are recognised in income when they arise.

(ix) Inventories

Inventories comprise developments, land held for development and raw materials and are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads and excludes interest. Where necessary, provision is made for obsolete slow moving and defective inventories.

(x) Trade receivables

Trade receivables do not carry any interest and are initially recognised at their fair value and then at amortised cost.

(xi) Trade payables

Trade payables on normal terms are not interest bearing and are initially recognised at their fair value and then at amortised cost.

(xii) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand, including bank deposits with original maturities of less than three months, net of bank overdrafts. Bank overdrafts are included within borrowings within current liabilities in the balance sheet.

1 Accounting policies continued

(xiii) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and where it is probable that an outflow will be required to settle that obligation and where the amount can be reliably estimated.

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

(xv) Defined benefit pension schemes
Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within the Group's defined benefit schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Group statement of comprehensive income. Pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented on the face of the Group balance sheet.

(xvi) Defined contribution pension plans
Contributions to defined contribution pension plans are charged to the income statement as incurred.

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

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

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

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

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

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

(xix) Financial instruments
Financial assets are divided into the following categories: trade receivables and financial assets at fair value. The Board assigns financial assets to each category on initial recognition dependant on the purpose for which the asset was acquired. The categorisation of these assets is reconsidered at each reporting date at which a choice of categorisation or accounting treatment is available. All financial assets are recognised whenever the Group becomes party to the contractual provisions of the financial instrument. All such assets are initially recognised at fair value. Derecognition of such assets occurs when the Group's right to receive cash flows from the asset ceases or the rights and rewards of ownership have been transferred. All such assets are reviewed for impairment at least annually. Interest and other cash flows which arise from holding a financial asset is recognised in the income statement in accordance with IAS 39. Financial assets at fair value include assets classified as held for trading, and changes in fair value are recognised through the income statement. Trade receivables are non-derivative financial assets with expected receipts which are not quoted in an active market and they arise when the Group provides goods or services. A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value amount, and the present value of the estimated cash flows discounted at the original effective interest rate. All impairment losses are recognised in the income statement. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. All interest related charges are recognised as an expense in the income statement. Bank loans and hire purchase liabilities are entered into to provide financing for the Group's operations and are recognised as funds are received. Financial liabilities are measured at amortised cost.

(xx) Share based payments
IFRS 2 "Share Based Payment" requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured using either a Black-Scholes or a Monte Carlo valuation model as was deemed appropriate by the Directors for the relevant options' conditions. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period based on the Directors' estimate of shares that will eventually vest.

Notes to the accounts continued

1 Accounting policies continued

(xxi) Earnings per share

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

(xxii) Rental income

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

(xxiii) Finance income and expense

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

2 Segmental analysis

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

Operating segments have been identified based on the internal reporting information provided to the CODM. From such information Engineering Services and Specialist Building have been determined to represent operating segments. Following the identification of the operating segments the Group has assessed the similarity of the characteristics of the operating segments. Given the different performance targets and markets operated within each operating segment it is not appropriate to aggregate the operating segments for reporting purposes and therefore both of the identified operating segments are disclosed as reportable segments. The information received by the CODM shows results both pre and post exceptional items. The Group had one customer which represented 21.4% of Group revenue. No other customer represented more than 10% of the Group's revenue.

These segments are:

Engineering Services, which comprises the Group's engineering activities which are characterised by the use of the Group's skilled engineering workforce, supplemented by specialist subcontractors where appropriate, in a range of civil, mechanical and electrical engineering applications and;

Specialist Building, which comprises the Group's building activities which are characterised by the use of a supply chain of subcontractors to carry out building works under the control of the Group as principal contractor.

(a) Business analysis

Revenue is analysed as follows:

	2012 £000	2011 £000
Engineering Services	**214,102**	172,808
Specialist Building	**123,070**	178,902
Inter-segment revenue	**(179)**	(61)
Segment revenue	**336,993**	351,649
Central activities	**430**	1,111
Group revenue from continuing activities	**337,423**	352,760

Analysis of operating profit from continuing activities

	Before exceptional items and amortisation of intangible assets 2012 £000	**Exceptional items and amortisation of intangible assets 2012 £000**	**2012 £000**	Before exceptional items and amortisation of intangible assets 2011 £000	Exceptional items and amortisation of intangible assets 2011 £000	2011 £000
Engineering Services	**9,639**	**(986)**	**8,653**	7,494	(2,243)	5,251
Specialist Building	**2,134**	**(634)**	**1,500**	1,907	(3,332)	(1,425)
Segment operating profit	**11,773**	**(1,620)**	**10,153**	9,401	(5,575)	3,826
Central activities	**(1,505)**	**—**	**(1,505)**	(1,507)	(76)	(1,583)
Operating profit	**10,268**	**(1,620)**	**8,648**	7,894	(5,651)	2,243
Net financing (expense)/income	**(227)**	**—**	**(227)**	310	—	310
Profit on ordinary activities before income tax	**10,041**	**(1,620)**	**8,421**	8,204	(5,651)	2,553

2 Segmental analysis continued

(a) Business analysis continued

Balance sheet analysis of business segments

	2012 Assets £000	2012 Liabilities £000	2012 Net assets £000	2011 (Restated) Assets £000	2011 (Restated) Liabilities £000	2011 (Restated) Net assets £000
Engineering Services	**116,600**	**(76,749)**	**39,851**	94,408	(54,052)	40,356
Specialist Building	**106,061**	**(123,577)**	**(17,516)**	128,111	(145,523)	(17,412)
Central activities	**189,352**	**(202,130)**	**(12,778)**	234,018	(248,670)	(14,652)
Discontinued operation	**686**	**(1,349)**	**(663)**	2,060	(1,376)	684
Group eliminations	**(288,151)**	**288,151**	**—**	(318,745)	318,745	—
Group net assets	**124,548**	**(115,654)**	**8,894**	139,852	(130,876)	8,976

Other information

	2012 Capital additions £000	2012 Depreciation £000	2012 Amortisation £000	2011 Capital additions £000	2011 Depreciation £000	2011 Amortisation £000
Engineering Services	**1,147**	**710**	**500**	663	825	404
Specialist Building	**102**	**183**	**—**	180	270	—
Central activities	**4**	**12**	**—**	—	16	—
Discontinued operation	**6**	**183**	**—**	6	48	—
	1,259	**1,088**	**500**	849	1,159	404

(b) Geographical analysis

Revenue is analysed as follows:

	2012 £000	2011 £000
UK	**337,423**	351,652
USA	**—**	1,108
Group revenue from continuing activities	**337,423**	352,760

Non-current asset analysis of geographical segments

	Assets £000	Assets £000
UK	**38,607**	39,699

3 Operating profit

	2012 £000	2011 £000
Operating profit is arrived at after charging/(crediting)		
Auditor's remuneration – audit services	**208**	215
Depreciation of owned assets	**695**	1,012
Depreciation of assets held under finance leases	**210**	99
Operating lease rentals – plant and machinery	**78**	66
Operating lease rentals – motor vehicles	**868**	757
Operating lease rentals – other	**2,621**	2,702
Rental income	**(1,278)**	(1,161)
Profit on sale of property, plant and equipment	**(17)**	(32)

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

	2012 £000	2011 £000
Fees payable to the Company's auditor for the audit of the financial statements	**54**	63
Fees payable to the Company's auditor and its associates for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**154**	152
Other services related to tax advice	**29**	—
Other services related to the acquisition	**—**	360
	237	575

Cost of sales includes £nil (2011: £nil) of inventories recognised as an expense in the period. There were no write-downs or reversal of write-downs of inventories recognised as an expense in the period (2011: £nil).

Notes to the accounts continued

3 Operating profit continued

Exceptional items and amortisation of intangible assets

	2012 £000	2011 £000
Redundancy and restructuring costs	**1,120**	3,680
Amco acquisition costs	**–**	1,357
Provision for OFT fine	**–**	200
Legal fees in connection with OFT fine	**–**	10
Total exceptional items	**1,120**	5,247
Amortisation of intangible assets (see Note 9)	**500**	404
	1,620	5,651

The Board has determined that certain charges to the income statement should be separately identified for better understanding of the Group's results.

During the year, the Group incurred £1,120,000 of exceptional redundancy and restructuring costs. £634,000 of these costs relate to Specialist Building where further staff reductions have been made to align the segment with the current trading environment. £486,000 relates to Engineering Services, primarily in respect of the integration of our rail businesses following the acquisition of Amco Group Holdings Ltd.

The Board has also separately identified the charge of £500,000 (2011: £404,000) for the amortisation of the fair value ascribed to certain intangible assets, other than goodwill, arising from the acquisitions of Seymour (C.E.C) Holdings Ltd and Amco Group Holdings Ltd. Further details are given in Note 9.

Discontinued operation analysis

	2012 £000	2011 £000
Revenue	**1,816**	3,907
Expenses	**(3,216)**	(4,000)
Write off of goodwill and fair value adjustment	**(904)**	–
Loss before income tax	**(2,304)**	(93)
Income tax (expense)/credit – deferred tax	**(68)**	22
Loss for the year from discontinued operation	**(2,372)**	(71)

The discontinued operation, C&A Pumps Ltd, was sold on 14 November 2012 for a nominal consideration.

4 Finance income and costs

Finance income

Finance income of £45,000 (2011: £167,000) has been earned during the year on bank deposits.

	2012 £000	2011 £000
Interest payable:		
On bank loans and overdrafts	**(506)**	(379)
Other interest payable	**(12)**	(8)
	(518)	(387)

Other finance income – defined benefit pension schemes		
Expected return on scheme assets	**6,834**	6,997
Interest on scheme liabilities	**(6,588)**	(6,467)
	246	530

Further information on the defined benefit pension schemes is set out in Note 24 to the accounts.

5 Employee numbers and remuneration

	2012 Number	2011 Number
The average monthly number of employees, including Executive Directors, employed in continuing activities during the year was:	**1,890**	2,036
At 30 September:	**1,889**	2,033
Production	**1,212**	1,320
Administrative	**678**	716
	1,890	2,036

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

	2012 £000	2011 £000
Wages and salaries	**77,141**	70,619
Social security costs	**7,910**	7,195
Other pension costs	**2,835**	3,126
Share based payments	**6**	66
	87,892	81,006

Directors' emoluments

	2012 £000	2011 £000
Aggregate emoluments	**1,019**	1,211
Highest paid Director: aggregate emoluments	**510**	630

Details of individual Directors' emoluments can be found in the Directors' Remuneration Report.

6 Income tax expense

(a) Analysis of expense in year

	2012 £000	2011 £000
Current tax:		
UK corporation tax on profits of the year	**(266)**	—
Adjustments in respect of previous periods	**86**	417
Total current tax	**(180)**	417
Deferred tax – defined benefit pension scheme	**(893)**	(1,175)
Deferred tax – other timing differences	**(302)**	(397)
Total deferred tax from continuing activities	**(1,195)**	(1,572)
Income tax expense	**(1,375)**	(1,155)
Deferred tax in respect of discontinued operation	**67**	(22)
Income tax expense in respect of continuing activities	**(1,308)**	(1,177)

(b) Factors affecting income tax expense for the year

	2012 £000	2011 £000
Profit before income tax	**8,421**	2,553
Profit multiplied by standard rate of corporation tax in the UK of 25% (2011:27%)	**(2,105)**	(689)
Effects of:		
Expenses not deductible for tax purposes	**(198)**	(423)
Timing differences not provided in deferred tax	**304**	32
Change in tax rate	**(96)**	(6)
Net credit/(charge) in respect of tax losses	**286**	(486)
Tax losses surrendered by discontinued operation	**348**	—
Deferred tax in respect of discontinued operation	**67**	(22)
Adjustments to tax charge in respect of previous periods	**86**	417
	(1,308)	(1,177)

Notes to the accounts continued

6 Income tax expense continued

(b) Factors affecting income tax expense for the year continued

The Group has available further unused UK tax losses of £61m (2011: £64m) to carry forward against future taxable profits. The Group also has unused USA tax losses of $16m (£9.9m) (2011: $31m (£19.4m)) to carry forward against future taxable profits in the USA. A substantial element of these losses relates to activities which are not forecast to generate the level of profits needed to utilise these losses. A deferred tax asset has been provided to the extent considered reasonable by the Directors, where recovery is expected to be recognisable within the foreseeable future. The unrecognised deferred tax asset in respect of these losses amounts to £16.3m (2011: £21.7m).

(c) Deferred tax asset

	2012 £000	2011 £000
Defined benefit pension scheme	**137**	31
Accelerated capital allowances	**551**	703
Other timing differences	**136**	568
Future tax losses	**2,105**	2,027
	2,929	3,329

(d) Deferred tax liabilities

	2012 £000	2011 £000
Defined benefit pension scheme	**(437)**	(283)
Fair value adjustments	**(602)**	(808)
	(1,039)	(1,091)

(e) Reconciliation of deferred tax asset

	2012 £000	2011 £000
As at 1 October	**3,329**	3,283
Acquisition of Amco Group Holdings Ltd	**(250)**	524
Origination of timing differences	**(43)**	(464)
Change of deferred tax rate	**(179)**	(46)
Defined benefit pension scheme – income statement	**(880)**	(1,033)
Defined benefit pension scheme – SOCI	**952**	1,065
At 30 September	**2,929**	3,329

(f) Reconciliation of deferred tax liability

	2012 £000	2011 £000
As at 1 October	**(1,091)**	(424)
Acquisition of Amco Group Holdings Ltd	**–**	(952)
Arising on fair value adjustments	**149**	50
Change of deferred tax rate	**58**	60
Defined benefit pension scheme – income statement	**(50)**	(142)
Defined benefit pension scheme – SOCI	**(105)**	317
At 30 September	**(1,039)**	(1,091)

7 Dividends

	2012 Pence/share	2011 Pence/share
Interim (related to the year ended 30 September 2012)	**1.05**	1.00
Final (related to the year ended 30 September 2011)	**2.00**	2.00
Total dividend paid	**3.05**	3.00
	£000	£000
Interim (related to the year ended 30 September 2012)	**628**	598
Final (related to the year ended 30 September 2011)	**1,199**	1,199
Total dividend paid	**1,827**	1,797

Dividends are recorded only when authorised and are shown as a movement in equity rather than as a charge in the income statement. The Directors are proposing that a final dividend of 2.10p per Ordinary Share be paid in respect of the year ended 30 September 2012. This will be accounted for in the 2012/13 financial year.

8 Earnings per share

	2012			2011		
	Earnings £000	**EPS Pence**	**DEPS Pence**	Earnings £000	EPS Pence	DEPS Pence
Earnings before exceptional costs	**8,328**	**13.90**	**13.33**	5,807	9.69	9.35
Exceptional costs and amortisation	**(1,215)**	**(2.03)**	**(1.95)**	(4,431)	(7.39)	(7.13)
Basic earnings per share – continuing activities	**7,113**	**11.87**	**11.38**	1,376	2.30	2.22
Loss for the year from discontinued operation	**(2,372)**	**(3.96)**	**(3.79)**	(71)	(0.12)	(0.12)
Basic earnings per share	**4,741**	**7.91**	**7.59**	1,305	2.18	2.10
Weighted average number of shares		**59,899**	**62,493**		59,899	62,093

The dilutive effect of share options is to increase the number of shares by 2,594,000 (2011: 2,194,000) and reduce basic earnings per share by 0.32p (2011: 0.08p).

9 Intangible assets

	Goodwill £000	Contractual rights and customer relationships £000
Cost:		
At 1 October 2010	9,558	1,072
Additions	17,428	3,000
Hindsight adjustment (Note 26)	740	—
At 30 September 2011 (restated)	27,726	4,072
Additions	—	—
At 30 September 2012	**27,726**	**4,072**
Impairment losses/amortisation:		
At 1 October 2010	—	918
Charge for year	—	404
At 30 September 2011 (restated)	—	1,322
Charge for year	808	500
At 30 September 2012	**808**	**1,822**
Carrying amount:		
At 30 September 2012	**26,918**	**2,250**
At 30 September 2011 (restated)	27,726	2,750
At 1 October 2010	9,558	154

The carrying amounts of goodwill by operating segment are as follows:

	2012 £000	2011 (Restated) £000
Specialist Building	**2,503**	2,503
Engineering Services	**24,415**	25,223
	26,918	27,726

Goodwill of £17,428,000 was acquired on the acquisition of Amco Group Holdings Ltd and was reviewed for impairment one year after the acquisition and then on an ongoing basis as required by IFRS 3. The impact of the review was to increase goodwill by £740,000 resulting in the restatement of the Group balance sheet as at 30 September 2011 (see Note 26).

Amortisation charges in respect of intangible assets with a finite life are recorded within administrative expenses in the income statement. The amortisation policy is disclosed in the accounting policies and approximates to a period of 6 years.

In order to test goodwill for impairment the Group performs value in use calculations by preparing cash flow forecasts for each cash generating unit derived from the most recent financial budgets and strategic plans approved by management going forward 3 years, and then extrapolates cash flows based on conservative estimated growth rates which do not exceed GDP growth in the longer term according to management's view of longer term prospects for each cash generating unit. The cash generating units are deemed to be the subsidiaries to which the goodwill relates. Management used growth rates deemed to be appropriate to each cash generating unit after reviewing the particular market conditions related to the sector in which the cash generating unit operates. The growth rates used range from +3% to +5%. The rate used to discount the forecast cash flows is 8% as the Board considers the rate appropriate in the current financial market as an approximation to the cost of funds to the Group. The calculation shows that there is substantial headroom, and the impairment calculations are not particularly sensitive to changes in the discount rate applied.

During the year, the Board decided to close the business of C&A Pumps Ltd which resulted in the write off of £808,000 of goodwill. C&A Pumps Ltd was sold on 14 November 2012 for a nominal consideration.

Notes to the accounts continued

10 Property, plant and equipment

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant, vehicles & equipment £000	Total £000
Cost:				
At 1 October 2010	1,821	789	4,961	7,571
Additions	5	—	844	849
Disposals	(1,580)	(714)	(952)	(3,246)
Acquisition of subsidiary	1,580	—	602	2,182
At 1 October 2011	1,826	75	5,455	7,356
Additions	—	—	1,259	1,259
Disposals	—	—	(1,703)	(1,703)
At 30 September 2012	**1,826**	**75**	**5,011**	**6,912**
Depreciation:				
At 1 October 2010	37	665	2,179	2,881
Charge for year	19	1	1,139	1,159
Disposals	—	(591)	(898)	(1,489)
At 1 October 2011	56	75	2,420	2,551
Charge for year	19	—	1,069	1,088
Disposals	—	—	(1,417)	(1,417)
At 30 September 2012	**75**	**75**	**2,072**	**2,222**
Net book value:				
At 30 September 2012	**1,751**	**—**	**2,939**	**4,690**
At 30 September 2011	1,770	—	3,035	4,805
At 30 September 2010	1,821	124	2,782	4,690

The net book value of assets under finance leases at 30 September 2012 was £1,429,000 (2011: £655,000). During the year £210,000 (2011: £99,000) of depreciation was charged against assets held under finance leases.

11 Inventories

	2012 £000	2011 £000
Developments and undeveloped land	**8,999**	8,779
Raw materials	**110**	139
	9,109	8,918

£1.1m (2011: £0.9m) of inventories are pledged as security for liabilities.

12 Trade and other receivables

	2012 £000	2011 £000
Trade receivables	**262**	233
Amounts due from construction contract customers	**67,942**	74,518
Other receivables	**4,278**	8,624
Prepayments and accrued income	**1,476**	1,526
	73,958	84,901

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Included in trade and other receivables are debtors with a carrying value of £2.5m (2011: £3.9m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable since there is no objective evidence that these financial assets are impaired. The Group does not hold any collateral over these balances. The average age of these receivables is 350 days (2011: 303 days).

Ageing of past due but not impaired receivables:

	2012 £000	2011 £000
30–180 days	**574**	1,185
180–365 days	**448**	1,174
Greater than 1 year	**1,498**	1,540
	2,520	3,899

13 Construction contracts

	2012 £000	2011 £000
Contracts in progress at balance sheet date:		
Amounts due from construction contract customers included in trade and other receivables	**67,942**	74,518
Amounts due to construction contract customers included in trade and other payables	**(1,936)**	(5,654)
	66,006	68,864
Contract costs incurred plus recognised profits less recognised losses to date	**3,367,214**	3,249,997
Less: progress billings	**(3,301,208)**	(3,181,133)
	66,006	68,864

At 30 September 2012 retentions held by customers amounted to £15.3m (2011: £17.8m). Advances received from customers for contract work amounted to £1.9m (2011: £5.7m).

Amounts due from construction contract customers which are past due at the reporting date amounted to £2.5m (2011: £3.9m).

This amount includes retention balances of £2.0m (2011: £3.1m). The Group does not hold any collateral over these balances or other trade and other receivables.

Contract revenue recognised in the year amounted to £337.0m (2011: £351.6m).

14 Cash and cash equivalents

	2012 £000	2011 £000
Cash at bank	**2,036**	5,681
Cash in hand	**4**	7
	2,040	5,688

15 Trade and other payables

	2012 £000	2011 £000
Amounts due to construction contract customers	**1,936**	5,654
Trade payables	**35,052**	42,115
Other taxation and social security	**2,500**	2,921
Other payables	**6,026**	5,119
Accruals and deferred income	**58,788**	59,734
	104,302	115,543

16 Borrowings

	2012 £000	2011 £000
Bank loans and overdrafts repayable:		
Within one year	**5,000**	5,000
Within two to five years	**2,500**	7,500
	7,500	12,500

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

17 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012 £000	2011 £000	2012 £000	2011 £000
Amounts payable under finance leases:				
Within one year	**598**	308	**570**	291
Within two to five years	**700**	376	**676**	369
	1,298	684	**1,246**	660
Less: future finance charges	**(52)**	(24)	**—**	—
Present value of lease obligations	**1,246**	660	**1,246**	660
Less: amount due for settlement within twelve months			**(570)**	(291)
Amount due for settlement after twelve months			**676**	369

It is the Group's policy to lease certain of its plant, vehicles and equipment under finance leases. The average outstanding lease term is 3 years (2011: 2 years). For the year ended 30 September 2012, the average effective borrowing rate was 3% (2011: 3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured on the asset to which the lease relates.

Notes to the accounts continued

18 Provisions

	Property obligations £000
At 1 October 2011	732
Provision movement during year	—
At 30 September 2012	**732**
Non-current liabilities	566
Current liabilities	166
At 30 September 2012	**732**

Property obligations represent commitments on leases for properties which the Group does not occupy where the Group does not expect to receive income sufficient to cover the full commitment. The provision represents outflows which are expected to occur over the next five years.

19 Other financial instruments

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

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

Interest rate profile of financial assets and liabilities

		Financial assets/(liabilities)		
	Fixed rate interest rate %	Fixed rate £000	Floating rate £000	Total £000
2012				
Assets				
Sterling	**—**	**—**	**1,667**	**1,667**
Dollar	**—**	**—**	**369**	**369**
		—	**2,036**	**2,036**
Liabilities				
Sterling	**3.0**	**(1,246)**	**(7,500)**	**(8,746)**
		(1,246)	**(7,500)**	**(8,746)**

		Financial assets/(liabilities)		
	Fixed rate interest rate %	Fixed rate £000	Floating rate £000	Total £000
2011				
Assets				
Sterling	—	—	5,522	5,522
Dollar	—	—	159	159
		—	5,681	5,681
Liabilities				
Sterling	3.0	(660)	(12,500)	(13,160)
		(660)	(12,500)	(13,160)

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

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

The maturity of the fixed rate financial liabilities is disclosed in Note 17. The fixed rate liabilities have a weighted average period of 3 years (2011: 2 years).

Fair value of financial assets and liabilities

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

Financial risks

The Group has exposure to a number of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, guidelines and authorisation procedures which are outlined in the corporate governance statement. The key financial risks resulting from financial instruments are credit, liquidity, currency and market risk.

19 Other financial instruments continued

Financial risks continued

a) Credit risk

Credit risk is the risk of loss if a customer fails to meet its financial obligations and results primarily from the Group's trade and other receivables. The degree to which the Group is exposed to this risk depends on the individual financial situation of each specific customer. The Group does not have any risk from a concentration of trade or other receivables in any customer or group of customers. The Group assesses the credit worthiness of every customer prior to entering into any contract and requires appropriate evidence of financial capability on a case by case basis. The Group reviews trade and other receivables for impairment on a regular basis and information relating to the ageing of receivables is provided in Note 12.

b) Liquidity risk

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

The Board aims to maintain a strong capital base so as to ensure investor and market confidence and to sustain the future of the business. The capital structure of the Group consists of equity attributable to equity holders of the Company as disclosed in Note 20 and reserves as disclosed in Note 21. The Group arranges loans and short term overdraft facilities and hire purchase facilities as the Board deems necessary. The Group does not have any derivative or non-derivative financial liabilities other than those disclosed in Notes 15 to 17 and the retirement benefit obligations disclosed in Note 24. An analysis of the maturity profile for finance lease liabilities is given in Note 17.

c) Currency risk

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 income statement) is in respect of the unhedged portion of an inter-company loan. At 30 September 2012 the unhedged portion of the inter-company loan was $270,000 (2011: $1,520,000). The dollar closing exchange rate was $1.61: £1 (2011: $1.56: £1) resulting in a foreign exchange loss of £12,000 being charged to finance costs. Consequently, to the extent that the inter-company loan is not fully hedged, the income statement may be impacted by exchange rate movements. Exchange rate movement on translation of Lovell America, Inc's net assets are charged to the cumulative translation adjustment within total equity. The exchange loss arising on the translation of Lovell America Inc's net assets was £407,000. The total equity statement would be impacted by £58,000 for each $0.01 movement in exchange rates.

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

d) Market risk

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

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

20 Share capital

	2012 **£000**	2011 £000
Allotted, called up and fully paid:		
59,898,927 (2011: 59,898,927) Ordinary Shares of 10p each	**5,990**	5,990

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

There were no Ordinary Shares issued in either year ending September 2012 or 2011.

Share options

Renew Holdings 2004 Executive Share Option Scheme

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

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

Vesting of options is dependant on the achievement of certain performance criteria which are established by the Remuneration Committee at the point of grant. 761,904 of the options granted in the 2006 financial year have vested. In respect of the options granted during the 2007 and 2008 financial years, the performance criteria were not met and so 940,252 of previously granted options have lapsed. In respect of the options granted during the 2009 financial year, 120,263 of the options have vested with 709,140 having lapsed due to the performance criteria not being met. All 1,312,319 options granted in the 2010 financial year have vested. The scheme does not permit retesting of performance conditions and if the performance criteria are not achieved then the options will lapse.

The number of options in issue and their exercise price is given in Note 21.

Notes to the accounts continued

20 Share capital continued

Share options continued

Renew Holdings plc Long Term Incentive Plan

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

On 2 March 2012, the Company granted options to subscribe for 400,000 ordinary shares pursuant to the LTIP.

The options are exercisable at a nominal cost from 2 March 2015 subject to the achievement of certain performance criteria.

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

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

21 Reserves

	Share premium account £000	Capital redemption reserve £000	Cumulative translation reserve £000	Share based payments reserve £000	Retained earnings £000
At 1 October 2010	5,893	3,896	1,059	217	(3,893)
Transfer from income statement for the year					1,305
Dividends paid					(1,797)
Recognition of share based payments				66	
Exchange differences			123		
Actuarial loss recognised in pension scheme					(5,265)
Movement on deferred tax relating to the pension scheme					1,382
At 1 October 2011	5,893	3,896	1,182	283	(8,268)
Transfer from income statement for the year					4,741
Dividends paid					(1,827)
Recognition of share based payments				6	
Exchange differences			(407)		
Actuarial loss recognised in pension scheme					(3,442)
Movement on deferred tax relating to the pension scheme					847
At 30 September 2012	**5,893**	**3,896**	**775**	**289**	**(7,949)**

There is no available analysis of goodwill written off against reserves in respect of subsidiaries that were acquired prior to 1989 and therefore, in accordance with the guidance of IFRS 3, the Directors are not able to state this figure.

Capital redemption reserve

This reserve represents the combined impact of share buy-backs in previous years.

Cumulative translation reserve

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

Share based payments reserve

Renew Holdings 2004 Executive Share Option Scheme

IFRS 2 "Share Based Payment" requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured by Baker Tilly, Chartered Accountants, using a Black-Scholes valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

£30,000 has been credited (2011: £66,000 charged) to administrative expenses. There is no impact on net assets since an equivalent amount has been charged to the share based payments reserve. No options were exercised during the year. The value per option represents the fair value of the option less the consideration payable.

The expected volatility is based on historical volatility of the share price since the Company listed on AIM in 2001.

The risk free rate of return has been derived from the Bank of England's yield curve taking the spot rate for a maturity of 36 months. This period has been selected as being the minimum period over which the options could remain extant.

21 Reserves continued

Options granted under the Renew Holdings 2004 Executive Share Option Scheme over the Company's ordinary shares at 30 September 2012 were as follows:

Date of grant	7 June 2006	26 November 2008	25 November 2009	Total
Awards outstanding at 30 September 2012				
– Directors	761,904	120,263	1,312,319	2,194,486
Exercise price and price at date of grant	52.5p	54.5p	34.5p	—
Maximum option life	10 years	10 years	10 years	—
Assumed option life for purposes of valuation	3 years	3 years	3 years	—
Expected volatility	47%	41%	53%	—
Dividend yield	1.0%	5.9%	8.5%	—
Risk free interest rate	4.67%	3.85%	1.88%	—
Value per option	20.5p	10.2p	8.7p	—

The options granted on 7 June 2006 have vested in full. The options granted on 8 January 2007 and 3 December 2007 have lapsed. 120,263 of the options granted on 26 November 2008 have vested with 709,140 having lapsed. The options granted on 25 November 2009 have vested in full.

Renew Holdings plc Long Term Incentive Plan

Fair value has been independently measured by PricewaterhouseCoopers LLP using a Monte Carlo model methodology. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

£36,000 has been charged (2011: £Nil) to administrative expenses. There is no impact on net assets since an equivalent amount has been credited against the share based payments reserve. No options were exercised during the year. The value per option represents the fair value of the option less the consideration payable.

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

Options granted under the Renew Holdings plc Long Term Incentive Plan over the Company's Ordinary Shares at 30 September 2012 were as follows:

Date of grant	2 March 2012
Awards outstanding at 30 September 2012	
– Directors	400,000
Exercise price	0.0p
Price at date of grant	75.0p
Maximum option life	10 years
Assumed option life for purposes of valuation	3 years
Expected volatility	46%
Dividend yield	4.0%
Risk free interest rate	0.43%
Value per option	40.0p

22 Capital and leasing commitments

	Land and buildings £000	Other £000	**Total 2012 £000**	Total 2011 £000
Commitments under non-cancellable operating leases:				
Under one year	2,506	795	**3,301**	3,021
Two to five years	7,529	1,074	**8,603**	9,327
Five or more years	17,285	—	**17,285**	20,168
	27,320	1,869	**29,189**	32,516

With regard to the operating leases held by the Group as lessor, the Group recognised £1,278,000 (2011: £1,161,000) of rental income in the income statement for 2012, relating to sub-letting of surplus premises.

The future minimum sub-lease receipts expected to be received under non-cancellable operating leases are as follows:

	Land and buildings £000	Other £000	**Total 2012 £000**	Total 2011 £000
Receivables under non-cancellable operating leases:				
Under one year	1,086	—	**1,086**	1,014
Two to five years	1,240	—	**1,240**	1,392
Five or more years	143	—	**143**	163
	2,469	—	**2,469**	2,569

The Group had £24,000 of capital commitments at 30 September 2012 (2011: £nil).

Notes to the accounts continued

23 Contingent liabilities

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

24 Employee benefits: Retirement benefit obligations

Defined benefit pension schemes

The Group operates two defined benefit pension schemes, the Lovell Pension Scheme and the Amco Pension Scheme.

Both schemes have been closed to new members and to further benefits accrual for several years.

IAS 19 "Employee Benefits"

The Directors have adopted the accounting required by IAS 19 with effect from the transition date. The Directors have discussed the assumptions used in determining the actuarial valuations set out below with independent pensions advisors and have determined that they are appropriate. The Lovell scheme's valuation at 30 September 2012 shows a deficit of £569,000 based on the assumptions set out below. The Amco scheme shows a surplus of £1,820,000 on the assumptions used in its valuation which are similar to those used for the Lovell scheme except where the Directors, in consultation with the scheme's advisors, consider it appropriate to vary them due to different characteristics of the Amco scheme and its membership profile. The Directors have determined that it is appropriate to recognise this surplus as, having reviewed the rules of the Amco scheme, they are of the view that the employer, Amalgamated Construction Ltd, has an unconditional right to that surplus.

The following disclosures required by IAS 19 have been based on the most recent actuarial valuation as at 30 September 2012 carried out by Lane Clark & Peacock LLP, Consulting Actuaries, in respect of the Lovell scheme and Capita Employee Benefits (Consulting) Limited in respect of the Amco scheme using the following assumptions:

	As at 30 September 2012	As at 30 September 2011	As at 30 September 2010
Lovell Pension Scheme			
Rate of increase in salaries	**4.0%**	4.0%	4.0%
LPI increases to pensions in payment	**2.7%**	3.2%	3.2%
Discount rate	**4.4%**	5.2%	4.9%
Inflation assumption (CPI)	**2.0%**	2.5%	2.8%
Inflation assumption (RPI)	**2.7%**	3.2%	3.3%
Increases in deferred pensions	**2.7%**	3.1%	2.8%
Amco Pension Scheme			
Rate of increase in salaries	**4.0%**	4.1%	
LPI increases to pensions in payment	**2.7%**	3.2%	
Discount rate	**4.4%**	5.2%	
Inflation assumption (CPI)	**2.0%**	2.5%	
Inflation assumption (RPI)	**2.7%**	3.2%	
Increases in deferred pensions	**2.7%**	3.2%	

The mortality tables adopted for the valuation of the Lovell scheme are the Continuing Mortality Investigations PNA00 series with projected longevity improvements fully allowed for according to each member's year of birth and with an additional allowance for future longevity improvements known as the medium cohort adjustment. The assumptions include adjustments to these tables based upon a postcode analysis of the membership. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 60 year old male pensioner is forecast to live for a further 25.6 years and the life expectancy of a male aged 60 in 2032 is 26.8 years.

The mortality tables adopted for the valuation of the Amco scheme are the S1PA Mortality tables based on the mortality experience of pension scheme members with projected longevity improvements and with an additional allowance for future longevity improvements known as the long cohort adjustment. The Directors believe that this analysis provides a more reliable estimate of the mortality characteristics of the scheme's membership. Under these assumptions, a 65 year old male pensioner is forecast to live for a further 23.6 years and the life expectancy of a male aged 65 in 2032 is 25.7 years.

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

	Value as at 30 September 2012 £000	**Expected rate of return**	Value as at 30 September 2011 £000	Expected rate of return	Value as at 30 September 2010 £000	Expected rate of return
Annuities	**44,797**	**5.1%**	44,556	4.3%	505	—
Diversified portfolio	**83,187**	**4.6%**	72,549	6.2%	72,584	6.2%
Bonds	**—**	**—**	—	—	52,566	5.0%
Cash	**(158)**	**0.5%**	1,248	0.5%	324	0.5%
Total	**127,826**		118,353		125,979	

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

24 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

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

	Value as at 30 September 2012 £000	Expected rate of return	Value as at 30 September 2011 £000	Expected rate of return
Equities	**6,358**	6.5%	6,262	7.5%
Gilts	**3,556**	2.2%	3,000	2.9%
Bonds	**4,195**	4.0%	3,392	5.2%
Cash	**406**	0.5%	391	0.5%
Total	**14,515**		13,045	

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

Lovell Pension Scheme

	2012 £000	2011 £000
Movements in scheme assets and liabilities		
Total fair value of scheme assets brought forward	**118,353**	125,979
Expected return on scheme assets	**6,229**	6,219
Employer contributions	**3,330**	3,764
Benefits paid	**(6,977)**	(6,924)
Actuarial gain/(loss) on scheme assets	**6,891**	(10,685)
Total fair value of scheme assets carried forward	**127,826**	118,353
Present value of scheme obligations brought forward	**118,472**	124,919
Interest costs	**5,983**	5,955
Current service costs	**54**	56
Benefits paid	**(6,977)**	(6,924)
Actuarial increase/(decrease) in scheme obligations	**10,863**	(5,534)
Total fair value of scheme obligations carried forward	**128,395**	118,472
Deficit in the scheme	**(569)**	(119)
Deferred tax	**137**	31
Net deficit	**(432)**	(88)
Amount charged to operating profit:		
Current service cost	**(54)**	(56)
	(54)	(56)
Amount credited to other financial income		
Expected return on scheme assets	**6,229**	6,219
Interest on scheme liabilities	**(5,983)**	(5,955)
	246	264
Amounts recognised in the statement of comprehensive income:		
Actual less expected return on scheme assets	**6,891**	(10,685)
Effect of change in assumptions on scheme liabilities	**(10,863)**	5,534
Actuarial loss	**(3,972)**	(5,151)
Movement in the net scheme deficit during the year:		
Net scheme (deficit)/surplus brought forward	**(119)**	1,060
Current service cost	**(54)**	(56)
Cash contribution	**3,330**	3,764
Other finance income	**246**	264
Actuarial loss	**(3,972)**	(5,151)
Net scheme deficit carried forward	**(569)**	(119)

Notes to the accounts continued

24 Employee benefits: Retirement benefit obligations continued

IAS 19 “Employee Benefits” continued

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

Amco Pension Scheme

	2012 £000	2011 £000
Movements in scheme assets and liabilities		
Total fair value of scheme assets brought forward	13,045	12,679
Expected return on scheme assets	605	778
Employer contributions	201	275
Benefits paid	(682)	(629)
Actuarial gain/(loss) on scheme assets	1,346	(58)
Total fair value of scheme assets carried forward	14,515	13,045
Present value of scheme obligations brought forward	11,956	12,017
Interest costs	605	512
Benefits paid	(682)	(629)
Actuarial increase in scheme obligations	816	56
Total fair value of scheme obligations carried forward	12,695	11,956
Surplus in the scheme	1,820	1,089
Deferred tax	(437)	(283)
Net surplus	1,383	806
Amount credited to other financial income		
Expected return on scheme assets	605	778
Interest on scheme liabilities	(605)	(512)
	–	266
Amounts recognised in the statement of comprehensive income:		
Actual less expected return on scheme assets	1,346	(58)
Effect of change in assumptions on scheme liabilities	(816)	(56)
Actuarial gain/(loss)	530	(114)
Movement in the net scheme surplus during the year:		
Net scheme surplus brought forward	1,089	662
Cash contribution	201	275
Other finance income	–	266
Actuarial gain/(loss)	530	(114)
Net scheme surplus carried forward	1,820	1,089

24 Employee benefits: Retirement benefit obligations continued

IAS 19 "Employee Benefits" continued

Lovell Pension Scheme

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets	**£6,891,000**	£(10,685,000)	£13,114,000	£8,548,000	£(6,905,000)
As a percentage of the assets at the end of the year	**5.4%**	(9.0)%	10.4%	7.7%	(6.9)%
Experience gains on scheme liabilities	**–**	£1,349,000	£2,100,000	–	£600,000
As a percentage of the liabilities at the end of the year	**–**	1.1%	1.7%	–	0.6%
Total amount recognised in the statement of comprehensive income	**£(3,972,000)**	£(5,151,000)	£1,164,000	£(2,895,000)	£(497,000)
As a percentage of the liabilities at the end of the year	**(3.1%)**	(4.3)%	0.9%	(2.6)%	(0.5)%

The Lovell scheme has been in operation for many years and, after taking advice from the Group's pensions advisors, the Directors have determined that it is not possible to allocate the assets and liabilities of the scheme between the various Group companies. As permitted by IAS 19, the Group has taken advantage of the multi-employer exemption and the deficit of the scheme is accounted for as an unallocated consolidation adjustment.

Amco Pension Scheme

	2012	2011
Difference between the expected and actual return on scheme assets	**£1,346,000**	£(58,000)
As a percentage of the assets at the end of the year	**9.3%**	(0.4)%
Experience gains on scheme liabilities	**–**	£490,000
As a percentage of the liabilities at the end of the year	**–**	4.1%
Total amount recognised in the statement of comprehensive income	**£530,000**	£(114,000)
As a percentage of the liabilities at the end of the year	**4.2%**	(1.0)%

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

Defined contribution pension scheme

The Group operates a number of defined contribution pension schemes and individual stakeholder pension plans for its employees. The Group made contributions of £2,835,000 (2011: £3,126,000) into these plans during the year. There are also £123,000 (2011: £169,000) of accruals relating to these plans.

25 Related parties

The Group has a related party relationship with its key management personnel who are the Main Board Directors: B May, J Samuel, R Harrison, J Bishop and D Forbes, whose total compensation amounted to £1,019,000 all of which was represented by short-term employment benefits.

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

Notes to the accounts continued

26 Acquisition of subsidiary undertaking

On 23 February 2011, the Company acquired the whole of the issued share capital of Amco Group Holdings Ltd ("Amco") for a consideration of £27.1m, of which £20.9m was paid in cash and £6.2m in deferred consideration.

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

	Book value £000	Adjustments £000	Fair value as reported at 30 September 2011 £000	Hindsight adjustments £000	Fair value as restated at 30 September 2011 £000
Non-current assets					
Intangible assets – goodwill	—	17,428	17,428	740	18,168
Intangible assets – other	—	3,000	3,000	—	3,000
Property, plant and equipment	1,571	611	2,182	—	2,182
Retirement benefit assets	2,628	(1,966)	662	—	662
Deferred tax assets	212	52	264	260	524
	4,411	19,125	23,536	1,000	24,536
Current assets					
Inventories	10	—	10	—	10
Trade and other receivables	22,945	—	22,945	—	22,945
	22,955	—	22,955	—	22,955
Total assets	27,366	19,125	46,491	—	47,491
Non-current liabilities					
Obligations under finance leases	(248)	—	(248)	—	(248)
Deferred tax liabilities	(736)	(216)	(952)	—	(952)
	(984)	(216)	(1,200)	—	(1,200)
Current liabilities					
Borrowings	(2,266)	—	(2,266)	—	(2,266)
Trade and other payables	(15,561)	(200)	(15,761)	(1,000)	(16,761)
Obligations under finance leases	(125)	—	(125)	—	(125)
Current tax liabilities	(86)	—	(86)	—	(86)
	(18,038)	(200)	(18,238)	(1,000)	(19,238)
Total liabilities	(19,022)	(416)	(19,438)	(1,000)	(20,438)
Net assets	8,344	18,709	27,053	—	27,053

Fair value adjustments arising from the acquisition

In accordance with IFRS 3, the Board reviewed the fair value of assets and liabilities using information available up to 12 months after the date of acquisition.

Retirement benefit assets

The Directors reviewed the actuarial assumptions adopted by the previous Board of Amco and decided to adjust the assumptions used to value pension scheme liabilities. Additionally, more reliable estimates of the mortality characteristics of the scheme's membership were adopted. These assumptions were set out in Note 24 of the Renew Holdings plc Annual Report 2011. The impact of this review was to increase goodwill and reduce the carrying value of the retirement benefit assets by £2.2m after accounting for deferred tax.

Accruals

The Directors reviewed the expected financial outcome in respect of contracts subsisting at the date of acquisition and accrued an additional £1.0m in respect of anticipated additional costs on one contract. The effect of this was to increase goodwill, accruals and deferred tax assets by a net £0.7m. These adjustments required the restatement of the Group balance sheet as at 30 September 2011.

Goodwill impairment review

The Board also reviewed the goodwill arising on acquisition for impairment as required by IFRS3. No such impairment was identified.

Company balance sheet
at 30 September

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	E	**668**	675
Investments	F	**79,191**	124,184
		79,859	124,859
Current assets			
Stocks and work in progress	G	**1,213**	773
Debtors: due within one year	H	**20,878**	23,072
		22,091	23,845
Creditors: amounts falling due in less than one year	I	**(72,191)**	(113,526)
Net current liabilities		**(50,100)**	(89,681)
Total assets less current liabilities		**29,759**	35,178
Creditors: amounts falling due after more than one year	J	**(2,500)**	(7,500)
Net assets		**27,259**	27,678
Capital and reserves			
Share capital	L	**5,990**	5,990
Share premium account	M	**5,893**	5,893
Capital redemption reserve	M	**3,896**	3,896
Share based payments reserve	M	**289**	283
Profit and loss account	M	**11,191**	11,616
Equity shareholders' funds	N	**27,259**	27,678

Approved by the Board and signed on its behalf by:

R J Harrison OBE
Chairman
27 November 2012

Notes to the company accounts

A Accounting policies

(i) Basis of accounting

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

A summary of the more important Company accounting policies, which have been applied consistently, is set out below:

(ii) Investments in subsidiaries

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

(iii) Tangible fixed assets

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

Freehold land	– no depreciation charge
Long leasehold land and buildings	– shorter of fifty years and period of lease
Plant and vehicles	– three to ten years
Office equipment	– two to seven years

(iv) Leasing commitments

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

(v) Share based payments

FRS 20 “Share Based Payments” requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured using either a Black-Scholes or a Monte Carlo valuation model as was deemed appropriate by the Directors for the relevant options’ conditions. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period based on the Directors’ estimate of shares that will eventually vest.

(vi) Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the 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 recovered. In accordance with FRS 19 deferred tax is not provided for on:

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; and

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.

(vii) 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. Exchange differences are taken to the profit and loss account.

(viii) Defined benefit pension scheme

The Company has adopted the requirements of FRS 17 “Retirement Benefits”. The Directors have determined that it is not possible to allocate the assets and liabilities of the scheme between the various Group companies. Accordingly the scheme is not accounted for in the Company’s balance sheet. However, any increase in the present value of liabilities within the defined benefit scheme expected to arise from employee service in the period is charged to operating profit in respect of the Company’s employees.

(ix) Defined contribution pension plans

Contributions to defined contribution pension plans are charged to the profit and loss account as incurred.

(x) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(xi) Stocks and work in progress

Stocks comprise land held for development 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.

B Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The profit after taxation for the financial year dealt with in the accounts of the Company was £1,402,000 (2011: £3,536,000).

The audit fee charged within the profit and loss account amounted to £54,000 (2011: £63,000).

C Employee numbers and remuneration

	2012 Number	2011 Number
The average monthly number of employees, all of whom were administrative staff including Executive Directors, employed in continuing activities during the year was:	**31**	34
At 30 September:	**30**	34

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

	£000	£000
Wages and salaries	**2,376**	2,085
Social security costs	**285**	248
Other pension costs	**131**	126
Share based payments	**6**	66
	2,798	2,525

Directors' emoluments

	£000	£000
Aggregate emoluments	**1,019**	1,211
Highest paid director: aggregate emoluments	**510**	630

Details of individual Directors' emoluments and pension contributions can be found in the Directors' Remuneration Report.

D Dividends

	2012 Pence/share	2011 Pence/share
Interim (related to the year ended 30 September 2012)	**1.05**	1.00
Final (related to the year ended 30 September 2011)	**2.00**	2.00
Total dividend paid	**3.05**	3.00

	£000	£000
Interim (related to the year ended 30 September 2012)	**628**	598
Final (related to the year ended 30 September 2011)	**1,199**	1,199
Total dividend paid	**1,827**	1,797

Dividends are recorded only when authorised and are shown as a movement in equity shareholders' funds rather than as a charge in the profit and loss account. The Directors are proposing that a final dividend of 2.10p per Ordinary Share be paid in respect of the year ended 30 September 2012. This will be accounted for in the 2012/13 financial year.

E Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant, vehicles & equipment £000	Total £000
Cost:				
At 1 October 2011	701	75	307	1,083
Additions	—	—	4	4
At 30 September 2012	**701**	**75**	**311**	**1,087**
Depreciation:				
At 1 October 2011	28	75	305	408
Charge for year	9	—	2	11
At 30 September 2012	**37**	**75**	**307**	**419**
Net book value:				
At 30 September 2012	**664**	**—**	**4**	**668**
At 30 September 2011	673	—	2	675

Notes to the company accounts continued

F Investments

	Subsidiary undertakings £000
Shares at cost:	
At 1 October 2011	198,966
Additions	16,104
At 30 September 2012	**215,070**
Provisions:	
At 1 October 2011	74,782
Provided during the year	61,097
At 30 September 2012	**135,879**
Net book value:	
At 30 September 2012	**79,191**
At 30 September 2011	124,184

During the year Britannia Construction Ltd, Walter Lilly & Co Ltd, Shepley Engineers Ltd and V.H.E Construction Plc were acquired from subsidiary undertakings at net book value.

During the year the Company reorganised its investments in subsidiary undertakings, resulting in the write down of investments which was balanced by the receipt of dividends. This reorganisation had no impact on the Company's net assets or profit for the year.

Details of the principal subsidiary undertakings are included in Note R.

The investment in subsidiaries is supported by their net asset values and their discounted expected future cash flows.

G Stock and work in progress

	2012 £000	2011 £000
Undeveloped land	**1,213**	773

H Debtors

	2012 £000	2011 £000
Due within one year:		
Trade debtors	**194**	166
Due from subsidiary undertakings	**19,561**	22,273
Other debtors	**412**	76
Deferred tax	**18**	10
Prepayments and accrued income	**693**	547
	20,878	23,072

I Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts	**22,641**	9,751
Trade creditors	**921**	187
Other taxation and social security	**546**	753
Due to subsidiary undertakings	**40,302**	96,817
Other creditors	**602**	349
Accruals and deferred income	**7,179**	5,669
	72,191	113,526

J Creditors falling due after more than one year

	2012 £000	2011 £000
Bank loan	**2,500**	7,500
Bank loans and overdrafts repayable:		
Within one year	**22,641**	9,751
Within two to five years	**7,500**	7,500
	30,141	17,251

K Derivatives and other financial instruments

Currency exposures

The only exposure of the Company to currency risk (i.e. exposure to gains or losses on foreign exchange which would be recognised in the profit and loss account) is in respect of the unhedged portion of an inter-company loan. At 30 September 2012 the unhedged portion of the inter-company loan was $270,000 (2011: $1,520,000).

The Company's operations are denominated in sterling.

Fair value of financial assets and liabilities

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

L Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid:		
59,898,927 (2011: 59,898,927) Ordinary Shares of 10p each	**5,990**	5,990

Share options

Renew Holdings 2004 Executive Share Option Scheme

The Company operates a share option scheme, the Renew Holdings 2004 Executive Share Option Scheme.

The scheme has both an Approved and Unapproved element. The difference between the two elements is that the Approved scheme has the advantage of certain HMRC approved tax benefits.

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

Vesting of options is dependant on the achievement of certain performance criteria which are established by the Remuneration Committee at the point of grant. 761,904 of the options granted in the 2006 financial year have vested. In respect of the options granted during the 2007 and 2008 financial years, the performance criteria were not met and so 940,252 of previously granted options have lapsed. In respect of the options granted during the 2009 financial year, 120,263 of the options have vested with 709,140 having lapsed due to the performance criteria not being met. All 1,312,319 options granted in the 2010 financial year have vested.

The scheme does not permit retesting of performance conditions and if the performance criteria are not achieved then the options will lapse.

Renew Holdings plc Long Term Incentive Plan

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

On 2 March 2012, the Company granted options to subscribe for 400,000 ordinary shares pursuant to the LTIP.

The options are exercisable at a nominal cost from 2 March 2015 subject to the achievement of certain performance criteria.

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

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

Details of both schemes and options in issue is given in Note M.

Notes to the company accounts continued

M Reserves

	Share premium account £000	Capital redemption reserve £000	Share based payments reserve £000	Profit & loss account £000
At 1 October 2011	5,893	3,896	283	11,616
Transfer from profit and loss account for the year				1,402
Recognition of share based payments			6	
Dividends paid				(1,827)
At 30 September 2012	**5,893**	**3,896**	**289**	**11,191**

Share based payments reserve

FRS 20 “Share Based Payment” requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured by Baker Tilly, Chartered Accountants, using a Black-Scholes valuation model. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of shares that will eventually vest.

£30,000 has been credited (2011: £66,000 charged) to administrative expenses. There is no impact on net assets since an equivalent amount has been charged to the share based payments reserve. No options were exercised during the year. The value per option represents the fair value of the option less the consideration payable.

The expected volatility is based on historical volatility of the share price since the Company listed on AIM in 2001. The risk free rate of return has been derived from the Bank of England’s yield curve taking the spot rate for a maturity of 36 months. This period has been selected as being the minimum period over which the options could remain extant.

Options granted under the Renew Holdings 2004 Executive Share Option Scheme over the Company’s Ordinary shares at 30 September 2012 were as follows:

Date of grant	7 June 2006	26 November 2008	25 November 2009	Total
Awards outstanding at 30 September 2012				
– Directors	761,904	120,263	1,312,319	2,194,486
Exercise price and price at date of grant	52.5p	54.5p	34.5p	—
Maximum option life	10 years	10 years	10 years	—
Assumed option life for purposes of valuation	3 years	3 years	3 years	—
Expected volatility	47%	41%	53%	—
Dividend yield	1.0%	5.9%	8.5%	—
Risk free interest rate	4.67%	3.85%	1.88%	—
Value per option	20.5p	10.2p	8.7p	—

The options granted on 7 June 2006 have vested in full. The options granted on 8 January 2007 and 3 December 2007 have lapsed. 120,263 of the options granted on 26 November 2008 have vested with 709,140 having lapsed. The options granted on 25 November 2009 have vested in full.

Renew Holdings plc Long Term Incentive Plan

Fair value has been independently measured by PricewaterhouseCoopers LLP using a Monte Carlo model methodology. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest.

£36,000 has been charged (2011: £Nil) to administrative expenses. There is no impact on net assets since an equivalent amount has been credited against the share based payments reserve. No options were exercised during the year. The value per option represents the fair value of the option less the consideration payable.

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

Options granted under the Renew Holdings plc Long Term Incentive Plan over the Company’s Ordinary shares at 30 September 2012 were as follows:

Date of grant	2 March 2012
Awards outstanding at 30 September 2012	
– Directors	400,000
Exercise price	0.0p
Price at date of grant	75.0p
Maximum option life	10 years
Assumed option life for purposes of valuation	3 years
Expected volatility	46%
Dividend yield	4.0%
Risk free interest rate	0.43%
Value per option	40.0p

N Reconciliation of movements in equity shareholders' funds

	2012 £000	2011 £000
Profit for the year	**1,402**	3,536
Dividends paid	**(1,827)**	(1,797)
Recognition of share based payments	**6**	66
At 1 October 2011	**27,678**	25,873
At 30 September 2012	**27,259**	27,678

O Capital and leasing commitments

	Land and buildings £000	Other £000	Total 2012 £000	Total 2011 £000
Annual commitments under non-cancellable operating leases expiring in:				
Under one year	444	—	**444**	4
Two to five years	93	29	**122**	19
Five or more years	1,361	—	**1,361**	1,462
	1,898	29	**1,927**	1,485

The Company has capital commitments at 30 September 2012 of £nil (2011: £nil).

P Contingent liabilities

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

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

The company is a participant together with a number of subsidiary undertakings in the Group banking arrangements, and as a result has risks associated with the financial status and performance of the other companies within the Group.

Q Defined contribution pension scheme

The Company operates a number of defined contribution pension schemes and individual stakeholder pension plans for its employees.

The Company made contributions of £131,000 (2011: £126,000) into these plans during the year. There are also £10,000 (2011: £9,000) of accruals relating to these plans.

R Principal subsidiary undertakings

Renew Holdings plc acts as the holding company of the Group. The principal activity of the Group during the year was as contractors in Engineering Services and Specialist Building.

The principal subsidiary undertakings are shown below.

		Incorporation & principal place of business	Proportion of Ordinary Shares held by the Company
Subsidiary undertakings			
Allenbuild Ltd	Owned by subsidiary	England and Wales	100%
Britannia Construction Ltd	Owned by Renew Holdings plc	England and Wales	100%
Walter Lilly & Co Ltd	Owned by Renew Holdings plc	England and Wales	100%
V.H.E. Construction Plc	Owned by Renew Holdings plc	England and Wales	100%
Shepley Engineers Ltd	Owned by Renew Holdings plc	England and Wales	100%
Seymour (Civil Engineering Contractors) Ltd	Owned by subsidiary	England and Wales	100%
Amalgamated Construction Ltd	Owned by subsidiary	England and Wales	100%
Lovell America, Inc	Owned by Renew Holdings plc	USA	100%

S Related parties

The Company has a related party relationship with its key management personnel who are the Main Board Directors: B May, J Samuel, R Harrison, J Bishop and D Forbes, whose total compensation amounted to £1,019,000 all of which was represented by short-term employment benefits.

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

Directors, officers and advisors

Directors

R Harrison OBE	(Non-executive Chairman)
B May	(Chief Executive)
J Samuel FCA	(Group Finance Director)
J Bishop FCA	(Independent Non-executive)
D Forbes	(Independent Non-executive)

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Auditor
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1 The Embankment
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Financial PR
Walbrook PR Ltd
4 Lombard Street
London
EC3V 9HD

Nominated advisor and broker
Numis Securities Limited
London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Company Secretary
J Samuel FCA

Company number
650447

Registered address
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Main Street North
Aberford
West Yorkshire
LS25 3AA

Website address
www.renewholdings.com

Shareholder information

Shareholder information

Annual General Meeting	30 January 2013
Results	Announcement of interim results – May 2013
	Preliminary announcement of full year results – November 2013

Dividend re-investment plan
For any shareholders who wish to re-invest dividend payments in the Company, a facility is provided by Capita IRG Trustees Ltd in conjunction with Capita Registrars. Under this facility, cash dividends are used to purchase additional shares. Any shareholder requiring further information should contact Capita on 0871 664 0381 (calls cost 10p per minute plus any network extras from within the UK; lines are open from 9am to 5.30pm Monday to Friday). If calling from overseas +44(0)208 639 3402. Fax 0208 639 1023. Email shares@capitaregistrars.com or visit www.capitaregistrars.com.

Boiler room fraud
In recent years many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based “brokers” who target UK shareholders, offering to sell them what turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as “boiler rooms”. Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Check that they are properly authorised by the FSA by visiting www.fsa.gov.uk/register/
- Report the matter to the FSA either by calling 0300 500 5000 or visiting www.moneymadeclear.fsa.gov.uk

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk. More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk.

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Company Number: 650447
Registered in England & Wales

Renew Holdings plc Annual Report and Accounts 2012