

## NORTH MIDLAND CONSTRUCTION PLC

### UNAUDITED CONDENSED GROUP HALF YEARLY FINANCIAL STATEMENTS

**26 August 2010**

North Midland Construction PLC (“the Company”) the UK provider of civil engineering, building, mechanical and electrical services to public and private organisations, announces interim results for the six months ended 30 June 2010.

Highlights from the results and the Chairman’s Statement:-

	<b>Six Months Ended 30 June 2010 £'000</b>	<b>Six Months Ended 30 June 2009 £'000</b>
Revenue	77,897	71,263
Profit before Tax	2,037	1,367
Net Profit after Tax	1,467	984
Earnings per Share	14.54p	9.51p
Proposed Dividends	2.50p	2.50p

- Group profit before tax up by 49% compared with previous year
- Interim dividend maintained at 2.5p
- All divisions and subsidiaries currently trading profitably
- A strong performance by the Utilities division

For further information:-

Robert Moyle, Chairman - 01623 518812  
North Midland Construction PLC

## CHAIRMAN'S STATEMENT

It is gratifying to report a significantly improved performance for the half year with profitability increased by 49% to £2.04 million on revenue increased by 9.3% at £77.90 million.

The parent company delivered enhanced results with profitability rising to £1.80 million from £0.98 million on revenue increased by 6.07% at £50.30 million. All divisions were profitable, with an improved performance from the Utilities division on the back of significantly increased volumes from the telecommunications companies, driven by the demand for increased broadband capability. The Civil Engineering division benefited from the commencement of the AMP5 programme for the water industry and the resolution of various schemes on the Minworth Project for Severn Trent Water. In an extremely competitive environment, the Highways division delivered a similar result to that of the previous year.

North Midland Building continues to be severely affected by the downturn in demand and a nominal return was delivered, albeit on a revenue increased five fold. Tender opportunities are on the increase, but margins remain extremely competitive and further orders are required to deliver the forecasted result for the year.

Nomenca, the Mechanical & Electrical Engineering subsidiary, has suffered from the slow commencement of the AMP5 programme by the water industry. Profitability reduced by 20.3% to £235,000 on revenue reduced by 14.3% at £18.0 million. The lead-in period for their works are much longer than for the Civil Engineering division and it is unlikely that the forecast for both revenue and profit will be achieved this year. However, the prospects for the ensuing years are very promising.

Secured Group revenue for this financial year currently stands at £170 million, compared with market expectations of £184 million. There is a need to secure further orders, most particularly in the non-water elements of the Civil Engineering division and the Building division. The market place remains extremely competitive, but the Group is well placed with its wide range of capabilities across the sector to deliver.

During the half year there was a cash outflow of £5.61 million, due to increased levels of work in progress, particularly in the Utilities division. The Group, however, is trading well within its credit facilities.

Brian Evans has decided to retire at the end of the financial year and will thus be resigning from the PLC Board. As the founder of the Building subsidiary, he is to be thanked and congratulated on the success and growth of that company and his overall contribution to the Group.

The Directors remain confident that the market expectations for the full year will be achieved and the level of orders already secured for 2011 shows promise. On this basis, in order to maintain the return to shareholders, an interim dividend of 2.5p per share, which will be paid on 1 October 2010 to the shareholders on the register on 10 September 2010, is recommended by the Board.

Robert Moyle  
Chairman  
North Midland Construction PLC

## UNAUDITED CONDENSED GROUP INCOME STATEMENT

The unaudited Group results for the half year ended 30 June 2010 are shown below together with the unaudited Group results for the half year ended 30 June 2009 and the audited Group results for the year ended 31 December 2009.

	<u>Six Months Ended 30 June</u>		<u>Year Ended</u>
	<u>2010</u>	<u>2009</u>	<u>31 December</u>
	<u>£'000</u>	<u>£'000</u>	<u>2009</u>
			<u>£'000</u>
Revenue	77,897	71,263	144,185
Other operating income	69	78	196
	<u>77,966</u>	<u>71,341</u>	<u>144,381</u>
Raw material and consumables	(14,381)	(13,756)	(26,284)
Other external charges	(40,852)	(34,635)	(75,399)
	<u>22,733</u>	<u>22,950</u>	<u>42,698</u>
Employee costs	(18,497)	(19,192)	(36,575)
Depreciation of property, plant & equipment	(792)	(845)	(1,633)
Other operating charges	(1,371)	(1,440)	(2,719)
Operating profit	<u>2,073</u>	<u>1,473</u>	<u>1,771</u>
Analysed as:-			
Operating profit before exceptional item	2,073	1,473	3,365
Exceptional item	-	-	(1,594)
Operating profit	<u>2,073</u>	<u>1,473</u>	<u>1,771</u>
Finance costs	(36)	(106)	(217)
Profit before tax	<u>2,037</u>	<u>1,367</u>	<u>1,554</u>
Tax (Note 4)	(570)	(383)	(957)
Profit for the period	<u>1,467</u>	<u>984</u>	<u>597</u>
Attributed to:-			
Minority interest	42	52	166
Equity holders of the parent	<u>1,425</u>	<u>932</u>	<u>431</u>
	<u>1,467</u>	<u>984</u>	<u>597</u>
Earnings per share basic and diluted (Note 3)	14.54p	9.51p	4.40p
Dividend per share (Note 5)	6.00p	6.00p	8.50p

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Six Months ended 30 June 2010</u>			<u>Six Months to</u>	<u>Year Ended</u>
	<u>Total Attributable</u>	<u>Minority</u>	<u>Total</u>	<u>30 June</u>	<u>31 December</u>
	<u>to Equity Holder</u>	<u>Interest</u>	<u>Equity</u>	<u>2009</u>	<u>2009</u>
	<u>of the Parent</u>			<u>Total</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 31 December 2009	18,403	720	19,123	19,459	19,459
Profit for the half year	1,425	42	1,467	984	597
Dividends	(588)	(82)	(670)	(688)	(933)
Balance at 30 June 2010	<u>19,240</u>	<u>680</u>	<u>19,920</u>	<u>19,755</u>	<u>19,123</u>

The total attributable to equity holders of the parent is the aggregate of share capital, capital redemption reserve and retained earnings. Share capital of £980,000 and capital redemption reserve of £20,000 have not changed during the half year ended 30 June 2010.

## **UNAUDITED CONDENSED GROUP BALANCE SHEET**

The unaudited condensed Group Balance Sheets at 30 June 2010 and 30 June 2009 are shown below together with the audited Group Balance Sheet at 31 December 2009.

	<b><u>2010</u></b>	<b><u>30 June</u></b>	<b><u>2009</u></b>	<b><u>31 December</u></b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>Assets</b>				
<b>Non-Current Assets</b>				
Goodwill	1,267	1,267		1,267
Property, plant and equipment	10,182	10,307		9,714
	<u>11,449</u>	<u>11,574</u>		<u>10,981</u>
<b>Current Assets</b>				
Inventories	1,733	1,444		1,577
Construction contracts	10,519	8,621		8,430
Trade and other receivables	26,810	35,356		31,020
Cash and cash equivalents	564	-		6,173
	<u>39,626</u>	<u>45,421</u>		<u>47,200</u>
<b>Total Assets</b>	<u>51,075</u>	<u>56,995</u>		<u>58,181</u>
<b>Equity &amp; Liabilities</b>				
<b>Capital &amp; Reserves attributable to equity holders of the Parent</b>				
Share capital	980	980		980
Capital redemption reserve	20	20		20
Retained earnings	18,240	18,149		17,403
	<u>19,240</u>	<u>19,149</u>		<u>18,403</u>
Minority interest	680	606		720
	<u>19,920</u>	<u>19,755</u>		<u>19,123</u>
<b>Liabilities</b>				
<b>Non-current Liabilities</b>				
Obligation under finance leases				
– due after one year	474	533		271
Provisions	561	494		519
Deferred tax	38	65		38
	<u>1,073</u>	<u>1,092</u>		<u>828</u>
<b>Current Liabilities</b>				
Trade & other payables	28,913	32,679		36,940
Current tax payable	571	371		621
Obligations under finance leases				
- due within one year	598	928		669
Bank overdrafts (secured)	-	2,170		-
	<u>30,082</u>	<u>36,148</u>		<u>38,230</u>
<b>Total Liabilities</b>	<u>31,155</u>	<u>37,240</u>		<u>39,058</u>
<b>Total Equity &amp; Liabilities</b>	<u>51,075</u>	<u>56,995</u>		<u>58,181</u>

**UNAUDITED CONDENSED GROUP CASH FLOW STATEMENT**

	<b><u>Six Months Ended 30 June</u></b>		<b><u>Year Ended</u></b>
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>31 December</u></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>			
Operating profit	2,073	1,473	1,771
Adjustments for:			
Depreciation of property, plant and equipment	792	845	1,633
(Gain) on disposal of property, plant and equipment	(58)	(77)	(179)
Increase/(decrease) in provisions	42	(2)	23
<b>Operating cash flows before movements in working capital</b>	<u>2,849</u>	<u>2,239</u>	<u>3,248</u>
(Increase)/decrease in inventories	(156)	37	(96)
(Increase)/decrease in construction contracts	(2,089)	1,220	1,411
Decrease in receivables	4,210	13,300	17,636
(Decrease) in payables	(8,027)	(13,293)	(9,032)
<b>Cash (used in)/generated from operations</b>	<u>(3,213)</u>	<u>3,503</u>	<u>13,167</u>
Income Tax paid	(620)	(912)	(1,265)
Interest paid	(36)	(106)	(217)
<b>Net cash (used in)/generated from operating activities</b>	<u>.....(3,869).....</u>	<u>.....2,485.....</u>	<u>.....11,685.....</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(669)	(41)	(246)
Proceeds on disposal of property, plant and equipment	65	175	286
<b>Net cash (used in)/generated from investing activities</b>	<u>.....(604).....</u>	<u>.....134.....</u>	<u>.....40.....</u>
<b>Cash flows from financing activities</b>			
Equity dividend paid	(588)	(588)	(833)
Dividend paid to minority interests	(82)	(100)	(100)
Repayments of obligations under finance leases	(466)	(537)	(1,055)
<b>Net cash (used in) financing activities</b>	<u>.....(1,136).....</u>	<u>.....(1,225).....</u>	<u>.....(1,988).....</u>
<b>Net (Decrease)/increase in cash and cash equivalents</b>	<u>(5,609)</u>	<u>1,394</u>	<u>9,737</u>
<b>Cash and cash equivalents/(bank overdrafts) at 1 January 2010</b>	<u>6,173</u>	<u>(3,564)</u>	<u>(3,564)</u>
<b>Cash and cash equivalents/(bank overdrafts) at 30 June 2010</b>	<u>564</u>	<u>(2,170)</u>	<u>6,173</u>

## 1. Basis of preparation

The unaudited condensed consolidated half-yearly financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and have been prepared on the basis of International Financial Reporting Standards (IFRS's) as adopted by the European Union that are effective for the full year ending 31 December 2010. They do not include all of the information required for full annual financial statements. These condensed consolidated half-yearly financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2009. The comparative figures for the year ended 31 December 2009 are not the Group's statutory accounts for that financial year. Those accounts have been reported upon by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 435 and 498 (2) or (3) respectively of the Companies Act 2006.

The accounting policies adopted in the preparation of the condensed consolidated half-yearly financial statements to 30 June 2010 are consistent with the policies applied by the Group in its consolidated financial statements as at, and for the year ended 31 December 2009. The Group has considered amendments to existing standards and interpretations that are effective for the year ending 31 December 2010 and is of the view that they have no impact on the half-yearly accounts.

## 2. Segment reporting

The business segment reporting format reflects the Group's management and internal reporting structure.

Business segments

The group is comprised of the following business segments:-

- 'PLC' - comprising civil engineering, highways and utilities divisions
- Building - construction of commercial and residential property
- Nomenca - mechanical and electrical engineering products and services

Segment revenue and profit

### Six Months Ended 30 June 2010

	Civil Engineering £'000	Highways £'000	Utilities £'000	Building £'000	Nomenca £'000	Total £'000
Revenue						
External sales	<u>22,913</u>	<u>6,410</u>	<u>19,259</u>	<u>11,336</u>	<u>17,979</u>	<u>77,897</u>
Result before corporate expenses	1,830	453	1,405	775	1,874	6,337
Corporate expenses	<u>(1,034)</u>	<u>(312)</u>	<u>(508)</u>	<u>(771)</u>	<u>(1,639)</u>	<u>(4,264)</u>
Operating profit	<u>796</u>	<u>141</u>	<u>897</u>	<u>4</u>	<u>235</u>	<u>2,073</u>
Finance costs						(36)
Profit before tax						<u>2,037</u>
Tax						<u>(570)</u>
Profit for the period						<u>1,467</u>

### Six Months Ended 30 June 2009

	Civil Engineering £'000	Highways £'000	Utilities £'000	Building £'000	Nomenca £'000	Total £'000
Revenue						
External sales	<u>26,982</u>	<u>6,101</u>	<u>15,305</u>	<u>1,898</u>	<u>20,977</u>	<u>71,263</u>
Result before corporate expenses	1,545	529	1,372	799	1,673	5,918
Corporate expenses	<u>(1,348)</u>	<u>(342)</u>	<u>(675)</u>	<u>(702)</u>	<u>(1,378)</u>	<u>(4,445)</u>
Operating profit	<u>197</u>	<u>187</u>	<u>697</u>	<u>97</u>	<u>295</u>	<u>1,473</u>
Finance costs						(106)
Profit before tax						<u>1,367</u>
Tax						<u>(383)</u>
Profit for the period						<u>984</u>

## Segment assets

	30 June	
	2010	2009
	£'000	£'000
Civil engineering	17,123	21,505
Highways	4,791	4,863
Utilities	14,392	12,198
	<u>36,306</u>	<u>38,566</u>
Building	4,991	6,560
Nomenca	9,778	11,869
Total segment assets and consolidated total assets	<u>51,075</u>	<u>56,995</u>

For the purpose of monitoring segment performance and allocating resources between segments, the Group's Chief Executive monitors the tangible and financial assets attributable to each segment. Goodwill has been allocated to reportable segments to which it relates. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

## Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	30 June		30 June	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Civil engineering	358	451	595	129
Highways	100	102	167	29
Utilities	302	256	500	74
Building	18	21	-	-
Nomenca	14	15	5	4
	<u>792</u>	<u>845</u>	<u>1,267</u>	<u>236</u>

There were no impairment losses recognised in respect of property, plant and equipment or goodwill.

All of the above relates to continuing operations and arose in the United Kingdom.

## Information about major customer

Revenues of approximately £24,155,000 (2009 : £20,788,000) were derived from a single external customer. These revenues are attributable to the Civil Engineering and Nomenca segments.

### 3. Earnings per share

The basic and diluted earnings per share are the same and have been calculated on profits of £1,425,000 (2009 : £932,000) and 9,800,000 shares in issue.

### 4. Taxation

In respect of the six months ended 30 June 2010, corporation tax has been provided at 28% (2009 : 28%) of the profit without deferment.

### 5. Dividends

Amounts recognised as distributions to equity holders in the half year:-

	Six Months to June	
	2010	2009
	£'000	£'000
Final dividend for the year ended 31 December 2009 of 6p (2008 : 6p) per share	<u>588</u>	<u>588</u>

The Directors propose an interim dividend of 2.5p per share (2009 : 2.5p per share), total £245,000 (2009 : £245,000), which will be paid on 1 October 2010 to the shareholders on register on 10 September 2010.

**6. Goodwill**

An impairment review of the goodwill figure has been carried out in the light of past performance and forecast future performance. Based on this review, the directors consider that no provision for impairment is necessary.

**7. Related parties and joint operations**

The Group's related parties are key management personnel who are the executive directors, non-executive directors and divisional managers.

Additionally, the Group has a 50% interest in a joint operation with Biwater Treatment Limited.

The condensed Group financial statements for the half year ended 30 June 2010 incorporate the following relating to the joint operation:-

	<b>Six Months to 30 June 2010</b>	Six Months to 30 June 2009
Revenue	2,678	9,072
Expenses	1,755	8,181
Assets	151	3,574
Liabilities	151	3,574

**8. Contingent liabilities**

Euler Hermes Guarantee plc, Lloyds TSB and HCC International Insurance Co. Ltd have given Performance Bonds to a value of £4,005,974 (2009 : £5,168,032) on the Group's behalf. These bonds have been made with recourse to the Group.

In the financial statements for the year ended 31 December 2009 full provision was made, as an exceptional item, for the fine levied by the Office of Fair Trading following their investigation into the construction industry. The appeals hearing was held on 9 July 2010, the results of which are currently awaited.

**9. Seasonality**

The Group's activities are not subject to significant seasonal variations.

A copy of this circular will be sent to all shareholders on 26 August 2010 and copies will be available from the registered office, Nunn Close, The County Estate, Huthwaite, Sutton-in-Ashfield, Nottinghamshire, NG17 2HW, for 14 days from today's date. This report will also be available on the Group's website ([www.northmid.co.uk](http://www.northmid.co.uk)).