

# Annual Report and Accounts 2010





*Civils  
Willenhall UID*



*Utilities  
South Yorkshire Digital*



*NMCNomenca  
Minworth STW*



*NMCNomenca  
Yaddlethorpe*



*Highways  
Leeds Public Realm*



*Nomenca  
Taunton STW for Wessex Water*



*NMB  
Dearne Valley Fire Station*



*Civils  
Wilford Suspension Bridge*



*NMB  
Walter Halls School*



## Welcome to North Midland Construction

# evolving environments

North Midland Construction operates nationally with strategically located regional offices. With five operational divisions, NMC successfully undertakes construction projects covering the spheres of **Civil Engineering, Building and Mechanical** and **Electrical Engineering**.

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## Year in Brief

*Progress has continued to be made both in terms of revenue and profitability despite the continuing trading conditions. Workload remains at an acceptable level due to the underlying foundation of framework contracts. Gearing has further reduced during the year which is testament to the underlying strength of the Group*

- Revenue increased by 14.1% to £164.5 million.
- Profit before tax and exceptional item £3.7 million an increase of 17.9%.
- Result of the appeal against the fine levied by the Office of Fair Trading is awaited.
- Joint venture project with Biwater Treatment virtually completed with significant success.
- Building subsidiary incurred losses due to low margins and shortage of revenue.
- Cash inflow of £2.7 million during year.
- Secured workload for 2011 at £140 million.
- The Group has numerous long-term framework agreements in place.

### Synopsis

The desire is for the North Midland Construction PLC Group to be a great place to work, so that its people perform to the peak of their capabilities, whilst enjoying it.

The Group is committed to sustained organic growth by delivering, in partnership with its clients, a quality product at an economic price, constructed to premium environmental standards, in accordance with the best health and safety practice.

The achievement of this will provide both enhanced value for shareholders and the opportunity for all members of the Group to develop and enhance their personal careers.



## Chairman's Statement

It is very gratifying to report a result both in excess of the forecast and that of the previous year, in spite of both the challenging economic climate and the severe weather conditions experienced at both the start and the end of the year. Revenue increased by 14.1% to £164.5 million and profit before exceptional items and tax by 17.9% to £3.71 million. Progress was not uniform across the Group and a breakdown of the result is now provided by division and subsidiary.

### Civil Engineering

The market remains extremely competitive with reduced tender opportunities due to public sector cutbacks and very tight credit conditions. Framework clients are also demanding year-on-year savings. However, the division and most notably the sub-division NMCNomenca, formed to service the AMP5 framework for Severn Trent Water, delivered an enhanced performance with revenue increasing by 1.2% to £51.2 million and profitability to £1.96 million. The major joint venture project at Minworth with Biwater Treatment Limited was virtually completed during the year and the exceptional performance delivered significant final bonus payments on the completed sections. Forecasted expenditure levels on the AMP5 framework for NMCNomenca were met and the sub-division achieved a result in excess of budget by delivering cost reduction due to increased efficiency and innovation. Outside of the water frameworks the core areas of operation, namely power, waste and rail, remain extremely competitive with two contracts in the power sector producing losses during the year. Tender opportunities and repeat business remain scarce, but the existing frameworks, allied to the recently obtained Anglian Water LDP framework, should lead to future forecasts being achievable.

### Highways

The division successfully grew during the year on the back of increased expenditure with major local government frameworks such as Liverpool City Council and the development of new markets. Revenue increased by 32.3% to £13.5 million with profitability marginally increasing by 3.8% to £0.22 million. Contracts are being secured at extremely competitive margins,

but are still delivering returns. The division has developed a particular expertise and reputation in public realm contracts and to date these do not seem to have been affected by public sector cutbacks. Projects of increasingly higher value are being secured and the division enters the New Year with a healthy order book and revenue is expected to exceed that of the previous year.

### Utilities

Backed by high demand for broadband, the telecommunications sector was particularly buoyant during the year and as the division services most of the major companies, it was the beneficiary. Revenue increased by 32.2% to £40.2 million and profitability by 4.1% to £1.46 million. The major contributor to this increased revenue was the South Yorkshire Digital contract for Kcom plc. However, work in progress increased significantly as the contract payment was based upon a series of large milestones. To satisfy demand and provide an improved customer service, an in-house cabling and jointing capability was formed and this has been particularly successful. Demand for new and improved networks remains high and due to the wide range of clients served, the division is well placed to capitalise upon this in the future.

### Building

The building subsidiary continues to be the most affected by the continuing economic downturn and, therefore, returned a loss in excess of that forecasted of £0.57 million on a revenue of £22.0 million. Revenue was 37% below budget due to poor weather at both the commencement and the end of the year and reduced progress on the major scheme in the current portfolio. Margins remain positive, but at an extremely low level, and this coupled with the low revenue has contributed to the loss. A thorough review of the business has now been undertaken and further overhead reduction instigated along with a revised marketing strategy. The division enters 2011 with an order book of £20 million and tender opportunities are now on the increase. Brian Evans, the Chairman and Co-founder of the Company, who was also a PLC Board member, retired at the end of the year. Special thanks go to him for all his endeavour and loyalty in the creation and growth of the Company.



## Chairman's Statement

(continued)

### Nomenca

The mechanical and electrical subsidiary has been particularly successful in the AMP5 tendering process for water companies throughout the country. However, unfortunately that success did not translate into orders received during the year with the transition from the previous AMP being very slow. Revenue, therefore, declined by 12.8% to £37.6 million and profitability by 20% to £0.75 million. The problem was particularly acute in Scotland, where significant reductions in operating costs had to be introduced. Several outstanding accounts were resolved during the year and this resulted in a positive cash flow. The division enters the current financial year with a secured order intake of £44 million and this, coupled with the foundation of the frameworks secured, particularly in the water sector, will provide positive growth.

The Group has made huge advances in non-financial performance in recent years and the "Just Culture" initiative has driven improved Health & Safety and Environmental performance. Overall, accidents were at an all-time low and there have been no statutory reportable accidents since September 2009, which is a notable achievement. In recognition of this, the Group has won six awards for Health & Safety and seven for Environmental Performance during the year. The Group takes its Corporate Social Responsibility (CSR) very seriously and several projects were undertaken either under the aegis of "Business in the Community" or under its own initiative. The "Investors in People" accreditation was also reviewed during the year and uplifted to a silver standard. This truly reflects the Group's commitment to its employees' training and well being. Full details of the year's performance are contained in this year's CSR report.

In the 2009 accounts an exceptional item was included for the potential OFT fine and associated costs of £1.594 million. An appeal was made against this and to date the result of that appeal has not been forthcoming. The first tranche of appeal decisions have just been announced and it would be presumptuous to assume that they will be replicated across the full range of appellants, but they do display significant reductions in the overall fines.

As previously stated, Brian Evans retired from the Board at the end of the year and as announced on Friday 1 April 2011 David Rogers has been appointed as a Non-Executive Director. We are delighted with his appointment and look forward to a close working relationship.

The secured order book for the current financial year is circa £140 million. Banking facilities have been renewed until March 2012 and the forecast is that cash flow will be maintained during the year. These key parameters enable your Board to recommend a final dividend of 6.0 pence, making a total of 8.5 pence for the year.

**Robert Moyle**  
Chairman

1 April 2011



## Directors and Advisors

### Company Registration Number

00425188 (England and Wales)

### Directors

R. Moyle BSc(Hons) CEng FICE  
(Chairman and Chief Executive)  
M.S. Garratt BSc, FCA  
B.A. Evans BSc, MCI0B (Resigned 21 December 2010)  
D. Bleakley  
M.W. Blakeway MSc  
S.J.T. Brown FCA  
I. Elliott BSc, CEng, MICE  
D.P. Rodgers LLB (Appointed 1 April 2011)

### Secretary

M.S. Garratt BSc, FCA

### Auditor

PKF (UK) LLP  
Regent House  
Clinton Avenue  
Nottingham NG5 1AZ

### Solicitors

Browne Jacobson  
44 Castle Gate  
Nottingham NG1 7BJ

### Bankers

Lloyds TSB Bank plc  
Old Market Square  
Nottingham NG1 6FD

### Registered Office

Nunn Close  
The County Estate  
Huthwaite  
Sutton-in-Ashfield  
Nottinghamshire NG17 2HW

### Registrars

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

### Corporate Brokers

Brewin Dolphin Securities  
34 Lisbon Street  
Leeds LS1 4LX



## Report of the Directors

The Directors present their annual report and audited financial statements for the year ended 31 December 2010.

### Principal activities

The principal activities of the Group consist of civil engineering, building and public works contracting.

Details of the domicile and legal form of entity is detailed on page 5.

### Business review

The results of the Group for the year as follows:-

	£'000
Operating profit before exceptional item	3,812
Exceptional item (Note 9)	–
Operating profit	3,812
Net finance costs	(99)
Profit before tax	3,713
Tax	(1,064)
Profit	2,649
Attributable to: – Equity holders of the Parent	2,518
– Non-controlling interest	131
	2,649

A review of the performance during the period and the future developments of the Group is included in the Chairman's Statement on page 3.

### Principal risks and uncertainties

Details of the principal risks and uncertainties facing the Group, as identified by the Directors, are set out on pages 11 and 12.

### Key performance indicators (KPI's)

The Group monitors its performance by reference to a number of KPI's as follows:-

- revenue growth;
- net return on sales;

The beneficial interests of the Directors in shares of Companies within the Group at both the beginning and the end of the year are as follows:-

	31/12/10 10p ordinary shares	31/12/09 10p ordinary shares
North Midland Construction PLC		
R. Moyle	448,008	448,008
M.S. Garratt	139,131	135,185
D. Bleakley	3,000	3,000
M.W. Blakeway	6,360	5,811
S.J.T. Brown	6,500	6,500
I. Elliott	–	–
D.P. Rodgers	–	–

- net return on capital employed ('ROCE'); and
- dividend cover.

These financial targets are supported by non-financial targets, which are:

- to reduce the frequency rate of reportable injuries for employees and sub contractors;
- to reduce the waste to landfill compared to previous years.

Financial KPI's	2010	2009	Target
Revenue growth	14.1%	(28.7%)	10%
Net return on sales	2.3%	1.2%	1.5%
Net ROCE	17.0%	7.8%	17%
Dividend cover	3.0 times	0.5 times	2.0 times

Non-Financial KPI's	2010	2009	Target
Frequency rate of reportable injuries – reportable incidents per 100,000 hours worked	0	0.17	0.1
Waste to landfill ('000 tonnes) reduction per annum	70	105 (est)	(15%)

### Dividends

Details of dividends paid during the year of £833,000 are set out in Note 13. The Directors recommend the payment of a final dividend of 6 pence per ordinary share (2009 – 6 pence per share).

### Directors

The Directors of the Company are as shown on page 5.

In accordance with the Articles of Association D.P. Rodgers, I. Elliott and M.W. Blakeway retire by rotation and, being eligible, offer themselves for re-election.

B.A. Evans retired from the Board on 21 December 2010.

D.P. Rogers was appointed to the Board on 1 April 2011.



## Report of the Directors

(continued)

As at 1 April 2011 the interests of M.S. Garratt and M.W. Blakeway increased by 126 shares as a result of their participation in the Employee Share Plan.

Mr D. Bleakley also holds 0% (2009 – 8.3%) of the issued share capital of Nomenca Limited.

### Significant shareholdings

The following hold a significant shareholding in the Company:-

	10p ordinary shares
Mr M.A. Foulds and Mr W.E.C. Cursham	857,574
Mr G.B. Chambers, Mr I.B. Speke and Mr M.S. Garratt	3,147,616
Mr R. Moyle, Mrs A.E.F. Moyle and Mr R.L. Symington	627,500
Mrs M.G. Moyle	309,437

Apart from these and the Directors' holdings already shown, the Directors are not aware of any other holding which exceeds 3% of the issued share capital.

### Charitable donations

The Group made charitable donations totalling £12,595 during the year (2009 – £15,186). These donations were made to 49 beneficiaries.

### Employees

Applications for employment by disabled persons are fully and fairly considered, bearing in mind the abilities of the persons concerned in relation to the position offered. The Group offer the same training and career development opportunities to all staff.

In the event of employees becoming disabled, every reasonable effort is made to ensure that their employment with the Group continues.

Group management is responsible for employee participation practices. These practices include the communication of relevant information on work related issues to all employees via a monthly newsletter.

The Group holds a quarterly consultation meeting with employee representatives.

### Market value of shares at 31 March 1982

For Capital Gains Tax purposes, the market value of the Ordinary Shares of 10p in the Company as at 31 March 1982 was 6.563 pence per share.

### Auditor and disclosure of information to auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of which the auditor is unaware of.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The auditor PKF (UK) LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the AGM.

### Share Capital

Details of the authorised and issued share capital of the Company are set out in Note 21.

### Corporate Social Responsibility

The Group is committed to taking Corporate Social Responsibility very seriously. We strongly believe that our business should demonstrate responsibility in everything it does. Significant advances are being made and to illustrate this they are detailed in a separate document, which is available to all shareholders and is also available on the Company's website ([www.northmid.co.uk](http://www.northmid.co.uk)).

### Corporate Governance

The Group is committed to high standards of Corporate Governance.

This statement describes how the relevant principles of governance are applied to the Company.

For the year ended 31 December 2010 the Directors confirm that the Company has taken appropriate steps to comply with the provisions of the 2008 Combined Code including the principles set out in Section 1, and with the provisions of the Disclosure and Transparency Rules on Audit Committees and Corporate Governance statements (DTR 7).

The Directors have monitored the FRC's review of the Combined Code (to be re-named 'The UK Corporate Governance Code') and have made preparations to ensure the Company continues to comply with its revised provisions, which are expected to apply to accounting periods beginning on or after 29 June 2010.



## Report of the Directors

(continued)

### The Principles of Good Governance

#### *The Board of Directors*

The Board comprises:

Robert Moyle – Chairman and Chief Executive, aged 59, possesses a degree in Civil Engineering and has been with the Company for 37 years. He was appointed to the Board in 1984.

Michael Garratt – Finance Director, aged 60, qualified as Chartered Accountant in 1972 and has been with the Company for 27 years. He was appointed to the Board in 1984.

Douglas Bleakley – Chairman of the subsidiary Nomenca Limited, aged 64, has been with the Company for 12 years, and was appointed to the Board in 2003. He has worked within the water sector for 27 years.

Mark Blakeway – Managing Director of the Civil Engineering Division, aged 52, has been with the Company for 26 years and was appointed to the Board in 2006. He comes from an operational background, with experience in all the major sectors of the civil engineering industry.

Steve Brown – Senior Independent Non-Executive Director, aged 62, is a chartered accountant and was appointed to the Board in March 2004. He has held a number of Non-Executive and Executive Directorships in both the public and private sectors, including Center Parcs plc. He is currently Chairman of Grand Leisure Limited and Tangram Leisure Limited, and a Director of the East Midlands Development Agency.

Ian Elliott – Independent Non-Executive Director, aged 63, was appointed to the Board in March 2006. He possesses an Honours Degree in Civil Engineering and is a Chartered Engineer. He has over 34 years experience in the Water Industry and previously held the position of Managing Director of an Engineering Consultancy business and was Director of Engineering and Procurement with Severn Trent Water.

David Rogers – Independent Non-Executive Director, aged 56. David is a partner in Tods Murray LLP, Solicitors in Edinburgh and heads up the firm's construction team. He is dual qualified as a solicitor both in England and Wales and also in Scotland. Previously he has been a partner in major commercial law firms in Manchester where he practiced for 26 years before moving to Scotland in 2004. He is a commercial litigation lawyer and specialises in construction and engineering disputes. He is a trained mediator and is accredited by CEDR.

The Board of Directors, under its Chairman, R. Moyle, consists of four Executives, all highly experienced in the construction industry, and three independent Non-Executive members.

The Non-Executive Directors have no financial or contractual interest in the Company other than by way of their fees and shareholdings. R. Moyle is the Chief Executive, whose role includes all the general duties and responsibilities of the daily functions of running a Public Company. The Senior Independent Director is S.J.T. Brown.

The Board met formally, as a whole, seven times during the year. All the Directors were present at each meeting.

The Board has a formal schedule of matters reserved solely for it to decide which includes responsibility for the overall Group strategy.

There is a well established budgeting and reporting function, with budgets and results reviewed by the Board providing a timely and regular monitoring of financial performance. All capital expenditure is approved by the Board only after a thorough evaluation process.

The Directors have undertaken a formal and rigorous evaluation of their performance for the year ended 31 December 2010. The results have been reviewed by the Board, led by the Chairman and discussed with individual Directors, except that the performance of the Chairman was reviewed by the Non-Executive Directors, led by the Senior Independent Director.

The Board has an agreed procedure for Directors to take independent professional advice in the furtherance of their duties, should they so require.

The appointment of Non-Executive Directors is formalised in that a committee comprising the Chairman and Non-Executive members nominates candidates for consideration by the Board. The appointment of Executive Directors is considered by the Board as a whole. Every Director is entitled to receive appropriate training as deemed necessary.

All Directors are required to submit themselves for re-election at least once every three years.

### Accountability and Audit

The Board is fully aware of its duty to present a balanced and understandable assessment of the Group's position and prospects, and this is included in the Chairman's Statement.



## Report of the Directors

(continued)

The Board has overall responsibility for the Group's systems of internal financial control, and for monitoring their effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of business failure; to achieve business objectives and can only provide reasonable not absolute assurance against material misstatement or loss. The Directors have established an organisation structure with clear operating procedures, lines of responsibility and delegated authority within the limitations of the size of the business. These controls are established in order to safeguard the Group's assets, maintain proper accounting records and ensure that financial information used within the business or published, is reliable.

The risk management processes as required by the Turnbull Report were in place for the full year to 31 December 2010 and up to the date of approval of this report. The procedures are constantly reviewed throughout the year along with the operational risks across the Group and prioritisation of those risks identified for further action. This is carried out primarily at a management level and reported up to the Board and as summarised on page 11.

The Board has not undertaken a formal annual review of the effectiveness of the internal control. The size of the Company and the close involvement of the Executive Directors ensures a sound system of internal control is maintained.

### Going concern

Based on normal business planning and control procedures the Directors confirm that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The Board regularly reviews financial statements, cash balances and forecasts to ensure that the going concern state of affairs continues to prevail.

### Audit Committee

The Board has constituted an Audit Committee, which comprises two independent Non-Executive Directors. The Board is satisfied that they have recent and relevant financial experience. The Chairman and the Finance Director attend committee meetings for specific purposes at the agreement of the Committee.

Although not set out in written terms of reference, the Committee is responsible for reviewing with the external auditor the nature and scope of their audit and the results of that audit, any internal

control issues raised by them and management responses. In addition, the Committee reviews the independence and objectivity of the external auditor. PKF (UK) LLP currently carries out routine tax compliance work. They also assist the Company in complying with Financial Reporting Standards. The Committee takes the view that carrying out this non-audit work does not affect PKF (UK) LLP's objectivity or independence because it does not fall within the definition of 'accounting services'. The review of interim and annual financial statements and the appointment and remuneration of the external auditors, are considered by the Board as a whole.

During the year the Committee met on two occasions and all members were present.

### Relations with shareholders

The Company is predominantly a family-owned business and has only a small number of Institutional shareholders. The Board endeavours to maintain dialogue with its shareholders by means of periodic financial reporting via Interim Management Statements, as required by the UK Listing Authority's Disclosure and Transparency Rules at the quarter end, interim results at the half year, the Annual Report and at Annual General Meetings. Details of these together with related press releases are available at the Company's website ([www.northmid.co.uk](http://www.northmid.co.uk)).

The Board do not currently have the power to issue or buy back Ordinary Shares without reference to the shareholders in a General Meeting.

### Code of Best Practice

Throughout the year ended 31 December 2010 the Company has been compliant with the Code Provisions set out in Section 1 of the 2008 Combined Code on Corporate Governance issued by the Financial Reporting Council in the UK, with the exception of the matters referred to below, which arise solely due to the size of the Company and the burden of increased costs should the Company wish to comply.

R. Moyle is the Chairman, a role he combines with his responsibilities as Chief Executive.

M.S. Garratt is the Company Secretary, a role he combines with his responsibilities as Financial Director.

The Board has concluded that, due to the size of the Company, the cost of setting up an internal audit department cannot be justified.



## Report of the Directors

(continued)

### Creditor payment policy

The Company's policy is to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier, other than in the event of a dispute.

The average payment period is 57 days (2009 - 64 days), which has been calculated after making appropriate adjustment for retentions which are not currently due.

### Qualifying third party indemnity provisions

During the year and up to the date of this report, qualifying third party indemnity insurance was maintained for the Directors.

### Financial instruments and risk management

Details regarding financial instruments are set out in note 2(k) to the accounts with further disclosure provided in note 31.

### All Employee Share Plan

The Company's All Employee Share Plan currently has 104 (2009 - 111) participants. Their total holding is 348,946 (2009 - 313,170) shares.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with those standards. 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 Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation and the Parent Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors confirm, to the best of their knowledge:-

- that the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- that the Directors' Report and Chairman's Statement contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the Directors are stated on page 8.

Nunn Close  
The County Estate  
Huthwaite  
Sutton-in-Ashfield  
Nottinghamshire NG17 2HW

By order of the Board  
**M.S. Garratt**  
Secretary

1 April 2011



## Principal Risks and Uncertainties

	Risk area and potential impact	Mitigation
Market Risks	<p><b>Risk area</b> Operating in potentially cyclical markets</p> <p><b>Potential impact</b> Cyclical downturns could lead to declines in the demand for our products and services</p>	<ul style="list-style-type: none"> <li>● We operate our business through five diverse operating divisions, reducing our exposure to one particular market</li> <li>● We have a broad customer base and geographic spread</li> <li>● We maintain focus on identifying any upcoming weaknesses in the market and adjusting investment and pricing strategies appropriately</li> <li>● We manage our exposure to cyclical downturns through building framework agreements with key customers across a range of sectors</li> </ul>
	<p><b>Risk area</b> Investment in new service areas and geographical markets</p> <p><b>Potential impact</b> Capital invested in new initiatives may fail to generate an adequate return</p>	<ul style="list-style-type: none"> <li>● We carry out strategic investment reviews of the future areas of focus for the Group</li> <li>● Such investments are subject to regular reviews and remedial action is taken where appropriate</li> </ul>
Strategic and operational risks	<p><b>Risk area</b> Quality, Environment, Safety &amp; Health (QESH) performance</p> <p><b>Potential impact</b></p> <ul style="list-style-type: none"> <li>● Failure to deliver QESH excellence could lead to harm to our people and others involved in our operations and damage to the environment</li> <li>● Failure to maintain QESH standards could lead to customers no longer selecting the Group as a preferred supplier of services and products</li> </ul>	<ul style="list-style-type: none"> <li>● The Group Board monitors performance regularly with a Director with Group responsibility for QESH</li> <li>● QESH commitment is communicated via our policy statements and procedures contained in the online IMS system. Regular meetings are held by managers to evaluate our performance in order to identify improvement opportunities</li> <li>● KPI's are used across the Group to measure performance and guide management action plans</li> <li>● We follow a detailed review process for our projects linked to legal and client requirements</li> <li>● Certain of our operations are subject to third party and customer audits</li> </ul>
	<p><b>Risk area</b> Attraction and retention of key management</p> <p><b>Potential impact</b> Failure to attract and retain key management could lead to a lack of necessary expertise or lack of continuity to execute strategy</p>	<ul style="list-style-type: none"> <li>● The quality of our people helps us to secure challenging and interesting work, and this, in turn, helps us to attract and retain talent in the Group</li> <li>● We give management considerable autonomy whilst maintaining short lines of communication to senior managers and Group Directors</li> <li>● The Group maintains its 'Investors in People' status</li> <li>● The Group adopts the use of market based compensation, including appropriate incentive packages</li> <li>● We offer wide ranging career development opportunities</li> <li>● We continue to expand our geographical footprint to provide access to new highly skilled labour resources</li> <li>● We are actively involved in succession planning throughout all parts of the Group</li> <li>● Close relationships have been fostered with educational institutions</li> </ul>
	<p><b>Risk area</b> Breaches of our ethical standards</p> <p><b>Potential Impact</b> Damage to reputation and regulatory impact</p>	<ul style="list-style-type: none"> <li>● Senior management are subject to ethical guidelines from their respective professional organisations</li> <li>● 'Standards of Business Conduct' and 'Values and Philosophies' at NMC are communicated to staff. Training and self-certification is undertaken by key management and employees</li> <li>● A whistle blowing hotline is available for employees to raise any concerns in confidence</li> <li>● We take firm action against any breaches of our ethical standards</li> </ul>



## Principal Risks and Uncertainties

(continued)

	Risk area and potential impact	Mitigation
Financial and compliance risks	<p><b>Risk area</b> Contracting strategy and execution</p> <p><b>Potential impact</b></p> <ul style="list-style-type: none"> <li>● Inappropriate contract terms leading to unacceptable risks relative to potential returns</li> <li>● Failure to comply with contract terms leads to reputational damage, warranty claims or financial penalties</li> </ul>	<ul style="list-style-type: none"> <li>● We generally avoid large complex fixed price contracting arrangements</li> <li>● We have a contract policy that provides guidance on the parameters under which we will enter into contracts to provide services and products</li> <li>● We undertake reviews of the pricing of contracts bids and carry out ongoing commercial reviews of terms for certain types of contract</li> </ul>
	<p><b>Risk area</b> Inadequate insurance cover</p> <p><b>Potential impact</b> Requirement to fund uninsured losses</p>	<ul style="list-style-type: none"> <li>● Prudent levels of insurance cover are maintained</li> <li>● We review exposures to areas where it is not possible to obtain insurance and consider alternative ways to reduce our risk to an acceptable level</li> </ul>
	<p><b>Risk area</b> Integrity of financial controls</p> <p><b>Potential impact</b></p> <ul style="list-style-type: none"> <li>● Damage to reputation</li> <li>● Financial loss</li> <li>● Lack of integrity of financial information used to manage the business leading to inappropriate decisions</li> </ul>	<ul style="list-style-type: none"> <li>● Financial control frameworks are in place, incorporating preparation and review of monthly financial statements, delegation of authority and annual financial controls self assessment</li> <li>● We have a comprehensive system of reporting performance to the Board, including quarterly reports and more detailed monthly reports</li> <li>● We maintain a high quality finance team by effective recruitment, career development and training</li> <li>● External audit is performed on the annual report</li> </ul>
	<p><b>Risk area</b> Credit risk, liquidity risk, interest rate risk</p>	<ul style="list-style-type: none"> <li>● Credit risk is maintained by reviewing the credit worthiness of counter parties to transactions (see also Note 31) on a case by case basis updated for latest information as it becomes available</li> <li>● Liquidity risk is managed by the maintenance of bank facilities and monitoring headroom on a continual basis</li> <li>● The Group's bank facilities are currently linked to bank base rates/ LIBOR. The Group is, therefore, exposed to movements of interest rates</li> </ul>



## Directors' Remuneration Report

At the Annual General Meeting on 26 May 2011, a resolution will be proposed to approve the Directors' Remuneration Report.

### Remuneration Committee

The members of the Remuneration Committee are R. Moyle (Chairman) and two of the Non-Executive Directors, S.J.T. Brown and I. Elliott. The remuneration policies for the Executive Directors are commensurate with the Board's principal objective, which is to maximise the value of the Company for the benefit of the shareholders.

Executive bonuses are seen as a means of reinforcing this objective and rewarding Executives for achievement.

Executive Directors' remuneration packages are reviewed annually, based on details of Directors' remuneration in comparable companies within the industry.

During the year the Committee met twice and all members were present.

### Remuneration Policy on Executive Directors' Remuneration

Executive remuneration packages are designed to attract, motivate and retain Directors of the calibre required to maintain the Company's position and to reward them for enhancing value to shareholders.

An analysis of Directors' emoluments is set out in Note 10 to the financial statements.

The bonus payable to the Executive Directors is based on a percentage of the net profit before tax on profits exceeding £2,000,000 per annum (2009 – £2,000,000).

The Executive Directors do not receive any long-term benefits in the form of share options. The Company makes pension contributions of £50,000 each for R. Moyle and M.S. Garratt and 15% of basic salary for M.W. Blakeway.

### Service Contracts

None of the Executive Directors has a service contract which exceeds one year.

None of the Non-Executive Directors has a service contract. They are engaged for specific terms and their reappointment will not be automatic.

### Audit

The Directors' emoluments disclosed in Note 10 constitute the auditable part of the Remuneration Report, as defined in SI 2008 No. 410 Schedule 8, Part 3 of the Companies Act 2006.

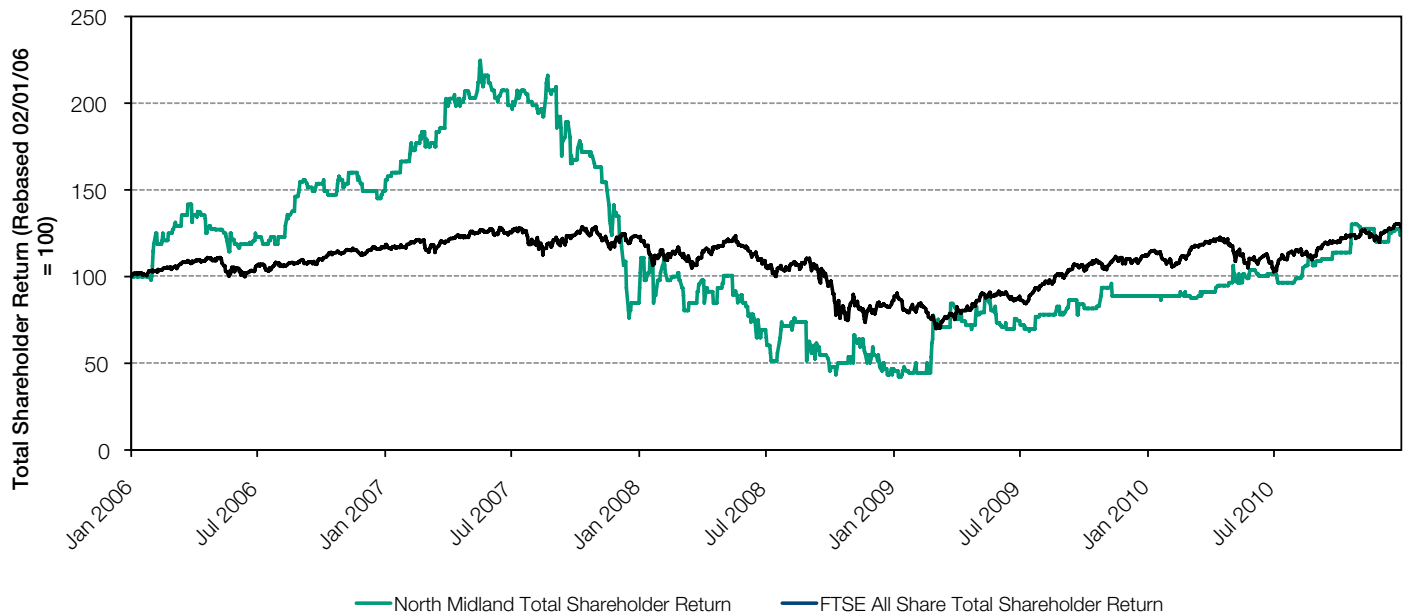


## Directors' Remuneration Report

(continued)

### Graph showing total shareholder return

The UK Directors' Remuneration Report Regulations require the inclusion in the Directors' Remuneration Report of a graph showing total shareholder return (TSR) over a five year period in respect of a holding of the Company's shares, plotted against TSR in respect of a hypothetical holding of shares of a similar kind and number by reference to which a broad equity market index is calculated. This illustrates the Company's TSR performance against the broad equity market index selected. For the purposes of this graph, set out below, we have selected the FTSE All Share Index.



Nunn Close  
The County Estate  
Huthwaite  
Sutton-in-Ashfield  
Nottinghamshire NG17 2HW

On behalf of the Remuneration Committee

**R. Moyle**  
Chairman

1 April 2011



## Independent Auditor's Report to the members of North Midland Construction PLC

We have audited the financial statements of North Midland Construction PLC for the year ended 31 December 2010 which comprise the Group Statement of Comprehensive Income, the Statements of Changes in Equity of the Group and Parent Company, the Balance Sheets for the Group and Parent Company, the Statements of Cash Flows for the Group and Parent Company and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.



## Independent Auditor's Report

(continued)

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 and the part of the Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 9, in relation to going concern; and
- the parts of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

**Gareth Singleton** – Senior Statutory Auditor

For and on behalf of  
PKF (UK) LLP,  
Statutory Auditor  
Nottingham, UK.

1 April 2011



## Group Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
<b>Revenue</b>	3	<b>164,523</b>	144,185
Other operating income		<b>90</b>	179
		<b>164,613</b>	144,364
Raw materials and consumables		<b>(27,162)</b>	(26,284)
Other external charges		<b>(92,355)</b>	(75,399)
Employee costs		<b>(36,954)</b>	(36,575)
Depreciation of property, plant and equipment	15	<b>(1,647)</b>	(1,633)
Other operating charges		<b>(2,683)</b>	(2,719)
<b>Operating profit</b>	8	<b>3,812</b>	1,754
Analysed as:-			
Operating profit before exceptional item		<b>3,812</b>	3,348
Exceptional item	9	-	(1,594)
Operating profit		<b>3,812</b>	1,754
Interest received		<b>9</b>	17
Finance costs	11	<b>(108)</b>	(217)
<b>Profit before tax</b>		<b>3,713</b>	1,554
Tax	12	<b>(1,064)</b>	(957)
<b>Profit for the year</b>		<b>2,649</b>	597
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>2,649</b>	597
Attributable to:-			
Non-controlling interest		<b>131</b>	166
Equity holders of the Parent		<b>2,518</b>	431
<b>Earnings per share – basic</b>	14	<b>25.69p</b>	4.40p
<b>Earnings per share – fully diluted</b>	14	<b>25.69p</b>	4.40p

The Company has elected to take exemption under Section 408(3) of the Companies Act 2006 to not present the Parent Company's Statement of Comprehensive Income. The profit of the Parent Company, after exceptional items, for the year was £2,946,000 (2009 – £127,000).



## Statements of Changes in Equity

for the year ended 31 December 2010

### Statement of Changes in Equity of the Group

	Share Capital £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2009	980	20	17,805	654	19,459
Profit attributable to the shareholders	–	–	431	–	431
Profit attributable to the non-controlling interest for the period	–	–	–	166	166
Dividends paid (note 13)	–	–	(833)	–	(833)
Dividend paid to non-controlling interest	–	–	–	(100)	(100)
Balance at 31 December 2009	980	20	17,403	720	19,123
Profit attributable to shareholders	–	–	2,518	–	2,518
Profit attributable to the non-controlling interest for the period	–	–	–	131	131
Dividends paid (note 13)	–	–	(833)	–	(833)
Dividend paid to non-controlling interest	–	–	–	(103)	(103)
Acquisition of non-controlling interest	–	–	(230)	(249)	(479)
<b>Balance at 31 December 2010</b>	<b>980</b>	<b>20</b>	<b>18,858</b>	<b>499</b>	<b>20,357</b>

### Statement of Changes in Equity of the Company

	Share Capital £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2009	980	20	11,995	12,995
Profit for the year	–	–	127	127
Dividends paid	–	–	(833)	(833)
Balance at 31 December 2009	980	20	11,289	12,289
Profit for the year	–	–	2,946	2,946
Dividends paid	–	–	(833)	(833)
<b>Balance at 31 December 2010</b>	<b>980</b>	<b>20</b>	<b>13,402</b>	<b>14,402</b>



## Balance Sheets

as at 31 December 2010

Company Registration Number 425188

	Notes	Group		Company	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	10,234	9,714	10,108	9,564
Investments in subsidiaries	16	–	–	2,633	2,155
Goodwill	17	1,267	1,267	–	–
		<b>11,501</b>	<b>10,981</b>	<b>12,741</b>	<b>11,719</b>
<b>Current assets</b>					
Inventories	18	1,939	1,577	1,593	1,242
Construction contracts	19	12,293	8,430	8,679	6,674
Trade and other receivables	20	28,735	31,020	22,991	25,284
Cash and cash equivalents	26	8,911	6,173	7,575	2,787
		<b>51,878</b>	<b>47,200</b>	<b>40,838</b>	<b>35,987</b>
<b>Total assets</b>		<b>63,379</b>	<b>58,181</b>	<b>53,579</b>	<b>47,706</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves attributable to equity holders of the Parent</b>					
Share capital	21	980	980	980	980
Capital redemption reserve		20	20	20	20
Retained earnings		18,858	17,403	13,402	11,289
		<b>19,858</b>	<b>18,403</b>	<b>14,402</b>	<b>12,289</b>
Non-controlling interest		499	720	–	–
<b>Total equity</b>		<b>20,357</b>	<b>19,123</b>	<b>14,402</b>	<b>12,289</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Obligations under finance leases	22	858	271	858	271
Provisions	23	560	519	560	519
Deferred tax	24	15	38	15	38
		<b>1,433</b>	<b>828</b>	<b>1,433</b>	<b>828</b>
<b>Current liabilities</b>					
Trade and other payables	25	39,761	36,940	35,984	33,533
Current income tax payable		1,088	621	1,020	387
Obligations under finance leases	22	740	669	740	669
		<b>41,589</b>	<b>38,230</b>	<b>37,744</b>	<b>34,589</b>
<b>Total liabilities</b>		<b>43,022</b>	<b>39,058</b>	<b>39,177</b>	<b>35,417</b>
<b>Total equity and liabilities</b>		<b>63,379</b>	<b>58,181</b>	<b>53,579</b>	<b>47,706</b>

The notes on pages 21 to 38 are an integral part of these financial statements.

The financial statements were approved by the Board on 1 April 2011 and signed on its behalf by:-

R. Moyle }  
M.S. Garratt } *Directors*



## Statements of Cash Flow

for the year ended 31 December 2010

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>				
Operating profit	3,812	1,754	3,605	665
Adjustment for:-				
Depreciation of property, plant and equipment	1,647	1,633	1,584	1,564
Gain on disposal of property, plant and equipment	(87)	(179)	(85)	(177)
Increase in reinstatement reserve	41	23	41	23
Operating cash flows before movement in working capital	5,413	3,231	5,145	2,075
(Increase) in inventories	(362)	(96)	(351)	(45)
(Increase)/decrease in construction contracts	(3,863)	1,411	(2,005)	237
Decrease in receivables	2,285	17,636	2,293	17,212
Increase/(decrease) in payables	2,821	(9,032)	2,451	(9,726)
Cash generated from operations	6,294	13,150	7,533	9,753
Income Tax (paid)	(621)	(1,265)	(387)	(634)
Interest received	9	17	9	16
Interest paid	(108)	(217)	(79)	(217)
Net cash generated from operating activities	5,574	11,685	7,076	8,918
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(634)	(246)	(595)	(229)
Proceeds on disposal of property, plant and equipment	108	286	106	281
Purchase of non-controlling interest	(478)	-	(478)	-
Dividends received from subsidiaries	-	-	408	300
Net cash (used in)/generated from investing activities	(1,004)	40	(559)	352
<b>Cash flows from financing activities</b>				
Equity dividends paid	(833)	(833)	(833)	(833)
Dividends paid to non-controlling interest	(103)	(100)	-	-
Repayment of obligations under finance leases	(896)	(1,055)	(896)	(1,055)
Net cash used in financing activities	(1,832)	(1,988)	(1,729)	(1,888)
Net increase in cash and cash equivalents	2,738	9,737	4,788	7,382
<b>Cash and cash equivalents/(bank overdrafts) at 1 January 2010</b>	<b>6,173</b>	<b>(3,564)</b>	<b>2,787</b>	<b>(4,595)</b>
<b>Cash and cash equivalents at 31 December 2010</b>	<b>8,911</b>	<b>6,173</b>	<b>7,575</b>	<b>2,787</b>



## Notes to the Financial Statements

for the year ended 31 December 2010

### 1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and in accordance with those parts of the Companies Act 2006 that are relevant to entities reporting under IFRS. The financial statements are presented in sterling.

The following relevant standards and interpretations have been adopted as they are mandatory for the year ended 31 December 2010 and are relevant to the Group's activities and financial statements:-

*IAS27 (Revised)* 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009). The revised standard was issued in January 2008 and requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary and the loss of control of a subsidiary. The new requirements meant that the purchase of a non controlling interest during the period did not give rise to goodwill and was reflected as an equity transaction.

*IFRS3 (Revised)* 'Business combinations' (effective for business combinations occurring in accounting periods beginning on or after 1 July 2009). This standard continues to apply the acquisition method to business combinations. However, it introduces a number of changes that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The new requirements did not have a material impact on the consolidated financial statements.

In addition to the above, there are a number of other new standards, amendments to standards, and interpretations which have been issued, have come into force, or will come into force, in future accounting periods but are not presently relevant to the nature of the Group's activities or its financial statements.

### 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the Group's financial statements in dealing with items which are considered material are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### (a) Consolidation

The consolidated accounts include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2010. All inter-company transactions and balances are eliminated on consolidation. Subsidiaries are entities over which the Group has got the power to govern the financial and operating policies so as to obtain direct benefit from their operations.

#### (b) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Land is not depreciated.

Depreciation is calculated to write off the cost of assets less any residual value by equal instalments over their estimated lives which are considered to be:-

Buildings	– a maximum of 50 years
Plant and machinery	– between 3 and 10 years
Fixtures, fittings, equipment and motor vehicles	– between 3 and 10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. All estimated useful economic lives and residual values are reviewed on an annual basis and adjusted if appropriate. Gains and losses on disposal are recognised through the statement of comprehensive income.

#### (c) Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and



## Notes to the Financial Statements

for the year ended 31 December 2010

### 2. Significant accounting policies continued

#### (c) Goodwill continued

losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

#### (d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes direct materials and, where applicable, direct labour together with a proportion of direct overheads.

#### (e) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion activity at the Balance Sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured.

Where the income of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is anticipated that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### (f) Taxation

Income tax for the period is based on the taxable income for the year and is measured as the amount expected to be paid/received from the tax authorities. Taxable income differs from profit as reported in the Statement of Comprehensive Income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated using the current ruling tax rate.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the Parent Company is able to control the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in Group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not discounted.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 2. Significant accounting policies continued

#### (g) Pensions

The Group operates defined contribution personal pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds.

#### (h) Leases

Assets held under finance leases are recognised as assets of the Group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

#### (i) Reinstatement provision

The reinstatement provision covers the statutory maintenance liability of two years on all contracts undertaken in the public highway.

#### (j) Joint operations

The Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Group includes the assets that it controls, the liabilities and expenses that it incurs and the Group's share of the income that it earns in joint operation.

#### (k) Financial instruments – risk management

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The Group has the following principal financial instruments:-

#### – Trade and other receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

#### – Cash and cash equivalents

Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short term. Cash and cash equivalents do not include other financial assets.

#### – Interest bearing borrowings (Obligations under finance leases and bank overdraft)

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

#### – Trade and other payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

#### (l) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 2. Significant accounting policies continued

#### (m) Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

#### (n) Impairment of financial assets

All financial assets, except those at fair value through profit and loss, are assessed for indicators of impairment at each reporting date.

### 3. Revenue

Revenue represents the work done by the Group under construction contracts during the year excluding Value Added Tax. Revenue relates solely to the Group's principal activities and all work done was carried out within the United Kingdom.

### 4. Critical accounting judgements and key sources of estimation and uncertainty

The critical judgements and key sources of estimation uncertainty in these financial statements are as follows:-

#### (a) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the Group to estimate the construction performed to date as a proportion of the total construction to be performed. The estimation of the revenue and profit recognition by reference to the stage of completion can involve considerable judgement around future margins.

Valuation of work in progress, claims, incentive payments and variations in the contract work are key sources of estimation, uncertainty and other accounting judgements.

#### (b) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(c). The recoverable amount of cash generating units has been determined based on the value in use calculation. These calculations require the use of estimates (see note 17).

### 5. Segment reporting

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

#### Operation segments

The Group is comprised of the following operating segments which are conducted in the UK:-

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

Further details of the operating segments activities is provided in the Chairman's Statement.

The Group manages its operating segments trading performance and working capital by monitoring operating profit before exceptional items and centrally manages Group taxation, capital structure and expenditure including net equity and net debt.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 5. Segment reporting continued

#### Segment revenue and profit

Year Ended 31 December 2010

	Civil Engineering £'000	Highways £'000	Utilities £'000	Building £'000	Nomenca £'000	Total £'000
Revenue						
External sales	51,182	13,492	40,223	22,049	37,577	164,523
Result before Corporate expenses	3,883	881	2,272	980	3,841	11,857
Corporate expenses	(1,930)	(664)	(808)	(1,554)	(3,089)	(8,045)
Operating profit/(loss) before exceptional item	1,953	217	1,464	(574)	752	3,812
Exceptional item (Note 9)						-
Operating profit						3,812
Net finance costs						(99)
Profit before tax						3,713
Tax						(1,064)
Profit for the year						2,649

Year ended 31 December 2009

	Civil Engineering £'000	Highways £'000	Utilities £'000	Building £'000	Nomenca £'000	Total £'000
Revenue						
External sales	50,575	10,195	30,417	9,885	43,113	144,185
Result before Corporate expenses	3,292	959	2,915	1,604	3,570	12,340
Corporate expenses	(2,651)	(750)	(1,509)	(1,456)	(2,626)	(8,992)
Operating profit before exceptional item	641	209	1,406	148	944	3,348
Exceptional item (Note 9)						(1,594)
Operating profit						1,754
Net finance costs						(200)
Profit before tax						1,554
Tax						(957)
Profit for the year						597

#### Segment assets

	2010 £'000	2009 £'000
Civil Engineering	22,697	20,254
Highways	5,983	4,083
Utilities	17,837	12,181
	46,517	36,518
Building	6,674	7,780
Nomenca	10,188	13,883
Total segment assets and consolidated total assets	63,379	58,181

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.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 5. Segment reporting continued

#### Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Civil Engineering	773	867	1,049	234
Highways	204	175	276	47
Utilities	607	522	824	141
Building	35	41	36	14
Nomenca	28	28	3	4
	<b>1,647</b>	1,633	<b>2,188</b>	440

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 £49,466,000 (2009 – £44,208,000) were derived from a single external customer. These revenues are attributable to the Civil Engineering and Nomenca segments.

### 6. Employee numbers

The average number of persons employed by the Group (including Directors) during the year was as follows:-

	2010	2009
	No.	No.
Management	69	71
Administration	66	69
Contracting	826	833
	<b>961</b>	973

### 7. Employee costs

	2010	2009
	£'000	£'000
Wages and salaries	32,733	32,431
Social security costs	3,158	3,164
Other pension costs	1,063	980
	<b>36,954</b>	36,575



## Notes to the Financial Statements

for the year ended 31 December 2010

### 8. Operating profit

	2010 £'000	2009 £'000
Operating profit is stated after charging:-		
Hire of plant and machinery – one-off hire charges – operating leases	6,619	5,380
Depreciation – wholly owned	1,178	1,120
– held under finance lease	469	513
Rentals payable under operating leases	468	416
Auditors' remuneration – audit fee of Parent Company	27	26
– audit fee of subsidiaries	23	19
– taxation services	3	2
Directors' emoluments (Note 10)		
As Directors	36	36
Remuneration as Executives – salary and benefits	859	827
– performance related	179	–
– pension contributions relating to four Directors in defined contribution schemes	130	130
And after crediting:-		
Gain on disposal of property, plant and machinery	87	179

### 9. Exceptional item

The exceptional item in 2009 relates to a fine levied by the Office of Fair Trading following their investigation into the construction industry. The Group strongly refute these allegations and after taking legal advice have appealed against the decision. The appeal was heard on 9 July 2010 and the decision is awaited.

### 10. Directors' emoluments

Directors' emoluments were as follows:-

	Fees £'000	Basic Salaries £'000	Annual Bonus £'000	Pension scheme contributions £'000	Benefits in kind £'000	Paid to management company £'000	Total 2010 £'000	Total 2009 £'000
Executive Directors								
R. Moyle (Chairman) (Highest Paid)	–	260	75	50	23	–	408	333
M.S. Garratt	–	177	58	50	11	–	296	238
B.A. Evans	–	89	–	13	4	–	106	106
D. Bleakley	–	–	–	–	–	175	175	143
M.W. Blakeway	–	115	46	17	5	–	183	137
Non-Executive Directors								
S.J.T. Brown	18	–	–	–	–	–	18	18
I. Elliott	18	–	–	–	–	–	18	18
	36	641	179	130	43	175	1,204	993

Mr B.A. Evans was remunerated by North Midland Building Limited.

Mr D. Bleakley's payments to his management company are made by Nomenca Limited.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 11. Finance costs

	2010 £'000	2009 £'000
Interest on overdraft	65	156
Interest on obligations under finance leases	39	51
Interest on tax	4	10
	<b>108</b>	<b>217</b>

### 12. Tax

	2010 £'000	2009 £'000
Current tax – current year 28% (2009 – 28%)	1,088	977
Current tax – prior year	(1)	7
Deferred tax – current year 28% (2009 – 28%)	(23)	(27)
	<b>1,064</b>	<b>957</b>

The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:-

	2010 £'000	2009 £'000
Profit before tax	3,713	1,554
Tax at the UK Corporation Tax Rate of 28% (2009 – 28%)	1,040	435
Expenses not deductible for tax purposes	12	458
Deferred tax not previously provided	(33)	35
Depreciation in excess of capital allowances	41	16
Over provision of tax	5	6
Adjustments in respect of previous periods	(1)	7
	<b>1,064</b>	<b>957</b>

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The Chancellor of the Exchequer announced in his Budget on 23 March 2011 that the rate of corporation tax of 28% will be reduced by 2 percentage points with effect from 1 April 2011 and a further 1 percentage point a year until 2014, when it will remain at 23%.

### 13. Dividends

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

	2010 £'000	2009 £'000
Final dividend for the year ended 31 December 2009 of 6p (2008 – 6p) per share	588	588
Interim dividend for the year ended 31 December 2010 of 2.5p (2009 – 2.5p) per share	245	245
	<b>833</b>	<b>833</b>

The Directors propose a final dividend of 6p per share (2009 – 6p per share), total £588,000 (2009 – £588,000). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

### 14. Earnings per share

Earnings per share, both basic and diluted, is calculated on profits attributable to equity holders of the parent of £2,518,000 (2009 – £431,000) and 9,800,000 shares in issue during the year.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 15. Property, plant and equipment

	Group				Company			
	Freehold land and buildings	Plant and machinery	Fixtures, fittings, equipment and motor vehicles	Total	Freehold land and buildings	Plant and machinery	Fixtures, fittings, equipment and motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	6,930	5,035	6,589	18,554	6,930	4,914	6,115	17,959
Additions	–	217	223	440	–	217	206	423
Disposals	–	(512)	(770)	(1,282)	–	(511)	(732)	(1,243)
At 1 January 2010	6,930	4,740	6,042	17,712	6,930	4,620	5,589	17,139
Additions	–	796	1,392	2,188	–	793	1,356	2,149
Disposals	–	(138)	(540)	(678)	–	(138)	(529)	(667)
<b>At 31 December 2010</b>	<b>6,930</b>	<b>5,398</b>	<b>6,894</b>	<b>19,222</b>	<b>6,930</b>	<b>5,275</b>	<b>6,416</b>	<b>18,621</b>

#### Depreciation

At 1 January 2009	517	2,391	4,632	7,540	517	2,304	4,329	7,150
Charge for the year	113	615	905	1,633	113	604	847	1,564
Disposals	–	(425)	(750)	(1,175)	–	(424)	(715)	(1,139)
At 1 January 2010	630	2,581	4,787	7,998	630	2,484	4,461	7,575
Charge for the year	113	635	899	1,647	113	624	847	1,584
Disposals	–	(125)	(532)	(657)	–	(125)	(521)	(646)
<b>At 31 December 2010</b>	<b>743</b>	<b>3,091</b>	<b>5,154</b>	<b>8,988</b>	<b>743</b>	<b>2,983</b>	<b>4,787</b>	<b>8,513</b>

#### Carrying amount

<b>At 31 December 2010</b>	<b>6,187</b>	<b>2,307</b>	<b>1,740</b>	<b>10,234</b>	<b>6,187</b>	<b>2,292</b>	<b>1,629</b>	<b>10,108</b>
Carrying amount								
At 31 December 2009	6,300	2,159	1,255	9,714	6,300	2,136	1,128	9,564
Carrying amount								
At 31 December 2008	6,413	2,644	1,957	11,014	6,413	2,610	1,786	10,809

Included in the assets of the Group and Company are assets held under finance leases with a carrying amount of £2,270,000 (2009 – £1,635,000). Additions for the Group and Company during the year amounting to £1,554,000 (2009 – £194,000) were financed by new leases.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 16. Investments in Subsidiaries

Company	Shares in Group companies	
	2010 £'000	2009 £'000
Cost:-		
At 1 January 2010	2,155	2,155
Additions	478	–
As at 31 December 2010	2,633	2,155

Details of Group undertakings (incorporated in Great Britain):

	Principal activities	Percentage of ownership interest and voting power held	
		2010	2009
North Midland Building Limited	Building and Refurbishment	100	100
Nomenca Limited	Mechanical and Electrical Installation	83.3	75

On 8 October 2010 it was agreed to purchase 8.334% of Nomenca Limited from Mr D. Bleakley for £475,000 in accordance with the Articles of Association of Nomenca Limited. The purchase price was supported by an independent valuation.

### 17. Goodwill

	2010 £'000	2009 £'000
Cost:-		
Balance at 1 January 2009, 1 January 2010 and 31 December 2010	1,267	1,267

The cash generating unit ('CGU') giving rise to the goodwill is the Building subsidiary. The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU is determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to operating results and cash flows during the period of five years from the statement of financial position date. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks in relation to the CGU. Changes in operating results and cash flows are based on past results and expectations of the future markets. The Group prepares cash flow forecasts for the next two to five years derived from the most recent budget information.

The pre tax rate used to discount the forecast cash flows is 7.5% (2009 – 7.5%).

The impairment review indicated that sensitising the forecast cash flows downwards by 10% or applying a pre tax discount rate of 10% would not indicate a need for impairment.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 18. Inventories

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Raw materials and consumables	1,939	1,577	1,593	1,242

### 19. Construction contracts

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Contracts in progress at Balance Sheet date:-				
Amounts due from contract customers included in trade and other receivables	28,446	30,491	18,424	19,789
Amounts due to contract customers included in trade and other receivables	-	-	-	-
	28,446	30,491	18,424	19,789
Contract costs incurred plus recognised profits less recognised losses to date	222,583	256,376	129,519	133,564
Less: Progress billings	(210,290)	(247,946)	(120,840)	(126,890)
	12,293	8,430	8,679	6,674
Retentions held by customers for contract work	5,689	7,238	4,056	4,883

### 20. Trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts due from construction contract customers	28,446	30,491	18,424	19,789
Other receivables	38	160	38	160
Prepayments and accrued income	251	369	185	306
Amount owed by Group undertakings	-	-	4,344	5,029
	28,735	31,020	22,991	25,284

The average credit period (excluding retentions) taken on sales is 51 days (2009 – 58 days). The trade receivables are valued at amounts approximating to fair value and no allowance has been made against the trade receivables in respect of construction contracts. Certified amounts of approximately £1,467,000 (2009 – £1,100,000), Company £1,268,000 (2009 – £890,000) were past due as at 31 December 2010, but have not been impaired as the Directors consider these debts to be fully recoverable, which is consistent with past default experience.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 21. Share capital

	2010 £'000	2009 £'000
Authorised:-		
12,500,000 ordinary shares of 10p each	1,250	1,250
Allotted, Issued and fully paid:-		
9,800,000 (2009 – 9,800,000) ordinary shares of 10p each	980	980

### 22. Obligations under finance leases

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts payable under finance leases				
Within one year	740	669	740	669
In the second to fifth years inclusive	858	271	858	271
Present value of lease payments	1,598	940	1,598	940
Future finance charges payable on leases:				
within one year	11	11	11	11
in the second to fifth years inclusive	20	5	20	5
	31	16	31	16
Total amounts payable under finance leases	1,629	956	1,629	956

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is three years. For the year ended 31 December 2010 the average effective borrowing rate was 2% over bank base rate payable quarterly, subject to a minimum base rate of 0.5%. Future finance charges have been estimated assuming a bank base rate of 1%.

The fair value of the Group's lease obligations approximates to their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 23. Provisions

	Reinstatement Reserve £'000
Group and Company	
At beginning of year	519
Additional provision in year	41
Utilisation of provision	–
At end of year	560



## Notes to the Financial Statements

for the year ended 31 December 2010

### 24. Deferred tax

	2010 £'000	2009 £'000
Group and Company		
At beginning of year	38	65
Recognised in income statement	(23)	(27)
At end of year	15	38

The deferred tax balance can be analysed as follows:-

	2010 £'000	2009 £'000
Accelerated capital allowances	46	67
Other differences	(31)	(29)
	15	38

### 25. Trade and other payables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	31,540	28,776	29,390	23,314
Other taxes and social security costs	4,397	4,126	2,903	2,424
Accruals	3,824	4,038	3,606	3,791
Amounts owed to Group undertakings	-	-	85	4,004
	39,761	36,940	35,984	33,533

The average credit period taken for trade purchases, excluding retentions, is 57 days (2009 – 64 days).

### 26. Cash and cash equivalents

Any bank indebtedness is secured via a debenture over the assets of the Group and a fixed charge over the Group's freehold properties.

### 27. Contingent liabilities

Euler Hermes Guarantee plc, Lloyds TSB and HCC International Insurance Company Plc have given Performance Bonds to a value of £3,111,000 (2009 – £5,467,685) on the Group's behalf. These bonds have been made with recourse to the Group.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 28. Capital commitments

	2010 £'000	2009 £'000
Group and Company		
Capital expenditure contracted for but not provided for	26	218

### 29. Operating lease commitments

	Land and buildings		Other leases	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Lessee activity				
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the period	222	188	246	227
At the Balance Sheet Date the Group had outstanding commitments under non-cancellable leases which fall due as follows:-				
Within one year	229	189	171	218
In the second to fifth years inclusive	273	427	263	382
	502	616	434	600

It is Group policy to rent certain items of office equipment, plant and its premises under operating lease agreements. The lease terms of these agreements vary. No contingent rent is payable.

### 30. Pension contributions

The total cost charged to income of £1,063,000 (2009 – £980,000) represents pension contributions payable by the Group. As at 31 December 2010 contributions of £190,000 (2009 – £137,000) due in respect of the current reporting period had not been paid over to the schemes.

### 31. Financial instruments and financial risk management

The Group is exposed through its operations to one or more of the following financial risks:-

#### – Interest rate risk

The Group has financed its operations through a mixture of retained profits and bank borrowings when required, this being a variable rate bank overdraft. The Group manages interest rate risk in respect of surplus cash balances by making deposits with suitable financial institutions. Given the level of net funds the Group does not consider the downside interest rate risk to be significant.

#### – Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, by the use of its overdraft and finance lease contracts, and availability of finance for capital projects before undertaking such projects, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group had cash balances at the year end of £8,911,000 (2009 – £6,173,000) and has facilities in place to meet all anticipated working capital requirements.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 31. Financial instruments and financial risk management continued

#### – Credit risk

The Group extends credit to recognised creditworthy third parties. Trade receivable balances are monitored to minimise the Group's exposure to bad debts. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. Independent credit ratings are used if available to set suitable credit limits. If there is no independent rating, the Board assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. At the year end none of the trade receivable balances that were not past due or specifically provided against exceed set credit limits and management does not expect any losses from non-performance by these counterparties. Credit risk also arises from cash and cash equivalents deposited with financial institutions. The Group deposits its surplus funds with only high quality banks and financial institutions with a minimum independent credit rating of A1. Such deposits have a maturity of no more than one month.

The Directors consider the Group's relatively diverse operations provide a reduction in concentration risk by sector, geography and exposure to individual customers, except as noted in note 5 where a framework agreement and long standing relationship is in place. Loans to/from joint ventures are on normal arms-length terms. There has been no change in the Group's exposure to credit risk or how the risk is managed from the prior year. The carrying amount of financial assets represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. Impairment testing of trade receivables is described in note 20.

#### Classes and fair value of financial instruments

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Financial assets</b>				
Construction contracts	12,293	8,430	8,679	6,674
Trade and other receivables	28,484	30,651	22,806	24,978
Cash and cash equivalents	8,911	6,173	7,575	2,787
<b>Financial liabilities</b>				
Trade and other payables	39,761	36,940	35,984	33,533
Obligations under finance leases	1,598	940	1,598	940

It is the Directors' opinion that the carrying value of all the financial assets and liabilities approximates to their fair value.

#### Categories of financial instruments

All financial assets are categorised as loans and receivables.

All financial liabilities are categorised as financial liabilities measured at amortised cost.

#### Maturity of financial instruments

The majority of trade and other receivables and construction contract balances excluding retentions are due between one and three months. Details of amounts overdue are provided in note 20.

The maturity of finance leases is provided in note 22.

The maturity of trade and other payables excluding retentions is between one and three months.



## Notes to the Financial Statements

for the year ended 31 December 2010

### 32. Key management

The Directors consider that the key management personnel are the Executive Directors, Non-Executive Directors and Divisional Managers.

Key management and personnel are as follows:-

PLC Board:-	R. Moyle (*)	
	M.S.Garratt(*)	
	B.A. Evans (†) (Resigned 21 December 2010)	
	D. Bleakley(‡)	
	M.W. Blakeway	
	S.J.T. Brown	
	I. Elliott	
	D.P. Rodgers (Appointed 1 April 2011)	
North Midland Building Limited		
Directors:-	M.J. Catlin	
	D. Holmes (Resigned 7 February 2011)	
	R.A. Kaye	
Nomenca Ltd		
Directors:-	A.D. Langman	
	R.A.J. Culshaw	
Divisional Managers:-	Civil Engineering:-	D.S. Proud
		J.A. Smith
		P.D. Jackson
		S.H. Campbell
		K.J. Simons (Resigned 11 February 2011)
	Utilities:-	M.J. Queally
		A. Walker
		R. Newton
	Highways:-	R.G. Sherlock
		G. Poyzer
	Nomenca:-	W.T. Brelsford
		M.L. Mason
		M.W. Hanrahan
		M.H. Shadrick
		M. Lee

\* R. Moyle and M.S. Garratt are also Directors of Nomenca Limited and North Midland Building Limited

† B.A. Evans was also a Director of North Midland Building Limited

‡ D. Bleakley is also a Director of Nomenca Limited

Key management remuneration – salary and benefits £2,807,000 (2009 – £2,633,000)  
– pension contributions £255,000 (2009 – £258,000)



## Notes to the Financial Statements

for the year ended 31 December 2010

### 33. Controlling Party

The Company is under the control of the Moyle family albeit there is not a single controlling party. Details of R. Moyle's associates, relationship and shareholding are listed below:-

Mrs M.G. Moyle	(Mother to R. Moyle)	309,437
Miss K.E.F. Moyle	(Daughter of R. Moyle)	500
Miss E.R. Moyle	(Daughter of R. Moyle)	500
Mrs D. Thompson	(Sister to R. Moyle)	261,450
Mr I.B. Speke, Mr G.B. Chambers & Mr M.S. Garratt	1962 T.G. Moyle Settlement	2,367,728
Mr I.B. Speke, Mr G.B. Chambers & Mr M.S. Garratt	1967 T.G. Moyle Settlement	779,888
Mr M.A. Foulds & Mr W.E.C. Cursham	William Morris Settlement	857,574
Mr R. Moyle, Mrs A.E.F. Moyle & Mr R.L. Symington	1996 R. Moyle Settlement	627,500

On disposal of the shares from the William Morris Settlement the Moyle family have the option to purchase any such shares before they are made available to the public.

The Directors are not aware of any other related parties.

### 34. Related party transactions

#### The Group

As permitted by the scope paragraph in IAS 24, balances between Group companies which are eliminated on consolidation have not been disclosed as part of the Group accounts.

#### The Company

At 31 December the balances between the Company and its subsidiaries were

	2010	2009
	£'000	£'000
Due to North Midland Building Limited	(85)	(4,004)
Due from Nomenca Limited	4,344	5,029
	4,259	1,025

During the year the Company carried out £421,000 (2009 – £2,148,000) of work for Nomenca Limited and £29,000 (2009 – £33,000) of work for North Midland Building Limited. North Midland Building carried out £2,819,000 (2009 – £915,000) of work for the Company and Nomenca Limited carried out £1,036,000 (2009 – £1,959,000) of work for the Company.

During the year the Company purchased 8.3% of the shareholding in Nomenca Limited for £475,000 from Mr D. Bleakley a company Director (note 16).



## Notes to the Financial Statements

for the year ended 31 December 2010

### 35. Joint operations

The Group is currently involved in one joint operation with Bewater Treatment Limited. The Group's share in this operation is 50%.

The Group financial statements for the year ended 31 December 2010 incorporate the following relating to the joint operation.

	2010 £'000	2009 £'000
Revenue	4,824	15,006
Expenses	2,509	13,370
Assets	277	2,648
Liabilities	277	2,648

### 36. Capital Management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group prepares regular cash flow forecasts and monitors them against the facilities available to the Group.



## Notice of Meeting

**Notice is hereby given** that the Sixty-fourth Annual General Meeting of North Midland Construction PLC will be held at Nunn Close, The County Estate, Huthwaite, Sutton-in-Ashfield, Nottinghamshire on 26 May 2011 at noon for the following purposes:-

### Ordinary Business

1. Receive and adopt the Directors' Report, the financial statements for the year ended 31 December 2010 and the Auditor's Report thereon.
2. To declare a final dividend.
3. To reappoint the following Directors:-
  - D.P. Rogers (Non-Executive)
  - I. Elliott (Non-Executive)
  - M.W. Blakeway
4. To reappoint PKF (UK) LLP as Auditors and to authorise the Directors to fix their remuneration.
5. To approve the Directors' Remuneration Report.
6. To transact any other ordinary business of the Company.

By order of the Board,

### M.S. Garratt

Secretary

1 April 2011

Nunn Close  
The County Estate  
Huthwaite  
Sutton-in-Ashfield  
Nottinghamshire NG17 2HW

### Notes:-

A Member is entitled to attend and vote at the meeting and is entitled to appoint a proxy to attend and vote instead of them. A proxy need not be a member of the Company.

Statements of transactions in the share capital of the Company will be available at the Company's registered office from the date of this notice until the date of the Annual General Meeting inclusive.

To appoint more than one proxy you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.



## Shareholder Notes



## Form of Proxy

I/We .....

of .....

being a member(s) of the above named Company HEREBY APPOINT Robert Moyle, or failing him, Michael Garratt, or failing him, Steven Brown, all Directors of the Company, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the above named Company to be held on 26 May 2011 and at any adjournment thereof.

Ordinary Resolutions	For	Against	Vote Withheld
Resolution one – Adoption of Financial Statements			
Resolution two – Declaration of Final Dividend			
Resolution three – Reappointment of Directors (a) D.P. Rogers (Non-Executive)			
(b) I. Elliott (Non-Executive)			
(c) M.W. Blakeway			
Resolution four – Reappointment of Auditors			
Resolution five – Approval of the Directors' Remuneration Report			

Dated the ..... day of ..... 2011 Signed .....

**Notes:**

1. Please indicate with an 'X' in the appropriate space how you wish your vote to be cast. Unless otherwise instructed, your proxy will vote or abstain as he thinks fit.
2. To be valid this Form of Proxy, together with any power of attorney or other authority under which it is signed, must be deposited at the Company's Office at the address shown overleaf not later than 12 noon on 25 May 2011.
3. In the case of a corporation, this Form of Proxy must be signed under its common seal or under the hand of an officer or attorney duly authorised.
4. In the case of joint holders, the signature of any one Member will suffice but the names of all joint holders must be stated.
5. If it is desired to appoint another person as proxy the name must be inserted above. A proxy need not be a Member of the Company.
6. Any amendments to this form must be initialled.
7. Members submitting a proxy are not precluded from attending and voting in person at the meeting.
8. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

**Please return your completed Form of Proxy in an envelope to the Company at the address shown overleaf.**



**The Secretary  
North Midland Construction PLC  
Nunn Close  
The County Estate  
Huthwaite  
SUTTON-IN-ASHFIELD  
Nottinghamshire  
NG17 2HW**



## Shareholder Notes



## Shareholder Notes



*NMCNomenca – Minworth STW*



## **Head Office**

North Midland Construction Plc  
Nunn Close  
The County Estate  
Huthwaite  
Sutton-in-Ashfield  
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NG17 2HW

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