

Interim Management Statement

The Group is today issuing its Interim Management Statement covering the period from 1 July 2011 to 30 September 2011, as required by the UK Listing Authority's Disclosure and Transparency Rules.

The deterioration in the economic climate is having a significant adverse effect on certain sectors of the Group's business. As a result, the Group has delivered a loss of £0.3 million for the quarter, on a revenue of £38.7 million and we do not anticipate a significant improvement in the trend rate of underlying trading performance during the final quarter. This is primarily due to continuing losses within the Building subsidiary, which is currently undergoing radical restructuring.

The Building subsidiary is still experiencing delays and cost-overruns on the major project referred to in previous trading statements. A contractual claim for recovery of losses is currently being pursued.

Nomenca Limited is delivering in line with expectation, as a result of robust expenditure by the water companies, and the year end result will be in excess of that for 2010.

The Highways division continues to perform strongly and both revenue and profit will exceed the previous year.

The Civil Engineering division, including the NMCNomenca sub-division engaged on the Severn Trent Water AMP5 programme, has returned a similar profit on reduced revenue over the comparable period last year. The division's water business is performing strongly, but tender opportunities outside the water industry remain scarce. However, the division is hopeful of significant orders in the near future.

The loss of the Virgin Media Term Contract has impacted on the Utilities division in the short term. Replacement frameworks have now been secured, but did not commence within the period. Both profit and revenue declined in the quarter compared with the previous year.

Cash flow has remained constant and the overall position has improved marginally over the previous year. The Group continues to operate well within its facilities. The Group was partially successful in its appeal for legal costs incurred during the OFT investigation and has been awarded over £50,000 in compensation.

Due to the poor performance of the Building subsidiary, the Board has again reviewed the value of goodwill currently incorporated within the accounts at a carrying value of £1.267 million, and has determined to provide in full against this amount. This one-off non cash accounting adjustment cancels out the exceptional profit of £1.25 million recognised in the first half of the financial year as a result of the reduction in the OFT fine.

The current Group order book for 2012 stands at £70 million, compared with £89 million at the same time last year, reflecting the challenging trading environment, particularly for our Building subsidiary.

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