# ENGINEERING INFRASTRUCTURE

## FOR THE FUTURE

**RENEW HOLDINGS PLC**
ANNUAL REPORT AND ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2017

# ENGINEERING INFRASTRUCTURE

## FOR THE FUTURE

We provide essential engineering services to maintain and renew UK infrastructure networks.

Our multidisciplinary engineering services are delivered through our independently branded UK subsidiary businesses that support the day-to-day running of these infrastructure networks.

# RESULTS FOR THE YEAR

- Revenue increased 7% to £560.8m (2016: £525.7m), including £2.2m from share in a joint venture
- Engineering Services order book increased 4% to £438m (2016: £421m)
- Dividend per share increased by 13% to 9.0p (2016: 8.0p)
- Acquisition of Giffen Holdings Limited

## STRATEGIC REPORT



## CORPORATE GOVERNANCE



## FINANCIAL STATEMENTS



**Find out more about us at renewholdings.com**

# WHO WE ARE

1

Renew is a holding company which gives autonomy to its operating subsidiaries, enabling them to be competitive and effective in their individual markets whilst setting overall standards.

2

We seek to deliver value to shareholders through our established and proven strategy, providing reliable capital growth alongside a progressive dividend policy.

3

Our independently branded subsidiary businesses have expert knowledge in their individual markets and directly deliver engineering services aligned to the needs of our clients, many of whom are responsible for the long-term maintenance and renewal of national infrastructure networks.

# WHAT WE OFFER

Our range of multidisciplinary engineering services means we are ideally positioned to undertake the essential maintenance and renewal tasks associated with operating some of the country's largest infrastructure networks.

We focus on the Energy, Environmental and Infrastructure markets in the UK and support clients responsible for a range of assets including nuclear facilities, clean and wastewater networks, and rail and wireless telecoms networks.

## ENGINEERING SERVICES

### Energy

We work in the nuclear, thermal, renewable energy and gas infrastructure markets providing a range of engineering services. We provide essential maintenance and renewals nationally including at nuclear facilities, power stations and renewable energy sites as well as undertaking large-scale gas mains replacements in the South.

Energy page 16

### Environmental

Working in the water sector, we undertake a wide range of engineering support across the clean and wastewater infrastructure networks. Tasks range from trunk mains cleaning and renewals to 24/7 repairs on the water network for our clients.

Our specialist land remediation activities, in particular our site-based remediation techniques, have a range of applications. We work for clients including local authorities and waste management groups.

Environmental page 18

### Infrastructure

Working nationally for Network Rail, as well as London Underground and Train Operating Companies, we provide innovative and specialist engineering services across the rail network. We deliver planned maintenance on thousands of infrastructure assets, including bridges, viaducts and culverts as well as specialist solutions for tunnels on some of the busiest routes on the rail network. Our 24/7 emergency support services see us deliver some of the most technically challenging operations on the network to help keep trains running.

Infrastructure page 20

## SPECIALIST BUILDING

### High Quality Residential

We focus on providing specialist engineering expertise for major structural alteration works both above and below ground and specialist temporary works engineering for high value properties in London and the Home Counties.

Specialist Building page 22

## Our subsidiary business brands

# A LEADING PROVIDER OF ENGINEERING SERVICES

- Strong results for the year ended 30 September 2017
- Engineering Services order book up 4% to £438m
- The Group's operations focus on delivering essential infrastructure maintenance tasks in targeted regulated markets within the UK

"THE BOARD LOOKS FORWARD WITH CONFIDENCE TO THE GROUP CONTINUING TO DELIVER FURTHER STRONG FINANCIAL RESULTS."

## Results

The Board is pleased to announce strong results for the year ended 30 September 2017. These results reflect our position as a leading provider of engineering services to many of the UK's critical infrastructure assets and in particular our strength in the nuclear, rail and water markets.

Group revenue, including £2.2m from a joint venture, increased by 6.7% to £560.8m (2016: £525.7m) with operating profit prior to impairment, amortisation and exceptional items, increasing by 16.4% to £25.6m (2016: £22.0m), an operating margin of 4.6% (2016: 4.2%). After accounting for impairment, amortisation and exceptional items of £8.9m, operating profit was £16.6m (2016: £19.0m). After finance costs and tax, earnings per share prior to impairment, amortisation and exceptional items increased by 21.6% to 33.36p (2016: 27.43p). After accounting for impairment, amortisation and exceptional items, basic earnings per share on continuing activities was 19.88p (2016: 23.53p).

## Exceptional Items

At the end of April 2017, the Group decided to withdraw from its loss-making low pressure, small diameter gas pipe replacement activities and as a result reviewed the carrying value of its investment in that business. The Board determined that a non-cash impairment charge of £5.8m should be made which is included within exceptional items. This was reported in the interim results. Our gas operations are now completely focused on medium pressure activities. This restructuring has resulted in £0.6m of exceptional charges relating to redundancy and other costs.

## Dividend

The Board is proposing a final dividend of 6.0p per share, increasing the full year dividend by 12.5% to 9.0p (2016: 8.0p). The dividend will be paid on 13 March 2018 to shareholders on the register as at 2 February 2018.

## Order Book

The Group's order book at 30 September 2017 was £511m (2016: £516m), with the Engineering Services order book up 4% to £438m (2016: £421m).

## Cash

The Board is pleased to record a net cash position of £3.9m (2016: £4.8m). This is after expending £7.2m on the acquisition of Giffen Holdings Limited ("Giffen") in November 2016.

Sustainability page 24



## People

Safety remains a top priority and the commitment of our employees, and those who work with us, continues to improve safe working practices across the Group.

On behalf of the Board, I would like to thank all our employees for their hard work and commitment which has contributed to another successful year for the Group.

## Board Changes

As previously reported, John Samuel, the Group Finance Director, will resign from that position on 29 November 2017 and will be succeeded by Sean Wyndham-Quin, who joined the Group and was appointed to the Board on 8 November 2017.

In April, the Board was pleased to welcome the appointment of David Brown as a non-executive Director.

Having served as a Director since November 2003, I have decided to retire at the next Annual General Meeting which will be held on 31 January 2018. David Forbes, who has served as a non-executive Director since June 2011, will assume the position of Chairman providing continuity of leadership and I wish David every success going forward.

## Strategy

The Group's operations focus on delivering essential infrastructure maintenance tasks in targeted regulated markets within the UK. As a result, we have not experienced any adverse impact following the UK's announcement of its intention to withdraw from the European Union nor do we expect to. We deliver our services through our clients' non-discretionary operational expenditure programmes which provide good visibility of future opportunities and sustainable earnings streams.

We continue to seek out appropriate, earnings enhancing acquisitions in our Engineering Services markets. In November 2016, we acquired Giffen, a specialist mechanical, electrical and power services provider in the rail market. Integration with our existing rail business has gone well and we believe that our enhanced rail offering strengthens our ability to address additional framework opportunities in Network Rail's next funding period, CP6.

In Specialist Building, the Group focuses on the High Quality Residential market in London and the Home Counties where we have particular skills in major engineering structural works to extend or reconfigure high value properties.

## Outlook

The Group is well positioned for the 2017/18 financial year. Bank debt will have been completely repaid by 31 March 2018.

Following a year in which Specialist Building revenue has been particularly high, we expect that it will reduce, perhaps by as much as £35m, in the 2017/18 financial year. We remain confident that we will continue to deliver stable operating profits in that business.

In Engineering Services, the order book provides a solid foundation for continued growth.

The Board looks forward with confidence to the Group continuing to deliver further strong financial results.

**R J Harrison OBE**
Chairman
21 November 2017

# ESSENTIAL INFRASTRUCTURE ENGINEERING

- The Group has extensive framework positions to deliver infrastructure maintenance and renewals across a range of regulated market sectors
- Engineering Services operating profit prior to impairment, amortisation and exceptional items, of £25.1m
- We extended our range of services in Rail with the acquisition of Giffen Holdings Ltd

These strong results demonstrate that our focus on delivering essential maintenance services in regulated markets continues to provide robust, long-term opportunities.

## Operational Review

### Engineering Services

Revenue has grown to £452.4m (2016: £436.2m), including £2.2m from a joint venture. During the year, activity levels in the Environmental market have been strong, particularly on the current AMP6 investment programme which has seen clients' programmes move from early planning and design phases into delivery. In Energy, revenue was lower than 2016 as we withdrew from the loss-making small diameter, low-pressure gas market and a major scheme we were involved with at Sellafield moved into the commissioning phase. In Infrastructure, revenue in both Rail and Wireless Telecoms increased.

Our integrated multidisciplinary services are essential to clients responsible for delivering maintenance and renewals programmes in regulated markets. Our selectivity and direct delivery model has resulted in an operating profit prior to impairment, amortisation and exceptional items, of £25.1m (2016: £21.5m), an increase of £3.6m (16.7%). The operating margin on this basis improved to 5.6% (2016: 4.9%). After accounting for impairment, amortisation and exceptional items of £8.9m (2016: £3.0m), operating profit was £16.2m (2016: £18.6m) resulting in an operating margin of 3.6% (2016: 4.3%).

Our Engineering Services order book grew 4% in the period to £438m (2016: £421m). The order book reflects our established position in markets which benefit from long-term, non-discretionary programmes supporting the maintenance and renewal of key infrastructure assets.

In the year, we extended our range of services in Rail with the acquisition of Giffen Holdings Ltd ("Giffen"). The acquisition broadened our offering as a major engineering services provider to Network Rail, as well as providing services to London Underground and Train Operating Companies.

## Energy

We operate across the energy market for clients including Sellafield Ltd, SSE, Magnox, E.ON and Low Level Waste Repository Limited.

We are well positioned on key frameworks associated with high hazard risk reduction operations at the Sellafield nuclear site in Cumbria. We are strategically placed on all three lots of the ten-year Decommissioning Delivery Partnership Framework that has an estimated value of £500m with the headroom to increase to £1.5bn over the term to 2025. Our long-term engagement on high priority programmes provides good visibility and we remain strongly positioned for participation in future major project programmes at the site.

As previously reported, our Gas business is now focused on the medium pressure market that will benefit from significant investment in the coming years to meet regulatory requirements for cast iron gas mains replacement. Working for Southern Gas Networks, we operate as exclusive provider on a regional medium pressure framework that runs to 2021. Additionally, we continue to work on large diameter mains replacements for tRIIO, the vehicle used by National Grid for its mains replacement programmes in the South East. Whilst the performance of our gas business has continued to be disappointing, structural and commercial measures have been implemented to move the business back into growth and profitability in the second half of 2018.

## Environmental

In Water, we have seen increased activity in the current AMP6 investment period. Major frameworks include the Sewerage Repairs and Maintenance Framework for Northumbrian Water and the Civils and EMI Capital Delivery Partners Framework for Wessex Water.

For Welsh Water, we have been reappointed to the Pressurised Pipelines Framework. This new seven-year framework, which has an advertised value of £329m, covers all Welsh regions and incorporates the current Emergency Reactive Framework. Additionally, we continue to operate on the Major Civils Framework and the Capital Delivery Alliance Civils contracts.

In the period we were appointed as sole supplier on the national seven-year MEICA Framework for Canal and River Trust which will see us support around 1,000 water assets for this new client. Work continues as sole provider for the Environment Agency on the Northern MEICA Framework and through four national Minor Works frameworks.

In Land Remediation, we operate on frameworks to remediate the sites of former gasworks for clients including National Grid and SGN. These positions are complemented by projects for repeat clients and 2017 has seen another major remediation contract successfully carried out for Glasgow City Council.

At the Palace of Westminster, the cast iron roof restoration is progressing well and puts us in a good position for future opportunities at this World Heritage site. During the year, the Courtyards Conservation Framework was extended to 2025.

## Infrastructure

We work as a leading provider of infrastructure services to Network Rail on the current investment period (CP5) that runs to March 2019, delivering a high volume of asset maintenance and renewals tasks nationally. During the year we worked on over 5,000 individual remits with an average value of £11,000 as well as approximately 300 larger projects. We deliver planned and reactive works across the network as well as emergency support responding to some of the most challenging emergency events on the rail network. We continue to develop our position in Scotland as the major structures renewals contractor.

The Government recently announced an increase in funding to £48bn for CP6, the next period of Network Rail expenditure, which runs from 2019 to 2024. CP6 will focus on both maintenance and renewals on the rail network as key priorities. We believe that the Group is particularly strongly placed to benefit from this spending profile.

The acquisition of Giffen has increased our opportunities in the Rail market including London Underground. Already, schemes incorporating the joint skill sets of Giffen and Amco Rail have been secured and we expect this to represent an increasing proportion of our work in the Rail sector going forward.

In Wireless Telecoms, we continue to see profitability improve in a market driven by increasing demand for capacity and better geographical coverage, particularly on the 4G rollout programme.

# "OUR INTEGRATED MULTIDISCIPLINARY SERVICES ARE ESSENTIAL TO CLIENTS RESPONSIBLE FOR DELIVERING MAINTENANCE AND RENEWALS PROGRAMMES IN REGULATED MARKETS."

## **Operational Review** continued

### Specialist Building

Revenue was £106.8m (2016: £90.5m) with an operating profit of £2.4m (2016: £2.3m). At the year end, the order book stood at £73m (2016: £95m). In Specialist Building, where we focus on the High Quality Residential market in London and the Home Counties, the forward order book can vary from period to period, dependent on the timing of client projects. Renew's focus remains on delivering stable operating profits, whilst reducing risk through contract selectivity and management of contract terms.

## Summary

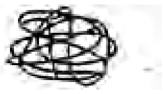
The Group remains committed to the growth of its Engineering Services business where appropriate margins can be delivered.

Our established strategy focuses on:

- Infrastructure markets with non-discretionary, long-term funding
- Operational expenditure budgets for renewal and maintenance operations
- Utilising our directly employed workforce to develop relationships built on responsiveness

The UK is committed to long-term investment in its critical infrastructure networks. The Group has extensive framework positions to deliver infrastructure maintenance and renewals across a range of regulated market sectors which provide good levels of opportunities.

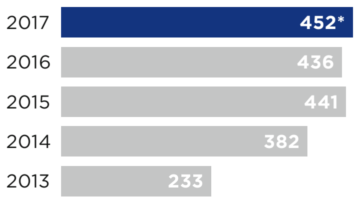
The Board remains confident that our direct delivery model and ability to respond in markets where demand will continue to provide the opportunities for sustainable growth.



**P Scott**
Chief Executive
21 November 2017

**Engineering Services revenue** £m

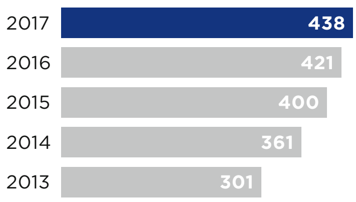
**£452m***




* Includes £2.2m from share in a joint venture.

**Engineering Services order book** £m

**£438m**




Operational review page 16

"

THE UK IS COMMITTED TO LONG-TERM INVESTMENT IN ITS CRITICAL INFRASTRUCTURE NETWORKS. THE GROUP HAS EXTENSIVE FRAMEWORK POSITIONS TO DELIVER INFRASTRUCTURE MAINTENANCE AND RENEWALS ACROSS A RANGE OF REGULATED MARKET SECTORS WHICH PROVIDE GOOD LEVELS OF OPPORTUNITIES."

# HOW WE DELIVER VALUE

By the effective management and control of our subsidiary businesses, we deliver shareholder value through capital growth and a progressive dividend policy.

## Ensuring the consistent delivery of quality

We are committed to ensuring we consistently deliver quality. Our businesses focus on maintaining and improving standards across their operations including in logistics, training, technology, sustainability and in the management of their supply chain. We strive to continue to develop and improve our business processes.

## Safe delivery of our services is paramount

Safety remains the Group's priority. Our safe operations are managed by our subsidiary businesses alongside their safety advisors, who have specific knowledge in the individual environments. Safety advisors share knowledge and best practice, assisting our businesses in maintaining their high safety standards. We are pleased that our commitment to reducing unsafe working practices has resulted in a further improvement in the Group's accident incident rate in the year.

## Development of long-term positions in target markets

We support the day-to-day operational requirements of some of the country's key infrastructure and, as such, we build strong relationships with our clients, many of which we have worked with for many years. We provide both planned and responsive services where we fulfil a high volume of low-cost tasks on a range of assets through long-term framework agreements. Our responsive engineering services, combined with consistent delivery, mean we are well positioned to work on some of the largest asset maintenance and renewal frameworks nationally, which are largely delivered through our clients' operational expenditure budgets.

## Development and delivery of our growth strategy

We focus on developing our engineering services both organically and by acquisition to broaden our service offering to existing and new clients. Organic growth is achieved by aligning our operating subsidiaries with their clients' day-to-day service requirements on key infrastructure assets. The Group also continues to look for complementary acquisition opportunities where businesses have strong relationships in regulated markets.

## Ensuring thorough risk management

Our subsidiary businesses are governed by a system of controls that includes our Group minimum standards. These standards are monitored by an internal audit process to ensure compliance. Minimum requirements ensure compliance in areas such as risk management, control environment and activities, information and communication, and the evaluation of effectiveness to deliver robust commercial risk management. Regular operational and financial reporting is supported by monthly management meetings attended by a Group Executive member, Executive Management Committee meetings and monthly Main Board meetings. Each subsidiary business is required to have a management system in place certified to at least ISO 9001.

# DELIVERING GROWTH



The regulated markets in which we operate have high barriers to entry and, alongside the Group's extensive expertise in delivering asset care and maintenance, provide strong opportunities for growth.

## Key growth drivers

### 1 Continued sustainable growth

The Group continues to deliver organic growth whilst looking to build on its strengths through selective acquisitions in both existing and new markets. Margin improvement and the development of our strong client relationships remain key features of our strategy moving forward.

### 2 Complementary acquisitions

The Group seeks to make earnings enhancing acquisitions in businesses that operate in mainly regulated markets and whose skills complement existing capabilities within the Group. We focus on broadening our skills and market opportunities through selective acquisitions.

### 3 Working in markets with high barriers to entry

Many of our businesses work in markets with high barriers to entry. The nuclear, rail and gas markets demand a highly skilled and experienced workforce and a proven track record of safe delivery.

### 4 Mainly regulated markets provide visibility

Our target markets are mainly regulated and are driven by long-term programmes of spending on asset renewal and maintenance, often lasting many years. The asset management programmes in water and rail are examples of the long-term funding requirements associated with national infrastructure networks.

### 5 Developing long-term relationships

Directly delivering an innovative and responsive service has proven to be a differentiator in our markets. Positioned as a key supplier to our clients, we assist them in maintaining their assets and providing continuity of service.

### 6 Cash generation

The Group has consistently generated cash from operations, enabling it to maximise shareholder return. Cash generation assists the Group in the fulfilment of its acquisition strategy and is a strong indicator of the strength of the Group's operations.

### 7 Capital growth

The Group has grown its market capitalisation more than ninefold since 30 September 2005 without recourse to new equity.

# MARKETS DRIVEN BY REGULATION

Our clients' infrastructure networks are some of the largest, and oldest, in the country and comprise a range of complex and challenging assets. Regulation exists to maintain operational standards on these critical networks, with maintenance requirements delivered through long-term programmes of care with visible funding.

## ENERGY

### Nuclear
The UK government's commitment to dealing with the nuclear legacy continues. The latest government forecast to manage the whole of the mission is £70bn (discounted at today's prices), with a programme lasting until 2120. The Nuclear Decommissioning Authority's medium-term forecasts indicate a rate of expenditure of around £3bn per annum, with around 70% of this commitment at Sellafield.

New nuclear power is an essential part of the government's objective of delivering a sustainable and low-carbon energy future to meet increasing demand.

### Thermal, renewable and gas infrastructure
There remain good opportunities in the renewable energy market as the UK responds to increasing energy demand whilst looking to deliver its targets for renewable power generation.

In gas, the regulator, Ofgem, has mandated the replacement of the ageing gas distribution network over a thirty year period to 2032.

## ENVIRONMENTAL

### Water
UK water companies, regulated by Ofwat, undertake long-term investment programmes on their infrastructure networks. In the current five year investment period, AMP6, we estimate our clients Northumbrian Water, Wessex Water and Dwr Cymru Welsh Water will spend around £3.2bn on maintaining their water infrastructure assets. The UK government has also committed a record £2.3bn investment in coastal and river flood risk management to 2021.

### Land remediation
The Environment Agency estimates that in England and Wales approximately 300,000 hectares of land could potentially be affected by historical contamination. In the UK, the focus on brownfield land as a potential solution to the UK's land shortage provides opportunities for our remediation services.

# INFRASTRUCTURE

### Rail
Network Rail is investing around £41bn in the current control period ("CP5") to 2019 in running, maintaining and improving Britain's railway. The government recently announced an increase in funding to £48bn for CP6, which runs from 2019 to 2024. CP6 will focus on both maintenance and renewals on the rail network as key priorities.

### Wireless telecoms
The wireless telecoms infrastructure market remains attractive as demand for mobile internet access and communication continues to outstrip the capability and capacity of the current networks. Licence obligations under the 4G programme continue to demand significant investment and our addressable market remains strong.

# SPECIALIST BUILDING

### High quality residential
The high quality residential market in London and the Home Counties remains robust. We have particular specialist engineering expertise in major structural alteration works both above and below ground.

**References**


- Nuclear Decommissioning Authority, Nuclear provision: explaining the cost of cleaning up Britain's nuclear legacy (February 2015).
- Department for Environment, Food and Rural Affairs, Reducing the risks of flooding and coastal erosion: an investment plan (December 2014).
- Environment Agency, Reporting the evidence. Dealing with contaminated land in England and Wales (January 2009).
- Department for Transport - Railways Act 2005 Statement: Statement of Funds Available (October 2017).

# PROVEN LONG-TERM STRATEGY

Our long-term strategy concentrates on developing our range of engineering services capabilities, both organically and through selective acquisitions. The Group targets acquisitions that bring complementary skills and allow us to deliver a wider range of services to our clients.

STRATEGIC PRIORITY

**To be a key provider of engineering services in our target markets**

PROGRESS IN 2017

- We have made good progress in developing our position as a leading provider of engineering services, achieving a number of key framework awards and extensions in the period including with Welsh Water and Network Rail.
- Appointments to these long-term frameworks for essential maintenance services strengthen our existing relationships with clients responsible for critical UK networks.

FUTURE FOCUS

- Develop strategically important relationships with existing and new clients in our target markets.
- Utilise skills and experience from across the Group to deliver market-leading innovation and cost efficiencies across our range of target markets.

STRATEGIC PRIORITY

**To focus on asset support, maintenance and renewals programmes with non-discretionary funding**

PROGRESS IN 2017

- We continued to work closely with our clients in the year, providing essential maintenance services to their long-term asset management spending programmes. These programmes, which often last many years, are driven by regulation with asset maintenance and renewals delivered through visible operational expenditure budgets rather than capital expenditure funding.

FUTURE FOCUS

- Building on our reputation and responsive delivery, with a focus on positioning our business to access additional essential maintenance spending programmes with our existing clients.
- Use our market knowledge to align our business with potential opportunities with new clients.

STRATEGIC PRIORITY

**To expand our direct delivery model through strong local brands**

PROGRESS IN 2017

- We continued to develop our subsidiary businesses as strong locally recognised brands within their markets.

FUTURE FOCUS

- Continue to build on our subsidiary businesses' reputations for quality and responsive service within their individual markets.

STRATEGIC PRIORITY

## To establish long-term relationships through responsiveness to clients' needs

PROGRESS IN 2017

- Our direct delivery model and experience in a range of infrastructure markets means we have been able to respond quickly, delivering innovative and cost-effective solutions and ensuring continuity of service for our clients. Our reactive services have positioned us well and have provided opportunities in our clients' planned maintenance programmes.

FUTURE FOCUS

- Develop our range of capabilities and utilise our market knowledge to align our business to our clients' long-term objectives.
- Continue to deliver a quality, safe and cost-effective service to our clients.

STRATEGIC PRIORITY

## To continue to deliver organic growth combined with selective complementary acquisitions

PROGRESS IN 2017

- During the year, we acquired a specialist mechanical, electrical and power contractor that operates in the rail market. This acquisition was complementary to the Group's existing skills and broadens our offering as a major engineering services provider to the Rail market.

FUTURE FOCUS

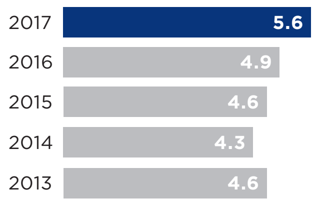
- It remains the Board's long-term strategy to continue to grow its Engineering Services operations, both organically and through selective complementary acquisitions.
- Develop the market opportunities associated with Group acquisitions.

## Key performance indicators

The Group has certain key performance indicators ("KPIs") which are used to measure and monitor its performance in a number of areas. The operating profit KPIs are measured on a non-GAAP basis which reflect the most appropriate view of the underlying performance of the business. These measures are set out in the charts below.

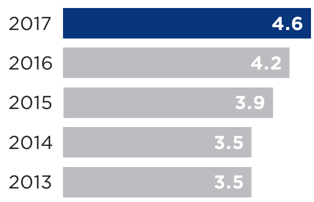
### Adjusted Engineering Services operating profit as a percentage of revenue* %

**5.6%**



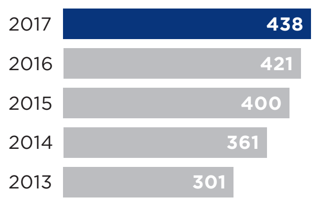

### Adjusted Group operating profit as a percentage of revenue* %

**4.6%**




### Engineering Services order book £m

**£438m**




* Results are shown prior to impairment, amortisation and exceptional items and exclude the results of discontinued operations.

**THE GROUP'S ENGINEERING SERVICES ARE FOCUSED ON SPECIFIC TARGET MARKETS, NAMELY ENERGY, ENVIRONMENTAL AND INFRASTRUCTURE. THE OPERATIONAL REVIEW CONTAINS COMMENTARY AND BACKGROUND ON OUR ACTIVITIES IN EACH OF THESE THREE MARKETS.**

# ENERGY

## NUCLEAR

### Market

The UK government's commitment to dealing with the nuclear legacy continues. The latest government forecast to manage the whole of the mission is £70bn (discounted at today's prices), with a programme lasting until 2120.

The Nuclear Decommissioning Authority's ("NDA") medium-term forecasts indicate a rate of decommissioning expenditure of around £3bn per annum, with around 70% of this commitment at Sellafield.

New nuclear power is an essential part of the government's objective of delivering a sustainable and low-carbon energy future to meet increasing demand.

### Capabilities

Our services are associated with high hazard risk reduction operations at nuclear facilities that include waste treatment, reprocessing, decommissioning, decontamination and clean-up operations. We deliver mechanical and electrical services, specialist fabrication, and machining as well as maintenance of operational plants. Our integration of generation, grid and decommissioning services proves a differentiator in this market.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Nuclear decommissioning and decontamination
- Specialist fabrication and manufacturing

### Progress

During the year, we made good progress in embedding our position and securing opportunities on all three lots of the ten year Decommissioning Delivery Partnership framework at Sellafield, estimated at £500m with headroom to increase expenditure to £1.5bn over the term to 2025.

At Sellafield, we work on a number of long-term frameworks associated with high hazard risk reduction operations including on the Retrievals and Decommissioning Programme, the Bulk Sludge Retrieval Programme, the Bundling Spares Framework and the Vessels and Tanks Framework.

Our long-term engagement on high priority programmes at Sellafield provides good visibility of future opportunities and we remain strongly positioned for participation in future major project programmes at the site. In the year, we received good volumes of work associated with these major project programmes.

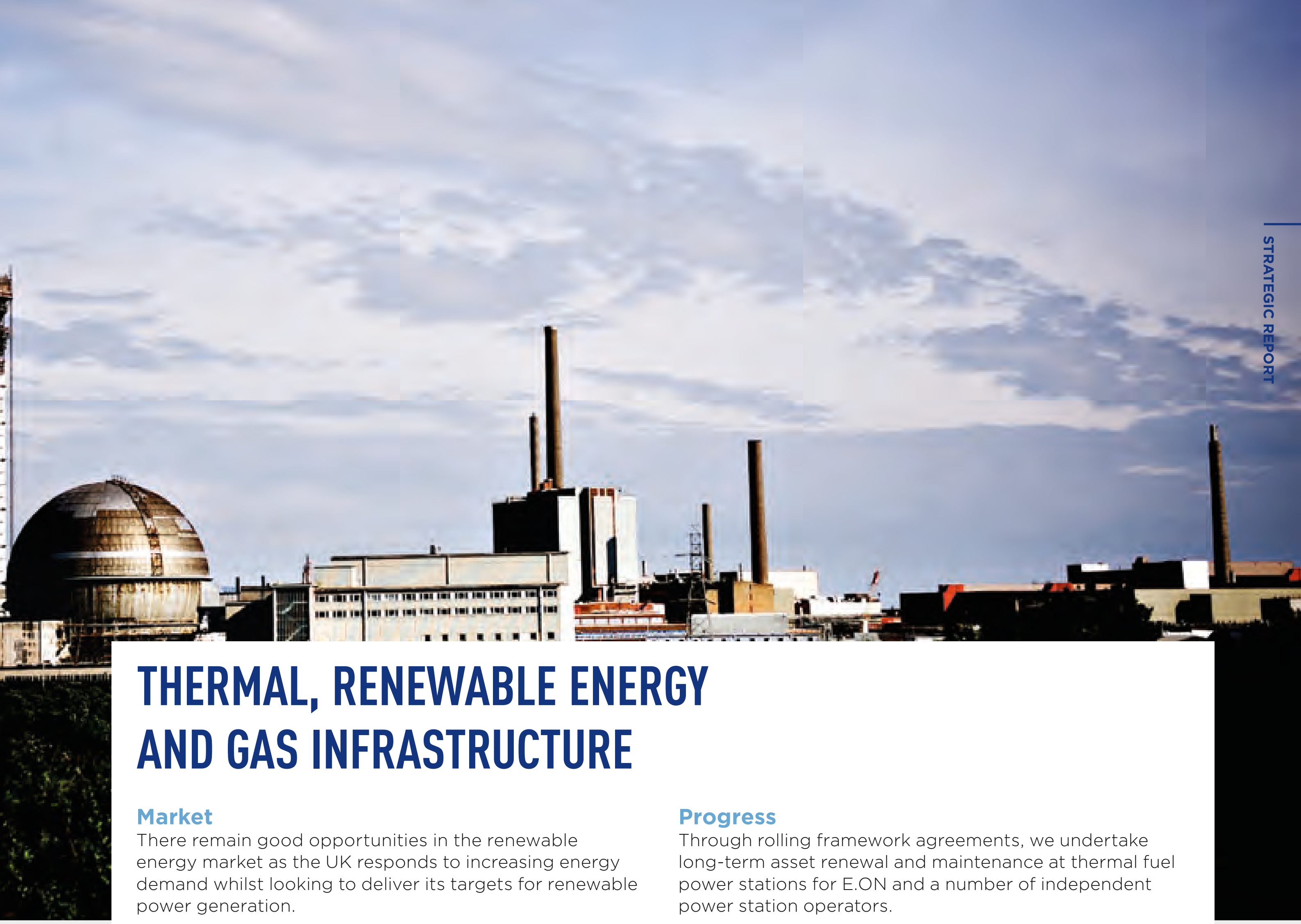
We have a reputation for safe delivery and, in recognition, Shepley Engineers Limited and subsidiary PPS Electrical Limited received an "Outstanding Safety Performance" award from Sellafield Limited in the year. We remain the largest mechanical, electrical and instrumentation employer at the nuclear site in Cumbria where we have recorded our eighth year of continuous operations since a reportable lost time accident.

Work continues on the Electrical, Controls and Instrumentation Framework for Magnox and at Springfields for Westinghouse we continue to deliver a range of asset support services and decommissioning operations. We have also secured additional mechanical and electrical works for LLW Repository Limited.

### Future focus

We continue to look for opportunities to develop our range of services in the nuclear market and have achieved strong growth in our nuclear services business over the last ten years. It remains the Group's ambition to continue to broaden its skills in the nuclear market which has high barriers to entry and requires an exceptional safety record. We are well positioned to provide a range of services across the Sellafield site and other UK nuclear facilities.

In the emerging new nuclear market, we focus on the supply of high integrity fabrications as well as mechanical and electrical installation support to specialist equipment vendors.





# THERMAL, RENEWABLE ENERGY AND GAS INFRASTRUCTURE

## Market

There remain good opportunities in the renewable energy market as the UK responds to increasing energy demand whilst looking to deliver its targets for renewable power generation.

In gas, the regulator, Ofgem, has mandated the replacement of the ageing gas distribution network over a thirty year period to 2032.

## Capabilities

We provide long-term maintenance and asset renewal support at many of the UK's thermal power generation plants.

As a leading medium pressure gas infrastructure specialist in the UK, we carry out replacement of large diameter, medium pressure gas mains in London and the Home Counties.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Gas distribution network asset maintenance, replacement and installation
- Specialist flow stopping, drilling and internal inspection

## Progress

Through rolling framework agreements, we undertake long-term asset renewal and maintenance at thermal fuel power stations for E.ON and a number of independent power station operators.

We were operational at renewable power generation sites for clients including SSE and E.ON.

We work for Southern Gas Networks on a Medium Pressure Major Works Framework in the South, valued at £45m over the term to 2021.

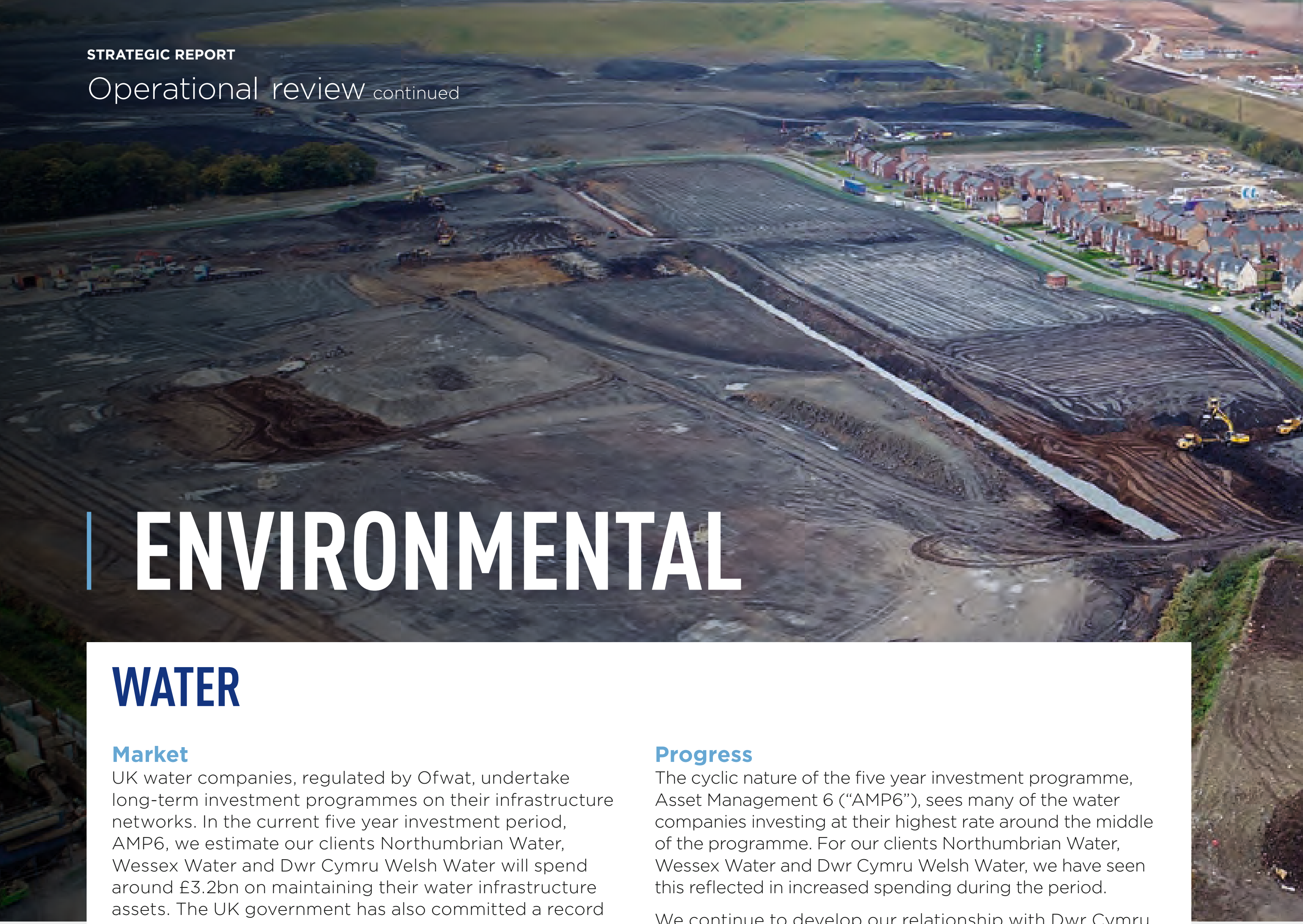
We also continue to work on large diameter gas mains replacements for tRIIO, the vehicle used by National Grid for its mains replacement programmes in the South East.

## Future focus

We continue to develop our existing relationships with clients responsible for assets in the thermal and renewable energy market. Our range of capabilities and experience in maintenance and renewal nationally means we are well placed to meet the needs of a wide range of assets across this sector.

In gas, we focus on the medium pressure work programmes in the South that attract a higher margin.

> "IT REMAINS THE GROUP'S AMBITION TO CONTINUE TO BROADEN ITS SKILLS IN THE NUCLEAR MARKET WHICH HAS HIGH BARRIERS TO ENTRY AND REQUIRES AN EXCEPTIONAL SAFETY RECORD."



# ENVIRONMENTAL

## WATER

### Market
UK water companies, regulated by Ofwat, undertake long-term investment programmes on their infrastructure networks. In the current five year investment period, AMP6, we estimate our clients Northumbrian Water, Wessex Water and Dwr Cymru Welsh Water will spend around £3.2bn on maintaining their water infrastructure assets. The UK government has also committed a record £2.3bn investment in coastal and river flood risk management to 2021.

### Capabilities
The Group has extensive expertise in delivering maintenance and renewals across water infrastructure networks. We support our clients through asset maintenance, flood alleviation, and river and coastal defence schemes. Our work includes mains replacement, upgrades to the sewer network and storm water alleviation schemes.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Emergency works including flood risk management programmes
- Maintaining strategic water mains and mains drainage
- Clean and wastewater rehabilitation infrastructure
- Port, harbour and sea defences

### Progress
The cyclic nature of the five year investment programme, Asset Management 6 (“AMP6”), sees many of the water companies investing at their highest rate around the middle of the programme. For our clients Northumbrian Water, Wessex Water and Dwr Cymru Welsh Water, we have seen this reflected in increased spending during the period.

We continue to develop our relationship with Dwr Cymru Welsh Water, increasing our direct work with this client for the third year running. We have been reappointed to the Pressurised Pipelines Framework. This new seven-year framework, which has an advertised value of £329m, covers all Welsh regions and incorporates the current Emergency Reactive Framework. Additionally, we continue to operate on the Major Civils Framework and the Capital Delivery Alliance Civils contracts.

We work for Wessex Water on the AMP6 Civils and EMI Capital Delivery Partners Framework and Minor Civils Frameworks, as well as projects including catchment schemes at FVRS and Burnham during the period.

We work for Northumbrian Water as one of two suppliers on the AMP6 Sewerage Repairs and Maintenance Framework, as well as on a range of water related maintenance tasks in the period.

We were appointed as sole supplier on the seven year Mechanical, Electrical, Instrumentation, Control and Automation (“MEICA”) Framework for the Canal and River Trust, estimated at up to £3.5m per annum for the maintenance of around 1,000 water assets throughout England and Wales. Services include the maintenance, renewal, upgrade, repair and emergency repair of mechanical, hydraulic, electrical, telemetry, instrumentation, control and automation systems.

Work continues as sole provider for the Environment Agency on the Northern MEICA Framework and through four national Minor Works frameworks.

### Future focus
We will continue to develop the opportunities available through our existing framework agreements with our water clients, supporting them in the day-to-day running of their water infrastructure networks.



# LAND REMEDIATION

## Market

The Environment Agency estimates that in England and Wales approximately 300,000 hectares of land could potentially be affected by historical contamination. In the UK, the focus on brownfield land as a potential solution to the UK's land shortage provides opportunities for our remediation services.

## Capabilities

As an industry leader of bespoke and innovative remediation solutions, we have over 30 years' expertise in providing specialist remediation and associated earthworks nationwide. Our in-house capabilities include soil washing, biophysical treatment and geotechnical improvements, which can add value, recovering up to 100% of soils and excavated materials on site.

- Soil and groundwater remediation
- Soil washing, biophysical treatment, solidification and stabilisation, enhanced segregation and geotechnical improvements
- Design of bespoke remediation and ground engineering solutions
- In-house technology and environmental engineering resources
- Remediation strategies combined with infrastructure delivery

## Progress

In the year, we were reappointed to the National Grid Remediation Frameworks associated with the clean-up of former gasworks sites nationally. This appointment marks 25 years as a framework contractor for National Grid.

We continue to work for Scotia Gas Networks in Scotland and the South East, as well as for Magnox nationally. Our completed remediation schemes include the largest regeneration project in the UK outside London, a major remediation project at Sighthill for Glasgow City Council.

Working alongside other Group businesses, we provide land remediation services for schemes where our expertise provides both time and cost efficiencies for our clients.

Working for Harworth Estates, we continued to develop our relationship through the award of a number of long-term opportunities during the year.

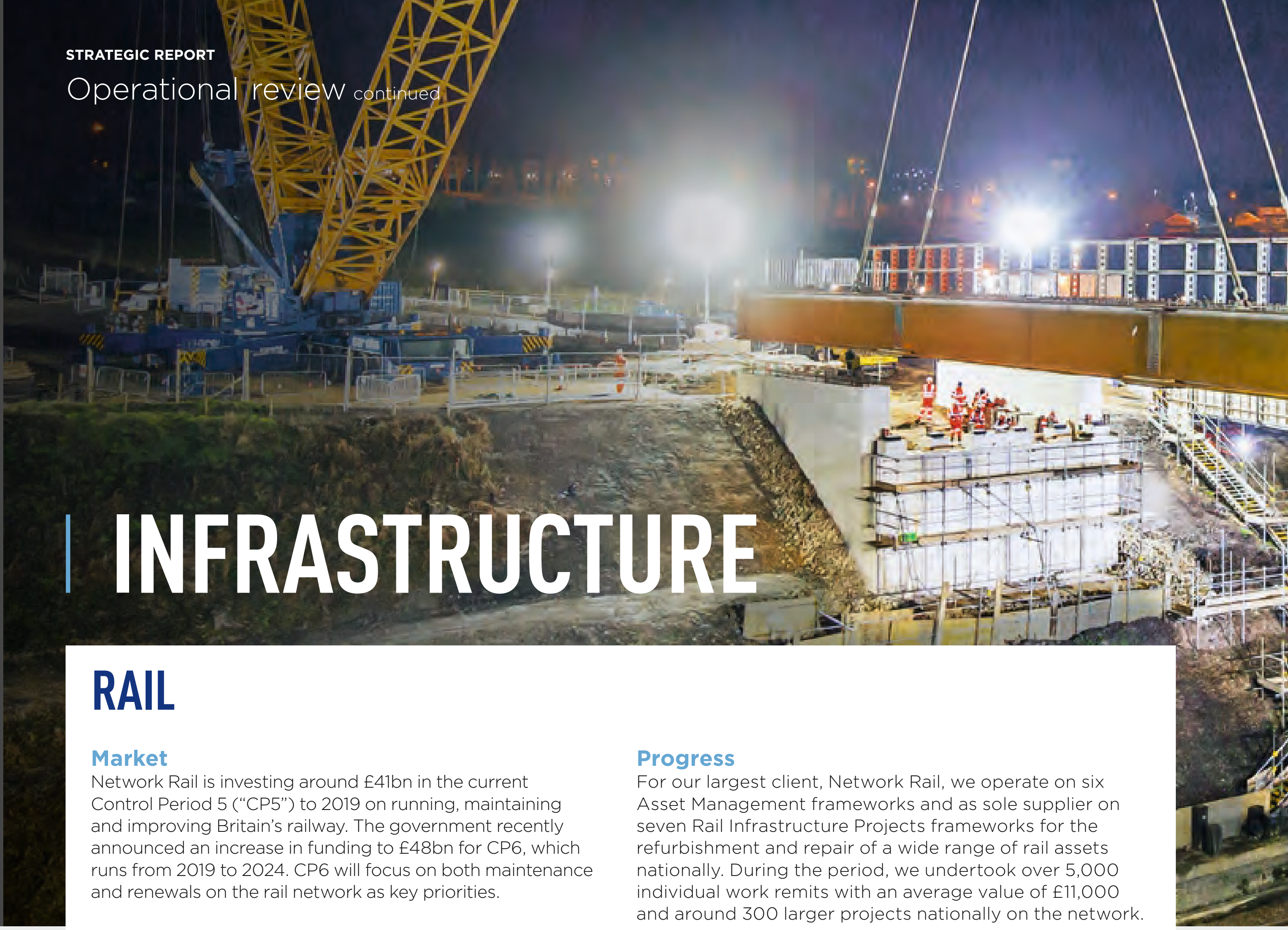
At the Palace of Westminster, work on the cast iron roof repair projects is progressing well and we have secured the final two phases of work on this project. The Courtyards Conservation Framework is also making good progress and was recently extended to 2025. Our framework positions and reputation at the site position us well for further opportunities.

## Future focus

We continue to focus on development opportunities where the use of brownfield sites remains part of the UK's overall solution to address the housing shortfall.

We continue to maximise the potential of the specialist position we have developed in the UK restoration market.

> "THE GROUP HAS EXTENSIVE EXPERTISE IN DELIVERING MAINTENANCE AND RENEWALS ACROSS WATER INFRASTRUCTURE NETWORKS."



# INFRASTRUCTURE

## RAIL

### Market
Network Rail is investing around £41bn in the current Control Period 5 ("CP5") to 2019 on running, maintaining and improving Britain's railway. The government recently announced an increase in funding to £48bn for CP6, which runs from 2019 to 2024. CP6 will focus on both maintenance and renewals on the rail network as key priorities.

### Capabilities
As a major provider of engineering services to Network Rail as well as working for London Underground and Train Operating Companies, our directly employed, multi-skilled local delivery teams carry out planned, reactive and emergency asset maintenance and renewal works across the rail network. We undertake a high volume of small value civils, mechanical and electrical engineering and maintenance services tasks supporting a wide range of rail infrastructure assets.

- Off-track operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering services
- Plant, power and signalling renewals
- 24/7 emergency provision
- Asset renewal and refurbishment
- Tunnel and shaft refurbishment
- Moving structures
- In-house design capability

### Progress
For our largest client, Network Rail, we operate on six Asset Management frameworks and as sole supplier on seven Rail Infrastructure Projects frameworks for the refurbishment and repair of a wide range of rail assets nationally. During the period, we undertook over 5,000 individual work remits with an average value of £11,000 and around 300 larger projects nationally on the network.

We continued to develop our position in Scotland as the major structures renewals and sole civils maintenance contractor for Network Rail.

In addition to ongoing planned maintenance and renewals, our locally based delivery teams provided a 24/7 national emergency response service on the rail network during the period.

The acquisition of Giffen in the period broadened our offering to Network Rail, London Underground and Train Operating Companies. By utilising the joint capabilities of AMCO and Giffen we have secured AMCO's first civil engineering opportunities with London Underground.

Through Giffen, the Group has five frameworks with London Underground for specialist electrical, plant and power schemes as well as undertaking good volumes of work on the Station Improvement Programme.

Other rail clients include Historic Railways Estate, for which we maintain historic assets associated with former railways, and Abellio, for which we completed a programme of station waiting shelters.

We successfully delivered a significant portion of specialised works in the Severn Tunnel for Network Rail.

### Future focus
We focus on developing the opportunities arising from our acquisitions where our expanded range of services provides opportunities in the wider rail market. We continue to align our business with the requirements of our largest client, Network Rail, over the CP6 investment period.



# WIRELESS TELECOMS

## Market

The wireless telecoms infrastructure market remains attractive as demand for mobile internet access and communication continues to outstrip the capability and capacity of the current networks. Licence obligations under the 4G programme continue to demand significant investment and our addressable market remains strong.

## Capabilities

In wireless telecoms, we provide specialist infrastructure services to network operators and increasingly to multi-site operators and vendors acting as managed services providers. The work includes all aspects of site acquisition, design, installation, commissioning and integration of stations onto the networks.

- Operational support and asset care
- Critical planned and reactive maintenance and renewals
- Civil, mechanical and electrical engineering
- Wireless telecoms installations
- Radio network planning, including the installation of specialist indoor and outdoor coverage solutions
- Provision of 2G, 3G, 4G and Wi-Fi technologies

## Progress

The installation and expansion of 4G services continues to provide the majority of our work as the market is driven by consumer demand for faster, more capable mobile connectivity.

We continue to support the wireless telecoms operators in the provision of new infrastructure, the upgrade of existing networks and decommissioning of redundant assets, delivering over 40,000 individual tasks for our customers during 2017.

## Future focus

The upgrade and expansion of the 4G wireless telecoms network in the UK remains the focus of our business. Our ability to provide an integrated service from design to commissioning offers our clients a single source solution for their entire infrastructure requirements.

“WE FOCUS ON DEVELOPING THE OPPORTUNITIES ARISING FROM OUR ACQUISITIONS WHERE OUR EXPANDED RANGE OF SERVICES PROVIDES OPPORTUNITIES IN THE WIDER RAIL MARKET.”

# SPECIALIST BUILDING

## HIGH QUALITY RESIDENTIAL

### Market
The high quality residential market in London and the Home Counties remains strong. We are a market leader with particular specialist engineering expertise in major structural alteration works both above and below ground that proves a differentiator in this market.

### Capabilities
Our subsidiary, Walter Lilly, is recognised as a market-leading luxury provider of prestigious private residential refurbishment projects in London and the Home Counties. The schemes we undertake often require extensive structural engineering works which, together with space restrictions in the South and the complex nature of the work we undertake, means that this market has high barriers to entry.

In-house design and engineering capabilities are able to provide innovative solutions on projects that require extensive underground development. Other services include design management, planning, traffic management and logistics support as well as expertise in specialist finishes.

- Luxury provider of prestigious private residential alterations
- Specialist in extensive structural engineering works required to extend properties below ground

### Progress
In the year, we undertook a number of schemes for private clients, many of which saw the initial scope and value increase during the period.

In addition to our work in central London, we have undertaken two high value country residence projects in the period with schemes including one in Hampshire for a private client.

We secured and commenced over £24m of new projects during the period.

Walter Lilly won the "Contractor of the Year" award at the Building Awards 2016 in the up to £300m category.

### Future focus
We focus on delivering technically challenging high value projects in London and the Home Counties where our expertise and experience prove differentiators in this market with high barriers to entry.

"OUR SUBSIDIARY, WALTER LILLY, IS RECOGNISED AS A MARKET-LEADING LUXURY PROVIDER OF PRESTIGIOUS PRIVATE RESIDENTIAL REFURBISHMENT PROJECTS IN LONDON AND THE HOME COUNTIES."

Marek Sikora Photography

# OUR CORPORATE RESPONSIBILITY

Renew and its subsidiary businesses strive to deliver wider social, environmental and economic benefits as well as delivering benefits to our employees, clients, supply chain and other stakeholders.

We understand the responsibility of our operational activities and work hard to ensure the safety of our employees and those who work with us whilst striving to leave a positive lasting impact on the communities in which we operate.

## Community engagement and charitable giving

We work to:

- encourage the next generation;
- engage with our communities; and
- support a wide range of charitable organisations.

We are committed to inspiring, motivating and supporting young people and our businesses take part in a wide range of career and industry events with schools, colleges and educational establishments. Our businesses provide apprenticeships and training opportunities, promoting local employment as well as volunteering their services for community-driven projects.

One example of our businesses' commitment to developing future talent is at Seymour Civil Engineering, which has established a strong relationship with Hartlepool College providing a training academy and hands-on experience of plant and machinery. Seymour also has strong links with High Tunstall College of Science and St Hilds School, Hartlepool as well as participating in a number of Science technology engineering and mathematics (STEM) events across the North East.

Our businesses understand their responsibilities to their wider communities and carefully consider the impact of their activities throughout the planning process. Initiatives designed to leave a lasting positive legacy and programmes of engagement with local communities exist to help build and maintain positive relationships. Local community projects provide an opportunity for our businesses to use their skills and time and provide financial support. Many of our businesses are involved with local sporting clubs for young people, providing kit and equipment through sponsorship.

Our businesses support many charities and local causes throughout the year. Shepley Engineers assists its chosen charities through fundraising events in Cumbria as well as providing time and expertise alongside direct funding in support of its local community.

Seymour supported Alice House Hospice in Hartlepool with events including the coast to castle cycle. Seymour also sponsored the sixth annual "It's a Knockout" tournament, contributing to the running of the event and providing a team to participate.

Walter Lilly hosted the second annual High Quality Residential Ball, an industry event raising over £100,000 for charity. Staff from Walter Lilly also visited Swaziland in Africa to help with community projects, which this year included building neighbourhood care points and facilities for orphaned children.

Other charities supported in the year include Children in Need, Macmillan Cancer Support, Cancer Research UK, British Heart Foundation, Guide Dogs for the Blind Association, Save the Children Fund, Yorkshire Air Ambulance and Bradford Toy Library and Resource Centre.

## Environment and sustainability

We work to:

- leave a lasting positive impact through the work we undertake;
- minimise our use of natural resources; and
- protect the environment.

Our integrated business management systems and procedures ensure the Group's compliance with all relevant legislation relating to the environment as well as managing the implementation of environmental policies. Our control procedures are maintained to ensure the highest standards of compliance and are accredited to industry standards.

Our businesses work to identify areas of environmental impact and use site-specific health, safety and environmental plans and programmes designed to focus on areas of concern such as waste and carbon emissions. Programmes to raise awareness of environmental compliance obligations help promote sustainable developments.

## Employment and training

We work to:

- invest in skills for the future; and
- support employees through programmes of formal and vocational training.

Our businesses recognise the importance of continuing to invest in skills for the future, providing work placement opportunities, day release placements and apprenticeship schemes as well as training in skill enhancements and crafts.

Lewis Civil Engineering enrolled a number of employees onto an apprenticeship scheme during the year and Walter Lilly continues its 20 year association with Loughborough University sponsoring students studying construction management, design management and quantity surveying as well as sponsoring three degree courses at the university. AMCO and Clarke Telecom have developed bespoke management and leadership programmes.

Shepley Engineers provides work and job experience opportunities and currently has a number of apprenticeships covering pipe fitting, welding, plating, erecting and electrical disciplines. Shepley participates in its local business cluster, which co-ordinates business engagement with education providers in the local community.

Britannia continued its partnership with Gloucester College to deliver its civil engineering apprenticeship scheme and AMCO continued its craft apprenticeship training programme during the year.

Walter Lilly is a licensed training provider to the Construction Industry Training Board for supervisory management training and development programmes.

## Safety

We work to:

- ensure a safe working environment for our employees and those who work with us; and
- promote equal opportunities.

Our priority is to ensure the safety of all our employees and those who work alongside us. The Group's businesses develop a range of safety schemes designed to reflect the individual markets in which they operate. Safety is managed within our subsidiary businesses by our team of locally based construction managers and safety advisors and is supported centrally by the Safety and Environmental Management Group, which co-ordinates safety activities and promotes best practice and knowledge sharing.

The type of work the Group undertakes has seen a shift in recent years from larger single projects to a high volume of smaller value tasks. The Group has identified unexpected changes in the working environment on sites as a factor in some reported incidents and near misses. To mitigate these contributory factors we have introduced a Group-wide initiative "Change = STOP" to empower employees to take responsibility for their working environment. The initiative is supported within the subsidiary businesses as part of their individual safety programmes.

Our businesses undertake continual safety training to ensure the highest levels of safe working. Behavioural based safety training has again been a key area of focus in the year alongside traditional courses such as harness awareness, manual handling and working in confined spaces.

As part of the continuous drive to improve safety performance our businesses undertake a range of initiatives including cross-business improvement safety checks, stand-down days, safety conferences, near miss reporting, "You Said We Did" schemes and internal safety awards to enforce the safety message and culture.

Many of our businesses continue to be accredited and approved with various health and safety schemes, including the Contractors Health and Safety Assessment Scheme, Constructionline and SafeContractor.

We are pleased to have achieved a further improvement in our accident incident rate upon the previous year. Many of our businesses were recognised for their commitment to safe working practices during the year including PPS Electrical, which received Sellafield Limited's "Contractors Safety Award" for the third consecutive year, and Seymour Civil Engineering, which was awarded "Health and Safety Company of the Year 2016" by the Civil Engineering Contractors Association (North East).

## Awards

- Shepley Engineers Limited received The Royal Society for the Prevention of Accidents ("RoSPA") Order of Distinction
- PPS Electrical Limited received a RoSPA Order of Distinction
- West Cumberland Engineering Limited received a RoSPA Gold Medal Award
- Lewis Civil Engineering Limited received a third consecutive RoSPA Gold Award
- VHE received a RoSPA Order of Distinction
- Britannia received a RoSPA Gold Medal Award
- PPS Electrical Limited received a "Contractors Safety Award" from Sellafield Limited for the third year
- Seymour Civil Engineering won the Institute of Civil Engineering's ("ICE") Robert Stephenson Award for Hartlepool Town Wall (medium category £0.5m–£4.0m)
- Walter Lilly's Newport Street Gallery project won the Royal Institute of British Architects ("RIBA") 2016 Stirling Prize
- Seymour Civil Engineering won the ICE (North East) Mike Gardiner Cup Company Award in recognition of outstanding support for ICE education and inspiration initiatives in the North East
- Walter Lilly was awarded a Considerate Constructors Scheme National Silver Award for a private High Quality Residential project in London
- VHE was awarded Considerate Constructors Scheme National Silver and Bronze Awards
- Walter Lilly won "Contractor of the Year" at the Building Awards 2016 (up to £300m category)
- Seymour Civil Engineering's scheme at Brunton Park won "Sustainable Drainage and Flood Management Initiative of the Year 2017" at the Water Industry Achievement Awards
- Seymour Civil Engineering won CECA (North East) "Training Company of the Year 2016" and "Health and Safety Company of the Year 2016"

This Strategic report was approved by the Board on 21 November 2017 and is signed on its behalf by:

**P Scott**
Chief Executive
21 November 2017

# GROUP RETURNS TO NET CASH POSITION

**Highlights**

- Revenue increased by 6.3%
- All bank debt will be repaid by 31 March 2018
- Dividend increased by 12.5%

"GROUP REVENUE FROM CONTINUING ACTIVITIES WAS £558.6M (2016: £525.7M), WITH AN OPERATING PROFIT BEFORE TAX FROM CONTINUING ACTIVITIES PRIOR TO AMORTISATION, IMPAIRMENT AND EXCEPTIONAL ITEMS OF £25.6M (2016: £22.0M)."

## Results

Group revenue from continuing activities was £558.6m (2016: £525.7m), with an operating profit before tax from continuing activities prior to amortisation, impairment and exceptional items of £25.6m (2016: £22.0m). A tax charge of £4.4m (2016: £5.3m) resulted in a profit after tax prior to amortisation and related deferred taxation for the year of £20.9m (2016: £17.1m), an increase of 22%. After deducting £8.4m (2016: £2.4m) of amortisation, impairment and exceptional costs, the profit for the year from continuing activities was £12.4m (2016: £14.6m).

## Impairment, amortisation and exceptional items

The £5.8m impairment to the carrying value of goodwill arises from the withdrawal from loss making low pressure, small diameter gas pipe replacement activities of Forefront Utilities Limited. No tax relief is available in respect of this item. The consequent reduction in Forefront's activities has resulted in a charge of £0.6m for redundancy and restructuring costs. Following £2.3m of amortisation charges in the year, the remaining £2.7m of other intangible assets related to contractual rights and customer relationships are solely associated with Giffen Holdings Limited. The remaining £0.2m of exceptional costs represent professional fees in connection with the acquisition of Giffen. A tax credit of £0.5m arises in connection with these items.

## Restatement of 2016 Balance Sheet

In previous years, the Group has provided for deferred tax on its pension scheme surplus at the rate of corporation tax expected to be prevailing in the future, provided that the relevant legislation had been enacted. In the year ended 30 September 2016, a rate of 18% was used. It has now become clear to the Board that, in line with tax legislation which applies in the event of a refund of a surplus on the winding up of the pension scheme, that a tax rate of 35% should be applied. Consequently, the Board has restated the opening Balance Sheet as at 1 October 2015 to reflect the above. As at that date, the effect of the correction of this prior period error is to increase deferred tax liabilities associated with the Retirement Benefit Asset by £2,576,000 with a corresponding reduction in net assets of the Group. As at 30 September 2016, the deferred tax liability has been increased by £1,309,000, compared to that previously reported. During the preparation of these financial statements, the Directors also became aware of inaccuracies in the corporation tax creditor at 30 September 2016. Correcting these resulted in an £833,000 reduction in the corporation tax creditor at that date. The net impact of these adjustments is to reduce net assets by £476,000 at 30 September 2016. The amendments related to the pension scheme tax primarily relate to movements in Other Comprehensive Income ("OCI"). As such, adjustments have been made to OCI in 2016 and the total comprehensive income for the year ended 30 September 2016 is now £1,335,000 compared to the previously recorded loss of £765,000.

## Cash

The Group's financial position shows a cash balance of £7.0m (2016: £14.1m) at the year end. Consequently, the Group's net cash position as at 30 September 2017 was £3.9m (2016: £4.8m). This position has been achieved after acquiring Giffen Holdings Ltd for a total cash cost of £7.2m including fees during the year. The repayment schedule on the Group's outstanding term loan means that it will be fully repaid by 31 March 2018. The Group has complied with the covenants associated with the term loan throughout the year.

## Taxation

The tax charge on profit for the year is £3.9m (2016: £4.7m), a rate of 24%. This rate is higher than the headline rate of 19% as the impairment charge of £5.8m is not a taxable item. Excluding this item, the tax rate falls to 18% which is slightly lower than the headline rate. The Group has been able to utilise some brought forward losses which had not previously been recognised as deferred tax assets. Due to the tax deductibility of pension scheme contributions which are not charged to the Income Statement, the rate of corporation tax payable in each of the next few years is expected to remain below the headline rate. After accounting for deferred tax on those pension contributions, the Board expects the Group's future rate of taxation to approximate to the headline rate of corporation tax in effect for the relevant accounting period.

## Pension schemes

At 30 September 2017, the IAS 19 valuation of the Lovell Pension Scheme, which was closed to new members in 2000, resulted in an accounting surplus of £6.3m after accounting for deferred taxation. The net surplus has increased by £1.3m during the year, due to both an increase in the discount rate as a result of improving gilt yields and updated mortality assumptions. The actuarial movement is accounted for through the Group Statement of Comprehensive Income.

During the year, the Board has continued to work with the Trustees of the Lovell Scheme, to reduce the risks associated with the scheme's liabilities by regularly reviewing the scheme's investment strategy which includes a liability driven model featuring interest rate hedging techniques. At the year end, 56% (2016: 55%) of the scheme's total liabilities were matched by annuities. In accordance with the scheme specific funding requirements of the Pensions Act 2005, the Board reached an agreement with the Trustees of the scheme on the level of future contributions at £4.3m per annum. This recovery plan is projected to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004 by 31 July 2018. The next triennial valuation is due as at 31 March 2018.

The IAS 19 valuation of the Amco Pension Scheme shows a deficit of £0.6m (2016: £1.7m) after accounting for deferred taxation. Liabilities have reduced primarily due to an increase in the discount rate as a result of improving gilt yields. Similar to the Lovell Scheme, the Board has worked closely with the Trustees of the Amco Scheme, to reduce the risks associated with the liabilities of the scheme. This has included agreeing to make £0.6m of additional contributions to provide liquidity so that the Trustees could fund transfer values requested by a number of members without disturbing the investment portfolio of the scheme. It is likely that further contributions will be made in 2017/18 for the same purpose. At the year end, 44% (2016: 44%) of the scheme's total liabilities were matched by annuities. In the triennial valuation of the scheme which was carried out as at 31 December 2013, the scheme actuary measured the deficit in the scheme at £2.1m. In accordance with the scheme specific funding requirements of the Pensions Act 2005, the Board agreed the level of future contributions with the Trustees of the scheme at £0.3m per annum. This recovery plan is projected to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004 by 31 October 2020. The next triennial valuation is in the process of being carried out as at 31 December 2016.

## Acquisitions

On 1 November 2016, the Group acquired Giffen Holdings Limited ("Giffen"), a specialist mechanical, electrical and power services business within the rail environment. The acquisition cost was £7.2m in total including fees. The acquisition was funded from the Group's own cash resources.

## IFRS 15 and 16

These two new international financial reporting standards will be applicable to the Group's results for the years ending 30 September 2019 and 2020 respectively. Following a thorough review of the Group's current major contracts, the Board has determined that there will be no material impact from the adoption of IFRS 15 on the reported revenue of the Group and no changes to the Group's accounting procedures are required. Regarding IFRS 16, the Board assesses that the net impact to the Income Statement will be immaterial. Both assets and liabilities on the Balance Sheet are expected to increase by corresponding amounts, which as at 30 September 2017 would have been approximately £10m.

## Distributable profits

The distributable profits of Renew Holdings plc are £50.9m (2016: £46.6m). The Board is recommending a final dividend of 6.0p (2016: 5.35p) per share bringing the total for the year to 9.0p (2016: 8.0p), an increase of 12.5%.

**J Samuel FCA**
Group Finance Director
21 November 2017

# 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.

| RISK | MITIGATION AND RESPONSIBILITY |
|---|---|
| **Contractual conditions which exist at the time of contract procurement. Should initial estimates and judgments be incorrect, the actual financial outcomes may ultimately differ from that which is indicated.** | 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. In contracting, management is required 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. The Group also seeks to limit its risks by specialising in certain markets where it has extensive experience and a particular skills base. |
| **Reliance on a relatively small number of major customers. If the Group was to lose its position as a supplier to some of these customers then its financial position could be materially affected.** | As the Group has moved progressively into engineering services markets it has fewer, but larger, clients. Key clients are Network Rail, Sellafield Ltd, National Grid, Environment Agency, CTIL, Northumbrian Water, Wessex Water and Welsh Water. Loss of any of the above could potentially affect shareholder value. We mitigate this risk by maintaining strong relationships with our clients and by being seen as responsive, innovative and proactive. |
| **The Group could be required to make substantial payments into two closed final salary pension schemes in accordance with the requirements of the Pensions Act 1995.** | The Group has taken steps to mitigate this risk by working with the schemes' Trustees to develop liability matching investment strategies. These have included both schemes entering into annuity policies which match the liabilities in respect of certain of the schemes' beneficiaries. At 30 September 2017, these policies are equivalent to 55% of the combined schemes' liabilities. |
| **The impact of accidents on our employees and the consequential impact on contract performance and reputational damage.** | Safety is managed across Renew by the Safety and Environmental Management Group, which co-ordinates activities and liaises with our team of locally based safety advisors. Working as part of an overall safety team, our advisors are encouraged to share specialist knowledge and best practice from their individual working environments. |

# EXPERIENCED MANAGEMENT

## Roy Harrison OBE
**Chairman**

Roy Harrison, 70, 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 non-executive director of Fox Marble Holdings plc. He is a Trustee of Thomas Telford Multi Academy Trust. He will retire from the Board following the 2018 Annual General Meeting.

## Paul Scott
**Chief Executive**

Paul Scott, 53, was appointed to the Board as Engineering Services Director on 21 July 2014 and as Chief Executive on 1 October 2016. Paul has been with the Group for 18 years, serving as Managing Director of Shepley Engineers Limited, the Group's nuclear services business, prior to assuming the Group-wide Engineering Services role.

## David Forbes
**Non-executive Director**

David Forbes, 57, 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 Boohoo.com plc and Adare Sec Holdings Limited. He will succeed Roy Harrison OBE as Chairman after the 2018 Annual General Meeting.

## John Bishop FCA
**Non-executive Director**

John Bishop, 72, 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.

## David Brown
**Non-executive Director**

David Brown, 56, was appointed to the Board on 3 April 2017. He is currently Group Chief Executive of The Go-Ahead Group Plc, a position he has held since 2011. Prior to that, he was Managing Director of Surface Transport for Transport for London and Chief Executive of Go-Ahead's London Bus business. He is also a director of the Rail Delivery Group Limited.

## Andries Liebenberg
**Director**

Andries Liebenberg, 49, was appointed to the Board on 31 March 2016. Andries is the Managing Director of Renew's largest business, Amalgamated Construction Limited ("Amco"), and has been with the Group for over ten years.

## Sean Wyndham-Quin CA
**Director**

Sean Wyndham-Quin, 37, was appointed to the Board on 8 November 2017. Previously, he served as a partner at SPARK Advisory Partners, a business he co-founded in early 2012. Prior to that he worked for Brewin Dolphin and Ernst & Young where he qualified as a Chartered Accountant. He will take responsibility as Group Finance Director on 29 November 2017.

## John Samuel FCA
**Group Finance Director**

John Samuel, 61, has served on the Board since May 2006 as Group Finance Director. He will be succeeded on 29 November 2017 by Sean Wyndham-Quin.

# Corporate governance

As an AIM listed company, Renew is not required to follow the provisions of the 2014 UK Corporate Governance Code ("the Code"). 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, three Executive Directors and three independent non-executive Directors. Brief biographies of the Directors are given on pages 33 and 34. 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. Although the Board believes that R J Harrison acts as an independent director, he is not regarded as such by the Code due to the period in 2004/2005 when he acted as Executive Chairman. D A Brown was appointed as a non-executive Director on 3 April 2017 and S Wyndham-Quin as an Executive Director on 8 November 2017. J Samuel will resign as a Director on 29 November 2017 and be succeeded in the roles of Group Finance Director and Company Secretary by S Wyndham-Quin. R J Harrison will retire as a Director after the 2018 Annual General Meeting and be succeeded in the role of Chairman by D M Forbes. The Board will then comprise three independent non-executive Directors and three executive Directors.

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 nine times in the year with all Directors in attendance other than on two occasions when J Bishop was unable to attend. 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 M Forbes, an independent non-executive Director, acts as Chairman of the Remuneration Committee. The Nominations Committee is chaired by R J Harrison. D M Forbes will take over that role following R J Harrison's retirement.

The Board delegates clearly defined powers to its Remuneration, Nominations and Audit 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.

The Nominations Committee, which comprises all of the non-executive Directors and P Scott, monitors the composition of the Board and recommends the appointment of new Directors. The Nominations Committee, with all Directors present, has held three meetings during the year to discuss nomination matters including the appointments of D A Brown and S Wyndham-Quin.

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 two meetings to consider Audit Committee business. The Audit Committee consists of all four 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. All fees paid to the Auditor whether for audit or non-audit work are approved by the Audit Committee in advance. The Audit Committee also reviews the Interim statement, the preliminary announcement, the Annual Report and Accounts and accounting policies.

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

## Internal controls

Throughout the financial year ended 30 September 2017 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, other than as disclosed. 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 ten years and including 2017, 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 Link Market Services Limited.

## Annual General Meeting

The next AGM will be held on 31 January 2018, 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 21 November 2017.

By Order of the Board

**J Samuel FCA**
Company Secretary
21 November 2017

# Directors' report

The Directors present their report and the audited accounts for the year ended 30 September 2017.

## Principal activities

For the year ended 30 September 2017 the principal activity of the Group continued to be 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 Strategic Report and the Financial Review. A list of the Group's subsidiaries as at 30 September 2017 is listed in Note T to the Company's financial statements.

## Results and dividends

The Group profit for the year after accounting for discontinued operations was £12,427,000 (2016: £10,612,000). The Directors recommend the payment of a final dividend on the Ordinary Shares of 6.0p (2016: 5.35p) giving a total for the year of 9.0p (2016: 8.0p).

## 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 Strategic Report.

## 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 2017 £4,856,000 (2016: £4,363,000) of the Group's net assets are denominated in US dollars. 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.

## 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 an 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. The Group engages, promotes and trains staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress.

## Health and safety management

P Scott, the Chief Executive, was the designated Board Director of Health and Safety with Group responsibility for safety and environmental management throughout the year. 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. Our 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 Director.

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 amendments 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 measured on the standard base line of 100,000 persons at work is a key area where the Group measures its performance.

## Sustainability

The Group's Sustainability Report, which includes its report on corporate social responsibility, is on pages 24 to 25.

## 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, 72, 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.

David Brown – Director, 56, was appointed to the Board on 3 April. He is currently Group Chief Executive of The Go-Ahead Group Plc, a position he has held since 2011. Prior to that, he was Managing Director of Surface Transport for Transport for London and Chief Executive of Go-Ahead's London Bus business. He is also a director of the Rail Delivery Group Limited.

David Forbes – Director, 57, 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 Boohoo.com plc and Adare Sec Holdings Limited. He will succeed Roy Harrison OBE as Chairman after the 2018 Annual General Meeting.

Roy Harrison OBE – Director, 70, 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 non-executive director of Fox Marble Holdings plc. He is a Trustee of Thomas Telford Multi Academy Trust. He will retire from the Board following the 2018 Annual General Meeting.

## Executive Directors

Paul Scott – Director, 53, was appointed to the Board as Engineering Services Director on 21 July 2014 and as Chief Executive on 1 October 2016. Paul has been with the Group for eighteen years, serving as Managing Director of Shepley Engineers Limited, the Group's nuclear services business prior to assuming the Group-wide Engineering Services role.

Andries Liebenberg – Director 49, was appointed to the Board on 31 March 2016. Andries is the Managing Director of Renew's largest business, Amalgamated Construction Limited ("Amco") and has been with the Group over ten years.

John Samuel – Director, 61, was appointed to 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 and served as a partner with Baker Tilly from 1987 until 1991. John is a director and trustee of Yorkshire Air Ambulance Limited. He will resign from the Board on 29 November 2017.

## Executive Directors continued

Sean Wyndham-Quin – Director, 37, was appointed to the Board on 8 November 2017. Previously, he served as a partner at SPARK Advisory Partners, a business he co-founded in early 2012. Prior to that he worked for Brewin Dolphin and Ernst & Young where he qualified as a chartered accountant. He will take responsibility as Group Finance Director on the 29 November 2017.

Paul Scott retires by rotation at the 2018 Annual General Meeting ("AGM") and offers himself for reappointment. Additionally, David Brown and Sean Wyndham-Quin, who were appointed during the year, will offer themselves for reappointment. The Board recommends their reappointment as it considers that they continue to perform their roles well and bring considerable strategic, financial and management 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 pages 37 and 38. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on pages 36 and 37.

## Disclosable interests

As at 17 November 2017, 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 | 10,647,018 | 17.01% |
| Canaccord Genuity Group Inc. | 8,090,037 | 12.93% |
| Investec Wealth & Investment Limited | 3,773,606 | 6.03% |
| Charles Stanley Group PLC | 3,121,495 | 4.99% |
| Miton Group PLC | 2,922,658 | 4.67% |

## Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 10p each) is 62,591,451. During the year, the Company has not bought back any of its own shares. 273,503 new ordinary shares of 10p each were issued at 434p during the year to satisfy the exercise of share options.

## 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.

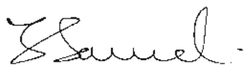
## Auditor

Resolutions will be proposed at the forthcoming AGM to reappoint KPMG LLP as Auditor to the Group and to authorise the Directors to determine their remuneration.

## Approval

The Board approved the Report of the Directors on 21 November 2017.

By Order of the Board



**J Samuel FCA**
Company Secretary
21 November 2017

Company number 650447

The Directors present the Directors' remuneration report (the "Remuneration Report") for the financial year ended 30 September 2017.

As an AIM listed company, Renew is not required to prepare this Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (together "the Regulations"). However, the Directors recognise the importance, and support the principles, of the Regulations and seek to follow them to the extent considered relevant for an AIM listed company. The Remuneration Committee will continue to monitor market practice to ensure that, in future, this report will include disclosures at least as good as market practice for AIM companies. The Auditor is not required to report to the shareholders on the Directors' Remuneration Report.

The Board consults with major shareholders when any significant change in the structure or scale of directors' remuneration is being considered and will continue to do so. No material matters have been raised by shareholders relating to directors' remuneration during the year.

D A Brown was appointed to the Board and to the Remuneration Committee on 2 April 2017. On 6 February 2017, the Company announced that J Samuel had given 12 months' notice of his intention to leave the Company after 11 years' service. As subsequently announced, S Wyndham-Quin will assume the role of Group Finance Director on 29 November 2017.

At the last general meeting, votes on the advisory resolution relating to the Remuneration Report were cast as follows:

| | |
|---|---|
| In favour | – 6,038,854 (98.1 per cent) |
| Against | – 116,186 (1.9 per cent) |
| Total votes cast | – 6,155,040 (100 per cent) |

## Remuneration Committee

The Remuneration Committee is chaired by D M Forbes and also comprises R J Harrison, D A Brown and J Bishop. The Committee held three 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 packages of the Executive Directors should be sufficiently competitive to attract, retain and motivate those 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 to, 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 and benefits;
- annual bonus awards;
- long-term equity incentive plans; and
- pension arrangements.

### Basic salary and benefits

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 Directors and their immediate family. The Company also has a permanent health insurance policy to provide cover for the Executive Directors.

### Annual bonus awards

It is the Company's policy to provide a bonus incentive scheme for Directors and senior executives of the operating companies, linked directly to the performance of the businesses for which they are responsible. In the case of the Executive Directors other than A.Liebenberg, these relate to the performance of the Group as a whole. A.Liebenberg's bonus criteria relate to the performance of the businesses for which he is directly responsible. All performance criteria are subject to approval by the Remuneration Committee at the beginning of a year and all payments are made only when approved by the Remuneration Committee.

Details of the annual bonus scheme for the year under review and the following year are set out below.

### Long-term equity incentive plans

The Remuneration Committee implemented a new long term incentive plan ("LTIP") which was approved at an Extraordinary General Meeting ("EGM") held on 25 January 2012. The LTIP has been designed so as to comply with ABI guidelines in all material respects and to align a material part of a Director's remuneration more closely with shareholders.

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.

## Remuneration policy continued

### Long-term equity incentive plans continued

The constituents of the comparator group are reconsidered by the Remuneration Committee each year. 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 have grown by more than 25 per cent. For TSR growth between 25 per cent and 100 per cent, 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 per cent growth, to 100 per cent vesting at 100 per cent growth. There is no vesting if TSR growth is 25 per cent or less. The Remuneration Committee consider this mechanism important to ensure that it meets the overall objectives of the LTIP.

In the event of a material correction of any accounts of the Company used to assess satisfaction of any performance conditions, or in the event of a participant's gross misconduct, options may be reduced, adjusted or cancelled as determined by the Remuneration Committee. To the extent that options have already been exercised, the Remuneration Committee may (having considered all the circumstances) require the participant to return any shares received, or the amounts of any proceeds of the sale of such shares (net of tax).

The Renew Holdings plc Executive Share Option Scheme ("ESOS") and the Renew Holdings plc Savings Related Share Option Scheme were approved at an EGM held on 11 March 2004. There are 31,467 options outstanding under the ESOS. The Remuneration Committee does not currently intend to grant any further options under the Renew Holdings plc Savings Related Share Option 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.

The Remuneration Committee is empowered to grant a maximum number of LTIP options over 10p Ordinary Shares equivalent in value to 150 per cent of basic salary per financial year. The options may be granted with an exercise price equal to their nominal value or as nil cost options. The Company also has the ability, but not the obligation, to provide a cash alternative to participants equal to the net benefit of their LTIP option. This simplifies the settlement process, reducing complexity and cost to both the Company and the participant and reducing dilution to the shareholders, all whilst preserving the overall economic effect of the LTIP award.

## Remuneration for the year ending 30 September 2017

### Service contracts and letters of appointment

The Company's policy is for all of the Executive Directors to have 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. All non-executive Directors are subject to re-election every 3 years.

The service contracts of the Directors, who served during the year ended 30 September 2017 and were in post on that date, include the following terms:

| Directors | Executive/Non-executive | Date of contract | Unexpired term | Notice period (months) |
|---|---|---|---|---|
| R J Harrison | Non-executive | 1 February 2009 | Rolling one month | 1 |
| J Bishop | Non-executive | 1 September 2008 | Rolling one month | 1 |
| D M Forbes | Non-executive | 1 June 2011 | Rolling one month | 1 |
| D A Brown | Non-executive | 2 April 2017 | Rolling one month | 1 |
| P Scott | Executive | 1 July 2014 | Rolling one year | 12 |
| A Liebenberg | Executive | 31 March 2016 | Rolling one year | 12 |
| J Samuel | Executive | 17 May 2006 | Four months | 12 |

Notwithstanding the unexpired term above, it has been agreed that J Samuel will resign from the Board on 29 November 2017 and will cease employment with the Group at 31 December 2017. S Wyndham-Quin, who was appointed to the Board on 8 November 2017, also has a rolling one year contract with a twelve month notice period.

## Directors' remuneration

Information is provided below for Directors who served during the financial year and as at 30 September 2017:

| | Notes | Salary/fees £000 | Bonuses £000 | LTIP £000 | Pension £000 | Benefits £000 | Total emoluments 2017 £000 | Total emoluments 2016 £000 |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| P Scott | 2,4,5 | 275 | 142 | - | - | 56 | 473 | 374 |
| A Liebenberg | 2,4,5,7 | 203 | 204 | - | - | 48 | 455 | 213 |
| J Samuel | 1,2,3,4,5 | 253 | 130 | 505 | - | 58 | 946 | 1,121 |
| B W May | 1 | - | - | - | - | - | - | 1,476 |
| | | | | | | | 1,874 | 3,184 |
| **Non-executive Directors** | | | | | | | | |
| R J Harrison | | 63 | - | - | - | - | 63 | 62 |
| J Bishop | | 34 | - | - | - | - | 34 | 34 |
| D M Forbes | | 34 | - | - | - | - | 34 | 34 |
| D A Brown | 6 | 17 | - | - | - | - | 17 | - |
| | | | | | | | 2,022 | 3,314 |

## **Directors' remuneration** continued

Notes:

1. The highest paid Director for 2017 was J Samuel who received emoluments of £946,000. In 2016, the highest paid Director was B W May who received emoluments of £1,476,000 that year. He retired on 30 September 2016.
2. Bonuses were earned by P Scott, A Liebenberg and J Samuel during the current financial year and will be paid in the year ending 30 September 2018.
3. During the year, J Samuel exercised 112,518 LTIPs and received a bonus based on notional dividends relating to those LTIPs. The gain of £486,000 and the bonus of £19,000 totalling £505,000 is included in the table above.
4. Benefits include car allowances and certain medical cover for the Director and immediate family.
5. P Scott, A Liebenberg and J Samuel received payments amounting to 15 per cent of their basic salary, in lieu of Company pension contributions. These were paid through payroll and taxed as salary and are included in Benefits above.
6. D A Brown was appointed as a Director with effect from 2 April 2017 and so the emoluments shown above represent the six month period ended 30 September 2017.
7. All of A Liebenberg's emoluments were borne by a subsidiary undertaking. A Liebenberg was appointed to the Board on 31 March 2016 and so the comparative figures represent a six month period only.

## Annual bonus awards

The Company provides a bonus incentive scheme for Executive Directors (other than A Liebenberg) linked to the performance of the Group.

At the beginning of each year, the Remuneration Committee agrees a target for operating profit before exceptional items for the Group. If the Group meets that target, then the Executive Directors receive an annual bonus equal to 50 per cent of their salary. The level of over and under performance causes the level of annual bonus to vary on a straight-line basis, with the maximum bonus of 100 per cent of salary being paid if the performance exceeds the target by 30 per cent with no bonus being payable if performance is 50 per cent or more below target. The Remuneration Committee makes such adjustments to the target and/or results to remove distortions such as acquisitions and disposals during the year and other items as they believe are necessary.

At the beginning of the year ended 30 September 2017, the Remuneration Committee agreed a target for operating profit before exceptional items for the Group based on the structure of the Group on that date. The target was increased in November 2016 to £25,318,000 following the acquisition of Giffen Holdings Limited. The operating profit before exceptional items for the Group exceeded this target by approximately 1 per cent. Accordingly, under the terms of the scheme, the Executive Directors are entitled to receive an annual bonus equal to 51.5 per cent of salary.

A Liebenberg's annual bonus arrangements were set in relation to the business unit over which he has direct responsibility. That business unit's performance was such that A Liebenberg is entitled to receive a bonus of 100% of his salary.

## Long-term equity incentive plans

The market price of the Company's shares at 30 September 2017 was 414p and the range of market prices during the year was between 366p and 487p.

Information is provided below for Directors who served during the financial year and as at 30 September 2017.

## Directors' share options

Pursuant to the LTIP and the ESOS, the Board has granted options to the Executive Directors as set out in the following table.

The LTIP options are exercisable at a nominal cost but are only exercisable to the extent that certain performance criteria are achieved by the Company over a three year performance period.

The ESOS options, which have an exercise price of 286p per share, are used solely to enable beneficiaries to take advantage of the approved nature of the ESOS for a limited proportion of the LTIP award. The same performance criteria apply to the ESOS options, which cannot be exercised until the same date as the related LTIP options. To the extent that there is a gain arising on the ESOS options at the date of exercise, the option holder will forfeit LTIP options to the same value immediately.

| Number of Ordinary Shares under option | Exercisable between 08 Jan 2018 & 7 Jan 2022 | Exercisable between 28 Jan 2019 & 27 Jan 2023 | Exercisable between 25 Nov 2019 & 24 Nov 2026 |
|---|---|---|---|
| **LTIP Options** | | | |
| P Scott | 60,000 | 67,700 | 91,400 |
| A Liebenberg | 40,000 | 58,000 | 67,700 |
| J Samuel | 84,000 | 53,333 | 28,000 |
| **ESOS Options** | | | |
| P Scott | 10,489 | | |
| A Liebenberg | 10,489 | | |
| J Samuel | 10,489 | | |

Performance criteria for the vesting of the share options under the LTIP are set out in the Remuneration policy above and in Note 23 to the Accounts.

## Directors' share options continued

During the year, options awarded on 3 January 2014 and 27 January 2016 amounting to 273,503 shares in aggregate, vested in accordance with their vesting conditions. These options were subsequently exercised on 13 January 2017 and 160,985 shares were issued to B W May and 112,518 shares to J Samuel at 434p per share prior to dealing costs. Additionally, following his retirement from the Board, B W May was entitled to exercise a proportion of LTIP and CSOP options which had been awarded on 7 January 2015. He exercised these options on 17 March 2017 which resulted in his acquiring a further 42,158 shares at 458p. All of B W May's option entitlements have now been exercised. The level of vesting reflects the substantial rise in earnings per share, share price and total shareholder return during the vesting period. In addition, and in accordance with the rules of the LTIP, payments of £30,000 and £19,000 were made to B W May and J Samuel respectively representing dividends accrued during the vesting period on the shares vested as detailed above.

Following the notice of resignation of J Samuel, the number of options granted to him on 27 January 2016 and on 24 November 2016 has been prorated to reflect the reduced vesting period, in accordance with the rules of the LTIP. The reduced entitlements have been reflected in the table above and show the maximum number of options to which J Samuel is entitled. They remain subject to performance criteria. All of J Samuel's outstanding options must be exercised by 30 June 2018.

## Directors' pension information

No Director has pension entitlements under the Group's defined benefit pension scheme arrangements. The Group has established individual stakeholder plans for each employee who elects to join into which the Group makes contributions; P Scott, A Liebenberg and J Samuel receive a sum equivalent to 15 per cent of their basic 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.

## 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 2017 as follows:

| | Ordinary Shares of 10p each | |
|---|---|---|
| | **30 September 2017** | 30 September 2016 |
| R J Harrison OBE | **150,000** | 150,000 |
| J Bishop | **9,390** | 11,890 |
| D M Forbes | **20,000** | 20,000 |
| D A Brown | **-** | - |
| P Scott | **5,000** | 5,000 |
| A Liebenberg | **-** | - |
| J Samuel | **262,548** | 240,548 |

## Remuneration for the year ending 30th September 2018

### Basic salary and benefits

The basic salaries of P Scott, A Liebenberg and J Samuel have increased by 3% to £283,250, £210,120 and £260,786 respectively with effect from 1 October 2017. The increases for the executive Directors are very closely aligned to the average annual pay award across the Group as a whole excluding rises for promotions or other changes in responsibility. There have been no material changes in the benefits which the Directors are entitled to receive.

### Annual bonus awards

The annual bonus scheme for the year ending 30 September 2018 is close to agreement. The structure of the scheme is similar to the scheme for the previous year as set out above, in all material respects (except for the targets). Executive Directors will therefore be entitled to receive a bonus of 50 per cent of their basic salary if the Group achieves target operating profit and a maximum of 100 per cent of their basic salary if the Group achieves 130 per cent of target operating profit. No bonus will be paid if the Group achieves 50 per cent or less of target operating profit. Targets for A Liebenberg will relate to the business unit(s) over which he has direct management responsibility as was the case last year.

### Long-term equity incentive plan

The Remuneration Committee have made annual awards under the LTIP since it was set up in 2012 and will do so again this year. Each award has been made shortly after the publication of the Company's annual results, or in circumstances where the rules are being amended at the company's AGM, then shortly after that meeting. It is expected that the next award will be announced shortly after the publication of the Company's annual results. Awards for each participant in the Scheme are limited in amount to 150 per cent of that participants basic salary. The fourth tranche of options granted under the LTIP, granted on 8 January 2015 as detailed above, will vest during the coming year subject to the performance criteria contained therein.

## Approval

The Directors' Remuneration Report was approved by the Board on 21 November 2017 and signed on its behalf by:

**D M Forbes**
Chairman of the Remuneration Committee
21 November 2017

# Statement of Directors' responsibilities
## in respect of the Strategic report, the Annual Report and 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 International Financial Reporting Standards as adopted by the European Union (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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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, relevant, reliable 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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.

# Independent auditor’s report
**to the members of Renew Holdings plc**

## 1. Our opinion is unmodified

We have audited the financial statements of Renew Holdings plc (“the Company”) for the year ended 30 September 2017 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cashflow Statement, Company Balance Sheet, Company Statement of Comprehensive Income, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

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 2017 and of the Group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

| | | |
|---|---|---|
| **Materiality:** group financial statements as a whole | | £0.8 million (2016: £1.0 million) 4.9% (2016: 5.2%) of Group profit before income tax |
| **Coverage** | | 96.0% (2016: 96.8%) of Group profit before income tax |
| **Risks of material misstatement vs 2016** | | |
| | Carrying value of contract balances | <> |
| | Revenue and profit recognition in relation to contracts | <> |
| | Carrying value of parent Company’s investments in subsidiary undertakings | <> |

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

| | The risk | Our response |
|---|---|---|
| Carrying value of contract balances<br>(£111.9 million; 2016: £87.4 million)<br><br>Refer to page 49 (accounting policy) and page 62 (financial disclosures) | **Subjective Estimate:**<br>The Group's operating activities are primarily long-term contracts.<br><br>The carrying value of the contract balance is based on estimates of costs to complete and the level of contract variations.<br><br>Estimated contract costs are impacted by a variety of uncertainties that depend on the outcome of future events, that could result in revisions throughout the contract period. | Our procedures included:<br>• **Test of detail:** Identifying a sample of contracts with risk indicators including: low margin or loss-making contracts, high values of variations and large carrying value of amounts receivable on contracts. For these contracts, where possible, we agreed the year-end contract balance to the cash recovered post period end and/or the third party work certified to date;<br>• **Test of detail:** Where cash has not been received or work has not been certified post year end, challenging the directors in respect of contract balances in the sample identified, by obtaining the detailed project review papers from the Group to support the estimates made and challenged the judgements underlying those papers with senior operational, commercial and financial management, compared to our knowledge of the business;<br>• **Test of detail:** Assessing the forecasted cost to complete in the sample identified by considering contract performance and costs incurred post year-end along with discussions and challenge of the judgements underlying the positions taken with senior operational, commercial and financial management, compared to our knowledge of the business;<br>• **Historical comparisons:** Assessing the forecasting accuracy of contract margins by evaluating initial forecasted margins for a sample of contracts across the portfolio against actual margins achieved; and<br>• **Assessing transparency:** Assessing the adequacy of the Group's disclosures in respect of the accounting policies on long-term contracts and judgements and estimates, set out in notes 1 and 1(a). |

## 2. Key audit matters: our assessment of risks of material misstatement continued

| | The risk | Our response |
|---|---|---|
| **Revenue and profit recognition in relation to contracts**<br>(£558.6 million; 2016: £525.7 million)<br><br>Refer to page 50 (accounting policy) and pages 53 and 54 (financial disclosures). | **Subjective Estimate:**<br>Group revenue and profit recognition involves judgement in interpreting margin expectation and final account conclusions.<br><br>The application of long-term contract accounting results in the need for regularly assessing the forecast costs to complete over the life of a contract. The subjectivity involved in such decisions results in a significant risk of misstatement of the forecast costs to complete, such that recognised revenue and profit could be incorrectly accounted for. | Our procedures included:<br>• **Test of detail:** For a sample of contracts we agreed the year-end contract balance to the cash recovered post period end and/or the third party work certified to date, in order to determine whether the revenue was recognised accurately and in the correct period;<br>• **Test of detail:** Challenging the directors in respect of revenue recognised in the sample identified, where cash has not been received or work has not been certified post year-end, by obtaining the detailed project review papers from the Group to support the estimates made and challenged the judgements underlying those papers with senior operational, commercial and financial management, compared to our knowledge of the business;<br>• **Historical comparisons:** Performing a retrospective review for contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the directors' forecasting process;<br>• **Test of detail:** Inspecting a sample of contract agreements with customers to identify key terms and conditions, including contracting parties, the contract period, contract sum, the scope of work and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete in the forecast of the outcome of the contract; and<br>• **Assessing transparency:** assessing the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in note 1(iii). |
| **Carrying value of Company's investments in subsidiary undertakings**<br>(£100.8 million; 2016: £102.0 million)<br><br>Refer to page 76 (accounting policy) and page 79 (financial disclosures). | **Forecast-based subjective valuation (parent Company key audit matter):**<br>The recoverable amount of company investments is subjective due to the inherent uncertainty involved in forecasting and discounting their future cash flows.<br><br>The discounted expected future cashflows are based on assumptions of forecast future financial performance, which inherently contain an element of judgement and uncertainty.<br><br>Significant assumptions in the forecast future financial performance include sales growth rates, operating margins and the discount rate applied to future cash flows. | Our procedures included:<br>• **Our sector experience:** Evaluating the assumptions used, in particular those relating to forecast revenue growth and profit margins to our knowledge of the business and external benchmarks where appropriate;<br>• **Benchmarking assumptions:** Comparing the assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates;<br>• **Sensitivity analysis** Performing breakeven analysis on the assumptions noted above; and<br>• **Comparing valuations:** Comparing the carrying value of the company's investments to the market capitalisation to assess the reasonableness of those valuations. |

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £0.8 million (2016: £1.0 million), determined with reference to a benchmark of Group Profit Before Income Tax (of which it represents 4.9% (2016: 5.2%)).

Materiality for the parent company financial statements as a whole was set at £0.75 million (2016: £0.95 million), determined with a reference to a benchmark of company net assets of which it represents 1.0% (2016: 1.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.04 million (2016: £0.05 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

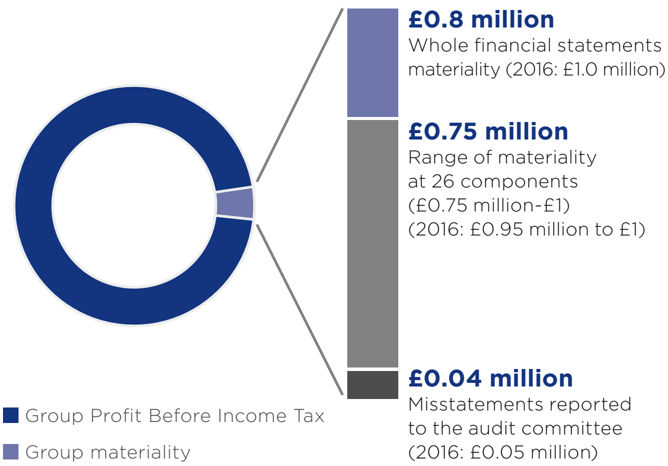
Of the Group's 28 (2016: 28) reporting components, we subjected 26 (2016: 27) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The work on 26 of the 28 components (2016: 27 of the 28 components), including the audit of the parent company, was performed by the Group team.

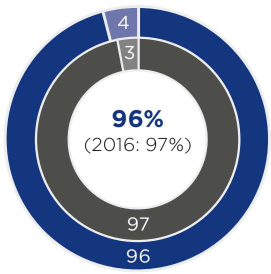
**Group Profit Before Income Tax**
£16.3 million
(2016: £19.4 million)

**Group materiality**
£0.8 million
(2016: £1.0 million)

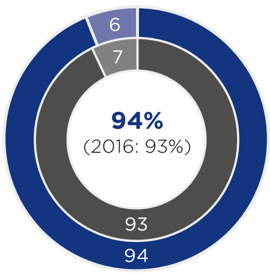



**Group revenue**

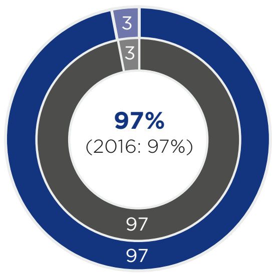

**Group profit before tax**




**Group total assets**




**Group profit before exceptional items and tax**




■ Full scope for group audit purposes 2017
■ Full scope for group audit purposes 2016
■ Residual components 2017
■ Residual components 2016

FINANCIAL STATEMENTS

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

## 4. We have nothing to report on going concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## 5. We have nothing to report on the other information in the Annual Report
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report
Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## 6. We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

## 7. Respective responsibilities
### Directors' responsibilities
As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## 8. The purpose of our audit work and to whom we owe our responsibilities
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.

**Mick Thompson (Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
21 November 2017

# Group income statement
## for the year ended 30 September

| | Note | Before exceptional items and amortisation of intangible assets 2017 £000 | Exceptional items and amortisation of intangible assets (see Note 3) 2017 £000 | Total 2017 £000 | Before amortisation of intangible assets 2016 £000 | Amortisation of intangible assets (see Note 3) 2016 £000 | Total 2016 £000 |
|---|---|---|---|---|---|---|---|
| Revenue: Group including share of joint venture | 2 | **560,838** | **-** | **560,838** | 525,737 | - | 525,737 |
| Less share of joint venture's revenue | 2 | **(2,239)** | **-** | **(2,239)** | - | - | - |
| **Group revenue from continuing activities** | 2 | **558,599** | **-** | **558,599** | 525,737 | - | 525,737 |
| Cost of sales | | **(496,098)** | **-** | **(496,098)** | (469,180) | - | (469,180) |
| **Gross profit** | | **62,501** | **-** | **62,501** | 56,557 | - | 56,557 |
| Administrative expenses | | **(37,112)** | **(8,946)** | **(46,058)** | (34,603) | (2,954) | (37,557) |
| Share of post-tax result of joint venture | 14 | **166** | **-** | **166** | - | - | - |
| **Operating profit** | 3 | **25,555** | **(8,946)** | **16,609** | 21,954 | (2,954) | 19,000 |
| Finance income | 5 | **30** | **-** | **30** | 373 | - | 373 |
| Finance costs | 5 | **(534)** | **-** | **(534)** | (624) | - | (624) |
| Other finance income - defined benefit pension schemes | 5 | **197** | **-** | **197** | 625 | - | 625 |
| **Profit before income tax** | | **25,248** | **(8,946)** | **16,302** | 22,328 | (2,954) | 19,374 |
| Income tax expense | 7 | **(4,391)** | **516** | **(3,875)** | (5,268) | 532 | (4,736) |
| **Profit for the year from continuing activities** | | **20,857** | **(8,430)** | **12,427** | 17,060 | (2,422) | 14,638 |
| Loss for the year from discontinued operation | 4 | | | **-** | | | (4,026) |
| **Profit for the year attributable to equity holders of the parent company** | | | | **12,427** | | | 10,612 |
| Basic earnings per share from continuing activities | 9 | | | **19.88p** | | | 23.53p |
| Diluted earnings per share from continuing activities | 9 | | | **19.75p** | | | 23.33p |
| Basic earnings per share | 9 | | | **19.88p** | | | 17.06p |
| Diluted earnings per share | 9 | | | **19.75p** | | | 16.91p |

# Group statement of comprehensive income
## for the year ended 30 September

| | Note | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|---|
| Profit for the year attributable to equity holders of the parent company | | **12,427** | 10,612 |
| Items that will not be reclassified to profit or loss: | | | |
| Movement in actuarial valuation of the defined benefit pension schemes | 27 | **(2,089)** | (14,229) |
| Movement on deferred tax relating to the pension schemes* | | **806** | 4,661 |
| **Total items that will not be reclassified to profit or loss** | | **(1,283)** | (9,568) |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Exchange movement in reserves | | **(42)** | 291 |
| **Total items that are or may be reclassified subsequently to profit or loss** | | **(42)** | 291 |
| **Total comprehensive income for the year attributable to equity holders of the parent company** | | **11,102** | 1,335 |

* Details of the restatement are set out in Note 1 Accounting Policies (i).

# 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 (Restated*) £000 | Total equity (Restated*) £000 |
|---|---|---|---|---|---|---|---|
| At 1 October 2015 | 6,192 | 6,989 | 3,896 | 1,056 | 327 | 3,933 | 22,393 |
| Transfer from income statement for the year | | | | | | 10,612 | 10,612 |
| Dividends paid | | | | | | (4,611) | (4,611) |
| New shares issued | 40 | 1,492 | | | | | 1,532 |
| Recognition of share based payments | | | | | 244 | | 244 |
| Exchange differences | | | | 291 | | | 291 |
| Actuarial movement recognised in pension schemes | | | | | | (14,229) | (14,229) |
| Movement on deferred tax relating to the pension schemes* | | | | | | 4,661 | 4,661 |
| At 30 September 2016 | 6,232 | 8,481 | 3,896 | 1,347 | 571 | 366 | 20,893 |
| Transfer from income statement for the year | | | | | | 12,427 | 12,427 |
| Dividends paid | | | | | | (5,226) | (5,226) |
| New shares issued | 27 | 1,154 | | | | | 1,181 |
| Recognition of share based payments | | | | | 109 | | 109 |
| Exchange differences | | | | (42) | | | (42) |
| Actuarial movement recognised in pension schemes | | | | | | (2,089) | (2,089) |
| Movement on deferred tax relating to the pension schemes | | | | | | 806 | 806 |
| **At 30 September 2017** | **6,259** | **9,635** | **3,896** | **1,305** | **680** | **6,284** | **28,059** |

* Details of the restatement are set out in Note 1 Accounting Policies (i).

# Group balance sheet
## at 30 September

| | Note | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets – goodwill | 10 | **57,982** | 56,259 |
| – other | 10 | **2,679** | 1,280 |
| Property, plant and equipment | 11 | **13,497** | 13,673 |
| Investment in joint venture | 14 | **237** | - |
| Retirement benefit assets | 27 | **9,692** | 7,704 |
| Deferred tax assets | 7 | **2,057** | 1,581 |
| | | **86,144** | 80,497 |
| **Current assets** | | | |
| Inventories | 12 | **3,900** | 5,362 |
| Assets held for resale | 13 | **1,500** | 1,500 |
| Trade and other receivables | 15 | **115,598** | 93,520 |
| Current tax assets | | **220** | - |
| Cash and cash equivalents | 17 | **6,967** | 14,084 |
| | | **128,186** | 114,466 |
| **Total assets** | | **214,329** | 194,963 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **-** | (3,100) |
| Obligations under finance leases | 20 | **(2,376)** | (3,030) |
| Retirement benefit obligations | 27 | **(760)** | (2,110) |
| Deferred tax liabilities | 7 | **(3,892)** | (2,973) |
| Provisions | 21 | **(314)** | (312) |
| | | **(7,342)** | (11,525) |
| **Current liabilities** | | | |
| Borrowings | 19 | **(3,100)** | (6,200) |
| Trade and other payables | 18 | **(173,245)** | (153,472) |
| Obligations under finance leases | 20 | **(2,547)** | (2,623) |
| Current tax liabilities | | **-** | (30) |
| Provisions | 21 | **(36)** | (220) |
| | | **(178,928)** | (162,545) |
| **Total liabilities** | | **(186,270)** | (174,070) |
| **Net assets** | | **28,059** | 20,893 |
| Share capital | 23 | **6,259** | 6,232 |
| Share premium account | 24 | **9,635** | 8,481 |
| Capital redemption reserve | 24 | **3,896** | 3,896 |
| Cumulative translation adjustment | 24 | **1,305** | 1,347 |
| Share based payments reserve | 24 | **680** | 571 |
| Retained earnings | 24 | **6,284** | 366 |
| **Total equity** | | **28,059** | 20,893 |

* Details of the restated balance sheet are set out in Note 1 Accounting Policies (i).

Approved by the Board and signed on its behalf by:

**R J Harrison OBE**
Chairman
21 November 2017

# Group cashflow statement
## for the year ended 30 September

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Profit for the year from continuing operating activities | **12,427** | 14,638 |
| Share of post-tax trading result of joint venture | **(166)** | - |
| Impairment and amortisation of intangible assets | **8,080** | 2,954 |
| Depreciation | **4,092** | 4,036 |
| Profit on sale of property, plant and equipment | **(666)** | (569) |
| Expense in respect of share option exercise | **1,181** | 1,532 |
| Decrease in inventories | **1,324** | 60 |
| Increase in receivables | **(19,358)** | (63) |
| Increase in payables | **13,859** | 2,609 |
| Current and past service cost in respect of defined benefit pension scheme | **60** | 47 |
| Cash contribution to defined benefit pension schemes | **(5,291)** | (4,701) |
| Expense in respect of share options | **109** | 244 |
| Finance income | **(30)** | (373) |
| Finance expense/(other income) | **337** | (1) |
| Interest paid | **(534)** | (624) |
| Income taxes paid | **(2,145)** | (863) |
| Income tax expense | **3,875** | 4,736 |
| **Net cash inflow from continuing operating activities** | **17,154** | 23,662 |
| Net cash outflow from discontinued operating activities | **(2,116)** | (6,109) |
| **Net cash inflow from operating activities** | **15,038** | 17,553 |
| **Investing activities** | | |
| Interest received | **30** | 373 |
| Proceeds on disposal of property, plant and equipment | **973** | 1,020 |
| Purchases of property, plant and equipment | **(2,150)** | (1,304) |
| Acquisition of subsidiaries net of cash acquired | **(7,024)** | (208) |
| **Net cash outflow from investing activities** | **(8,171)** | (119) |
| **Financing activities** | | |
| Dividends paid | **(5,226)** | (4,611) |
| Loan repayments | **(6,200)** | (6,200) |
| Repayments of obligations under finance leases | **(2,542)** | (3,225) |
| **Net cash outflow from financing activities** | **(13,968)** | (14,036) |
| **Net (decrease)/increase in continuing cash and cash equivalents** | **(4,985)** | 9,507 |
| Net decrease in discontinued cash and cash equivalents | **(2,116)** | (6,109) |
| **Net (decrease)/increase in cash and cash equivalents** | **(7,101)** | 3,398 |
| Cash and cash equivalents at beginning of year | **14,084** | 10,662 |
| Effect of foreign exchange rate changes on cash and cash equivalents | **(16)** | 24 |
| **Cash and cash equivalents at end of year** | **6,967** | 14,084 |
| **Bank balances and cash** | **6,967** | 14,084 |

## 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 10 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 asset/liability in respect of the defined benefit pension schemes. The actuaries make assumptions as to discount rates, salary escalations, net interest on scheme assets/liabilities, 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 asset/liability may differ from that shown in these financial statements. More information is given in Note 27 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 arises 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 are different from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

### f) Accounting for discontinued operations in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations"

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In accordance with IFRS 5, the above policy is effective from the start of the accounting period in which the operation meets the criteria to be classified as held for sale.

## 1 Accounting policies continued

### f) Accounting for discontinued operations in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" continued

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

### (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 the Group has adequate cash resources to continue trading for the foreseeable future.

*Prior Year Adjustment*

In previous years, the Group has provided for deferred tax on its pension scheme surplus at the rate of corporation tax expected to be prevailing in the future, provided that the relevant legislation had been enacted. In the year ended 30 September 2016, a rate of 18% was used. It has now become clear to the Board that, in line with tax legislation which applies in the event of a refund of a surplus on the winding up of the pension scheme, that a tax rate of 35% should be applied. Consequently, the Board has restated the opening Balance Sheet as at 1 October 2015 to reflect the above. As at that date, the effect of the correction of this prior period error is to increase deferred tax liabilities associated with the Retirement Benefit Asset by £2,576,000 with a corresponding reduction in net assets of the Group. As at 30 September 2016, for the same reason, the deferred tax liability has been increased by £1,309,000 compared to that previously reported. During the preparation of these financial statements, the Directors also became aware of inaccuracies in the corporation tax creditor at that date. Correcting these resulted in an £833,000 reduction in the corporation tax creditor at that date. The net impact of these adjustments is to reduce net assets by £476,000 at 30 September 2016.

The amendments related to the pension scheme tax primarily relate to movements in Other Comprehensive Income. As such adjustments have been made to Other Comprehensive Income in 2016 and the total comprehensive income for the year ended 30 September 2016 is now £1,335,000 compared to the previously recorded loss of £765,000. Following the adjustments made in respect of this matter, there has been no change in income tax expense for the year ended 30 September 2016 and as a result there has been no change to either the Income Statement or the Cash Flow Statement for 2016.

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 the International Financial Reporting Committee relevant to its operations and which are effective in respect of these financial statements.

The following new or revised International Financial Reporting Standards and IFRIC interpretations will be adopted, where applicable, for the purpose of preparing future financial statements. The Group has carried out a systematic review to ensure that the impact and effects of IFRS 15 and IFRS 16 are fully understood and any necessary changes to current accounting procedures can be implemented in time. In respect of IFRS 15 the Group has reviewed all of its existing major contracts and does not consider that any material adjustments to recorded revenue or to its accounting policies are required. In respect of IFRS 16, no material net impact from the adoption of this new standard is expected, although assets and liabilities will increase correspondingly. IFRS 9 is not expected to have a material impact on the financial statements of the Group.

The Group has chosen not to adopt any of the standards and interpretations noted below earlier than required.

| International Financial Reporting Standards | Applies to periods beginning after |
|---|---|
| IFRS 9 Financial Instruments | January 2018 |
| IFRS 15 Revenue from Contracts with customers | January 2018 |
| IFRS 16 Leases | January 2019 |

### (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 the date the Group obtains/loses control as defined in IFRS 10.

The Group's interests in joint ventures are accounted for using the equity method. Under this method the Group's share of the profits less losses of joint ventures is included in the consolidated income statement and its interest in their net assets is included in Investment in joint venture in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying value is reduced to nil, following which no further losses are recognised.

### (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 land which are recorded upon legal completion.

## 1 Accounting policies continued

### (iv) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work and claims 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), 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 resources to segments and to 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 is 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:

| | |
|---|---|
| Freehold land | - no depreciation charge |
| Freehold buildings | - fifty years |
| Plant, vehicles and equipment | - three to ten years |

### (viii) Impairments

Goodwill arising on acquisitions and other assets that has an indefinite useful life and is therefore not subject to amortisation, is 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 land 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. 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 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 pension schemes expected to arise from employee service in the period is charged to the income statement. The Group determines the net interest income/(expense) on the net defined benefit asset/(liability) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset/(liability) taking account of changes arising as a result of contributions and benefit payments. This is recognised in the income statement. Movements in actuarial measurement of the net defined benefit asset/(liability) is recognised in other comprehensive income in the period in which it occurs. 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 are recognised in the income statement in accordance with IAS39. 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.

## 1 Accounting policies continued

### (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 a Monte Carlo 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 Directors' estimate of shares that will eventually vest.

### (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 expense comprises 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 assesses the performance of the Group and its progress against the strategic plan through monitoring 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 within the Engineering Services sector which represented 34.3% (2016: 38.2%) of Group revenue. No other customer represented more than 10% of the Group's revenue.

The 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 and;
- Central activities, which include the sale of land, the leasing and sub-leasing of some UK properties and the provision of central services to the operating subsidiaries.

On 31 October 2014, the Group entered into a contract to dispose of part of its Specialist Building segment. The results of that business are shown as a discontinued operation.

## 2 Segmental analysis continued
### (a) Business analysis
*Revenue is analysed as follows:*

| | Group including share of joint venture 2017 £000 | Less share of joint venture 2017 £000 | Group revenue from continuing activities 2017 £000 | Group revenue from continuing activities 2016 £000 |
|---|---|---|---|---|
| Engineering Services | **452,423** | **(2,239)** | **450,184** | 436,213 |
| Specialist Building | **106,834** | **-** | **106,834** | 90,503 |
| Inter segment revenue | **(921)** | **-** | **(921)** | (983) |
| **Segment revenue** | **558,336** | **(2,239)** | **556,097** | 525,733 |
| Central activities | **2,502** | **-** | **2,502** | 4 |
| | **560,838** | **(2,239)** | **558,599** | 525,737 |

*Analysis of profit on ordinary activities before taxation from continuing activities*

| | Before exceptional items and amortisation of intangible assets 2017 £000 | Exceptional items and amortisation of intangible assets 2017 £000 | 2017 £000 | Before amortisation of intangible assets 2016 £000 | Amortisation of intangible assets 2016 £000 | 2016 £000 |
|---|---|---|---|---|---|---|
| Engineering Services | **25,142** | **(8,946)** | **16,196** | 21,541 | (2,954) | 18,587 |
| Specialist Building | **2,418** | **-** | **2,418** | 2,334 | - | 2,334 |
| **Segment operating profit** | **27,560** | **(8,946)** | **18,614** | 23,875 | (2,954) | 20,921 |
| Central activities | **(2,005)** | **-** | **(2,005)** | (1,921) | - | (1,921) |
| **Operating profit** | **25,555** | **(8,946)** | **16,609** | 21,954 | (2,954) | 19,000 |
| Net financing (costs)/income | **(307)** | **-** | **(307)** | 374 | - | 374 |
| **Profit on ordinary activities before income tax** | **25,248** | **(8,946)** | **16,302** | 22,328 | (2,954) | 19,374 |

*Balance sheet analysis of business segments*

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Assets £000** | **Liabilities £000** | **Net assets £000** | Assets £000 | Liabilities £000 | Net assets £000 |
| Engineering Services | **205,909** | **(182,683)** | **23,226** | 176,484 | (151,171) | 25,313 |
| Specialist Building | **83,894** | **(79,002)** | **4,892** | 62,107 | (71,527) | (9,420) |
| Central activities | **123,858** | **(112,754)** | **11,105** | 143,565 | (127,401) | 16,164 |
| Discontinued operation | **31,514** | **(42,678)** | **(11,164)** | 32,790 | (43,954) | (11,164) |
| Group eliminations | **(230,846)** | **230,846** | **-** | (219,983) | 219,983 | - |
| **Group net assets** | **214,329** | **(186,270)** | **28,059** | 194,963 | (174,070) | 20,893 |

*Other information*

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Capital additions £000** | **Depreciation £000** | **Amortisation £000** | Capital additions £000 | Depreciation £000 | Amortisation £000 |
| Engineering Services | **2,947** | **3,358** | **2,280** | 4,867 | 3,905 | 2,954 |
| Specialist Building | **56** | **125** | **-** | 188 | 113 | - |
| Central activities | **946** | **609** | **-** | 4 | 18 | - |
| | **3,949** | **4,092** | **2,280** | 5,059 | 4,036 | 2,954 |

### (b) Geographical analysis
The whole of the Group's revenue for both financial years is derived from continuing activities in the UK.

All of the Group's non-current assets are deployed in the UK.

## 3 Operating profit

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Operating profit is arrived at after charging/(crediting)** | | |
| Auditor's remuneration - audit services | **288** | 255 |
| Depreciation of owned assets | **1,760** | 1,614 |
| Depreciation of assets held under finance leases | **2,332** | 2,422 |
| Operating lease rentals - plant and machinery | **1,070** | 993 |
| Operating lease rentals - motor vehicles | **1,145** | 983 |
| Operating lease rentals - other | **2,544** | 2,769 |
| Rental income | **(185)** | (281) |
| Profit on sale of property, plant and equipment | **(666)** | (569) |

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

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the financial statements | **34** | 31 |
| 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 | **254** | 224 |
| Tax compliance services | **16** | 3 |
| Tax advisory services | **13** | - |
| Other assurance services | **2** | 122 |
| | **319** | 380 |

### Exceptional items and amortisation of intangible assets

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Acquisition costs in respect of Giffen Holdings Ltd | **209** | - |
| Impairment of goodwill | **5,800** | - |
| Redundancy and restructuring costs | **657** | - |
| Total losses arising from exceptional items | **6,666** | - |
| Amortisation of intangible assets (see Note 10) | **2,280** | 2,954 |
| | **8,946** | 2,954 |

Following the decision in April 2017 to withdraw from the loss-making low pressure, small diameter gas pipe replacement activities of Forefront Utilities Ltd, the Board has carried out a review of the carrying value of goodwill attributable to that cash generating unit which has resulted in an impairment charge of £5,800,000.

The Board has separately identified the charge of £2,280,000 (2016: £2,954,000) for the amortisation of the fair value ascribed to certain intangible assets, other than goodwill, arising from the acquisitions of Amco Group Holdings Ltd, Lewis Civil Engineering Ltd, Clarke Telecom Ltd, Forefront Group Ltd and Giffen Holdings Ltd. Further details are given in Note 10.

## 4 Discontinued operation analysis

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Revenue | **126** | 7,500 |
| Expenses | **(126)** | (11,493) |
| Loss before income tax | **-** | (3,993) |
| Income tax credit - benefit of tax losses | **-** | 785 |
| Income tax charge - adjustment in respect of previous period | **-** | (818) |
| Loss for the year from discontinued operation | **-** | (4,026) |

On 31 October 2014, the Board reached an agreement to sell Allenbuild Ltd to Places for People Group Ltd ("PFP") for a total consideration of £2.75m payable in cash. PFP paid the initial 50% of the consideration on 31 October 2014 and the balance on 31 January 2016. The trading result for this business, in so far as it impacts the Group, is shown in the table above.

As a term of the disposal Renew Holdings plc retains both the benefits and the obligations associated with a number of Allenbuild contracts. The last of these contracts completed on site in the 2016/17 financial year. As at 30 September 2017, certain of these contracts remain in their contractual defects period of twelve months. A number of these contracts are in the process of being finally settled with the client.

## 5 Finance income and costs

### Finance income

Finance income of £30,000 (2016: £373,000) has been earned during the year on bank deposits and translation of loans denominated in foreign currencies.

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Finance costs** | | |
| On bank loans and overdrafts | **(405)** | (384) |
| Other interest payable | **(129)** | (240) |
| | **(534)** | (624) |

### Other finance income - defined benefit pension schemes

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Interest on scheme assets | **4,849** | 6,577 |
| Interest on scheme obligations | **(4,652)** | (5,952) |
| Net pension interest | **197** | 625 |

Further information on the defined benefit pension schemes is set out in Note 27 to the accounts.

## 6 Employee numbers and remuneration

| | 2017 Number | 2016 Number |
|---|---|---|
| The average monthly number of employees, including Executive Directors, employed in continuing activities during the year was: | **2,864** | 2,969 |
| At 30 September: | **2,868** | 3,073 |
| Production | **1,942** | 2,112 |
| Administrative | **922** | 857 |
| | **2,864** | 2,969 |

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

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Wages and salaries | **127,240** | 130,643 |
| Social security costs | **12,918** | 13,257 |
| Other pension costs | **4,515** | 4,611 |
| Share based payments | **1,290** | 1,776 |
| | **145,963** | 150,287 |

### Directors' emoluments

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Aggregate emoluments | **2,022** | 3,314 |
| Highest paid director: aggregate emoluments | **946** | 1,476 |

| | Salary/fees £000 | Bonuses £000 | LTIP £000 | Benefits £000 | Total emoluments 2017 £000 | Total emoluments 2016 £000 |
|---|---|---|---|---|---|---|
| Executive Directors | | | | | | |
| P Scott | **275** | **142** | **-** | **56** | **473** | 374 |
| A Liebenberg | **203** | **204** | **-** | **48** | **455** | 213 |
| J Samuel | **253** | **130** | **505** | **58** | **946** | 1,121 |
| B W May | **-** | **-** | **-** | **-** | **-** | 1,476 |
| | | | | | **1,874** | 3,184 |
| Non-executive Directors | | | | | | |
| R J Harrison | **63** | **-** | **-** | **-** | **63** | 62 |
| J Bishop | **34** | **-** | **-** | **-** | **34** | 34 |
| D M Forbes | **34** | **-** | **-** | **-** | **34** | 34 |
| D Brown | **17** | **-** | **-** | **-** | **17** | - |
| | | | | | **2,022** | 3,314 |

## 6 Employee numbers and remuneration continued

### Directors' share options

Pursuant to the long term incentive plan ("LTIP") and Executive Share Option Scheme ("ESOS"), the Board has granted options to the Executive Directors as set out in the following table.

The LTIP options are exercisable at a nominal cost but are only exercisable to the extent that certain performance criteria are achieved by the Company over a three year performance period.

The ESOS options, which have an exercise price of 286p per share, are used solely to enable beneficiaries to take advantage of the approved nature of the ESOS for a limited proportion of the LTIP award. The same performance criteria apply to the ESOS options, which cannot be exercised until the same date as the related LTIP options. To the extent that there is a gain arising on the ESOS options at the date of exercise, the option holder will forfeit LTIP options to the same value immediately.

Number of Ordinary Shares under option

| | Exercisable between 8 Jan 2018 & 7 Jan 2022 | Exercisable between 28 Jan 2019 & 27 Jan 2023 | Exercisable between 25 Nov 2019 & 24 Nov 2026 |
|---|---|---|---|
| **LTIP Options** | | | |
| P Scott | 60,000 | 67,700 | 91,400 |
| A Liebenberg | 40,000 | 58,000 | 67,700 |
| J Samuel | 84,000 | 53,333 | 28,000 |
| **ESOS Options** | | | |
| P Scott | 10,489 | | |
| A Liebenberg | 10,489 | | |
| J Samuel | 10,489 | | |

During the year J Samuel exercised 112,518 LTIPs and received a bonus based on notional dividends relating to those LTIPs. The gain of £486,000 and bonus of £19,000 totalling £505,000 is included in the remuneration table above.

During the year £109,000 (2016: £244,000) was charged to the income statement with a corresponding credit to the share based payments reserve in accordance with IFRS 2.

## 7 Income tax expense

### (a) Analysis of expense in year

| | **2017 £000** | 2016 (Restated*) £000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax on profits of the year | **(2,719)** | (2,909) |
| Adjustments in respect of previous period | **825** | (171) |
| Total current tax | **(1,894)** | (3,080) |
| Deferred tax - defined benefit pension schemes | **(1,753)** | (1,782) |
| Deferred tax - other timing differences | **(228)** | 126 |
| Total deferred tax | **(1,981)** | (1,656) |
| Income tax expense in respect of continuing activities | **(3,875)** | (4,736) |

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

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Profit before income tax | **16,302** | 19,374 |
| Profit multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20.0%) | **(3,179)** | (3,875) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **(1,347)** | (1,225) |
| Timing differences not provided in deferred tax | **43** | 651 |
| Change in tax rate | **48** | 58 |
| Adjustment in respect of tax losses | **(265)** | (174) |
| Adjustments in respect of previous period | **825** | (171) |
| | **(3,875)** | (4,736) |

Timing differences not provided for in deferred tax arise principally from the utilisation of tax losses not previously recognised.

Finance (No 2) Bill 2017 includes legislation, effective from 1 April 2017, that limits the use of brought forward losses in any year. The bill was substantively enacted on 31 October 2017. Had the bill been enacted on 30 September 2017 or earlier, the effect of the legislation would have been to increase the Group's current tax charge and liability at 30 September 2017 (which has been calculated without reference to the annual restriction on the use of brought forward losses) by £0.2m.

## 7 Income tax expense continued

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

Deferred tax has been provided at a rate of 17% (2016: 18%) which will be the effective corporation tax rate from 1 April 2020. The Group has available further unused UK tax losses of £36m (2016: £39m) to carry forward against future taxable profits. The Group also has unused USA tax losses of $20m (£14.9m) (2016: $18m (£14.2m)) 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 £8.6m (2016: £9.9m).

* Details of the restated deferred tax liability are given in Note 1, Accounting Policies (i).

### (c) Deferred tax asset

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Defined benefit pension schemes | 129 | 380 |
| Accelerated capital allowances | 712 | 547 |
| Other timing differences | - | 113 |
| Future tax losses | 1,216 | 541 |
| | 2,057 | 1,581 |

### (d) Deferred tax liabilities

| | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|
| Defined benefit pension schemes | (3,392) | (2,696) |
| Fair value adjustments | (500) | (277) |
| | (3,892) | (2,973) |

* Details of the restated deferred tax liability are given in Note 1, Accounting Policies (i).

### (e) Reconciliation of deferred tax asset

| | 2017 £000 | 2016 £000 |
|---|---|---|
| As at 1 October | 1,581 | 1,718 |
| Origination of timing differences | (554) | (409) |
| Change of deferred tax rate | (77) | - |
| Acquisition of Giffen Holdings Ltd | 1,358 | - |
| Defined benefit pension schemes - income statement | (180) | (72) |
| Defined benefit pension schemes - SOCI | (71) | 344 |
| At 30 September | 2,057 | 1,581 |

### (f) Reconciliation of deferred tax liability

| | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|
| As at 1 October | (2,973) | (6,113) |
| Acquisition of Giffen Holdings Ltd | (625) | - |
| Arising on fair value adjustments | 388 | 532 |
| Change of deferred tax rate | 14 | - |
| Defined benefit pension schemes - income statement | (1,573) | (1,715) |
| Defined benefit pension schemes - SOCI | 877 | 4,323 |
| At 30 September | (3,892) | (2,973) |

* Details of the restated deferred tax liability are given in Note 1, Accounting Policies (i).

## 8 Dividends

| | 2017 Pence/share | 2016 Pence/share |
|---|---|---|
| Interim (related to the year ended 30 September 2017) | **3.00** | 2.65 |
| Final (related to the year ended 30 September 2016) | **5.35** | 4.75 |
| Total dividend paid | **8.35** | 7.40 |

| | £000 | £000 |
|---|---|---|
| Interim (related to the year ended 30 September 2017) | **1,877** | 1,651 |
| Final (related to the year ended 30 September 2016) | **3,349** | 2,960 |
| Total dividend paid | **5,226** | 4,611 |

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 6p per Ordinary Share be paid in respect of the year ended 30 September 2017. This will be accounted for in the 2017/18 financial year.

## 9 Earnings per share

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Earnings £000** | **EPS Pence** | **DEPS Pence** | Earnings £000 | EPS Pence | DEPS Pence |
| Earnings before amortisation | **20,857** | **33.36** | **33.15** | 17,060 | 27.43 | 27.19 |
| Exceptional items and amortisation | **(8,430)** | **(13.48)** | **(13.40)** | (2,422) | (3.90) | (3.86) |
| Basic earnings per share - continuing activities | **12,427** | **19.88** | **19.75** | 14,638 | 23.53 | 23.33 |
| Loss for the year from discontinued operation | **-** | **-** | **-** | (4,026) | (6.47) | (6.42) |
| Basic earnings per share | **12,427** | **19.88** | **19.75** | 10,612 | 17.06 | 16.91 |
| Weighted average number of shares | | **62,514** | **62,917** | | 62,201 | 62,739 |

The dilutive effect of share options is to increase the number of shares by 403,000 (2016: 538,000) and reduce basic earnings per share by 0.13p (2016: 0.15p).

## 10 Intangible assets

| | Goodwill £000 | Contractual rights and customer relationships £000 |
|---|---|---|
| **Cost:** | | |
| At 1 October 2015 | 56,868 | 12,323 |
| Addition | 199 | - |
| At 1 October 2016 | 57,067 | 12,323 |
| Addition | 7,523 | 3,679 |
| **At 30 September 2017** | **64,590** | **16,002** |
| **Impairment losses/amortisation:** | | |
| At 1 October 2015 | 808 | 8,089 |
| Charge for year | - | 2,954 |
| At 1 October 2016 | 808 | 11,043 |
| Charge for year | - | 2,280 |
| Impairment | 5,800 | - |
| **At 30 September 2017** | **6,608** | **13,323** |
| **Carrying amount:** | | |
| **At 30 September 2017** | **57,982** | **2,679** |
| At 30 September 2016 | 56,259 | 1,280 |
| At 30 September 2015 | 56,060 | 4,234 |

## 10 Intangible assets continued

The carrying amounts of goodwill classified as cash generating units ("CGUs") are as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Britannia Construction Ltd | **1,253** | 1,253 |
| V.H.E. Construction PLC | **1,796** | 1,796 |
| P.P.S. Electrical Ltd | **227** | 227 |
| Seymour (C.E.C.) Holdings Ltd and its subsidiary | **4,017** | 4,017 |
| West Cumberland Engineering Ltd and its subsidiary | **207** | 207 |
| Amco Group Holdings Ltd and its subsidiaries | **18,168** | 18,168 |
| Lewis Civil Engineering Ltd and its subsidiaries | **6,556** | 6,556 |
| Clarke Telecom Ltd | **11,143** | 11,143 |
| Forefront Group Ltd and its subsidiaries | **6,893** | 12,693 |
| Nuclear Decontamination Services Ltd | **199** | 199 |
| Giffen Holdings Ltd and its subsidiaries | **7,523** | - |
| | **57,982** | 56,259 |

### Giffen Holdings

Goodwill of £7,523,000 was acquired on the acquisition of Giffen Holdings Ltd and was reviewed for impairment one year after the acquisition and then will be on an ongoing basis as required by IFRS 3. No impairment was identified. Further details are given in Note 29.

### Goodwill impairment

Following the decision in April 2017 to withdraw from the loss-making low pressure, small diameter gas pipe replacement activities of Forefront Utilities Ltd, the Board has carried out a review of the carrying value of goodwill attributable to that cash generating unit which has resulted in an impairment charge of £5,800,000. Forefront Utilities Ltd forms part of the Engineering Services segment.

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 four 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 three years, and then extrapolates cash flows based on conservative estimated growth rates according to management's view of longer term prospects for each CGU. The CGUs are deemed to be the subsidiaries to which the goodwill relates. Management used growth rates deemed to be appropriate to each CGU after reviewing the particular market conditions related to the sector in which each CGU operates. A growth rate of 3% (2016: 3%-5%) per annum has been used. The rate used to discount the forecast cash flows is 8% (2016: 8%). The Board considers the rate appropriate as, based on publicly available information, it represents the rate that a market participant would require for these assets. The Board does not consider that there is any material difference between the markets of the CGUs to require different discount rates to be used. The Board has chosen the discount rate having taken into account the cost of funds to the Group and the risks associated with the markets in which the CGUs operate. Other than changes to the discount rate, the key assumption which would impact the carrying value of goodwill is the margin generated by each CGU. Whilst the sensitivities vary according to CGU, for a material impairment to take place the discount rate would have to increase by 20% (2016: 10%) or the assumed operating margins would have to decrease by more than 10% (2016: 10%) before any impact on any single CGU.

## 11 Property, plant and equipment

| | Freehold land and buildings £000 | Plant, vehicles and equipment £000 | Total £000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 October 2015 | 2,019 | 12,675 | 14,694 |
| Additions | - | 5,059 | 5,059 |
| Disposals | - | (4,352) | (4,352) |
| At 1 October 2016 | 2,019 | 13,382 | 15,401 |
| Additions | 319 | 3,630 | 3,949 |
| Disposals | - | (4,908) | (4,908) |
| Acquisition of subsidiary | - | 274 | 274 |
| **At 30 September 2017** | **2,338** | **12,378** | **14,716** |
| **Depreciation:** | | | |
| At 1 October 2015 | 124 | 1,469 | 1,593 |
| Charge for year | 37 | 3,999 | 4,036 |
| Disposals | - | (3,901) | (3,901) |
| At 1 October 2016 | 161 | 1,567 | 1,728 |
| Charge for year | 27 | 4,065 | 4,092 |
| Disposals | - | (4,601) | (4,601) |
| **At 30 September 2017** | **188** | **1,031** | **1,219** |
| **Net book value:** | | | |
| **At 30 September 2017** | **2,150** | **11,347** | **13,497** |
| At 30 September 2016 | 1,858 | 11,815 | 13,673 |
| At 30 September 2015 | 1,895 | 11,206 | 13,101 |

The net book value of assets under finance leases at 30 September 2017 was £7,583,000 (2016: £6,094,000).

During the year £2,332,000 (2016: £2,422,000) of depreciation was charged against assets held under finance leases.

## 12 Inventories

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Land | **3,145** | 4,551 |
| Raw materials | **755** | 811 |
| | **3,900** | 5,362 |

£0.8m (2016: £1.4m) of inventories are pledged as security for liabilities.

## 13 Assets held for resale

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Property | **1,500** | 1,500 |

This office property has been actively marketed subsequent to a Group reorganisation when it became vacant. Disposal has been delayed by current market conditions, and the building is carried at net realisable value based on an annual independent third party valuation.

## 14 Investment in joint venture
### a) Movement in year

| | **2017 £000** | 2016 £000 |
|---|---|---|
| At 1 October | **-** | - |
| Acquired on 31 October 2016 | **71** | - |
| Equity accounted share of net profits | **166** | - |
| At 30 September | **237** | - |

FINANCIAL STATEMENTS

## 14 Investment in joint venture continued

### b) Summarised financial information related to equity accounted joint venture

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Current assets** | | |
| Trade and other receivables | 378 | - |
| Cash and cash equivalents | 2,681 | - |
| | 3,059 | - |
| **Total assets** | 3,059 | - |
| **Current liabilities** | | |
| Trade and other payables | (2,601) | - |
| Current tax liabilities | (89) | - |
| | (2,690) | - |
| **Total liabilities** | (2,690) | - |
| **Net assets reported by equity accounted joint venture (100%)** | 369 | - |
| Revenue (100%) | 6,718 | - |
| Expenses (100%) | (6,222) | - |
| Net profit after tax (100%) | 496 | - |

### c) Results of equity accounted joint venture (33%)

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Group share of profit before tax | 207 | - |
| Group share of tax | (41) | - |
| **Group share of profit after tax** | 166 | - |

The Group, through a subsidiary undertaking, has the following interest in the joint venture:

| | Country of incorporation | Principal activity | Percentage shares held |
|---|---|---|---|
| Switchgear & Substation Alliance Ltd | UK | Engineering | 33% |

The joint venture was acquired as part of the acquisition of Giffen Holdings Limited which is disclosed in Note 29.

## 15 Trade and other receivables

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Trade receivables | 73 | 12 |
| Amounts due from construction contract customers | 111,889 | 87,444 |
| Other receivables | 2,058 | 4,394 |
| Prepayments and accrued income | 1,578 | 1,670 |
| | 115,598 | 93,520 |

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 (2016: £3.5m) 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.

£1.2m (2016: £1.5m) of these balances relate to certified retentions.

The average age of these receivables is 294 days (2016: 298 days).

Ageing of past due but not impaired receivables:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| 30-180 days | 848 | 1,339 |
| 180 - 365 days | 759 | 639 |
| Greater than 1 year | 939 | 1,491 |
| | 2,546 | 3,469 |

## 16 Construction contracts

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Contracts in progress at the balance sheet date: | | |
| Amounts due from construction contract customers included in trade and other receivables | **111,889** | 87,444 |
| Amounts due to construction contract customers included in trade and other payables | **(2,429)** | (5,883) |
| | **109,460** | 81,561 |
| Contract costs incurred plus recognised profits less recognised losses to date | **2,954,631** | 3,064,423 |
| Less: progress billings | **(2,845,171)** | (2,982,862) |
| | **109,460** | 81,561 |

At 30 September 2017 retentions held by customers amounted to £13.7m (2016: £10.5m). Advances received from customers for contract work amounted to £2.4m (2016: £5.9m).

Amounts due from construction contract customers which are past due at the reporting date amounted to £2.5m (2016: £3.5m).

This amount includes retention balances of £1.2m (2016: £1.5m). The Group does not hold any collateral over these balances or other trade and other receivables.

Contract revenue recognised in the year amounted to £556.1m (2016: £525.7m).

## 17 Cash and cash equivalents

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Cash at bank | **6,958** | 14,075 |
| Cash in hand | **9** | 9 |
| | **6,967** | 14,084 |

## 18 Trade and other payables

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Amounts due to construction contract customers | **2,429** | 5,883 |
| Trade payables | **48,905** | 39,117 |
| Other taxation and social security | **8,583** | 8,468 |
| Other payables | **7,512** | 5,012 |
| Accruals and deferred income | **105,816** | 94,992 |
| | **173,245** | 153,472 |

## 19 Borrowings

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Bank loans repayable: | | |
| Within one year | **3,100** | 6,200 |
| Within two to five years | **-** | 3,100 |
| | **3,100** | 9,300 |

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

## 20 Obligations under finance leases

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2017 £000 | 2016 £000 | 2017 £000 | 2016 £000 |
| Amounts payable under finance leases: | | | | |
| Within one year | **2,672** | 2,784 | **2,547** | 2,623 |
| Within two to five years | **2,542** | 3,258 | **2,376** | 3,030 |
| | **5,214** | 6,042 | **4,924** | 5,653 |
| Less: future finance charges | **(290)** | (389) | **-** | - |
| Present value of lease obligations | **4,924** | 5,653 | **4,924** | 5,653 |
| Less: amount due for settlement within twelve months | | | **(2,547)** | (2,623) |
| Amount due for settlement after twelve months | | | **2,376** | 3,030 |

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 (2016: 3 years). For the year ended 30 September 2017, the average effective borrowing rate was 3% (2016: 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.

## 21 Provisions

| | Property obligations £000 |
|---|---|
| At 1 October 2016 | 532 |
| Provision released during the year | (182) |
| **At 30 September 2017** | **350** |
| | |
| Non-current liabilities | 314 |
| Current liabilities | 36 |
| **At 30 September 2017** | **350** |

Property obligations represent commitments on leases for properties which the Group does not occupy and where the Group does not expect to receive income sufficient to cover the full commitment. The provision represents outflows which are expected to occur to the end of the lease commitment.

## 22 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 |
| **2017** | | | | |
| **Assets** | | | | |
| Sterling | **-** | **-** | **6,633** | **6,633** |
| Euro | **-** | **-** | **-** | **-** |
| Dollar | **-** | **-** | **325** | **325** |
| | | **-** | **6,958** | **6,958** |
| **Liabilities** | | | | |
| Sterling | **3.0** | **(4,924)** | **(3,100)** | **(8,024)** |
| | | **(4,924)** | **(3,100)** | **(8,024)** |

| | | Financial assets/(liabilities) | | |
|---|---|---|---|---|
| | Fixed rate interest rate % | Fixed rate £000 | Floating rate £000 | Total £000 |
| 2016 | | | | |
| Assets | | | | |
| Sterling | - | - | 14,011 | 14,011 |
| Euro | - | - | 29 | 29 |
| Dollar | - | - | 35 | 35 |
| | | - | 14,075 | 14,075 |
| Liabilities | | | | |
| Sterling | 3.0 | (5,653) | (9,300) | (14,953) |
| | | (5,653) | (9,300) | (14,953) |

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 20. The fixed rate liabilities have a weighted average period of 3 years (2016: 3 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.

## 22 Other financial instruments continued

### 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.

#### *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 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 15. The Group does not use any form of invoice discounting or debt factoring.

#### *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 23 and reserves as disclosed in Note 24. 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 19 and 20 and the retirement benefit obligations disclosed in Note 27. An analysis of the maturity profile for finance lease liabilities is given in Note 20.

#### *c) Currency risk*

The principal 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 an inter-company loan. At 30 September 2017 the loan was $4,521,000 (2016: $2,771,000). The dollar closing exchange rate was $1.34: £1 (2016: $1.30: £1) resulting in a foreign exchange charge of £121,000 (2016: gain of £323,000) being charged/(credited) to finance costs. Consequently, since the loan is not hedged, the income statement is impacted by exchange rate movements. Exchange rate movements 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 £42,000. The total equity statement would be impacted by £18,000 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.

## 23 Share capital

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Allotted, called up and fully paid: | | |
| 62,591,451 (2016: 62,317,948) Ordinary Shares of 10p each | **6,259** | 6,232 |

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.

During the year 273,503 Ordinary Shares were issued following the exercise of options under the Renew Holdings plc Long Term Incentive Plan.

### Share options

#### *Renew Holdings 2004 Executive Share Option Scheme*

The Group operates a share option scheme, the Renew Holdings plc 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.

As at 30 September 2017, there were 31,467 options outstanding under the scheme. During the year 10,489 options were exercised. 31,467 options are in issue under the Approved scheme at an exercise price of 286p. These options are subject to the same performance criteria as options issued under the long term incentive plan described below.

## 23 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 succeeded 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.

As at 30 September 2017, there were 550,133 options outstanding under the scheme. On 24 November 2016, options to subscribe for a further 243,100 Ordinary Shares were granted. During the year 305,172 options were exercised. 137,995 options lapsed during the year.

The options are exercisable at a nominal cost or at the par value of an Ordinary Share three years after the date of grant subject to the achievement of certain performance criteria. Details of the options are given in the Directors' Remuneration Report. To the extent that there is a gain arising in respect of the approved options noted above, the option holder will forfeit LTIP options to the same value.

Vesting of one half of the options is dependant on absolute growth in the Company's Total Shareholder Return ('TSR'), and the other half is dependant 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 the 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.

The comparator group TSR performance target measures the Company's TSR over the 3 year performance period against the TSR of a group of companies selected by the Remuneration Committee. If the Company's TSR performance falls below the median performance of the comparator group then the options lapse forthwith. If the Company is ranked within the top decile of the comparator group the options shall vest in full. If the Company's TSR performance is ranked between the median position and the top decile of the comparator group then the options shall vest on a straight line basis from nil, at or below the median position, to 100% at the top decile.

## 24 Reserves

| | Share premium account £000 | Capital redemption reserve £000 | Cumulative translation reserve £000 | Share based payments reserve £000 | Retained earnings (Restated*) £000 |
|---|---|---|---|---|---|
| At 1 October 2015 | 6,989 | 3,896 | 1,056 | 327 | 3,933 |
| Transfer from income statement for the year | | | | | 10,612 |
| Dividends paid | | | | | (4,611) |
| Recognition of share based payments | | | | 244 | |
| New shares issued | 1,492 | | | | |
| Exchange differences | | | 291 | | |
| Actuarial movement recognised in pension schemes | | | | | (14,229) |
| Movement on deferred tax relating to the pension schemes | | | | | 4,661 |
| At 1 October 2016 | 8,481 | 3,896 | 1,347 | 571 | 366 |
| Transfer from income statement for the year | | | | | 12,427 |
| Dividends paid | | | | | (5,226) |
| Recognition of share based payments | | | | 109 | |
| New shares issued | 1,154 | | | | |
| Exchange differences | | | (42) | | |
| Actuarial movement recognised in pension schemes | | | | | (2,089) |
| Movement on deferred tax relating to the pension schemes | | | | | 806 |
| **At 30 September 2017** | **9,635** | **3,896** | **1,305** | **680** | **6,284** |

* Details of the restated deferred tax liability are given in Note 1, Accounting Policies (i).

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 IAS 36, the Directors are not able to state this figure.

### Capital redemption reserve

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

### Cumulative translation reserve

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

## 24 Reserves continued

### Share based payments reserve

*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 Board's estimate of shares that will eventually vest.

£109,000 (2016: £244,000) has been charged to administrative expenses in accordance with IFRS 2. There is no impact on net assets since an equivalent amount has been credited to the share based payments reserve. 305,172 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 2017 were as follows:

| Date of grant | 7 January 2015 | 27 January 2016 | 24 November 2016 | Total |
|---|---|---|---|---|
| Awards outstanding at 30 September 2017 | | | | |
| – Directors and employees | 184,000 | 179,033 | 187,100 | 550,133 |
| Exercise price | 0.0p | 10.0p | 10.0p | |
| Price at date of grant | 288.5p | 410.0p | 394.0p | |
| Maximum option life | 10 years | 10 years | 10 years | |
| Assumed option life for purposes of valuation | 3 years | 3 years | 2.85 years | |
| Expected volatility | 31% | 30% | 28% | |
| Dividend yield | 1.7% | 1.7% | 2.0% | |
| Risk free interest rate | 0.63% | 0.58% | 0.29% | |
| Value per option | 99.0p | 212.5p | 289.0p | |

## 25 Capital and leasing commitments

| | Land and buildings £000 | Other £000 | Total 2017 £000 | Total 2016 £000 |
|---|---|---|---|---|
| **Commitments under non-cancellable operating leases:** | | | | |
| Under one year | **1,895** | **1,560** | **3,455** | 2,922 |
| Two to five years | **4,062** | **1,934** | **5,996** | 3,879 |
| Five or more years | **1,594** | **-** | **1,594** | 3,301 |
| | **7,551** | **3,494** | **11,045** | 10,102 |

During the year £4,759,000 (2016: 4,745,000) was recognised as an expense in the income statement in respect of operating leases.

With regard to the operating leases held by the Group as lessor, the Group recognised £185,000 (2016: £281,000) of rental income in the income statement for 2017, relating to sub-letting of surplus premises.

The future minimum sub-lease receipts expected to be received under non-cancellable operating leases which all relate to land and buildings are as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Receivables under non-cancellable operating leases:** | | |
| Under one year | **185** | 94 |
| Two to five years | **345** | 119 |
| | **530** | 213 |

The Group had capital commitments at 30 September 2017 of £697,000 (2016: £77,000).

## 26 Contingent liabilities

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

## 27 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 many 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 2017 shows a surplus of £9,692,000 based on the assumptions set out below. The Amco scheme shows a deficit of £760,000 based 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 the different characteristics of the Amco scheme and its membership profile. The Directors have determined that it is appropriate to recognise the surplus as, having reviewed the rules of the Lovell scheme, they are of the view that the employer 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 2017 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 2017** | As at 30 September 2016 | As at 30 September 2015 |
|---|---|---|---|
| **Lovell Pension Scheme** | | | |
| Rate of increase in salaries | **4.0%** | 4.0% | 4.0% |
| LPI increases to pensions in payment | **4.2%** | 3.5% | 3.0% |
| Discount rate | **2.6%** | 2.4% | 3.7% |
| Inflation assumption (CPI) | **2.1%** | 2.0% | 2.0% |
| Inflation assumption (RPI) | **3.2%** | 3.0% | 3.0% |
| Increases in deferred pensions | **3.1%** | 2.9% | 2.9% |
| **Amco Pension Scheme** | | | |
| Rate of increase in salaries | **3.2%** | 3.0% | 3.0% |
| LPI increases to pensions in payment | **2.7%** | 2.6% | 2.6% |
| Discount rate | **2.6%** | 2.4% | 3.7% |
| Inflation assumption (CPI) | **2.2%** | 2.0% | 2.0% |
| Inflation assumption (RPI) | **3.2%** | 3.0% | 3.0% |
| Increases in deferred pensions | **2.2%** | 2.0% | 1.8% |

The mortality tables adopted for the valuation of the Lovell scheme are the S2NA tables with future improvements in line with the Continuing Mortality Investigations 2016 model with long term improvement rates of 1.25% per annum for both males and females. 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 27.4 years and the further life expectancy of a male aged 60 in 2037 is 28.9 years.

The mortality tables adopted for the valuation of the Amco scheme are the S2PA Mortality tables with future improvements in line with the Continuing Mortality Investigations 2016 model with long term improvement rates of 1.25% per annum for both males and females. 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 22.1 years and the further life expectancy of a male aged 65 in 2037 is 23.5 years.

The assets in the Lovell scheme were:

| | **Value as at 30 September 2017 £000** | **Current allocation** | Value as at 30 September 2016 £000 | Current allocation | Value as at 30 September 2015 £000 | Current allocation |
|---|---|---|---|---|---|---|
| Annuities | **91,400** | **53%** | 101,201 | 53% | 43,216 | 26% |
| Diversified portfolio | **81,273** | **47%** | 88,592 | 47% | 121,985 | 74% |
| Cash | **778** | **-** | 731 | - | 402 | - |
| Total | **173,451** | **100%** | 190,524 | 100% | 165,603 | 100% |

During 2011 and 2016, 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.

## 27 Employee benefits: Retirement benefit obligations continued

### IAS 19 "Employee Benefits" continued

The assets in the Amco scheme were:

| | **Value as at 30 September 2017 £000** | **Current allocation** | Value as at 30 September 2016 £000 | Current allocation | Value as at 30 September 2015 £000 | Current allocation |
|---|---|---|---|---|---|---|
| Annuities | **6,614** | **46%** | 7,660 | 50% | 6,940 | 49% |
| Diversified portfolio | **7,524** | **53%** | 6,435 | 42% | 6,341 | 44% |
| Cash | **201** | **1%** | 1,226 | 8% | 984 | 7% |
| Total | **14,339** | **100%** | 15,321 | 100% | 14,265 | 100% |

During 2013, the Trustees of the Amco 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.

### *Scheme Funding Levels and Actuarial Valuations*

### Lovell Pension Scheme

The scheme actuary carried out the triennial valuation of the Lovell Pension Scheme as at 31 March 2015. The scheme showed a deficit of £12.1m compared to £24.1m when measured as at 31 March 2012. The Group has agreed a revised recovery plan with the Trustees which commits the Group to paying annual contributions of £4,260,000 which is expected to result in the elimination of this deficit by 31 July 2018. This recovery plan aims to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004. The Group may be required to make further contributions to achieve a buy out of all pension liabilities and the Group has agreed to continue to make such contributions under a secondary funding objective. The necessity and quantum of these contributions will be remeasured by the scheme actuary at the next triennial valuation which is due as at 31 March 2018.

For accounting purposes under IAS19, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on assets of the scheme which includes a number of return seeking assets invested with BlackRock Asset Management. The key sensitivity for the valuation of the scheme under IAS19 is the selection of the discount rate which is the major determinant in measuring scheme liabilities. A reduction of 0.1% in the discount rate would increase scheme liabilities by £2.7m.

### Amco Pension Scheme

The scheme actuary carried out the triennial valuation of the Amco Pension Scheme as at 31 December 2013. The scheme showed a deficit of £2.1m compared to £2.5m when measured as at 31 December 2010. A subsidiary undertaking has agreed a revised recovery plan with the Trustees which commits the subsidiary undertaking to paying annual contributions of £385,000 which is expected to result in the elimination of this deficit by 31 October 2020. This recovery plan aims to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004. The subsidiary undertaking may be required to make further contributions to achieve a buy out of all pension liabilities. The necessity and quantum of these contributions will be remeasured by the scheme actuary at the next triennial valuation which is being measured as at 31 December 2016, and is expected to be completed in early 2018.

For accounting purposes under IAS19, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on assets of the scheme which includes a number of return seeking assets invested with BlackRock Asset Management. The key sensitivity for the valuation of the scheme under IAS19 is the selection of the discount rate which is the major determinant in measuring scheme liabilities. A reduction of 0.1% in the discount rate would increase scheme liabilities by £0.2m.

### *Scheme Governance*

Both the Lovell Pension Scheme and the Amco Pension Scheme have boards of trustees chaired by an independent professional trustee, Capital Cranfield Trustees Ltd. Each scheme also has member-elected trustees who must be members of the scheme. Both Renew Holdings plc for the Lovell Pension Scheme, and Amalgamated Construction Ltd for the Amco Pension Scheme have the right to appoint employer-nominated trustees although neither has elected to do so other than to appoint Capital Cranfield Trustees Ltd.

The Lovell Pension Scheme trustees are advised by Lane, Clark & Peacock LLP on both actuarial and investment matters. The Lovell Scheme investments are independently managed by BlackRock Asset Management who are set a target return against which the trustees monitor their performance on a regular basis. Annuities purchased in both 2011 and 2016 are held by Legal & General and Just Retirement.

The Amco Pension Scheme trustees are advised by Capita Employee Benefits (Consulting) Ltd on both actuarial and investment matters. The Amco Scheme investments are independently managed by BlackRock Asset Management who are set a target return against which the trustees monitor their performance on a regular basis.

### *Diversified Portfolio*

BlackRock Asset Management's portfolio, described above as "diversified portfolio", can consist of a wide range of underlying, return-seeking assets including but not restricted to equities, bonds, gilts, cash, commodities and other openly traded assets.

## 27 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.

*Lovell Pension Scheme*

| | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|
| **Movements in scheme assets and obligations** | | |
| Total fair value of scheme assets brought forward | **190,524** | 165,603 |
| Interest on scheme assets | **4,489** | 6,056 |
| Employer contributions | **4,319** | 4,316 |
| Benefits paid | **(11,315)** | (8,221) |
| Running costs | **(1)** | (11) |
| Actual return on scheme assets less interest on scheme assets | **(14,565)** | 22,781 |
| Total fair value of scheme assets carried forward | **173,451** | 190,524 |
| Present value of scheme obligations brought forward | **182,820** | 150,449 |
| Interest on scheme obligations | **4,253** | 5,416 |
| Current and past service costs | **60** | 47 |
| Benefits paid | **(11,315)** | (8,221) |
| Actuarial movement due to experience on benefit obligation | **(220)** | (619) |
| Actuarial movement due to changes in financial assumptions | **(6,652)** | 35,748 |
| Actuarial movement due to changes in demographic assumptions | **(5,187)** | - |
| Total fair value of scheme obligations carried forward | **163,759** | 182,820 |
| Surplus in the scheme | **9,692** | 7,704 |
| Deferred tax | **(3,392)** | (2,696) |
| Net surplus | **6,300** | 5,008 |
| Amount charged to operating profit: | | |
| Current and past service costs | **(60)** | (47) |
| Running costs | **(1)** | (11) |
| | **(61)** | (58) |
| Amount credited to other financial income: | | |
| Interest on scheme assets | **4,489** | 6,056 |
| Interest on scheme obligations | **(4,253)** | (5,416) |
| Net pension interest | **236** | 640 |
| Amounts recognised in the statement of comprehensive income: | | |
| Actual return on scheme assets less interest on scheme assets | **(14,565)** | 22,781 |
| Actuarial movement due to changes in assumptions on scheme obligations | **12,059** | (35,129) |
| Actuarial movement | **(2,506)** | (12,348) |
| Movement in the net scheme surplus during the year: | | |
| Net scheme surplus brought forward | **7,704** | 15,154 |
| Current and past service costs | **(60)** | (47) |
| Running costs | **(1)** | (11) |
| Employer contributions | **4,319** | 4,316 |
| Net pension interest | **236** | 640 |
| Actuarial movement | **(2,506)** | (12,348) |
| Net scheme surplus carried forward | **9,692** | 7,704 |

* Details of the restated deferred tax liability are given in Note 1, Accounting Policies (i).

## 27 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*

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Movements in scheme assets and obligations** | | |
| Total fair value of scheme assets brought forward | **15,321** | 14,265 |
| Expected return on scheme assets | **360** | 521 |
| Employer contributions | **972** | 385 |
| Benefits paid | **(1,634)** | (780) |
| Actual return on scheme assets less interest on scheme assets | **(680)** | 930 |
| Total fair value of scheme assets carried forward | **14,339** | 15,321 |
| | | |
| Present value of scheme obligations brought forward | **17,431** | 14,864 |
| Interest on scheme obligations | **399** | 536 |
| Benefits paid | **(1,634)** | (780) |
| Actuarial movement due to changes in financial and demographic assumptions | **(1,097)** | 2,811 |
| Total fair value of scheme obligations carried forward | **15,099** | 17,431 |
| | | |
| Deficit in the scheme | **(760)** | (2,110) |
| Deferred tax | **129** | 380 |
| Net deficit | **(631)** | (1,730) |
| | | |
| Amount debited to other financial income: | | |
| Interest on scheme assets | **360** | 521 |
| Interest on scheme obligations | **(399)** | (536) |
| Net pension interest | **(39)** | (15) |
| | | |
| Amounts recognised in the statement of comprehensive income: | | |
| Actual return on scheme assets less interest on scheme assets | **(680)** | 930 |
| Actuarial movement due to changes in assumptions on scheme obligations | **1,097** | (2,811) |
| Actuarial movement | **417** | (1,881) |
| | | |
| Movement in the net scheme deficit during the year: | | |
| Net scheme deficit brought forward | **(2,110)** | (599) |
| Employer contributions | **972** | 385 |
| Net pension interest | **(39)** | (15) |
| Actuarial movement | **417** | (1,881) |
| Net scheme deficit carried forward | **(760)** | (2,110) |

## 27 Employee benefits: Retirement benefit obligations continued

### IAS 19 "Employee Benefits" continued

*Lovell Pension Scheme*

| | **2017 £000** | 2016 £000 | 2015 £000 | 2014 £000 | 2013 £000 |
|---|---|---|---|---|---|
| Actual return on scheme assets less interest on scheme assets | **(14,565)** | 22,781 | 18,145 | 16,348 | (1,168) |
| As a percentage of the assets at the end of the year | **(8.4)%** | 12.0% | 11.0% | 11.2% | (0.9)% |
| Total amount recognised in the statement of comprehensive income | **(2,506)** | (12,348) | 10,664 | 1,514 | (5,711) |
| As a percentage of the obligations at the end of the year | **(1.5)%** | (6.8)% | 7.1% | 1.0% | (0.9)% |

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 surplus of the scheme is accounted for as an unallocated consolidation adjustment.

*Amco Pension Scheme*

| | **2017 £000** | 2016 £000 | 2015 £000 | 2014 £000 | 2013 £000 |
|---|---|---|---|---|---|
| Actual return on scheme assets less interest on scheme assets | **(680)** | 930 | (297) | 731 | (967) |
| As a percentage of the assets at the end of the year | **(4.7)%** | 6.1% | (2.1)% | 5.1% | (7.2)% |
| Total amount recognised in the statement of comprehensive income | **417** | (1,881) | (1,785) | (446) | (1,059) |
| As a percentage of the obligations at the end of the year | **2.8%** | (10.8)% | (12.0)% | (3.3)% | (8.4)% |

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

### Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes and individual stakeholder pension plans for its employees. The Group made contributions of £4,659,000 (2016: £4,701,000) into these plans during the year. There are also £286,000 (2016: £430,000) of accruals relating to these plans.

## 28 Related parties

The Group has a related party relationship with its key management personnel who were Directors of the Company during the year: J Samuel, P Scott, A Liebenberg, RJ Harrison, J Bishop, DM Forbes and DA Brown, whose total compensation amounted to £2,131,000 (2016: £3,558,000) all of which was represented by short-term employment benefits, including £109,000 (2016: £244,000) relating to share option charges, in accordance with IFRS 2. An analysis of this compensation is given in Note 6.

J Samuel is a director of Yorkshire Air Ambulance Ltd. In the year ended 30 September 2017 the Group made a charitable donation of £5,000 (2016: £5,000) to sponsor the charity's annual recognition awards dinner.

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

## 29 Acquisition of subsidiary undertaking - Giffen Holdings Ltd

On 31 October 2016, a wholly owned subsidiary of the Company acquired the whole of the issued share capital of Giffen Holdings Ltd ("Giffen") for a cash consideration of £5m with a further £2m to redeem loans from Giffen's private equity owners.

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

| | Book value £000 | Adjustments £000 | Fair value £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets – goodwill | - | 7,523 | 7,523 |
| – other | - | 3,679 | 3,679 |
| Property, plant and equipment | 274 | - | 274 |
| Investments in associates and joint ventures | 71 | - | 71 |
| Deferred tax assets | 791 | (59) | 732 |
| | 1,136 | 11,143 | 12,279 |
| **Current assets** | | | |
| Inventories | 71 | - | 71 |
| Trade and other receivables | 3,854 | - | 3,854 |
| | 3,925 | - | 3,925 |
| **Total assets** | 5,061 | 11,143 | 16,204 |
| **Current liabilities** | | | |
| Borrowings | (1,999) | - | (1,999) |
| Obligations under finance leases | (13) | - | (13) |
| Trade and other payables | (9,563) | 396 | (9,167) |
| | (11,575) | 396 | (11,179) |
| **Total liabilities** | (11,575) | 396 | (11,179) |
| **Net assets** | (6,514) | 11,539 | 5,025 |

Goodwill of £7,523,000 arises on acquisition and has been reviewed for impairment one year after the acquisition as required by IFRS 3. The goodwill is attributable to the expertise and workforce of the acquired business. Other intangible assets valued at £3,679,000, which represent customer relationships and contractual rights, were also acquired and will be amortised over their useful economic lives in accordance with IFRS 3. Deferred tax has been provided on this amount. Amortisation of this intangible asset commenced from November 2016.

### Fair value adjustments arising from the acquisition

In accordance with IFRS 3, the Board has reviewed the fair value of assets and liabilities using information available up to 12 months after the date of acquisition. Fair value has been calculated using Level 3 inputs as defined by IFRS 13.

#### *Deferred tax assets*

The Directors reviewed the timing of recognition of tax losses available on acquisition and have recognised an additional £567,000 deferred tax asset. A £626,000 deferred tax liability has been recognised in relation to the amortisation of other intangible assets.

#### *Trade and other payables*

A loan note transferred on acquisition will not be called and therefore has a fair value of £nil.

#### *Goodwill impairment review*

The Board has reviewed the goodwill arising on acquisition for impairment as required by IFRS 3. No such impairment was identified.

# Company balance sheet
## at 30 September

| | Note | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | E | **625** | 642 |
| Investments | F | **100,825** | 101,995 |
| | | **101,450** | 102,637 |
| **Current assets** | | | |
| Stocks and work in progress | G | **-** | 632 |
| Assets held for resale | H | **1,500** | 1,500 |
| Debtors due after one year | I | **9,692** | 7,704 |
| Debtors due within one year | I | **74,301** | 76,449 |
| Cash at bank | | **89** | 76 |
| | | **85,582** | 86,361 |
| **Creditors: amounts falling due in less than one year** | J | **(112,283)** | (117,813) |
| **Net current liabilities** | | **(26,701)** | (31,452) |
| **Total assets less current liabilities** | | **74,749** | 71,185 |
| **Creditors: amounts falling due after more than one year** | K | **(3,387)** | (5,386) |
| **Net assets** | | **71,362** | 65,799 |
| **Capital and reserves** | | | |
| Share capital | M | **6,259** | 6,232 |
| Share premium account | | **9,635** | 8,481 |
| Capital redemption reserve | | **3,896** | 3,896 |
| Share based payments reserve | | **680** | 571 |
| Profit and loss account | | **50,892** | 46,619 |
| **Equity shareholders' funds** | | **71,362** | 65,799 |

* Details of the restated balance sheet are set out in Note A Accounting Policies (i).

Approved by the Board and signed on its behalf by:

**R J Harrison OBE**
Chairman
21 November 2017

# Company statement of comprehensive income
## for the year ended 30 September

| | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|
| Profit for the year attributable to equity holders of the parent company | **11,128** | 11,963 |
| Items that will not be reclassified to profit or loss: | | |
| Movement in actuarial valuation of the defined benefit pension scheme | **(2,506)** | (12,348) |
| Movement on deferred tax relating to the pension scheme* | **877** | 4,323 |
| **Total items that will not be reclassified to profit or loss** | **(1,629)** | (8,025) |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| **Total items that are or may be reclassified subsequently to profit or loss** | **-** | - |
| **Total comprehensive income for the year attributable to equity holders of the parent company** | **9,499** | 3,938 |

* Details of the restatement are set out in Note A Accounting Policies (i).

# Company statement of changes in equity
## for the year ended 30 September

| | Called up share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Share based payments reserve £000 | Retained earnings (Restated*) £000 | Total equity (Restated*) £000 |
|---|---|---|---|---|---|---|
| At 1 October 2015 | 6,192 | 6,989 | 3,896 | 327 | 47,292 | 64,696 |
| Transfer from profit and loss account for the year | | | | | 11,963 | 11,963 |
| Dividends paid | | | | | (4,611) | (4,611) |
| New shares issued | 40 | 1,492 | | | | 1,532 |
| Recognition of share based payments | | | | 244 | | 244 |
| Movement in actuarial valuation of the defined benefit pension scheme | | | | | (12,348) | (12,348) |
| Movement on deferred tax relating to the pension scheme* | | | | | 4,323 | 4,323 |
| At 30 September 2016 | 6,232 | 8,481 | 3,896 | 571 | 46,619 | 65,799 |
| Transfer from profit and loss account for the year | | | | | 11,128 | 11,128 |
| Dividends paid | | | | | (5,226) | (5,226) |
| New shares issued | 27 | 1,154 | | | | 1,181 |
| Recognition of share based payments | | | | 109 | | 109 |
| Movement in actuarial valuation of the defined benefit pension scheme | | | | | (2,506) | (2,506) |
| Movement on deferred tax relating to the pension scheme | | | | | 877 | 877 |
| **At 30 September 2017** | **6,259** | **9,635** | **3,896** | **680** | **50,892** | **71,362** |

* Details of the restatement are set out in Note A Accounting Policies (i).

# Notes to the company accounts

## A Accounting policies

### (i) Basis of accounting

Renew Holdings plc (the "Company") is a company limited by shares and domiciled in the UK.

The accounts have been prepared on the going concern basis and in accordance with FRS 102, under the historical cost convention. In determining that the going concern basis is appropriate the Directors have reviewed budgets, including cash flow forecasts, and concluded that the Company has adequate cash resources to continue trading for the foreseeable future.

#### *Prior Year Adjustment*

In previous years, the Company has provided for deferred tax on its pension scheme surplus at the rate of corporation tax expected to be prevailing in the future provided that the relevant legislation had been enacted. In the year ended 30 September 2016, a rate of 18% was used. It has now become clear to the Board that, in line with tax legislation which applies in the event of a refund of a surplus on the winding up of the pension scheme, that a tax rate of 35% should be applied. Consequently, the Board has restated the opening Balance Sheet as at 1 October 2015 to reflect the above. As at that date, the effect of the correction of this prior period error is to increase deferred tax liabilities associated with the Pension Scheme Asset by £2,576,000 with a corresponding reduction in net assets of the Company. As at 30 September 2016, for the same reason, the deferred tax liability has been increased by £1,309,000 compared to that previously reported. During the preparation of these financial statements, the Directors also became aware of inaccuracies in the corporation tax debtor at 30 September 2016. Correcting these resulted in an £833,000 increase in the corporation tax debtor at that date. The net impact of these adjustments is to reduce net assets by £476,000 at 30 September 2016.

The amendments related to the pension scheme tax primarily relate to movements in Other Comprehensive Income. As such adjustments have been made to Other Comprehensive Income in 2016 and the total comprehensive income for the year ended 30 September 2016 is now £3,938,000 compared to the £1,838,000 previously recorded. Following the adjustments made in respect of this matter, there has been no change in income tax expense for the year ended 30 September 2016 and as a result there has been no change to the Company's profit for the year ended 30 September 2016.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's results are included in the consolidated financial statements of the Group. The consolidated financial statements of Renew Holdings plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes.

  As the consolidated financial statements of Renew Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- the disclosure required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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 stated at cost less accumulated depreciation. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. The Company assesses at each reporting date whether tangible fixed assets are impaired.

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 |
| Freehold buildings | - fifty years |
| Plant, vehicles and equipment | - three to ten 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.

## **A Accounting policies** continued

### (v) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 102 'The Financial Reporting Standard', deferred tax is not provided on permanent timing differences. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date.

### (vi) Basic financial instruments - trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

### (vii) Stocks and work in progress

Stocks comprise land and are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads and excludes interest.

### (viii) Related party transactions

Interest is neither recognised nor charged on balances outstanding with fellow subsidiaries as they are repayable on demand.

### (ix) 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.

Exchange differences are taken to the profit and loss account.

### (x) Employee benefits

*Defined benefit pension scheme*

The Company's net asset/(liability) in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any scheme assets is deducted. The Company determines the net interest income/(expense) on the net defined benefit asset/(liability) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset/(liability) taking account of changes arising as a result of contributions and benefit payments. The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of, the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit scheme assets to the extent that it is able to recover the surplus. Changes in the net defined benefit asset/(liability) arising from employee service rendered during the period, net interest on net defined benefit asset/(liability), and the cost of scheme introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss. Remeasurement of the net defined benefit asset/(liability) is recognised in other comprehensive income in the period in which it occurs.

*Defined contribution pension schemes*

A defined contribution scheme is a post-employment benefit scheme under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised in expense in the profit and loss account in the periods during which services are rendered by employees.

*Share based payments*

FRS 102 "The Financial Reporting Standard' requires a fair value to be established for any equity settled share based payments. Fair value has been independently measured using a Monte Carlo 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 Directors' estimate of shares that will eventually vest.

### (xi) 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.

## 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 £11,128,000 (2016: £11,963,000).

The audit fee charged within the profit and loss account amounted to £34,000 (2016: £31,000).

## C Employee numbers and remuneration

| | 2017<br>Number | 2016<br>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** | 36 |
| At 30 September: | **29** | 37 |

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

| | £000 | £000 |
|---|---|---|
| Wages and salaries | **2,278** | 2,694 |
| Social security costs | **478** | 379 |
| Other pension costs | **235** | 318 |
| Share based payments | **1,290** | 1,736 |
| | **4,281** | 5,127 |

### Directors' emoluments

| | £000 | £000 |
|---|---|---|
| Aggregate emoluments | **2,022** | 3,314 |
| Highest paid director: aggregate emoluments | **946** | 1,476 |

Details of individual Directors' emoluments and pension contributions can be found in Note 6 to the consolidated accounts.

## D Dividends

| | 2017<br>Pence/share | 2016<br>Pence/share |
|---|---|---|
| Interim (related to the year ended 30 September 2017) | **3.00** | 2.65 |
| Final (related to the year ended 30 September 2016) | **5.35** | 4.75 |
| Total dividend paid | **8.35** | 7.40 |

| | £000 | £000 |
|---|---|---|
| Interim (related to the year ended 30 September 2017) | **1,877** | 1,651 |
| Final (related to the year ended 30 September 2016) | **3,349** | 2,960 |
| Total dividend paid | **5,226** | 4,611 |

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 6p per Ordinary Share be paid in respect of the year ended 30 September 2017. This will be accounted for in the 2017/18 financial year.

## E Tangible fixed assets

| | Freehold land and buildings £000 | Plant, vehicles & equipment £000 | Total £000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 October 2016 | 701 | 73 | 774 |
| Additions | - | 2 | 2 |
| **At 30 September 2017** | **701** | **75** | **776** |
| **Depreciation:** | | | |
| At 1 October 2016 | 76 | 56 | 132 |
| Charge for year | 10 | 9 | 19 |
| **At 30 September 2017** | **86** | **65** | **151** |
| **Net book value:** | | | |
| **At 30 September 2017** | **615** | **10** | **625** |
| At 30 September 2016 | 625 | 17 | 642 |

## F Investments

| | Subsidiary undertakings £000 |
|---|---|
| **Shares at cost:** | |
| At 1 October 2016 | 217,048 |
| Additions | 8,000 |
| Disposals | (330) |
| **At 30 September 2017** | **224,718** |
| | |
| **Provisions:** | |
| At 1 October 2016 | 115,053 |
| Provided during the year | 8,840 |
| **At 30 September 2017** | **123,893** |
| | |
| **Net book value:** | |
| **At 30 September 2017** | **100,825** |
| At 30 September 2016 | 101,995 |

Details of subsidiary undertakings are included in Note T.

During the year the Company invested an additional £8m in YJL Limited through the issue of 8,000,000 ordinary shares of £1 each at par.

Disposals represents the elimination of dormant subsidiary undertakings subsequent to their dissolution.

Following the decision in April 2017 to withdraw from the loss-making low pressure, small diameter gas pipe replacement activities of Forefront Utilities Ltd, the Board has carried out a review of the carrying value of the investment which has resulted in an impairment charge of £7,923,000.

Additionally £917,000 has been provided against the carrying value of 2 dormant subsidiary undertakings.

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

## G Stocks and work in progress

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Land | **-** | 632 |

## H Assets held for resale

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Property | **1,500** | 1,500 |

This office property has been actively marketed subsequent to a Group reorganisation when it became vacant. Disposal has been delayed by current market conditions, and the building is carried at net realisable value based on an annual independent third party valuation.

## I Debtors due after one year

| | **2017 £000** | 2016 £000 |
|---|---|---|
| **Debtors due after one year:** | | |
| Pension scheme asset (see Note S) | **9,692** | 7,704 |
| | | |
| **Due within one year:** | | |
| Trade debtors | **73** | 12 |
| Due from subsidiary undertakings | **69,042** | 73,239 |
| Corporation tax | **4,903** | 2,903 |
| Other debtors | **26** | 37 |
| Prepayments and accrued income | **257** | 258 |
| | **74,301** | 76,449 |
| | **83,993** | 84,153 |

# Notes to the company accounts continued

## J Creditors: amounts falling due within one year

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Bank loans and overdraft (secured) | **77,036** | 81,459 |
| Trade creditors | **409** | 516 |
| Other taxation and social security | **1,565** | 929 |
| Due to subsidiary undertakings | **26,801** | 29,136 |
| Other creditors | **297** | 205 |
| Accruals and deferred income | **6,175** | 5,568 |
| | **112,283** | 117,813 |

## K Creditors falling due after more than one year

| | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|
| Bank loans | **-** | 3,100 |
| Deferred tax | **3,387** | 2,286 |
| | **3,387** | 5,386 |
| Bank loans and overdraft repayable: | | |
| Within one year | **77,036** | 81,459 |
| Within two to five years | **-** | 3,100 |
| | **77,036** | 84,559 |

Under the terms of the Renew Holdings plc's group banking agreement, security has been granted over the Company's assets.

### Deferred tax liability

| | 2017 | 2016 |
|---|---|---|
| Defined benefit pension scheme | **3,392** | 2,696 |
| Future tax losses | **-** | (405) |
| Accelerated capital allowances | **(5)** | (5) |
| | **3,387** | 2,286 |

* Details of the restated deferred tax liability are set out in Note A Accounting Policies (i).

## L Derivatives and other financial instruments

### Currency exposures

The principal 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 an inter-company loan. At 30 September 2017, this loan was $4,521,000 (2016: $2,771,000).

### 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.

## M Share capital

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Allotted, called up and fully paid: | | |
| 62,591,451 (2016: 62,317,948) Ordinary Shares of 10p each | **6,259** | 6,232 |

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.

During the year 273,503 Ordinary Shares were issued following the exercise of options under the Renew Holdings plc Long Term Incentive Plan.

### Share options

*Renew Holdings 2004 Executive Share Option Scheme*

The Company operates a share option scheme, the Renew Holdings plc 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.

As at 30 September 2017, there were 31,467 options outstanding under the scheme. During the year 10,489 options were exercised. 31,467 options are in issue under the Approved scheme at an exercise price of 286p. These options are subject to the same performance criteria as options issued under the long term incentive plan described below.

## M 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 succeeded 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.

As at 30 September 2017, there were 550,133 options outstanding under the scheme. On 24 November 2016, options to subscribe for a further 243,100 Ordinary Shares were granted. During the year 305,172 options were exercised. 137,995 options lapsed during the year.

The options are exercisable at a nominal cost or at the par value of an Ordinary Share three years after the date of grant subject to the achievement of certain performance criteria. Details of the options are given in the Directors' Remuneration Report. To the extent that there is a gain arising in respect of the approved options noted above, the option holder will forfeit LTIP options to the same value.

Vesting of one half of the options is dependant on absolute growth in the Company's Total Shareholder Return ('TSR'), and the other half is dependant 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 the 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.

The comparator group TSR performance target measures the Company's TSR over the 3 year performance period against the TSR of a group of companies selected by the Remuneration Committee. If the Company's TSR performance falls below the median performance of the comparator group then the options lapse forthwith. If the Company is ranked within the top decile of the comparator group the options shall vest in full. If the Company's TSR performance is ranked between the median position and the top decile of the comparator group then the options shall vest on a straight line basis from nil, at or below the median position, to 100% at the top decile.



## N Share based payments reserve

### 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 Board's estimate of shares that will eventually vest.

£109,000 (2016: £244,000) has been charged to administrative expenses in accordance with FRS 102. There is no impact on net assets since an equivalent amount has been credited to the share based payments reserve. 305,172 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 2017 were as follows:

| Date of grant | 7 January 2015 | 27 January 2016 | 24 November 2016 | Total |
|---|---|---|---|---|
| Awards outstanding at 30 September 2017 | | | | |
| – Directors and employees | 184,000 | 179,033 | 187,100 | 550,133 |
| Exercise price | 0.0p | 10.0p | 10.0p | |
| Price at date of grant | 288.5p | 410.0p | 394.0p | |
| Maximum option life | 10 years | 10 years | 10 years | |
| Assumed option life for purposes of valuation | 3 years | 3 years | 2.85 years | |
| Expected volatility | 31% | 30% | 28% | |
| Dividend yield | 1.7% | 1.7% | 2.0% | |
| Risk free interest rate | 0.63% | 0.58% | 0.29% | |
| Value per option | 99.0p | 212.5p | 289.0p | |

## O Capital and leasing commitments

| | Land and buildings £000 | Other £000 | Total 2017 £000 | Total 2016 £000 |
|---|---|---|---|---|
| **Annual commitments under non-cancellable operating leases expiring in:** | | | | |
| Under one year | **226** | **25** | **251** | 254 |
| Two to five years | **658** | **19** | **677** | 781 |
| Five or more years | **-** | **-** | **-** | 120 |
| | **884** | **44** | **928** | 1,155 |

During the year £348,000 (2016: 556,000) was recognised as an expense in the profit and loss account in respect of operating leases.

The Company had no capital commitments at 30 September 2017 (2016: £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's 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 defined contribution pension scheme with individual stakeholder pension plans for its employees.

The Company made contributions of £241,000 (2016: £318,000) into these plans during the year. There are also £11,000 (2016: £17,000) of accruals relating to these plans.

## R Related parties

The Company has a related party relationship with its key management personnel who are the Main Board Directors: P Scott, J Samuel, A Liebenberg, RJ Harrison, J Bishop, DM Forbes and DA Brown, whose total compensation amounted to £2,131,000 (2016: £3,558,000) all of which was represented by short-term employment benefits including £109,000 (2016: £244,000) relating to share option charges in accordance with FRS 102. An analysis of this compensation is given in Note 6 of the consolidated accounts.

J Samuel is a director of Yorkshire Air Ambulance Ltd. In the year ended 30 September 2017 the Company made a charitable donation of £5,000 (2016: £5,000) to sponsor the charity's annual recognition awards dinner.

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

## S Employee benefits: Retirement benefit obligations

### Defined benefit pension schemes

The Company operates a defined benefit pension scheme, the Lovell Pension Scheme. The scheme has been closed to new members and to further benefits accrual for many years.

### FRS 102

The Directors have adopted the accounting required by FRS 102 with effect from the transition date. The Directors have discussed the assumptions used in determining the actuarial valuation set out below with independent pensions advisors and have determined that they are appropriate. The Lovell scheme's valuation at 30 September 2017 shows a surplus of £9,692,000 based on the assumptions set out below.

The Directors have determined that it is appropriate to recognise the surplus as, having reviewed the rules of the Lovell scheme, they are of the view that the employer has an unconditional right to that surplus.

The following disclosures required by FRS 102 have been based on the most recent actuarial valuation as at 30 September 2017 carried out by Lane Clark & Peacock LLP, Consulting Actuaries, using the following assumptions:

| | As at 30 September 2017 | As at 30 September 2016 | As at 30 September 2015 |
|---|---|---|---|
| Rate of increase in salaries | **4.0%** | 4.0% | 4.0% |
| LPI increases to pensions in payment | **4.2%** | 3.5% | 3.0% |
| Discount rate | **2.6%** | 2.4% | 3.7% |
| Inflation assumption (CPI) | **2.1%** | 2.0% | 2.0% |
| Inflation assumption (RPI) | **3.2%** | 3.0% | 3.0% |
| Increases in deferred pensions | **3.1%** | 2.9% | 2.9% |

## S Employee benefits: Retirement benefit obligations continued

### FRS 102 continued

The mortality tables adopted for the valuation of the Lovell scheme are the S2NA tables with future improvements in line with the Continuing Mortality Investigations 2016 model with long term improvement rates of 1.25% per annum for both males and females. 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 27.4 years and the further life expectancy of a male aged 60 in 2037 is 23.5 years.

The assets in the Lovell scheme were:

| | **Value as at 30 September 2017 £000** | **Current allocation** | Value as at 30 September 2016 £000 | Current allocation | Value as at 30 September 2015 £000 | Current allocation |
|---|---|---|---|---|---|---|
| Annuities | **91,400** | **53%** | 101,201 | 53% | 43,216 | 26% |
| Diversified portfolio | **81,273** | **47%** | 88,592 | 47% | 121,985 | 74% |
| Cash | **778** | **-** | 731 | - | 402 | - |
| Total | **173,451** | **100%** | 190,524 | 100% | 165,603 | 100% |

During 2011 and 2016, 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.

### Scheme Funding Level and Actuarial Valuation

The scheme actuary carried out the triennial valuation of the Lovell Pension Scheme as at 31 March 2015. The scheme showed a deficit of £12.1m compared to £24.1m when measured as at 31 March 2012. The Company has agreed a revised recovery plan with the Trustees which commits the Company to paying annual contributions of £4,260,000 which is expected to result in the elimination of this deficit by 31 July 2018. This recovery plan aims to eliminate the deficit under the Statutory Funding Objective of the Pensions Act 2004. The Company may be required to make further contributions to achieve a buy out of all pension liabilities and the Company has agreed to continue to make such contributions under a secondary funding objective. The necessity and quantum of these contributions will be remeasured by the scheme actuary at the next triennial valuation which is due as at 31 March 2018.

For accounting purposes under FRS 102, actuaries use different assumptions than for the triennial valuation. The major difference relates to assumptions concerning the future return on assets of the scheme which includes a number of return seeking assets invested with BlackRock Asset Management. The key sensitivity for the valuation of the scheme under FRS 102 is the selection of the discount rate which is the major determinant in measuring scheme liabilities. A reduction of 0.1% in the discount rate would increase scheme liabilities by £2.7m.

The scheme rules permit the return of any surplus funds to the Company on the winding up of the scheme.

| | **2017 £000** | 2016 £000 | 2015 £000 | 2014 £000 | 2013 £000 |
|---|---|---|---|---|---|
| Actual return on scheme assets less interest on scheme assets | **(14,565)** | 22,781 | 18,145 | 16,348 | (1,168) |
| As a percentage of the assets at the end of the year | **(8.4)%** | 12.0% | 11.0% | 11.2% | (0.9)% |
| Total amount recognised in the statement of comprehensive income | **(2,506)** | (12,348) | 10,664 | 1,514 | (5,711) |
| As a percentage of the obligations at the end of the year | **(1.5)%** | (6.8)% | 7.1% | 1.0% | (0.9)% |

## S Employee benefits: Retirement benefit obligations continued

### Scheme Funding Level and Actuarial Valuation continued

The following amounts at 30 September were measured in accordance with the requirements of FRS 102.

| | 2017 £000 | 2016 (Restated*) £000 |
|---|---|---|
| **Movements in scheme assets and obligations** | | |
| Total fair value of scheme assets brought forward | 190,524 | 165,603 |
| Interest on scheme assets | 4,489 | 6,056 |
| Employer contributions | 4,319 | 4,316 |
| Benefits paid | (11,315) | (8,221) |
| Running costs | (1) | (11) |
| Actual return on scheme assets less interest on scheme assets | (14,565) | 22,781 |
| Total fair value of scheme assets carried forward | 173,451 | 190,524 |
| Present value of scheme obligations brought forward | 182,820 | 150,449 |
| Interest on scheme obligations | 4,253 | 5,416 |
| Current and past service costs | 60 | 47 |
| Benefits paid | (11,315) | (8,221) |
| Actuarial movement due to experience on benefit obligation | (220) | (619) |
| Actuarial movement due to changes in financial assumptions | (6,652) | 35,748 |
| Actuarial movement due to changes in demographic assumptions | (5,187) | - |
| Total fair value of scheme obligations carried forward | 163,759 | 182,820 |
| Surplus in the scheme | 9,692 | 7,704 |
| Deferred tax | (3,392) | (2,696) |
| Net surplus | 6,300 | 5,008 |
| Amount charged to operating profit: | | |
| Current and past service costs | (60) | (47) |
| Running costs | (1) | (11) |
| | (61) | (58) |
| Amount credited to other financial income: | | |
| Interest on scheme assets | 4,489 | 6,056 |
| Interest on scheme obligations | (4,253) | (5,416) |
| Net pension interest | 236 | 640 |
| Amounts recognised in the statement of comprehensive income: | | |
| Actual return on scheme assets less interest on scheme assets | (14,565) | 22,781 |
| Actuarial movement due to changes in assumptions on scheme obligations | 12,059 | (35,129) |
| Actuarial movement | (2,506) | (12,348) |
| Movement in the net scheme surplus during the year: | | |
| Net scheme surplus brought forward | 7,704 | 15,154 |
| Current and past service costs | (60) | (47) |
| Running costs | (1) | (11) |
| Employer contributions | 4,319 | 4,316 |
| Net pension interest | 236 | 640 |
| Actuarial movement | (2,506) | (12,348) |
| Net scheme surplus carried forward | 9,692 | 7,704 |

* Details of the restated deferred tax liability are given in Note A, Accounting Policies (i).

## T 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 subsidiary undertakings and joint ventures are listed below.

| Subsidiary undertakings and joint ventures | | Incorporation & principal place of business | Proportion of Ordinary Shares held by the Company |
|---|---|---|---|
| Amco Group Holdings Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Britannia Group Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Clarke Telecom Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Forefront Group Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Inhoco 3520 Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Lewis Civil Engineering Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Corporate Director Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Fleet Management Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Group Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Nominees Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Pension Trustee Company Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Renew Property Developments Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Seymour (C.E.C.) Holdings Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Shepley Engineers Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| V.H.E. Construction PLC | Owned by Renew Holdings plc | England and Wales | 100% |
| YJL Homes Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| VHE Land Projects Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| YJL Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| YJL Pension Trustee Company Ltd | Owned by Renew Holdings plc | England and Wales | 100% |
| Lovell America, Inc | Owned by Renew Holdings plc | USA | 100% |
| Amalgamated Construction (Scotland) Ltd | Owned by subsidiary | Scotland | 100% |
| Amalgamated Construction Ltd | Owned by subsidiary | England and Wales | 100% |
| Amco Engineering Ltd | Owned by subsidiary | England and Wales | 100% |
| Amco Group Ltd | Owned by subsidiary | England and Wales | 100% |
| Amco Group Trustees Ltd | Owned by subsidiary | England and Wales | 100% |
| Amco Rail Engineering Ltd | Owned by subsidiary | England and Wales | 100% |
| Amco Rail Ltd | Owned by subsidiary | England and Wales | 100% |
| BPE Specialised Drillings Ltd | Owned by subsidiary | England and Wales | 100% |
| Britannia Construction Ltd | Owned by subsidiary | England and Wales | 100% |
| David Lewis Civil Engineering Ltd | Owned by subsidiary | England and Wales | 100% |
| Forefront Utilities Ltd | Owned by subsidiary | England and Wales | 100% |
| Geodur UK Ltd | Owned by subsidiary | England and Wales | 100% |
| Giffen Holdings Ltd | Owned by subsidiary | England and Wales | 100% |
| Giffen Group Ltd | Owned by subsidiary | England and Wales | 100% |
| 'Hire One' Ltd | Owned by subsidiary | England and Wales | 100% |
| Knex Pipelines & Cables Ltd | Owned by subsidiary | England and Wales | 100% |
| Mothersill Engineering Ltd | Owned by subsidiary | England and Wales | 100% |
| Nuclear Decontamination Services Ltd | Owned by subsidiary | England and Wales | 100% |
| P.P.S. Electrical Ltd | Owned by subsidiary | England and Wales | 100% |
| Renew Civil Engineering Ltd | Owned by subsidiary | England and Wales | 100% |
| Renew Construction Ltd | Owned by subsidiary | England and Wales | 100% |
| Renew Specialist Services Ltd | Owned by subsidiary | England and Wales | 100% |
| Seymour (Civil Engineering Contractors) Ltd | Owned by subsidiary | England and Wales | 100% |

## T Subsidiary undertakings continued

| | | Incorporation & principal place of business | Proportion of Ordinary Shares held by the Company |
|---|---|---|---|
| **Subsidiary undertakings and joint ventures** | | | |
| VHE (Civil Engineering) Ltd | Owned by subsidiary | England and Wales | 100% |
| VHE Equipment Services Ltd | Owned by subsidiary | England and Wales | 100% |
| VHE Technology Ltd | Owned by subsidiary | England and Wales | 100% |
| Walter Lilly & Co Ltd | Owned by subsidiary | England and Wales | 100% |
| West Cumberland Engineering Ltd | Owned by subsidiary | England and Wales | 100% |
| YJL Construction Ltd | Owned by subsidiary | England and Wales | 100% |
| YJL Infrastructure Ltd | Owned by subsidiary | England and Wales | 100% |
| YJL London Ltd | Owned by subsidiary | England and Wales | 100% |
| Switchgear & Substation Alliance Ltd | Owned by subsidiary | England and Wales | 33.3% |
| Inject-O-Matic Guarantee Ltd | Owned by subsidiary | England and Wales | 28.9% |

The registered office of Amalgamated Construction (Scotland) Ltd is 5 Carradale Crescent, Glasgow, G68 9LE.

The registered office of Lovell America Inc, is 9200 Rumsey Road, Columbia, Maryland, MD 21045, USA.

The registered office of Switchgear & Substation Alliance Ltd is Hamilton Office Park, 31 High View Close, Leicester, LE4 9LJ.

The registered office of all other subsidiary undertakings is Yew Trees, Main Street North, Aberford, LS25 3AA.

# Directors, officers and advisors

## Directors

| | |
|---|---|
| R J Harrison OBE | (Non-executive Chairman) |
| P Scott | (Chief Executive) |
| J Bishop FCA | (Independent non-executive) |
| D M Forbes | (Independent non-executive) |
| D A Brown | (Independent non-executive) |
| A Liebenberg | (Director) |
| S Wyndham-Quin CA | (Director) |
| J Samuel FCA | (Group Finance Director) |

## Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

## Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

## 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

Yew Trees
Main Street North
Aberford
Leeds
LS25 3AA

## Website address

www.renewholdings.com

# Shareholder information

| | |
|---|---|
| Annual General Meeting | 31 January 2018 |
| Results | Announcement of interim results – May 2018 |
| | Preliminary announcement of full year results – November 2018 |

## Share Portal

The Share Portal is a secure online site where you can manage your shareholding quickly and easily. To register for the Share Portal just visit www.signalshares.com.

## Dividend re-investment plan

Link's Dividend Re-investment Plan offers a convenient way for shareholders to build up their shareholding by using dividend money to purchase additional shares. For more information please call +44 (0)371 664 0381 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Alternatively, you can email shares@linkgroup.co.uk or log on to www.signalshares.com.

## Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity 1052686). Find out more at www.sharegift.org or by telephoning 020 7930 3737.

## Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls typically come from fraudsters operating in "boiler rooms" that are mostly based abroad. If you are offered unsolicited investment advice you should:

- Check the Financial Services Register at www.fca.org.uk to ensure they are authorised.
- Call the FCA Consumer Helpline on 0800 111 6768 or use the share fraud reporting form at www.fca.org.uk/scams.

If you use an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme ("FSCS").

## Link's Customer Support Centre

By phone +44 (0)871 664 0300 (Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. By email enquiries@linkgroup.co.uk.

## Our subsidiary businesses

**Amco**
Whaley Road
Barugh
Barnsley
South Yorkshire
S75 1HT
Tel: 01226 243 413

**Britannia**
Britannia House
Staverton Technology Park
Cheltenham
Gloucestershire
GL51 6TQ
Tel: 01452 859 880

**Clarke Telecom**
Unit E
Madison Place
Northampton Road
Manchester
M40 5AG
Tel: 0161 785 4500

**Lewis Civil Engineering**
Mwyndy Cross Industries
Cardiff Road
Pontyclun
Rhondda Cynon Taff
CF72 8PN
Tel: 01443 449 200

**Forefront**
30 Stephenson Road
Leigh-on-Sea
Essex
SS9 5LY
Tel: 01702 507 440

**Shepley Engineers**
Robinson House
Westlakes Science Park
Moor Row
Cumbria
CA24 3HY
Tel: 01946 599 022

**Seymour Civil Engineering**
Seymour House
Harbour Walk
Hartlepool
TS24 0UX
Tel: 01429 233 521

**VHE**
Whaley Road
Barugh
Barnsley
South Yorkshire
S75 1HT
Tel: 01226 320 150

**Walter Lilly**
Knollys House
17 Addiscombe Road
Croydon
Surrey
CR0 6SR
Tel: 020 8730 6200

**Renew Holdings plc**
Yew Trees
Main Street North
Aberford
Leeds
LS25 3AA
tel: 0113 281 4200
fax: 0113 281 4210
web: www.renewholdings.com

Company Number: 650447
Registered in England & Wales