NM GROUP

North Midland Construction PLC

Annual Report and Accounts
for the year ended 31 December 2017

www.northmid.co.uk
Stock code: NMD

People Inspire Excellence

Welcome to our 2017 Annual Report

North Midland Construction PLC (NM Group) operates nationally with 12 regional offices and workshops enabling us to provide a local service to our customers promoting sustainable working relationships.

We provide a complete service offering to the construction industry from conception to optimisation, delivering best value and innovation.

Read more in **Our Business Model** on pages 14 and 15

Our operational divisions:

Our six operational divisions provide focused services to customers across our five chosen core market sectors of **Construction**, **Power**, **Highways**, **Telecommunications** and **Water**, providing engineering, construction management and frontline delivery services.

Read more on our markets in **Our Group at a Glance** on pages 02 and 03 and **Market Review** on pages 10 to 12

We operate within our values of:

People, **Inspire**, **Excellence**, which remain key to our strategic aims and objectives for growth. We are immensely proud of our family ethos which we are committed to maintaining throughout our business.

Read more on **Our Group Culture** on page 05

Corporate website

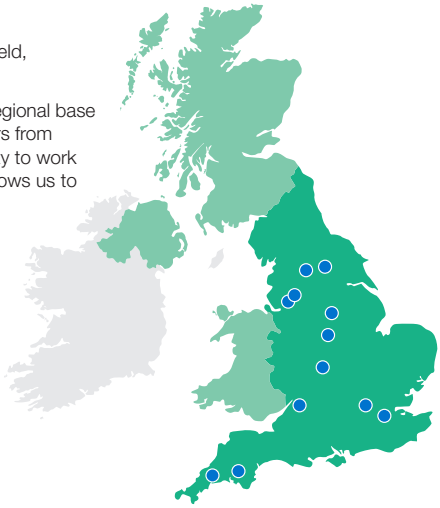
Our website has a wealth of additional information and case studies showcasing our expertise. Go to **www.northmid.co.uk** and take a look.

Our Locations

Our head office is based in Mansfield, Nottinghamshire.

We have strategically grown our regional base over time to support our customers from within their locality, aiding our ability to work collaboratively. Additionally, this allows us to service our markets with ease.

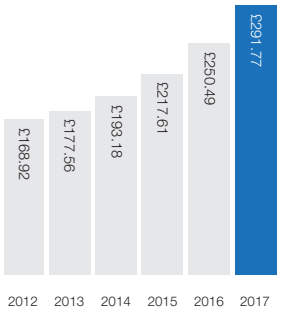
- North Midland Group Regional Offices



Financial Highlights

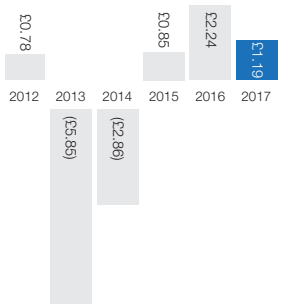
Revenue growth

£291.77m +16.48%



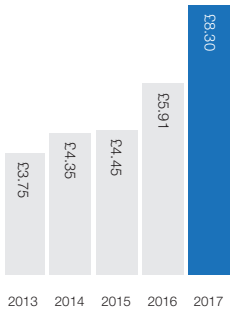
Operating profit/(loss)

£1.19m -46.88%



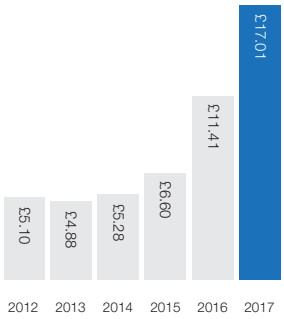
Underlying profit*

£8.30m +40.44%



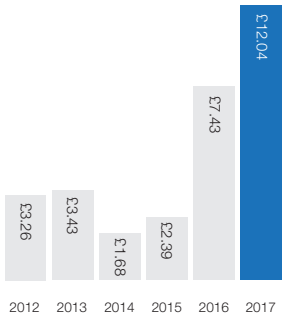
Cash

£17.01m +49.08%



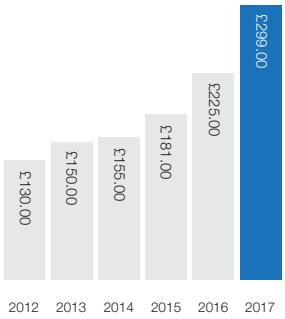
Net cash**

£12.04m +62.05%



Secured workload 2018

£299.00m +32.89%



Operational Highlights

Our People

- After careful review and strategy implementation we have successfully driven down our RIDDOR rating during the course of 2017.
- ILM level 3, 5 and BLP level 7 accredited programmes have been evaluated and realigned with business and people development needs.
- Zero Environmental Incidents with a continuing focus on sustainability, carbon reduction and water footprint.

Improvement in Operational Performance

- Generated £292m in revenue which puts the Group approximately 16% ahead of 2016, thanks to an exceptional performance from our people during the year.
- The adoption of IFRS15 in next year's annual report is expected to result in restated revenue of *circa* £300m and profit and total comprehensive income of around £7.2m for 2017, primarily due to restricted recognition of variable income on legacy contracts in earlier years. Further details of the expected transition can be found in note 1.
- Our cash balance as at 31 December 2017 stood at £17.01 million, an increase of £5.60 million from 2016.
- Current order book for construction in 2018 stands at approximately £299m, which is just over 90% of the revenue expectations for the current year.

* Underlying profit is profit before tax, excluding legacy contract losses of £7.29m (2016: £3.85m). Legacy contracts are construction contracts entered into at the height of the recession, before 31 December 2013, and which carried a high commercial and contractual risk. These contracts have negatively impacted the Group's income statement in 2013 and subsequent years.

** Net cash is cash at the bank at year end less any obligations under finance leases.

Contents

Getting around this report

Read more in **this report**

Read more online at **www.northmid.co.uk**

Our Group at a Glance

Our Markets and Sectors

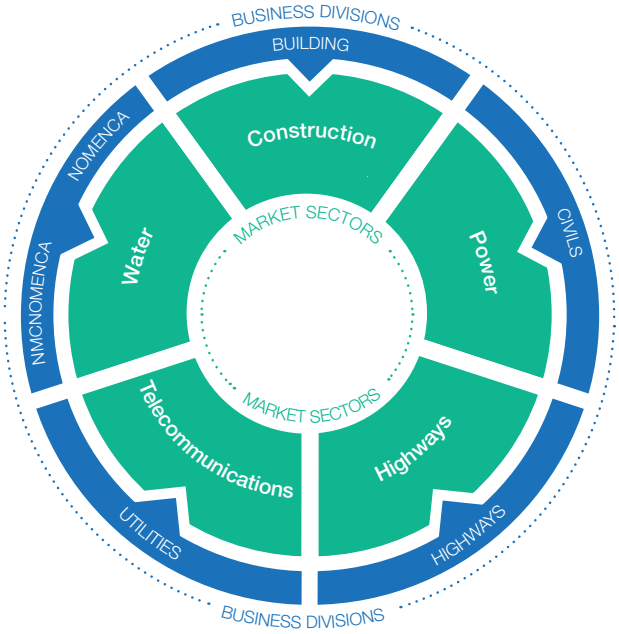
Our Markets

Our chosen sectors of Construction, Power, Highways, Telecommunications and Water enable us not to be reliant on any one market.

Our Sectors and Divisions

Our diverse range of capabilities are delivered by our six stand-alone and complementary divisions: Building, Civils, Highways, Utilities, NMCNomenca and Nomenca. We have identified opportunities within each market sector to have long term opportunities for us to meet our five-year plan and beyond.

We continue to adapt to our customers' wants, needs and legislative requirements while providing excellent value and service. Our ethos is to uphold our family values while seeking the very best in technology and innovative approaches.



Pictured: Collaborative working

Construction

Building Division

Our market offering comprises new build and refurbishment projects for the private and public sectors predominantly across the Midlands region. Construction projects vary from complex multi-storey city centre developments to specialist refurbishment schemes working within challenging live environments.

What we do

- New build and refurbishment
- Social housing
- Student accommodation
- Health and primary care centres

Read more on **Construction** on page 28 of the Operational Review

Highways

Highways Division

We deliver design and construction of large-scale complex projects spanning major highway construction on the trunk and minor road network to high specification public realm works for some of the UK's largest cities.

Our extensive knowledge and understanding of complex challenges include traffic management that maintains peak traffic flows, stakeholder consultation that builds positive relations with local communities, and delivery of challenging sustainability requirements.

What we do

- New construction and improvement works on major highways schemes
- Design and build of public realm schemes
- Creating and enhancing natural open spaces for public use

Read more on **Highways** on page 30 of the Operational Review

Power

Civils Division

We work within the power generation, power distribution, waste to energy and infrastructure works for both public and private sectors. Projects we deliver are both on a "design and build" and "build only" basis. From 1 January 2018 the Civils division, which currently undertakes work within the power sector, has been amalgamated within our NMCNomenca division. For more details please see page 29 of our Operational Review.

What we do

- Energy from waste plants
- Infrastructure works
- Distribution Network Operator (DNO) substations
- Gas Insulated Substations (GIS)
- Air Insulated Substations (AIS)

Read more on **Power** on page 29 of the Operational Review

Telecommunications

Utilities Division

Within the telecommunications market we provide the management and delivery of national and regional network infrastructure to major communications providers, including network maintenance for high-speed fibre. This has included providing installations, improvements, repairs and 24 hour emergency response services.

With unique insight into multiple stakeholders' involvement and statutory requirements, we apply our expertise at each stage of the project life cycle to ensure smooth delivery for our clients.

What we do

- Feasibility studies and site surveys
- Full network planning and design
- Special engineering difficulties
- Planning and construction phasing strategies

Read more on **Telecommunications** on page 31 of the Operational Review

Water

NMCNomenca and Nomenca Divisions

Our capabilities within this market are vast, serving almost all of the water utilities across the country. We have the ability to deliver infrastructure and non-infrastructure projects, operation, service and maintenance.

What we do

- Design services including 3D modelling and visualisation
- Civil and specialist MEICA
- Programme management, feasibility, optioneering
- Product portfolio
- Service and maintenance

Read more on **Water** on page 32 and 33 of the Operational Review

Our Vision, Mission & Values

Our Vision

Our vision is to be the best performing company in our chosen markets by delivering exceptional customer service.

Our Mission

The Group will be a great place to work, so that our 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.

Our Values

People:
Our fundamental building blocks

- Be a name not a number
- Be the best
- One team, one goal

Our family values are and always have been at the core of our business. We recognise that it is our people who are better together, working collaboratively and embracing innovation, so that we can aspire to deliver excellence in everything we do.

Inspire:
Our differentiators

- Committed to collaboration
- Embrace innovation
- We care

We offer a range of work experience placements, apprenticeship schemes and positions for graduates because we believe that by inspiring each other and the community around us, we can continue to deliver excellence in everything we do. Inspiring the wider community is very important to us as we continue to educate and inspire people to enter the construction industry and offer them career paths within our growing business.

Excellence:
Our outcomes

- To be the top performer
- Continuous improvement
- Exceed expectations

We strive to provide excellence in the quality of all our work and we aim to always meet and exceed expectations. This is achieved through our adoption of the latest quality standards, ISO 9001, 14001, 18001 and 27001. We believe that with excellent people and an excellent ethos, we can deliver an excellent service to all of our clients. Delivering excellent results through our people and growing talent from within continues to be our strategy.

Our Culture

“

At the heart of our culture are family values where our people are continually supported coupled with authentic leadership to drive the business forward.

Our values clearly put our people at the forefront of our agenda in order for the Group to be successful. It is an undisputed fact that our people and our culture are the single largest competitive advantage that we have.

We are proud of our long-established family values and retain our family feel through our “be a name, not a number” ethos. Our culture continues to evolve becoming evermore dynamic, agile and inspirational. Our Group is a place where people can be themselves with passion, are engaged, feel valued and are motivated to make a valuable contribution to their teams, our customers and our communities. This approach is essential in retaining and attracting the best talent.

We base our working environment on a learning culture with principles of open and honest teamwork. The learning stance we take informs our change agenda in all areas of our business from Health and Safety, personal development and our customer-centric approach to delivery.

Our “Employee Experience” focus, highlighted on page 23, has enabled everyone to contribute to the future culture of the Group through our Leadership Briefings. This has been well received and we will continue to lead with transparency and authenticity in driving the business forward.

Pictured: Family values are at the heart of our culture

Pictured: Our latest ILM Management intake during the 2017 launch

Pictured: Student accommodation scheme at Denby Street in Sheffield, delivered by our Building division

Strategic Report

A comprehensive review of our business and strategy

Chairman's Statement

Robert Moyle | Chairman

The Group has promising opportunities for growth in all its chosen markets and as the key customer relationships continue to mature, projects of a higher value are becoming available.

Recent Performance

The Group has increased its underlying profit for the year, which is a very encouraging result. However, it is disappointing to report that the strong growth in both revenue and profitability has been significantly impacted upon by the ongoing legacy contractual dispute with Cyden Homes Limited and the poor second half trading performance of the Utilities division.

Group revenue increased by 16.48% to £291.77 million (2016: £250.49 million) with operating profit decreasing by 46.88% to £1.19 million (2016: £2.24 million). Excluding the deleterious effect of the legacy contract normal trading profitability improved by 40.44% to £8.30 million (2016: £5.91 million). Earnings per share declined by 71.80% to 7.31p (2016: 25.95p).

Cash

Cash continued to be generated from operations during the year with the cash position at the year end significantly improving to £17.01 million (2016: £11.41 million).

Dividend

The Board is proposing a maintained dividend of 3.0p per share thus increasing the full year dividend to 6.0p (2016: 4.5p).

Corporate Governance

The Board remains very aware of the risks that the business faces as it continues to grow in a highly competitive environment and undertakes contracts of a higher notational value. Risk management capabilities continue to be strengthened and stringent review of potential opportunities is

Underlying profit:

+40.44%

£8.30m

2016: £5.91m

Revenue:

+16.48%

£291.77m

2016: £250.49m

Cash:

+49.08%

£17.01m

2016: £11.41m

undertaken. Robust and effective governance is more essential than ever. Procedures and controls continue to be reviewed on a regular basis to ensure the protection of shareholder interests.

Our People

Our people are the cornerstone of the Group, particularly in an organisation that still undertakes a significant proportion of its workload utilising its own resources. In an increasingly competitive market, the attraction, development and retention of the calibre of resource, with the appropriate skills required to satisfy the growth potential of the Group, is of paramount importance.

We are intent on maintaining the development of a sustainable, ethical business that cares for its individuals, the environment and the communities where it both impacts on and draws its resources from. Investment in leadership, skill-based and professional qualification attainment training has been maintained to allow each individual to contribute to their full potential. Testament to this is the number of training days completed increasing by 23.7% over the previous year.

To achieve our strategic targets the creation of a more diverse workforce is essential and in the construction industry in general gender disparity still continues. This is the first year that a Gender Pay Gap report has been published and it reflects the lower proportion of women in senior roles within the Group. This, coupled with only an 11% total female representation within the Group is outdated. A more progressive and embracing approach is now being adopted to secure the injection of female talent that is required to take the Group forward and provide a different perspective to the business.

I would also like to take this opportunity to thank all the employees for their hard work and commitment during this last year as the business is entirely dependent upon their contribution.

Health and Safety

The well-being of all the Group's employees is of paramount concern to your Board. The cycle of improved performance has been maintained with the "Accident Frequency Rate" (AFR) reducing to a highly creditable 0.04 (2016: 0.11). The culture is now well embedded with the emphasis moving from "Safe to Safer".

Opportunity for Growth

The Group has promising opportunities for growth in all its chosen markets and as the key customer relationships continue to mature, projects of a higher value are becoming available. The AMP7 retendering cycle by certain water companies equally offers a further opportunity for future expansion within the water industry. The Group is currently engaged in several joint ventures, which currently are all delivering positively. The Elan Valley Aqueduct, in particular, already being the recipient of several awards.

> Risk management capabilities continue to be strengthened and stringent review of potential opportunities is undertaken. Robust and effective governance is more essential than ever.

Outlook

The secured order book for completion in the current year is £299 million (2017: £225 million) and the Group is forecasting further sustainable growth this current year based upon this and further opportunities in the pipeline.

Robert Moyle
Chairman
27 March 2018

Pictured: Bristol public realm scheme delivered by our Highways division

Market Review

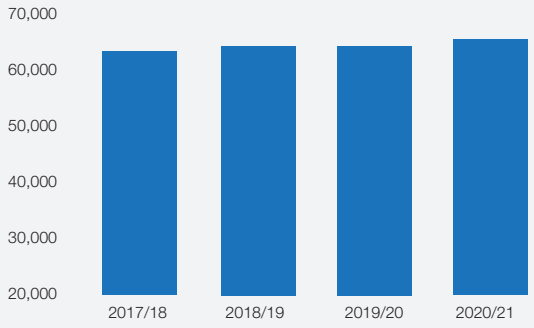
UK Economic Conditions

Economic growth will continue to rise in four of our five key market sectors primarily due to ongoing investment in UK National Infrastructure, sustained increase in the demand and provision of university places and the growing need for increased social and private housing. The only sector where there is a significant downturn over the next three years is fibre broadband installation as a result of the near completion of the roll out programme, which will impact on our Telecommunications segment.

The unemployment rate is at a record low, which in conjunction with the skills gap and growth in our market sectors will set us challenges with regard to recruiting and retaining the right people.

Brexit has caused uncertainty around the UK economy in general and this has the potential to distort some of our markets, including price pressures in our supply chain due to the weakening of the pound.

National Infrastructure and Construction Spend* £m



What this means for NM Group

We expect significant profitable growth during the next three years in line with our in-depth Strategic Business Plan projections. This will not only be as a result of increased investment but the specific areas of investment where we already provide a specialist service.

Our Plan details how we will maximise these niche opportunities to significantly improve our return on investment.

* Data taken from National Infrastructure and Construction Pipeline Autumn 2017 update, published by the Infrastructure and Projects Authority.

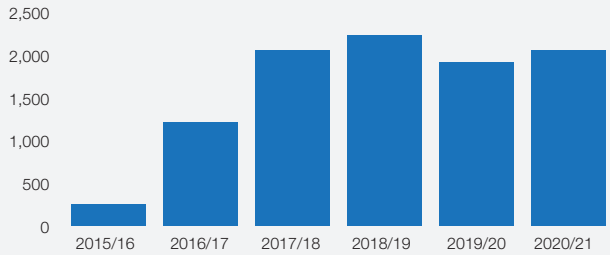
Construction Market

The National Infrastructure and Construction Pipeline Analysis 2016 identifies committed government investment in the Affordable Homes Programme rising to *circa* £2.2 billion in the period 2018/2019, with sustained investment of *circa* £2 billion from 2019 to 2021. Whilst the Housing Infrastructure Fund programme has had a slow start in 2017/2018, it is forecast to rise to *circa* £800 million and *circa* £1.2 billion in 2019/2020 and 2020/2021 respectively.

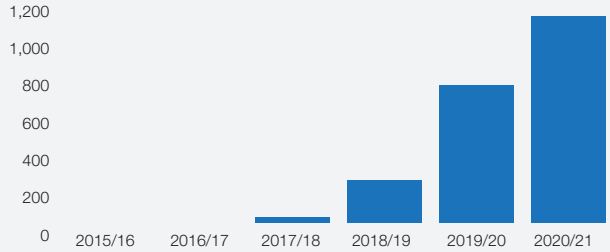
Universities continue to have access to significant funds to develop their sites primarily to attract more students. As such, investment in student accommodation looks set to continue to support this potential growth.

According to the DfE National pupil projections (July 2016), we have experienced a demographic dip in student numbers during the last five years. However, as a result of successive baby booms from the start of the new millennium this downward trend has changed with a defined increase in 18-year olds of 8% by 2020 compared to 2017 and a further 10% increase by 2025 compared to 2020. This equates to *circa* 160,000 more university places being required by 2025, based on record numbers of 18-year olds going to university in 2017.

Affordable Homes Sector Spend £m



Housing Infrastructure Fund Spend £m



What this means for NM Group

- Significant increase in investment for social housing and affordable homes
- Increase in demand for student accommodation to match significant growth in university places

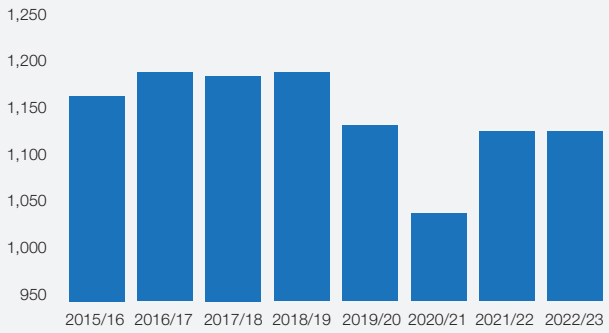
Power Market

The National Infrastructure and Construction Pipeline Analysis 2016 identifies 36 wind farms in England granted planning permission, all of which expire by 2019. Full capital investment runs at *circa* £3 billion up to 2018/19 but then worryingly the investment profile halves over the period 2018/19 to 2019/20 and then rapidly declines to *circa* £250 million by 2020/21.

Annual investment in the electricity transmission and distribution network is set to fall to *circa* £1 billion by 2020/21 from levels of *circa* £1.2 billion in 2018/19. Thereafter, however, it will increase to just over £1.1 billion for follow-on years.

Waste to Energy and Biomass annual investment currently runs at *circa* £1 billion; however, all identified projects will be complete by the end of 2019.

Power Network Sector Spend £m



What this means for NM Group

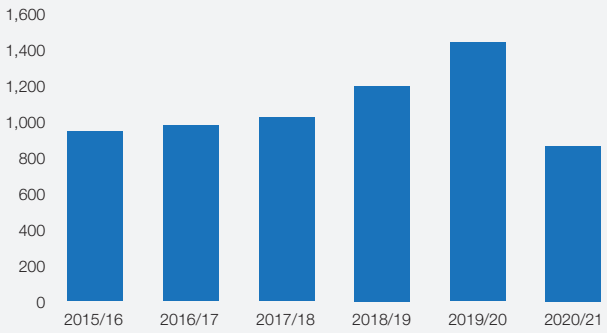
- Investment downturn in wind energy
- Investment increase in transmission and distribution, focusing on upgrade and refurbishment
- Downturn in waste to energy plant investments over next three years

Highways Market

Highways England have announced the replacement of their Collaborative Delivery Framework, worth £4 billion over four years, with an option for an additional four years (January 2019 to December 2027). They are looking to appoint 12 partners over six areas; this equates to £1 billion per annum and £60 million to £80 million per contractor.

The National Infrastructure and Construction Pipeline Analysis 2016 identifies committed government investment in highways infrastructure of *circa* £1.2 billion in 2018/2019 rising to *circa* £1.4 billion in 2019/2020. This spend excludes motorway improvement programmes, SMART motorway investment and individual major A road projects. This will be updated in 2019 to reflect new investment plans for the period 2020–2024.

Highways Sector Spend £m



What this means for NM Group

- Annual rise in highways investment in excess of 10%
- Increase in funding for highway repair and maintenance

Market Review

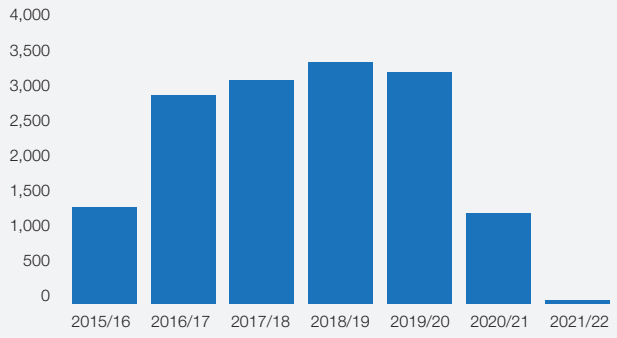
Telecommunications Market

Government and private investment in the broadband programme and 4G technology is due to reach peak spend in 2018/2019: £3.45 billion.

Spend in 2019/2020 is then due to marginally decline to *circa* £3.4 billion before significantly reducing in 2020/2021 to *circa* £1.1 billion. Thereafter, the only identified communications investment programme is the 700MHz Clearance but this is a small programme at an annual spend of *circa* £50 million by 2021/2022.

In view of this rapid decline by 2020 we need to consider our options, such as developing alternative market streams during 2018/19 which utilise the skills of our Utilities division.

Telecommunications Sector Spend £m



What this means for NM Group

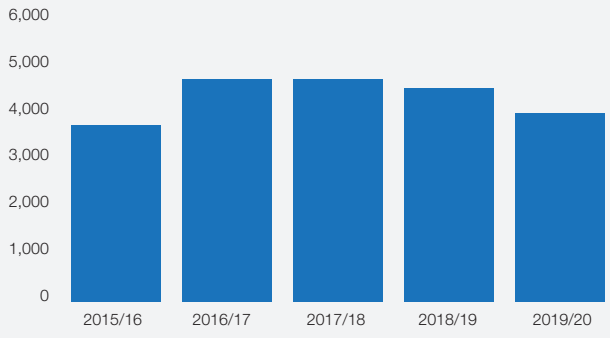
- Rapid decline in new telecoms infrastructure investment
- Implementation of G.Fast Technology at 10 million premises across the United Kingdom by the end of 2020
- Diversification of skills into other sectors will need to be implemented

Water Market

The sector is forecast to continue at current investment levels of *circa* £4 billion per annum. Of this, there is a commitment to spend *circa* £2 billion per annum on upgrades and new works including *circa* 40% through off-site build solutions, £1.2 billion per annum on capital maintenance and £500 million per annum on infrastructure schemes. The fundamental change over the next 10 years will be the specific work stream investments, with a move to more asset optimisation, maintenance, refurbishment and sludge to energy to meet TotEx and Outcome based drivers.

New technologies for pipeline sealing and replacement will potentially negate intrusive R&M. Increases in housing (250,000 homes per annum) will fuel existing plant optimisation and demand innovative ways to increase productivity from existing assets.

Water Sector Spend £m



What this means for NM Group

- Increased investment in asset optimisation, maintenance and refurbishment
- Increase in 'Off-site' and Factory Build solutions
- Preference for 'Direct Delivery' models as part of approach to sustainable resources and communities

Pictured: NMCNomenca delivering non-infrastructure solutions

Pictured: Ground-breaking ceremony for Baxter Healthcare

Our Business Model

Our business model demonstrates our arrangements for successful business operation, identifying our revenue sources, intended customer base, products and services along with financing.

1 We Use Our . . .

Key Resources

- Experienced personnel providing expert advice and solutions
- Expertise in building, construction and strong project management
- Our bespoke digital systems
- Our cash
- Our assets: buildings, transport vehicles and construction plant and machinery
- Specialist licences and accreditations linked to energy, telecoms and sewage

2 In Order to Perform Our . . .

Key Activities

We deliver major built environment and critical national infrastructure projects across the UK. We are people-focused, with specialist engineering and construction teams bringing multi-sector innovation and technical skill – from buildings and highways, to large-scale water networks and treatment plants.

- Conceptual collaboration
- Design
- Construction
- Installation
- Operation
- Maintenance

We use the value we generate as a company to ensure continuous improvement through investing back into our **Key Resources**

7 Which Ensures We Deliver Value to Our . . .

Key Stakeholders

Our Company

- We can continue to invest in our own infrastructure to continue to service our clients with the best service possible while making the Group a great place to work.

Our Customers

- Ensuring we provide our most innovative approaches that are economically viable, while exceeding their experience expectations.

Our Shareholders

- A financial return on their investment.

Our People

- The opportunity to learn, develop, have a great career with us and be happy.

Our Communities

- To ensure that we continue to keep our environmental impacts to a minimum and in line with our KPIs.

3 Across Key Segments for Our . . .

Customers Who Require Our Services

- Construction
- Power
- Highways
- Telecommunications
- Water

4 Which Provides Us With . . .

Our Revenue Streams

Our revenue streams are a combination of recurring frameworks, standalone projects and service revenue.

- Frameworks: water, highways, telecommunications and power sectors
- Negotiated orders
- Standalone projects for existing and new customers within the construction sector

5 Which Enables Us to Build . . .

Customer Relationships

We seek to build collaborative, long term relationships with our customer base to provide added value across all stakeholders.

- Private companies
- Public bodies
- Improving Customer Experience Panel
- Customer satisfaction survey
- Social media

6 Providing Us With Our . . .

Value Proposition

Fully integrated collaborative model with all stakeholders

Stimulate Innovation through:

- Understanding our customers' needs
- Working collaboratively to provide solutions
- Embracing IT enhancements
- Expertise in our markets, collaborating with all stakeholders
- Providing infrastructure in a variety of new markets

Chief Executive's Statement

John Homer | Chief Executive

Overview of the year

It is disappointing that the focus on a healthy underlying Group performance from continuing operations appears to continue to be diverted by the outcome of the remaining legacy contract.

The overall focus of our strategic plan is built around continuing with the six strategic priorities identified with an increased focus on our people, our quality first approach and further investment in technology.

Cash

Our continued focus on driving a cash culture throughout the business has made good progress in the year. The emphasis on cash being the responsibility of the operational divisions with reports and measures being provided by the finance function is starting to have the desired effect. The cash balance at the end of the year of £17.01 million is testament to the progress that has been made.

Our focus on the type of work to be undertaken will be to continue to build on the core strengths and capabilities of the Group. It is intended to continue to play to our strengths in the Water sector while looking for growth in other areas to reduce our reliance on this market and mitigate the cyclical effects of the AMP procurement cycle.

Utilities losses

At the interim update we announced that the division achieved a break even position for the first six months trading. Since that date we have experienced serious difficulties on the work stream undertaken for Virgin Media on the term contract for telecoms work. Our activities have become embroiled in the difficulties that this customer has been experiencing and this has led to fragmented and inefficient working patterns. The division is heavily engaged in dialogue with this customer to achieve a satisfactory resolution to this problem.

Operations

It is pleasing to be able to report good progress is being seen on improving the operational performance of the remainder of the Group. Our short term target of achieving 3% net return on sales is firmly within our sights. Our vision of 5% margins in the future is achievable by continuing to enhance our offering upstream into design, project investment and by delivering more efficiently. The employment of our direct labour force and operation of our own plant fleet will assist our drive for margin growth. The use of off site build techniques will combat skill shortages and ensure that quality of workmanship is achieved.

Order book

The markets in which we operate remain buoyant and the need for investment into the infrastructure of the nation continues to grow. We continue to exercise critical judgement over the orders we take into the business and ensure that effective governance is in place at all stages of securing work. Our order book for construction in 2018 stands at £299 million (2016: £225 million).

Safety

It is pleasing to see that our Health and Safety performance has improved significantly during this year. From a 2016 AFR of 0.11 which represented five RIDDORs we are currently running at 0.04 which represents two RIDDORs for 2017. Our efforts in compliance with procedures and focus on behaviours have helped in this achievement. It is however clearly apparent

that a focus on this at all times is a must and a slight slip in concentration can lead to a hazard causing an accident.

People and culture

People remain the key to our success and we intend to build on our achievements in this area. Our offering of leadership and management programmes has been refreshed and is now accredited under the new Apprenticeship Levy. Two programmes have commenced and feedback is positive. Our assessment of potentials for growth and succession planning continues to serve us well and this approach is improving with maturity of its use in the business.

We have started re-evaluation of our entire Employee Experience agenda and workshops have been held at the Leadership Briefing sessions so that everyone has the chance to contribute to the future culture of the Group. This has been well received. It is an undisputed fact that our people and our culture are the single largest competitive advantage that we have.

We have committed wholeheartedly to the Apprenticeship programme through our own in-house academy. We currently have 7% of our workforce engaged on this programme.

Technology

During this year we have continued to invest in our digital future and progressing our BIM agenda. A decision was taken in the middle of the year to defer the application for British Standard certification until this was embedded in the business. The certification will be applied for in early 2018. A commitment to Viewpoint 4 Projects as our Common Data Environment (CDE) has been made and we are rolling this out across the business. A lot more work needs to be done on this to realise the full efficiency potential that exists.

Supply chain

Investment continues to be made into the creation and development of the supply chain required to support our growth. Supplier relationships are reviewed regularly on a 360 degree basis. A number of interactive workshop sessions have been held throughout the year. It is pleasing to see our creditor days recorded at 43 which is an incremental improvement on 52 in 2016 and 60 in 2015. It is intended that we continue to seek to improve our performance in this area.

Skills shortage

We continue to focus on both our positive employee brand and alternative methods in order to combat the skills shortage. It is clear that our ability to attract and retain the right quality and quantity of people to undertake work is a driver for us. Our efforts on the training and development front are showing good results. We are particularly pleased with our approach to the new government Apprenticeship Levy and intend to build further on this success

Conclusion

The business is well positioned for growth going forward. A solid order book for construction in 2018 of £299 million coupled with a strong cash balance of £17.01 million recorded at the year end provides a solid baseline to drive performance going forward.

Our continued focus on ensuring rigorous governance in contract selectivity and operational control, coupled with the advancement of our Employee Experience programme will ensure that momentum is achieved on achieving our goals.

John Homer
Chief Executive
27 March 2018

Pictured: People are the key to our success

Pictured: Public realm works at Sheffield University completed by our Highways division

Our Strategy

Our objective is to construct a sustainable and growing business through good leadership and effective communication. Our strategy reflects the restoration of a respectable profit margin in the short term. This will be reflected in a progressive dividend payment to the shareholders being declared. It is built with a clear focus on quality of earnings and improved cash management together with a sensible growth profile being pursued.

Driving Cash

Description
We will continue to embed a cash culture to manage our cash more effectively, from contract selection and approval, through the entire contract process and up to the final account payment. This includes improved operational reporting and flow of information to divisional management.

Improve Profit

Description
The emphasis being placed on preventing losses as a strategic priority will in itself give rise to an improvement in profit. Other work is in progress to enhance margin return through the reduction in waste and the use of lean construction techniques. Innovative approaches to front end design and asset management opportunities will provide enhanced margin returns.

Prevent Losses

Description
We have thoroughly re-examined our processes across the business to continuously improve our effective commercial and operational delivery of projects. We are engaging and challenging our people and our supply chain to continually improve quality and programme efficiency and effectively deliver for our customers.

Develop, Maintain and Protect Our People

Description
People remain key to our success. Keeping a “family feel” around the Group is a high priority as we progress. Recruitment and retention is at a high. We will continue with our learning and development. This is aligned with our business culture.

Enhance Brand Image

Description
We have identified two core focus points in enhancing our brand image: Customer Experience and Public Relations (PR). We have formed the Improving Customer Experience Panel (iCEP) with the purpose of providing industry leading customer experience. We are reviewing our PR plan, core media targets and approach to be more visible in the marketplace. A senior project team has been commissioned to look at this.

Effective Communication

Description
Effective communication, both internally and externally, is undergoing review and improvement to ensure that our key business messages are conveyed in both an appropriate format and a timely manner. A senior project team has been commissioned to look at our overall communication strategy in line with our brand and input from all stakeholder groups.

Driving Cash

Progress in 2017

Actions we instigated as part of our 2017 business plan included a daily cash report, weekly finance dashboard and monthly trading assessments of unrealised cash. This has resulted in a significant overall improvement in the cash balance to £17.01 million (2016: £11.41 million) and reduced unrealised cash.

The Group has slightly reduced the average credit period taken by its customers to 32 days (2016: 33 days). The average credit period taken on credit purchases has also reduced to 43 days (2016: 52 days) due to shorter terms being offered to maintain the best supply chain and achieve the most commercial pricing.

Priorities for 2018

We will continue to embed a cash culture to manage our cash more effectively, the focus being right down to project level; from contract selection and approval, through the entire contract process and up to the final account payment. This includes improved operational reporting and flow of information to project teams and divisional management. Driving cash allows us to ensure it flows to our supply chain who are critical for our growth plans and pivotal in our future success.

Our priorities for 2018 include the continuing execution of robust internal processes, coupled with the ongoing measurement of cash collection days, and utilising the cash we generate in higher margin activities or to achieve the most effective commercial position from our supply chain.

Our Measures

- Cash collection days (WIP/Debt days combined)
- Cash collection against forecast
- Overdue balances
- Overdue retentions

Our Associated Risks

- Credit risk, liquidity risk, interest rate risk
- Integrity of financial controls
- Contracting strategy and execution

Case Study

Strategy in Action

Weekly cash dashboard

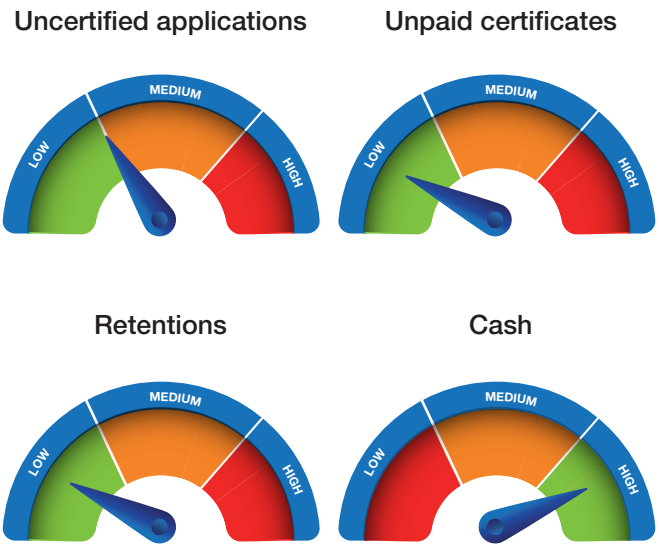
During 2017, we formalised a weekly cash dashboard which is circulated every Monday morning to all of the divisional directors, senior teams and commercial teams.

The dashboard gives real time information, assessing the outstanding cash in relation to:

- Under-certified applications outstanding
- Invoiced debt overdue
- Retentions overdue
- Forecast cash collection against actual (rolling 4 week period)

This information allows the management of cash at a project level, ensuring that as the Group grows control of cash collection is rigorously maintained.

Read more online at **www.northmid.co.uk**



Illustrative example

Improve Profit

Progress in 2017

The success of this strategic objective has unfortunately been undermined by another one of our strategic objectives, due to significant losses on the one remaining legacy contract. Focusing on the underlying performance of the Group as defined, the Group has reported underlying profits of £8.30 million (2016: £5.91 million) which is a net return on sales of 2.84% (2016: 2.36%). This is testament to the move into higher margin markets, products and services which will continue into 2018 and beyond.

Priorities for 2018

As stated above the Group is focused on continuing to organically progress in higher margin markets, products and services, namely offsite manufacture, design services, bespoke major projects and small development opportunities. This will continue at a divisional level throughout the period. As part of the 2018 business plan the Board identified areas where the continuing business would be able to increase its margins and this is also where significant focus will be given.

'Quality first initiative' – The purpose is to raise awareness, challenge the norms and drive improvements and workplace satisfaction, leading to benefits for all involved:

- Increased margin
- Supports a sustainable business
- Removes environmental waste
- Quality product for our clients, right first time with less disruption and time delays
- Efficiency for the Group and our supply chain
- Continued development of our culture in satisfaction of delivering a successful project

Our Measures

- Margin by contract
- Risks and opportunities identified and monitored by project
- Cost of non-conformance reporting
- Procurement savings
- Programme management

Our Associated Risks

- Contracting strategy and execution
- Inappropriate contract terms
- Failure to comply could lead to reputational damage, warranty claims or financial penalties
- Integrity of financial controls

Case Study

Strategy in Action

NM Investments

During 2017, the Group reviewed the best use of the cash it generated and the current opportunities across its market segments. One of the key successes in this area was partnering with developers in the residential property market through:

- Joint venture on a small residential development
- Construction financing

Both business models ensured the Group was fully securitised. The projects were only on a very small scale in relation to the Group's turnover, but allowed significant additional margin to be achieved.

Read more online at **www.northmid.co.uk**

Pictured: Controlled profitable growth

Prevent Losses

Progress in 2017

Although on the face of the financial results it would seem that the Group has gone backwards in relation to this strategic priority, it is only the one remaining legacy contract that has significantly affected financial performance in 2017.

The changes the Group has made have ensured that during 2017 there has not been any contract added to the Group's commercial risk register, which is testament to the following changes that have been embedded in the Group's procedures through 2017:

- Thorough contract selection
- Robust corporate governance
- Rigorous risk management
- Active contract performance monitoring
- Immediate corrective action
- Contract risk level review
- Project monitoring assessments

We believe that discussing and understanding the potential risks at an earlier stage and engaging with the right skilled people means that we are able to better plan and mitigate accordingly.

Priorities for 2018

We will continue to review our processes across the business to continuously drive effective commercial and operational delivery of projects, extending the work already completed in 2017.

A key focus for 2018 and beyond is understanding the potential level of change in projects. Change means additional cost for our client, our supply chain and the Group and we believe reducing the potential for change at the onset of a project will benefit all stakeholders. The management of significant change on projects is also an area of strategic focus for 2018.

Our Measures

- Contract risk level review
- Change management assessment and reporting
- Project monitoring assessments
- Margin by contract
- Risks and opportunities identified and monitored

Our Associated Risks

- Contracting strategy and execution
- Integrity of financial controls
- Contractual disputes
- Damage to reputation
- Financial loss
- Lack of integrity of financial information used to manage the business

Case Study

Strategy in Action

Tender review board ("TRB")

The TRB process is the Group's internal pre-pricing risk assessment of potential projects.

The pre-pricing procedures ensure that assessments and understanding of risk are completed at an earlier stage in the process and our governance strengthened to involve divisional and Board Directors as required.

The processes have been developed to drive a culture of transparency and team involvement. The system is fully automated, and in 2017 has ensured no potential loss making contract has been added to the commercial risk register.

Read more online at **www.northmid.co.uk**

Pictured: Understanding our risks

Develop, Maintain and Protect Our People

Progress in 2017

Protecting our people:

We have significantly reduced our Accident Frequency Rate by 63.64% and have also seen a 15% reduction in service strikes in 2017.

Our Safety Culture Team (SCT) continues to work with our Leadership and Safety team to solve issues in line with our strategic focus areas and findings from our cultural survey results. The individuals are willing, enthusiastic volunteers who act as the conduit between our sites and management purely focusing on operational improvement.

"Safe by Action Days" have remained part of our 2017 programme. Our Directors visited over 20 sites and workshops to purely focus on safety, demonstrating our high level commitment to protecting our people. Key findings were predominantly positive with compliance, behaviours, understanding and site set up all featuring.

Developing our people:

Our development of high performing leaders and teams has led us to review, evaluate and realign our ILM level 3, 5 and BLP level 7 accredited programmes. All programmes were relaunched in October 2017, to ensure we continue to meet the current and future Group vision.

2017 has provided the foundations to build upon for our "Employee Experience" focus by implementing a health and wellbeing framework and associated initiatives, and improving communications and reward and recognition mechanisms, to ensure our people feel valued for the contribution they make. Please see our case study on page 46 for further details.

Priorities for 2018

- Embed "Create Safety" culture
- Continue to monitor and improve operational engagement from a safety perspective
- Focus on our overall "Employee Experience" and the people journey with the Group
- Furthering our health and wellbeing strategy
- Continuing to embed and mature our coaching and learning culture

Our Measures

- Recruiting right first time
- Internal promotions following personal development
- Increase in technical competence upskilling
- Employee stability index

Our Associated Risks

- Quality, Environment, Safety & Health (QESH) performance
- Retention of our existing people
- Attraction of new people to the Group
- Lack of required expertise to deliver the Group's objectives

Case Study

Strategy in Action

Creating Safety: from safe, to safer

Although we have seen a significant reduction in our AFR in 2017, our team recognises the challenge to improve our current safe working methods and continually looks to bring incremental improvements to move from safe, to safer.

"Creating Safety" is our approach to challenging the beliefs and behaviours of everyone in the Group. We have identified and evaluated ourselves on 18 areas relating to our positive Health and Safety culture which has provided us with focus action areas including: workplace environment, data measurement and defining accountability. Having identified these actions we are implementing operationally led improvement plans across the Group.

To support this approach we are introducing inductions to our safety culture; these interactive scenario-based sessions will be holistic in nature giving a view on what our safety culture feels and looks like coupled with engagement, pride and personal responsibility.

Pictured: Our Health and Safety Team collect our 2017 RoSPA Award

Read more online at **www.northmid.co.uk**

Enhance Brand Image

Progress in 2017

Our objectives for 2017 included a review of our PR campaign that ensured a consistent high quality image, coupled with engagement in thought leadership initiatives. We selected a new PR agency to work alongside us in achieving our aims resulting in national coverage, increased quality trade press and an enhanced profile within the marketplace.

We have made significant progress with Customer Experience after forming the Improving Customer Experience Panel (iCEP). As part of our plan we have implemented further mechanisms to promote a higher level of satisfaction for our customers and continuing to improve our service delivery. Further information on this can be found in our Sustainability section on page 48.

A brand audit and perception exercise was also undertaken during the year by senior management. Feedback has been sought on the perception of our brand from many areas of the business and encompassed both internal and external stakeholders.

Priorities for 2018

- Targeted PR campaign including programme of awards
- Enhancement of Customer Experience
- Continuing brand audit

Our Measures

- Increase in PR article take up and thought leadership pieces
- Defined processes and pro formas developed for Customer Experience
- Brand Review

Our Associated Risks

- Breaches of our ethical standards
- Potential damage to reputation and customer relationships

Case Study

Strategy in Action

Exploring our brand perception

Following the work by a senior management team we began a full brand audit seeking feedback from a variety of stakeholders both internal and external.

The ultimate aims are to ensure that our brand represents the geographical customer base that our business now supports, has longevity, complements our "Employee Experience", aligns with our vision and values and will continue to be a strong presence in the markets we serve.

This process will continue throughout 2018. We are engaging with the necessary experienced agencies to ensure that we reach the right conclusion.

Read more online at **www.northmid.co.uk**

Pictured: Exploring our brand perception

Effective Communication

Progress in 2017

As part of our Business Leadership programme, a team of senior leaders assessed our communication strategy, in line with our brand and input from internal and external stakeholder groups. This brought both encouraging findings from our internal people satisfaction survey and recommendations to enhance our future strategy for communication.

These recommendations and research drove significant change during the year and has shaped how we will successfully implement our plans during 2018. Our progress has included:

- A focused approach and activity plan to utilise multiple channels for improving our internal communications
- Recruitment of a Group Communications Manager
- Enhancing our Leadership Briefings based on the feedback from our people
- Regional Corporate Inductions
- Regional People Consultation Committee and Representatives of Employee Safety (ROES) meetings

Our case study below highlights more about our regional Leadership Briefings and the "DREAMS" employee workshops held in 2017. We were encouraged by the honesty and openness of the feedback received; a true testament to our open culture. Key themes, at the heart of all regions, included the need for clearer lines of communication and sharing of information, how we can enhance our brand, and personal development plans with a review of reward and recognition mechanisms that are more suited to a modern environment.

Priorities for 2018

- Communication audit: Analysis of our communication process, defining gaps and prioritising areas for improvement
- Holding communication workshops involving key stakeholders to agree the strategic approach to engagement and communication
- Review our colleague engagement strategy based on the audit findings and using the four key principles of engagement: listening, storytelling, taking risks to deepen engagement and use of digital channels
- Selection of champions from each division to become communication ambassadors
- Develop a solution for our Group through visible and empowering leadership, engaging managers, giving employees a voice and having organisational integrity

Our Measures

- Level of engagement from our people for internal communication: alerts, news bulletins, and Blueprint magazine
- Leadership briefing feedback and increase in net promoter score
- Increase in social media interactivity

Our Associated Risks

- Potential damage to reputation and customer relationships
- Keeping our existing people happy
- Attracting new people to the Group

Case Study

Strategy in Action

Leadership briefings

Our business leadership briefings have proved popular and of benefit to our leaders and our people. Through engagement with senior leaders and feedback received, we have continually developed the content of these sessions, which are held during spring, summer and autumn.

An update on our Group strategy and strategic priorities and feedback from the previous briefing, with a highlight of subsequent actions implemented, forms the base of our briefings. This has been invaluable to the engagement of our people and improving face to face communication.

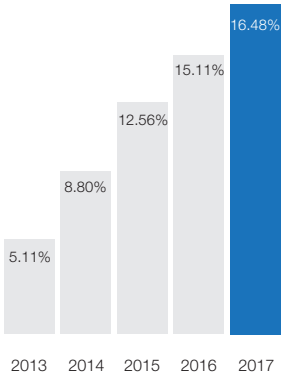
Read more online at **www.northmid.co.uk**

Pictured: 'DREAMS' employee workshop in action

Key Performance Indicators

Revenue growth

16.48%



Definition

Illustration of sales increase or decrease over time.

Performance

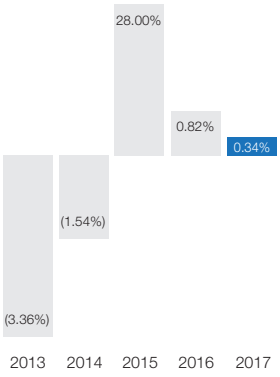
An exceptional year of revenue growth, an increase of 16.48% year on year and in the last three years consistent growth of over 10% each year.

Link to Strategy

To continue to grow the Group and engender a cash culture through sustained organic growth, developing our market share within our chosen markets.

Net Return on Sales

0.34%



Definition

Ratio to determine operational performance.

Performance

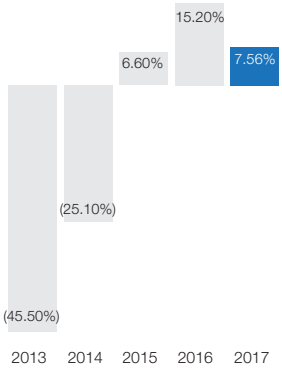
Due to the impact of the legacy contracts over the previous five years, the Board recognises that the net performance of the business is not acceptable. The underlying profitability is a better measure of the continuing business.

Link to Strategy

Net return is crucial to allow us to prosper and return wealth to our shareholders. This links directly to driving cash, improving profit and minimising losses.

Net Return on Capital Employed

7.56%



Definition

Profitability over capital employed.

Performance

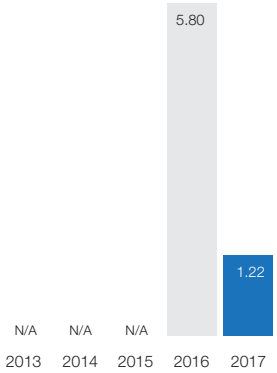
Return on capital employed has been significantly impacted by the legacy losses absorbed in the period. Cash generation over the same period was significant.

Link to Strategy

Measuring net return on capital employed ensures that the Group's capital is employed with the greatest efficiency compared to profitability.

Dividend Cover

1.22 times



Definition

The ratio of earnings to total dividends proposed for the year.

Performance

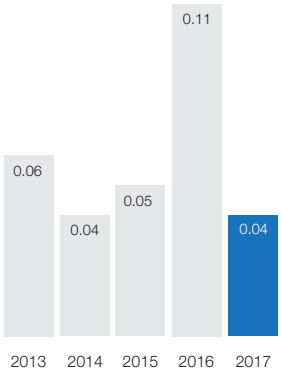
Dividend cover has reduced as the Board has taken the decision to pay an exceptional dividend outside of the Company policy. The higher dividend is proposed due to the strength of continuing business, cash generation and the current order book for 2018.

Link to Strategy

Returning a steady dividend stream to our investors impacts on the confidence in our brand as a viable business, returning profits and loss minimisation.

Accident Frequency Rate

0.04



Definition

Measurement of RIDDOR accidents reportable to the Health & Safety Executive (HSE).

Performance

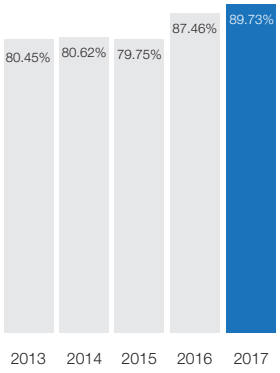
We are pleased to report our lowest AFR in the last four financial years, currently standing at 0.04.

Link to Strategy

Maintaining the safety of our people reflects our value that everyone has the right to go home safely at the end of the day. It affects our brand reputation for being a good company to work for who put their people first.

Waste Diverted from Landfill

89.73%



Definition

Percentage of total waste recycled per £m of turnover.

Performance

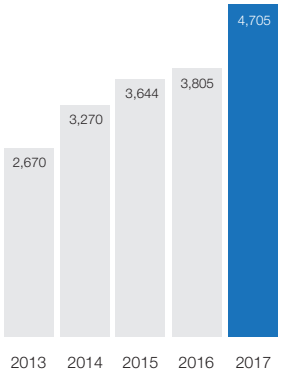
It is pleasing to report that in 2017 we have seen an increase in the proportion of waste being recycled.

Link to Strategy

Diverting the amount of waste that we send to landfill ensures that we enhance our brand through the continuation of mitigating our impacts on the environment whilst not increasing spend on new products.

Training Days Across the Group

4,705 +23.65%



Definition

Number of days we have invested in training during the financial year.

Performance

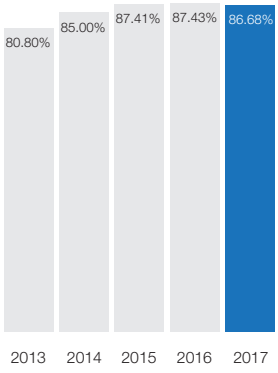
Our continuous investment in developing our people has led to a 23.65% increase in training days during 2017.

Link to Strategy

Developing our people is a key element of our strategy. Ensuring that our people are motivated with the necessary skills and education makes a direct impact on our profitability.

Employee Stability Index

86.68% -0.86%



Definition

Retention rate of experienced employees.

Performance

This year has seen a high recruitment drive with an influx of new starters with less than a year's service.

Link to Strategy

Employee stability ensures that the tacit knowledge, experience and our newest talent remains within the Group as one of our biggest competitive advantages.

Operational Review

Construction

Building Division

Overall segment performance

Our Building division has grown rapidly over the past three years, and is anticipated to be a £40m plus turnover business. With our key senior staff now in place, we have clearly set out our growth plans and have a real opportunity to progress our business through 2018 and beyond.

Trading in 2017 has seen us reach our profit target, with turnover exceeding budget. We currently have a number of projects on site: Denby Street, Sheffield - a £24m student accommodation development with the second site at £8.5m for Host Student Operators and at Grove Park, Leicester a £1.7m new office project for Stephen George and Partners (Architects). This is another scheme for us on this business complex. We also completed the £4m Selly Oak student accommodation project in Birmingham during 2017. These schemes, coupled with exciting enquiries means that we are set to have a successful 2018.

We have plenty of opportunities available to us as the market is relatively settled and should be able to support our planned growth. Both the student accommodation sector and residential markets are still strong with regular opportunities being received. Equally, enquiries from the health sector are still encouraging and university funding for site development is still at a high enabling us to target schemes in both areas.

Outlook for 2018

Our intention is to strengthen our brand within the construction marketplace to ensure our offering is visible to all our customers to encourage new opportunities and repeat business. We continue to foster relationships with developers operating locally, including a series of opportunities with our joint venture partner Earl and Pelham Limited across the region. The first scheme of this nature, Enderleigh Mews in Nottingham, is a development of 10 four-bedroom houses in the picturesque grounds of the house formerly known as Enderleigh. The partnership will bring high quality, bespoke developments to Nottingham and the wider area.

Key targets for 2018 include:

- Enhancement of customer experience and support
- Develop supply chain relationships and management
- Continue with our positive staff culture, supporting all our team in their development

> With our key senior staff now in place, we have set out our growth plans and have a real opportunity to progress our business through 2018 and beyond.

Pictured: Artist's impression of Enderleigh project

Pictured: Elevation of Denby Street, Sheffield

Power

Civils Division

Overall segment performance

The current financial year has been challenging operationally in many aspects with a downturn in customer spend which is forecast to continue.

With an eye to the future we have made changes to our operational teams and have overhauled our strategy in accordance with customer spend profile and marketplace funding. We intend to fully incorporate Civil Engineering projects and work into the NMCNomenca delivery division. This refocused and rebranded approach will enable us to target, secure and deliver major schemes from the power, energy and water sectors. The new structure will continue to deliver our current framework commitments within the small works team.

For continuity of service for our customers we are utilising the existing teams from Civil Engineering to deliver new projects.

Outlook for 2018

Development of a fully integrated Power business servicing the following areas whilst continuing to foster relationships with our key customers:

- Power Distribution and Transmission
- Wind
- Combined Heat Power
- Anaerobic Digestion
- Waste to Energy
- Biomass Fuel Handling

> Our refocused and rebranded approach will enable us to target, secure and deliver major schemes from the power, energy and water sectors.

Pictured: West Burton Power Station

Pictured: West Burton Power Station

Operational Review

Highways

Highways Division

Overall segment performance

The trading performance of our Highways division has seen budgeted targets exceeded. Work volumes were ahead of the forecast for the year at £45m and delivery margins were also ahead of budget projections at £639k. The division operates in three regions: East, West and South. Whilst planned activity in the East and West regions remains high, there is a current imbalance of work in the Southern region. Growth for the division has been very encouraging over the course of the year with key successes on frameworks coupled with wins of public realm and highway contracts.

The YORcivil2 construction framework win was a key success covering civil engineering works for North and South Yorkshire, including major flood defence projects and highway and bridge works. It combines East Riding of Yorkshire Council, located in the North and East of the region, with Leeds City Council and Sheffield City Council in the South and West and includes projects ranging up to a value of £10m.

Another significant success is the Manchester City Council, four year supplier framework for highways and infrastructure projects. The entire framework is expected to deliver works to a value of £240m across the Greater Manchester region, including highways development, bridge construction and other civils works. This framework can also be used by other Association of Greater Manchester Authorities (AGMA) and having secured a place on all eight lots will see us work across the region through to 2022.

We have also successfully gained access to the following regional highways frameworks: Bristol City Council's Highways and Associated Works Framework; Lincolnshire County Council; and Nottingham and Derby Frameworks for Highway Works.

From a public realm perspective we have successfully delivered prestigious public realm schemes in Bristol, Stoke-on-Trent and Lincoln to improve roads and pavements in the cities' retail and commercial centres. We have also completed a number of large infrastructure projects for IKEA providing vital access to their new store in Sheffield and a £17m infrastructure project for York Potash in Whitby.

Outlook for 2018

Following the success of our key wins during 2017 we are looking forward to maximising our opportunities under these frameworks over the course of the coming year and have identified further areas of development in highway maintenance and geographical expansion.

> Growth for the division has been very encouraging over the course of the year with key successes on frameworks coupled with wins of public realm and highway contracts.

Pictured: Guided busway scheme in Leigh

Pictured: Completed Highways scheme for Ikea, Sheffield

Telecommunications

Utilities Division

Overall segment performance

This year has been focused on improving operational performance of the division. Network expansion projects are performing well with the necessary levels of control and governance in place to ensure targets are monitored and achieved.

Our framework contracts do have their challenges in terms of work volumes and process consistency; however, we are working to improve this performance across the division to increase customer service. Due to the high volume of orders from existing telecoms customers, this work has been our focus. It remains a priority for the management team to diversify by developing our design and build capability.

At the interim update we announced that the division achieved a break even position for the first six months trading. Since that date we have experienced serious difficulties on the work stream undertaken for Virgin Media on the term contract for telecoms work. Our activities have become embroiled in the difficulties that this customer has been experiencing and this has led to fragmented and inefficient working patterns. The division is heavily engaged with dialogue with this customer to achieve a satisfactory resolution of this problem.

Our health and safety record and culture has significantly improved through an increase in and higher quality of reporting enabling us to make changes to keep our people safe. We have also been working hard on our customer experience, implementing new processes and procedures following external reviews. This has seen us restore our position as a partner of choice for Virgin Media which has in turn provided the opportunity for additional works, particularly in the Midlands region.

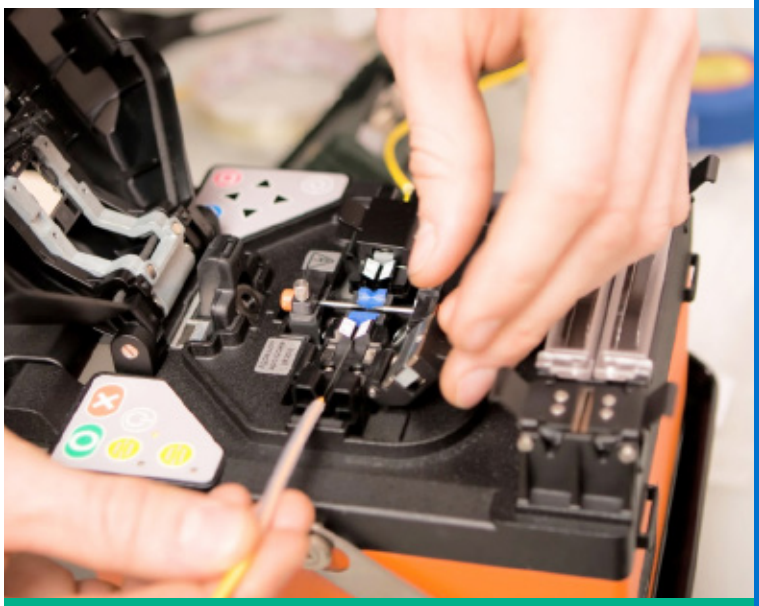
Outlook for 2018

In order to drive further business improvement during the course of 2018, we have identified the following key areas we regard as critical to success:

- People – Ensuring the morale of our teams remains high
- Quality – Continue with implementing processes with continual review
- Programme – Balancing our standalone projects and our framework commitments
- Customer – Focus on our customer relationships and commercial performance

> 2017 has been focused on improving performance of the division. Projects are performing well with the necessary levels of control and governance in place to ensure targets are monitored and achieved.

Pictured: Installation of high speed broadband



Pictured: Fibre splicing for UK Broadband programme

Operational Review

Water

NMCNomenca Division

Overall segment performance

The NMCNomenca division has had another strong year being cash positive and turnover standing at £114m with notable progress on flagship schemes and significant wins.

We were successful in securing a new joint venture infrastructure contract for Severn Trent Water on the Birmingham Resilience Project. The design and construction of a new water treatment plant at Frankley is worth in excess of £100m over the duration of the contract and is being built out with our partner Doosan Enpure Limited. The scheme commenced on site in the third quarter of 2017 and will be delivered over the next three years.

The Elan Valley Aqueduct scheme, another key project for Severn Trent in the AMP6 programme of works, celebrated 365 days accident free and completed the first tunnelling phase of the project. This has culminated in being awarded the New Civil Engineer Tunnelling Award in the category of Specialist Tunnelling Project of the Year. It was a blend of the complex nature of the construction of three tunnels along with sustainability, community engagement and logistics that won the accolade.

Tunnelling also commenced on the Newark improvement scheme, Severn Trent's largest investment in the East Midlands to protect their customers from flooding. The new 4.5km of pipeline has a diameter of 3.2 metres and is the backbone of the scheme which runs underneath the town.

Outlook for 2018

To further build on the NMCNomenca foundation and operational model, the amalgamation of the Civil Engineering business into NMCNomenca will allow the continued delivery of non-regulatory projects.

- We have good visibility of Severn Trent Water's programme of work going forward
- Major Schemes Pipeline of work is well under way with a number of projects currently being tracked and tendered
- Fully incorporating Civil Engineering into the division to deliver major schemes
- Continuing with the AMP7 procurement process for Severn Trent Water

> The division has had another strong year financially with notable progress on flagship schemes and significant wins.

Pictured: Construction begins at Frankley

Pictured: Our Newark delivery team at the launch of the 'Siege Breaker' tunnel boring machine

Water

Nomenca Division

Overall segment performance

Due to improved order input in the second half of 2017 we have achieved our turnover of £55m. We instigated improvement plans across the division to improve our financial performance, to which we have seen a positive impact and the leadership team remain focused on continuous improvement. It is also heartening to note that we have seen a significant improvement in debtor day performance.

Prompted by a sustained increase in workload in the Yorkshire area we relocated our regional Yorkshire office to a larger complex in Normanton, south east Leeds. The facility comprises two-storey offices and warehouse, centrally located in our client's region, and will accommodate the ongoing team expansion.

To support company growth, we have also welcomed a new member to the Nomenca Board: Gavin Stonard, as Engineering Director. Gavin will lead and develop our technical services offering internally and externally and develop our full asset life cycle capabilities to provide a holistic asset life cycle service to our customers.

Our significant award wins for this year include the British Construction Industry Application of Technology Award 2017 for an Affinity Water Project. The pioneering Off Site Build Modular approach to a potable water treatment and pumping station upgrade minimised asset downtime, disruption and overall programme. We combined virtual design technology with modular offsite manufacturing – shifting the mainstay of the construction work to a controlled factory environment. The achievement is testament to our entire team including design, engineering and operations.

Outlook for 2018

We will look to continually enhance the current business to serve the UK Water Industry and other similar industries by:

- Focusing on providing additional technical services across all business streams
- Embedding a Factory Thinking process within the current frameworks
- Delivering further efficiency for clients and stakeholders

> We have achieved our turnover target and have instigated improvement plans across the division to improve our financial performance, to which we have seen a positive impact.

Pictured: BCIA Award Winners 2017 in the 'Application of Technology' category

Pictured: Strategic clean water project, only the second of its kind in the UK

Financial Review

Dan Taylor | Group Finance Director

Overview of 2017

This year has been a period of continuing to strengthen the business in preparation for a sustainable growth in quality of earnings and respectable dividend yields. Further significant investment has been made in implementing governance controls to manage risk and into the development of our people to meet the increasing demands of our customers for a high-quality service.

The Group is now well positioned to take advantage of the increase in infrastructure spending plans that prevail. The net return is disappointing and has been significantly impacted by the remaining legacy contract. The underlying profitability, cash generation and secured workload for 2018 are the significant positives which give the Board confidence for the Group's future.

Group structure

Our operational activities are divided into six operating divisions working in five distinct market sectors (our segments). Each segment has a clear, focused offering to the customers that they serve. These divisions have the skills and experience to meet the needs of our customers and work effectively in these markets. This allows them to provide expert contribution and innovation to achieve added value to the work streams. From 1 January 2018 the Civils division will be absorbed into the NMCNomenca division, which in turn forms part of the Water segment. From 1 January 2018 the Board will review the Group's operational performance via two segments: the Water segment (NMCNomenca and Nomenca divisions) and the Built Environment segment (Telecommunications, Highways and Construction divisions).

Revenue:

+16.48%

£291.77m

2016: £250.49m

Underlying profit:

+40.44%

£8.30m

2016: £5.91m

Operating profit:

-46.88%

£1.19m

2016: £2.24m

Overall co-ordination of our activities is carried out through the Executive Leadership Team (ELT) which is chaired by the Chief Executive. Membership consists of the Finance Director, Directors of the divisions and the central services functions.

The overarching purpose of this body is to ensure consistency of best practice and to drive performance improvement across all of our activities.

Group financial performance

The growth in turnover of 16.48% to £291.77 million (2016: £250.49 million) is encouraging and is borne from our vision of growing revenues in our chosen markets with our repeat and framework clients. It is also very encouraging to see the level of new customers and enquiries in 2017 achieved through the quality of customer experience that the Group delivers.

Although not at the level the Board finds acceptable, an operating profit of £1.19 million (2016: £2.24 million) has been achieved in the year. The underlying profitability in the year of £8.30 million (2016: £5.91 million) is a significant increase on the previous year and shows the exceptional performance, in the main, of the continuing business segments. The impact of the legacy contract has once again reduced the net margin return as highlighted in the Group Statement of Comprehensive Income and on page 91.

The current tax debit of £0.26 million (2016: £0.57 million credit) arises due to current tax on profits at 19.25% in addition to a reduction in the deferred tax rate applicable to taxable temporary differences. Total comprehensive income for the year has reduced to £0.74 million (2016: £2.63 million) and in turn earnings per share has reduced to 7.31p (2016: 25.95p).

The Board is proposing to retain the final dividend at 3.0p, taking the total dividend for the year to 6.0p (2016: 4.5p). The total dividend is only covered 1.22 times (2016: 5.80 times) and has been proposed as an exceptional dividend, as per the Group's dividend policy, and is due to the underlying performance of the Group, the cash generation and the secured workload for 2018. The Board anticipates an improving performance for 2018 and beyond.

Legacy contracts are construction contracts entered into at the height of the recession, before 31 December 2013, and which carried a high contractual and commercial risk. These contracts have negatively impacted the Group's income statement in 2013 and subsequent years. As at 31 December 2017, there is only one legacy contract remaining.

In the year to 31 December 2017, the total loss before tax recognised on legacy contracts was £7.29 million (2016: £3.85 million). During the year to 31 December 2016 the Group completed all onsite works for the one remaining legacy contract, thereby removing any further uncertainty around costs to fulfil the contract.

The underlying profitability in the year of £8.30 million is a significant increase on the previous year.

Contract revenue on the one remaining legacy contract has been recognised based on the prudent best estimate of the Directors as at 31 December 2017 of the amount recoverable from the client, with an amount outstanding included within trade receivables. Following a High Court ruling towards the end of 2017, which did not support the application of the well-established 'prevention principle' in relation to this contract, the Company has been granted leave to appeal this decision by the Court of Appeal. On the advice of the Company's lawyers the Directors will vigorously pursue this appeal, but have decided to make a further provision against the outstanding debt. This matter will be kept under constant review and further announcements will be made if appropriate. The Group is and will be pursuing claims with the client for sums greater than the carrying value. The Directors have sought to make the estimate as precise as possible by reflecting the views of independent quantum and legal experts who were appointed by the Directors for their ability, qualifications and experience in this field.

The independent quantum and legal experts, in conjunction with management, considered a number of factors when making their assessment, such as contractual terms, work performed, claims for variations, submissions for extensions of time, claims for loss and expense and expected time frames in which settlement is likely.

Whilst the Directors are making every effort to seek a swift resolution to the matter, they are committed to achieving the best possible result for the Group. The ultimate settlement of this matter may take in excess of 12 months to achieve. Further details of the legacy contract can be found on page 100.

Group financial position

It is very pleasing to report that our key strategic focus around driving cash is evident in the increase in the year end cash balance of £17.01 million (2016: £11.41 million). The Group has integrated further visibility for the divisions, highlighting the importance of cash and improved discipline around cash collection and upfront agreement of contractual terms.

Financial Review

Cash:	Average credit period on purchases:	Total dividend:
+49.08%	-17.31%	+33.33%
£17.01m	43 days	6.0p
2016: £11.41m	2016: 52 days	2016: 4.5p

This has meant that despite the 16.48% increase in revenue the Group has reduced the average credit period taken by its customers to 32 days (2016: 33 days), leading to a slight outflow of cash across construction contracts and trade and other receivables of £0.64 million (2016: £0.94 million). The average credit period taken on credit purchases has also reduced to 43 days (2016: 52 days) due to shorter terms being offered to maintain the best supply chain and achieve the most commercial pricing. The inflow of cash of £7.58 million (2016: £4.56 million) due to the increase in trade and other payables to £68.72 million (2016: £61.15 million) is also due to the increase in revenue and increase in cash collection in the fourth quarter, giving a higher other taxes and social security costs creditor of £6.73 million (2016: £4.67 million). The Group ensures it has a sustainable working capital mix to support our growth across all contracts and segments and has secured increased banking facilities in early 2018 to allow us to do this. We are also targeting reducing creditor payment terms further to allow our supply chain to grow with us.

It is also pleasing to report that the net cash has increased to £12.04 million (2016: £7.43 million) which is due to the increase in cash above and despite an increase in finance lease borrowings. As a result of the Group's growth the net investment during the year on property, plant and equipment increased to £2.90 million (2016: £1.30 million), in line with the Company's strategy to purchase equipment where possible, rather than expense through operating leases. Following this investment in capital assets the closing net book value of non-current assets stood at £17.12 million (2016: £13.65 million), which positions the Group to deliver its targeted growth through 2018 and beyond.

Outlook

The UK construction industry is struggling to keep up with the demand to maintain the existing infrastructure and the need for investment to support future economic growth. The Group has established positions in these markets and is well situated to take advantage of the potential for further growth.

In excess of 90% of our 2018 turnover has already been secured and it is expected that the balance will be achieved from carefully selected projects during the first half of this year.

We remain confident in the outlook for the Group and expect the positive progress achieved to continue into 2018 and beyond.

Dan Taylor
Group Finance Director
27 March 2018

Pictured: Elan Valley Alleviation Scheme - Bleddfa Tunnel

Pictured: Project for Stephen George & Partners

Our Risks

Introduction

NM Group's approach to risk management is guided by its core values, strategic priorities and related objectives. It regards its risk attitude as the amount of risk that it is willing to accept in order to deliver its strategic priorities.

The Board recognises the importance of risk in the running of its business, that circumstances are continuously changing and that the risks therefore need to remain under regular review.

The Board has made a robust assessment of the principal risks which the Group faces, the controls in place to remove or mitigate these risks and also whether these risks represent new, increased or decreased threats. The assessment of these risks and controls is part of the ongoing management of the business.

The principal risks that could adversely impact the Group's profitability and ability to achieve its strategic objectives are set out in the table on pages 40 to 43.

Risk Management Framework

Operating in the construction industry, risk is at the heart of everything we do. We therefore have well-embedded risk and control processes in place to manage both material and day-to-day circumstances.

2017 saw the continuing strengthening of the risk management culture and disciplines embedding the Group's strategic priorities and related objectives.

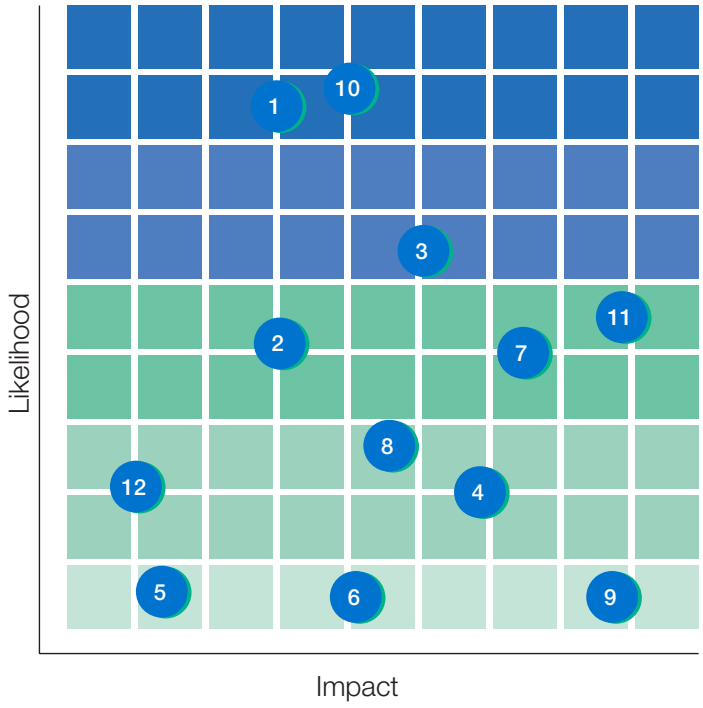
The Group recognises that consistent and effective risk management is vital to the delivery of its strategic development and business objectives.

The Group's risk and governance model is designed so that the Board maintains overall responsibility for risk. Each division identifies controls and mitigates threats within their operations. The reporting structure ensures that once the risk appetite is determined by the Board, risks are managed within acceptable tolerance levels.

Senior managers within the divisions take ownership of specific business risks.

Risk is managed across the Group in the following ways:

- The Group and its divisions undertake a comprehensive annual business planning process to identify objectives and set strategies to achieve their goals taking account of the risk appetite set by the Board. A SMART plan is developed by the divisions and the central Group functions.
- The Chief Executive and Finance Director meet with the divisions monthly throughout the year and with an established agenda and reporting format covering a range of matters. This allows the Chief Executive and Finance Director to ensure that they maintain oversight and control over the material aspects of strategic, financial, operational and risk issues.
- Tendering opportunities, including pre qualification questionnaires and framework submissions, are assessed based on the strategic objectives of the divisions. Governance levels are set according to risk appetite, but includes significant involvement from the Chief Executive and Finance Director.
- The Group's Audit Committee is responsible for monitoring and ensuring that the internal commercial audit remains efficient and effective. The committee annually approves the internal commercial audit plan which covers both project and corporate level risks. The plan is developed by focusing upon the principal risks identified from the risk review process and feedback from current divisional performance. The internal commercial audit team reports regularly to the Board and the Audit Committee on its findings.
- The Group has a number of initiatives under way to continually strengthen the risk management of the Group and acceptance and delivery of individual contracts. These include tender review procedures, programme development and early supply chain involvement. These projects are being driven from the Group's Commercial Forum and the Executive Leadership Team.



Risk Map

This map looks at the Group principal risks after the mitigation through controls inherent in the Group's policies and procedures.

1. Quality, Environment, Safety & Health (QESH) performance
2. Economic
3. Government
4. Attraction and retention
5. Breaches of our ethical standards
6. Contracting strategy and execution
7. Inadequate insurance cover
8. Integrity of financial controls
9. Credit risk, liquidity risk, interest rate risk
10. Disruption to business continuity and operational performance
11. Contractual disputes
12. Legal

Going Concern and Viability Statement

The Strategic Report on pages 08 to 53 sets out details of the Group's marketplace, business model and Group strategy, as well as an overview of divisional strategy, including both operational and financial performance. Further information on the key performance indicators, principal risks and material uncertainties affecting NM Group can be found on pages 26 to 27 and 38 to 43. Starting on page 38, the risk disclosures section of the consolidated financial statements sets out the principal risks the Group is exposed to, including people, performance, and financial compliance, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks.

The Board considers annually and on a rolling basis a three-year strategic plan for the business which the Group progressively implements. The three-year strategic plan was last approved by the Board on 13 December 2017. One of the strengths of the Group is the number of long-term frameworks secured and repeat business with blue chip clients. This gives a longer-term sustainable baseline of work, which the Board deems to be of a lower risk profile, and this is in line with the longer-term strategy of the Group.

During 2017, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors believe that the Group is well placed to manage its business risks successfully in the current economic climate.

Accordingly, the Board believes that, taking into account the Group's current position, and subject to the principal risks faced by the business, the Group will be able to continue in operation and to meet its liabilities as they fall due for the period up to 31 December 2020, being the period considered under the Group's current three-year strategic plan.

The financial forecasts included in the strategic plan have been subjected to stress testing using the following potential occurrences:

- Reduction in creditor payment cycle
- AMP cycle revenue downturn (within the Water segment)
- Reduced margin or potential loss-making contracts
- Potential failure in supply chain

As part of the strategic plan, the Board has reviewed its capital structure and any requirement for additional financing during the period to 31 December 2020. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board continues to adopt and consider appropriate the going concern basis in preparing the Annual Report and Accounts.

Our Risks

Risk No.	Risks	Strategic Link	Mitigation Action/Control	Change During the Year
1	**Quality, Environment, Safety & Health (QESH) performance** Potential harm to our people, our key asset and our greatest value, and others involved in our operations as well as potential damage to the environment Preferred supplier of services and products lost due to poor performance	  	• Maintain accreditations: ISO 9001, 14001, 18001 & CEMARS • Board Performance monitoring • Regular management meetings evaluating performance and identifying improvement • KPIs that guide management action plans • Detailed review process for legal and client requirements • Operational third party and customer audits • Just Culture Policy – Our culture of QESH awareness • Employee Safety Committee	• The area of Health and Safety continues to be a focus area and we have seen the Group's AFR rate decrease during the year based on the number of RIDDORs • Our people are our most important asset, and their safety is paramount to us along with all stakeholders that the Group comes into contact with 
2	**Economic** The macroeconomic environment within the United Kingdom after Brexit is riddled with inherent uncertainty The result of the EU referendum has the potential to distort some of our markets The recent weakening of the pound adds increased market pressures from a product and supply chain perspective	 	• Increased visibility with our supply chain on any forecast pricing awareness and issues • Long term frameworks that include increases in inflation • Robust tendering system to ensure costs are correctly captured	• Brexit has caused uncertainty around the UK economy in general which is where the majority of the Group's revenue derives from • The weakening of the pound will cause price pressures from our supply chain • However, no deemed risk movement year on year and the Group continues to organically grow its underlying turnover and profitability 
3	**Government** A reduction in Government spending on infrastructure projects would directly affect some of the Group's divisions. Whilst long term frameworks, in particular in the water businesses, give some level of protection a proportion of our turnover requires continued expenditure at a national and local level.	 	• We operate our business through six diverse operating divisions, reducing our exposure to one particular market • We have a broad customer base and geographic spread • We manage our exposure to cyclical downturns through developing framework agreements with key customers across a range of sectors	• Infrastructure spending is deemed to have remained stable and the Group is anticipating no short term downturn • The Group has a healthy order book for this marketplace 

Risk No.	Risks	Strategic Link	Mitigation Action/Control	Change During the Year
4	**Attraction and retention of key management** Failure to attract and retain key management could lead to a lack of necessary expertise or lack of continuity to execute strategy		• Maintain & improve our 'Investors in People' status • Effective communication to senior managers and Directors • We adopt market-based compensation, including appropriate incentive packages • Career development opportunities • Succession planning • Close relationships have been fostered with educational institutions • NM Academy	• Certainly in relation to attraction, the Group has had a positive year and continues to give a positive outlook with increases expected in revenues. These increases require the correct people who match the culture and ethos of the Group
5	**Breaches of our ethical standards** Damage to reputation and regulatory impact		• Compliance with the Modern Slavery Act • All employees are subject to ethical guidelines and issued with Group policies • Policies are reviewed and updated annually • A whistleblowing hotline is available for employees to raise any concerns in confidence • We take firm action against any breaches of our ethical standards	• Effective induction courses on the Modern Slavery Act and the Bribery Act
6	**Contracting strategy and execution** Inappropriate contract terms could lead to unacceptable risks relative to potential returns Failure to comply with contract terms could lead to reputational damage, warranty claims or financial penalties		• Avoid large complex fixed price contracting arrangements • Contract policy that provides guidance on the parameters under which we will enter into contract • Reviews of the pricing of contract bids and carry out ongoing commercial reviews of terms for certain types of contract	• Key strategic focus • Appraisal of current market conditions • Thorough contract selection • Robust Corporate Governance • Rigorous risk management • Active contract performance monitoring • Immediate corrective action • No additional material commercial risk contracts undertaken in 2017

Our Risks

Risk No.	Risks	Strategic Link	Mitigation Action/Control	Change During the Year
7	**Inadequate insurance cover** Requirement to fund uninsured losses		• Prudent levels of insurance cover are maintained • 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	• Full internal audit undertaken quarterly by our insurance brokers to ensure the Group is fully covered for its insurance requirements • The Group also has an encouraging claims history for its major insurances
8	**Integrity of financial controls** Damage to reputation Financial loss Lack of integrity of financial information used to manage the business leading to inappropriate decisions		• Financial control frameworks incorporating preparation and review of monthly financial statements, delegation of authority and annual financial controls self-assessment • Reporting performance to the Board via quarterly and detailed monthly reports • High quality finance team • External audit on our Annual Report and Accounts • Annual KPIs are established and maintained	• Review and improvement in financial reporting • Significant process and transparency enhancements to the bespoke in house reporting systems • Strengthening of internal team with Group Financial Controller
9	**Credit risk, liquidity risk, interest rate risk** Financial loss		• Credit risk maintained by reviewing the creditworthiness of counterparties to transactions on a case by case basis updated with latest information as it becomes available • Liquidity risk is managed by bank facilities and monitoring headroom • Interest rate risk in respect of surplus cash is managed by making deposits with suitable financial institutions	• Cash management is a key strategic objective • Cash balance improved significantly • Further opportunities for betterment • Increased funding facilities in place for 2018

Risk No.	Risks	Strategic Link	Mitigation Action/Control	Change During the Year
10	**Disruption to business continuity and operational performance** Interruption to services and facilities		• Business continuity policy in place • Backup IT strategy in position • Business interruption insurance in place	• No change from previous period, still remains risk that is monitored • Cyber security strategy implemented
11	**Contractual disputes** Profitability Damage to client relationships		• Appropriate risk management strategy is in place, which is continually reviewed and strengthened by the Audit Committee • Contract and commercial management in accordance with contractual terms and conditions • Internal audit/project monitoring function now in place to ensure adherence to the contract • Use of external advisors if required	• Key strategic focus • Thorough contract selection • Robust Corporate Governance • Rigorous risk management • Active contract performance monitoring • Immediate corrective action • No additional material commercial risk contracts undertaken in 2017
12	**Legal** Legal and regulatory failure, for example involvement in blacklisting, cover pricing, bribery other than fraudulent activity or non compliance with law (including for example the Bribery Act, Fraud Act, Competition Act, Money Laundering Regulations and Proceeds of Crime Act) could lead to disbarment from bidding for certain public or regulated sector work, fines, jail and reputational damage.		• The Group has comprehensive policies and guidance in place at every level, including the recently reinvigorated Code of Conduct, mandatory e-learning for all employees • Regular Board legal updates and briefings, six-monthly compliance declarations and conflicts of interest registers and authorisations. In addition, an anonymous and independent whistleblowing helpline is available to all staff, with strict policies to ensure anonymity and regular reporting of helpline use provided to the Board	• Group ensures panel of professional firms keep it abreast of all developments • Internal training as and when required

Sustainability

Strategy

We believe that by delivering exceptional experiences to our people, our customers and social inclusion with the wider society, we will be a highly successful and sustainable business.

Our overarching approach to sustainability has undergone substantial reassessment during 2017. Extensive research and external benchmarking has informed how we will accelerate our sustainability culture through the business, in accordance with our core values and business plan. The above strategy statement identifies the key areas: People, Customer and Society which are key to our business flourishing now and for the years to come.

The following targets have been defined for the coming year regarding the implementation of our refreshed strategy:

- Communication of strategy and plan to all employees
- Appointment of Group Sustainability Manager
- Formation of Corporate Sustainability Team

Stakeholder engagement

We recognise that the sustainability of our business is a balance of our financial performance coupled with ensuring that we both meet and exceed our stakeholder obligations. This is how we can ensure the success of the business both now and for the future.

Under our identified key areas: People, Customer, Society, we are actively engaged with our stakeholders internally and externally which include our people, customers, supply chain, the communities where we operate and our shareholders.

Stakeholder mapping takes place throughout all levels of our Group to ensure that we mitigate any potential impact and communicate in a timely manner, gaining feedback to implement into our business. From this we seek to continuously improve our employee experience, provide the best service to our customers and reduce environmental impact on a micro and macro level.

Corporate Social Responsibility

People | Health & Safety | Supply Chain | Customers | Environment

	Focus Area	Our Vision	How this supports our strategy
Our People	Health & Safety	To make NM Group the safest place to work in our industry, taking the focus beyond zero accidents, incidents and defects approach to deliver a positive impact on the lives of our people.	We cannot deliver without our people being safe and well. Health and safety incidents affect individuals, wider teams, morale and how we are perceived as a company within the marketplace and our overarching brand.
	People	Our vision continues to be to attract, recruit, engage and develop our people, as our core element to our values and strategic focus. We recognise that our people are the key to our success and we make it our priority to provide recognition for their efforts.	Developing our people and engaging with them is a key thread throughout our strategy. We are committed to promoting from within to retain tacit knowledge and the investment we make in our people.
Our Customers	Supply Chain	We believe that tomorrow's competitive advantage will be born out of the value and innovations created as a result of the way we construct and manage our supply chain today.	Through understanding and managing our key risks associated with our supply chain we can continue to drive cash and improve profit through effective customer service.
	Customers	Delighting our customers by providing an industry leading customer experience.	Customer experience has a direct impact on all areas of our business strategy, including repeat business, profitability, and our brand perception, which is our differentiator in the competitive markets in which we operate.
Our Environment	Environment, Waste and Energy	To deliver a positive impact on the environment and wider society.	Reducing our environmental impacts and ensuring that we do not have any reportable incidents reflects our strategies to both Develop, Maintain and Protect our People and Enhance Brand Image.

Our People: Create a positive impact on all our people

Health and Safety

2017 Achievements:

- Reduction in AFR
- Successful cultural safety survey with high respondent rate
- 15% Reduction in service strikes
- 7 Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Awards 2017 across the Group

We are proud to report a reduction in our AFR for 2017. This is testament to the strategy we implemented over the course of the year, combined with the hard work of all our people and the sharing of safety resource across regions. The cross-fertilisation of knowledge and gaining experience over a variety of construction activities has seen significant benefit to the Group in tackling this issue. Our 15% reduction in service strikes is very encouraging, with damage rates decreasing coupled with a significant reduction in incidents in the last four months of the year. We will continue this positive progress.

On a yearly basis we undertake the Health and Safety Laboratory (HSL) Safety Climate Survey which had a response rate of 75.2%; a great result. From the data collected we have the following results, all of which are above the HSL's benchmark score and show a reduction in our unfavourable percentage across our key eight areas of measurement, indicating that our culture is continuously improving:

Overall organisation commitment – 74.9%; Health and Safety oriented behaviours – 59.4%; trust in Health and Safety – 65.3%; procedures overall – 40.6%; engagement – 71.2%; overall peer group attitude – 70.0%; Health and Safety resources – 69.1%; accident and near miss reporting – 62.8%.

By way of recognition, both NM Group and the Nomenca division achieved the RoSPA President's award having gained more than ten consecutive Gold awards in the prestigious annual scheme. NMCNomenca won their 8th gold award with the Building, Civil Engineering, Highways and Utilities divisions all winning their 7th consecutive gold award.

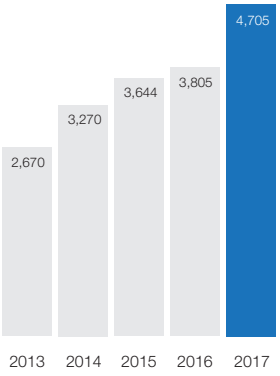
Targets for coming year:

- Deliver Zero RIDDOR and Zero Harm
- Implementation of a Health and Wellbeing framework incorporating quarterly wellbeing initiatives
- Reduce All Accident Frequency Rate (AAFR)
- Reduce Lost Time Incidents (LTI)

> The reduction in our AFR for 2017 is testament to the strategy we implemented over the course of the year, combined with the hard work of all our people.

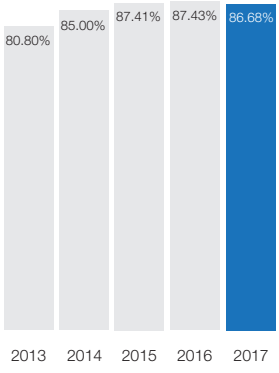
Training days

4,705



Employee sustainability index

86.68%



Sustainability

Case Study

Focusing on our Employee Experience

Within our business strategy on page 23 we highlighted our focus on Employee Experience. The progress made in 2017 will lead us into an exciting 2018 for all our people.

We have examined how we can further assist our people outside of the workplace, which includes an extension of our established "perks at work" platform. We have engaged with a reputable provider to harness opportunities to provide our people with long term wellbeing support: physical, mental and financial. This includes the provision of tools and opportunities for guidance and support with life assurance, private medical and dental cover. In addition, we are easing the facilitation of retirement through a digital platform and face to face workshops.

We believe that by minimising potential outside personal concerns, our people will be more focused, engaged and productive.

Pictured: Winners of our Annual Star Awards take part in a team building day

Read more online at **www.northmid.co.uk**

Case Study

Our work with the Prison Service

We are working on a new and exciting project with the HM Prison Service, to encourage and support the rehabilitation and re-skilling of offenders; creating a positive impact on our wider communities and addressing the skills gap that we face. Currently the construction industry will require an additional 36,000 workers a year to cover current project demand.

Our Community Liaison Advisor Amber Moore is working with HMP Ranby, in Nottingham, having implemented our NM Academy programme within the prison. Currently nine men have embarked on a Level 2 Diploma in Construction and Civil Engineering Services. The programme is designed to offer construction specific training, health and safety excellence and employability skills.

This very exciting project is set to embed throughout 2018 with a further three cohorts. We will interview each of the men upon completion, with the aim to recruit them into the Group or the wider supply chain.

Pictured: We are working with HM Prison Service

Read more online at **www.northmid.co.uk**

Our People

2017 Achievements:

- Employee stability index currently standing at 86.68%
- Investors in People (IIP) Leader of the Year Finalist: Stuart Proud
- Construction Investing in Talent Awards Finalist: Recruitment Team of the Year
- East Midlands Chamber Awards Finalist – Commitment to People Development

We know our people are the key to our success and we make it our priority to provide recognition to them. If our people are engaged, motivated and performing, so is our business.

Effective leadership is vital to building and cultivating a culture which develops and supports a diverse and inclusive workplace. We actively encourage diversity and continue with Equality, Diversity and Inclusion workshops for all of our people in 2018. Additionally, we continue to encourage people from under-represented groups to apply for employment and promote diversity through our NM Academy.

The Group has no women (2016: none) on the Board of Directors and two (2016: two) women included within key management (note 29). The Group employs 159 women (2016: 128) in total.

Attract and Recruit

We have had a proactive and successful recruitment drive throughout 2017 totalling 471 new people across a broad range of roles from apprentices to experienced and technical specialist professionals.

We have a continuous pipeline of talent to serve our customers and to build a stronger and more innovative Group. We will continue to create exciting opportunities and maintain our positive reputation in the marketplace to be attractive to prospective employees. This is the basis of our coaching and learning culture.

Our proactive approach to recruitment saw recognition of our success by being awarded as a finalist in the Construction Investing in Talent Awards in the Recruitment Team of the Year category. The awards recognised the work our team has done to increase direct referrals, reduce agency spend and minimise the cost per recruit.

Engage and Develop

We continue to build on the success of our NM Academy with work experience opportunities, apprenticeships, fully funded degree programmes, placements for undergraduate students, graduate opportunities and leadership and management workshops. This is coupled with our overarching "Employee Experience", to allow us to strive to provide all our people with the best experience. We enhance this further by reviewing our reward and recognition strategy through providing the right working environment and a suite of benefits that complement our industry.

> We have a continuous pipeline of talent to serve our customers and build a stronger and more innovative Group.

The need for development of middle managers without a formal qualification has been identified in some areas of the business. Our new "Leadership Essentials" training programme is a short course incorporating elements from our ILM 3 and 5 modules. The training consists of understanding leadership styles and self awareness, time management, planning and prioritisation, motivating and engaging teams with performance management through coaching, health and safety excellence and customer service, driving for results and effective communication.

We have also been recognised for two further awards this year, based on our leadership and commitment to people development, a testament to us creating a sustainable workforce across the Group.

Firstly, Stuart Proud – NMCNomenca Managing Director and Board Director – was a finalist in the Investors in People (IIP) Awards in the Leader of the Year (500+) category. This was in recognition of his leadership qualities, commitment to people development, mentorship to key individuals within the Group and the impact his approach has had on the overall performance of the operating division led by him.

Secondly, we reached the final of the East Midlands Chamber Awards in the Commitment to People Development category. We were recognised for the important part our people play in attaining our objectives and our approach to learning and development.

Targets for the coming year:

- Leadership Briefing survey feedback net promoter score to increase
- Implementation of Health and Wellbeing framework incorporating quarterly wellbeing initiatives
- Communication: audit and workshops with a focus on engagement
- NM Academy: commence the journey to formalise a structured graduate programme, provide middle manager development, maintain succession planning and embed the HM Prison Service offender learning programme.

Sustainability

Our customer & supply chain: Supply services and products to an exceptional standard

Customer Experience

2017 Achievements:

- Development of iCEP panel
- Finalised our customer promise
- Increase in customer engagement surveys

Customer experience has a direct impact on all areas of our strategy: repeat business and profitability, our brand perception and is our differentiator in the competitive markets in which we operate. As an essential element of our business, we are pleased to report on our progress over the year.

During 2017 we finalised our customer promise aligned with our vision and values:

"It is everybody's responsibility at NM Group to deliver an exceptional customer service. We must all strive to create a positive experience in everything we do."

- We will always be polite, courteous and professional, treating all of our customers how we'd like to be treated
- We will take ownership and escalate any issues we can't resolve
- We will keep our customers updated
- We will commit to deliver our projects right first time, every time
- We will commit to support the areas in which we work for the benefit of the community

Pictured: Customer Experience Manager Katherine Robson talks to our supply chain partners

> Looking beyond contractual obligations has allowed us to fully align ourselves with wider stakeholder expectations.

Our promise has been rolled out across the business through our Leadership Briefings so that everyone can understand the part that they play in the customer journey, regardless of their role within our Group. Customer promise cards are included within all our operational job packs to serve as a daily reminder of our commitments with an additional programme of Toolbox Talks focusing on the subject.

By streamlining our approach to complaint handling we have implemented better measurement tools and processes to deal with queries that arise via email, phone and social media. We welcome the feedback to continually improve our business. Through effectively tracking and analysing the data collected we can see a positive impact. This has been supplemented by conducting reviews across all divisions as to how we measure customer satisfaction.

We are also communicating better than ever with our stakeholders through our latest expectation and satisfaction methodology. Looking beyond contractual obligations has allowed us to fully align ourselves with their expectations and review these over the course of delivery. Once again, the feedback we have received has allowed us to drive change in our business through best practice sharing and even into individual development plans.

Targets for coming year:

- Increased customer engagement through expectation and satisfaction communication
- Video learning library for customer promise messaging
- Developing our customer experience training
- Customer journey mapping

Supply Chain

2017 Achievements:

- Promotion and enhancing of our collaborative working standard BS11000
- Continuous improvement of supply chain relationship management
- NM Group Market Place portal to enable suppliers to view our programme of work.

Our supply chain and procurement (SC&P) team support the Group to balance efficient procurement and supply chain relationship management (SRM) with our vision remaining:

"We believe that tomorrow's competitive advantage will be borne out of the value and innovations created as a result of the way we construct and manage our supply chain today".

Working in conjunction with the operational and commercial teams, SC&P promote the collaborative working standard BS 11000 (with the ongoing transition to ISO 44001) and associated SRM techniques such as single source contracts and collaborative planning. Our SRM continues to be a balance of managing supply chain risk, maintaining value and efficiency, bringing innovation and removing waste. This is only possible by working more closely and collaboratively with our chosen partners.

We have successfully implemented our new Market Place portal which is part of our open working methodology. Our Market Place allows our partners to view our rolling programme of work from tender award to latest progress on site giving clear visibility of workload.

We continue to hold our annual Supply Chain Forum in support of our collaborative working approach. The 2017 event was attended by more than 150 people, with suppliers and subcontractors from across the country given an exclusive insight into our strategic developments and innovations by Directors and senior management. Break out sessions feature as part of the day to discuss key issues facing the engineering and construction sector and what action should be taken by the industry. This year focused on the industry "skills gap". Apprenticeships, increased government support, industry attractiveness and learning from the manufacturing industry were all highly regarded as options for bridging the gap.

The event also includes annual awards for members of our supply chain network who display excellence in Quality, Health and Safety, Innovation and Performance and Customer Service.

> Our supply chain relationship management continues to be a balance of managing supply chain risk, maintaining value and efficiency, bringing innovation and removing waste.

Targets for coming year:

- Strategic change agenda: efficiencies, cost reduction, enabling smarter working
- Enhancing supply chain relationships
- Risk management
- Ongoing transition to ISO 44001 – Collaborative Business Relationship Management
- Extending Collaborative Business Relationship working with the Supply Chain
- Effective benchmarking and communication of SC&P vision and future plans

Pictured: Chief Executive John Homer presents the winners' awards at our annual Supply Chain Forum

Sustainability

Our Society: Engage and create a positive impact with local and wider environments

Environment

2017 Achievements:

- Zero environmental incidents
- Significant carbon footprint reduction realised
- 5 Green Apple Awards including Green Champion and Green World Ambassador

Our environmental excellence has been recognised by the Green Apple Environmental Awards. Part of the Green Organisation, the annual international campaign recognises, rewards and promotes environmental best practice around the world. This year we won four awards across the Group for various initiatives:

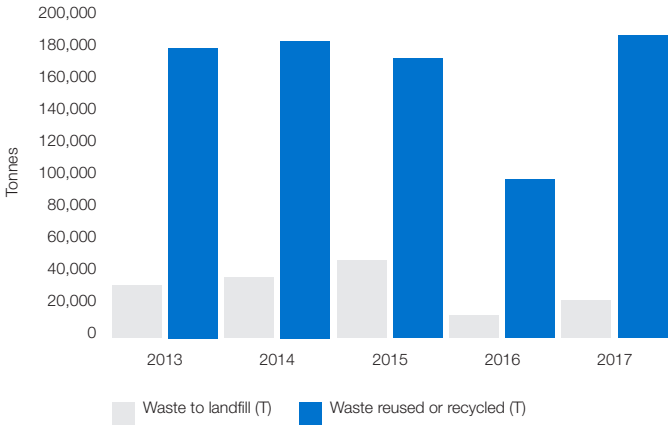
- Civils Division: Green Champion of Champions in the Building and Construction Conservation and Wildlife category for Thorne Crowle and Goole Moors water level management plan
- NMCNomenca: Silver Award for Kidderminster Linnet Rise for the innovation of the geocellular crates
- Nomenca: Bronze Award for Uttlesford Bridge offsite build and Green World Ambassador for Crewe WwTW
- Utilities: Silver Award for the introduction of handheld devices on site, reducing paper wastage

We are proud to make a positive impact within our projects from a sustainable project and construction perspective. Our people are as equally dedicated to local environmental and community causes during the year. Each region has made a commitment to make a positive impact within their local community. Examples include:

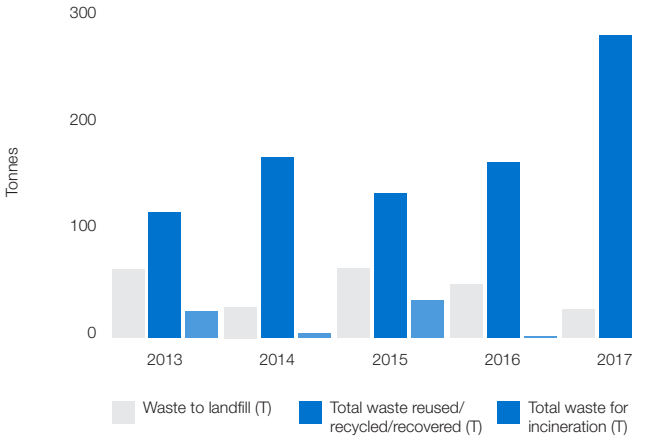
- Our QESH team have been involved in local impromptu litter picks within the vicinity of our head office during their lunch hour. This has become a regular event with increasing participation, showing a commitment to the local environment.
- Volunteer days with the Trent Rivers Trust and Nottingham County Council have also proved popular. Vegetation clearance over the course of these days has made a significant difference for both community and wildlife. The Rivers Trust representatives were very impressed with how our volunteers embraced the activities.
- During 2017 we have made donations to 87 different causes, including sponsoring local football teams, donating to national charities and supporting members of our team completing challenging events.

Waste Reduction Data

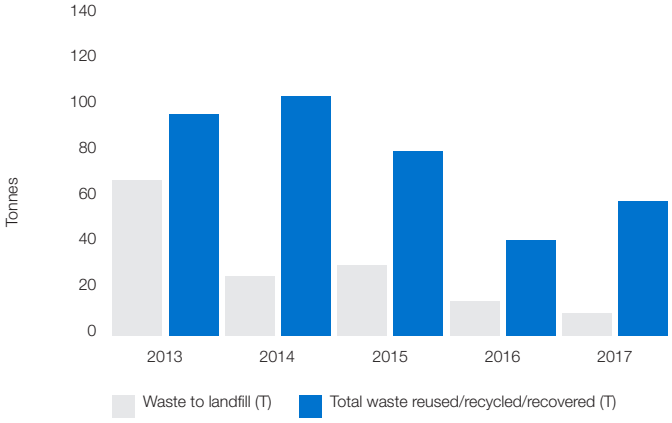
Group Construction Site Waste Data 2013–2017



Total Head Office Waste Produced by Destination 2013–2017



Total Regional Offices Waste Produced by Destination 2013–2017



GHG Emissions Data

	Tonnes of CO_2e				
	1st Jan – 31st Dec 2013	1st Jan – 31st Dec 2014	1st Jan – 31st Dec 2015	1st Jan – 31st Dec 2016	**1st Jan – 31st Dec 2017**
Scope 1					
(Gas Consumption, Owned Transport, Gas Oil Consumption)	6,322*	6,995*	7,505*	8,089*	**8,409^**
Scope 2					
(Electricity)	464*	522*	531*	506*	**215^**
Scope 3 (Mandatory)					
(Business Travel, Waste Disposal, Water Supply/Treatment)	2,603*	2,705*	2,092*	2,026	**1,396^**
Total Gross Emissions	9,390*	10,222*	10,128*	10,621*	**10,020^**
GHG Removals	–	–	–	–	**–**
Carbon Credits / Offsets Purchased	–	–	–	–	**–**
Green Electricity Purchased	–	–	–	–	**–**
Total Annual Net Emissions	9,390*	10,222*	10,128*	10,621*	**10,020^**
Total gross GHG emissions per unit turnover or revenue (tCO_2/£million)	67.94*	68.33*	56.55*	51.65*	**42.26^**

* Amended figures – after audit and verification by CEMARS.
^ Figures awaiting verification audit by CEMARS.

1. Company Information
North Midland Construction is a public limited company, incorporated in the UK. Registered address is Nunn Close, The County Estate, Huthwaite, Sutton-In-Ashfield, Nottinghamshire, NG17 2HW.

2. Reporting Period
GHG emissions data for the period 1 January 2017 to 31 December 2017.

3. Change in Emissions
Our total annual net emissions have decreased in 2017, due to the completion of a large project and an increase in business.

4. Approach
We have followed DEFRA's guidance on Environmental Reporting Guidelines. We have used the CEMARS reporting portal to collate data for the period. Data is gathered to fulfil our requirements under the CEMARS (Certified Emissions Measurement and Reduction Scheme); this system utilises the DEFRA/DECC latest conversion factors.

5. Methodology
We have reported on all of the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

6. Organisational Boundary
The operational control consolidation approach has been used to account for operational emissions with reference to the methodology described in the GHG Protocol and ISO 14064-1:2006 standards.

Please note, the GHG emissions are for the operational activities of North Midland Construction PLC but excluding Nomenca Limited.

7. Operational Scopes
We have measured our scope 1, 2 and significant scope 3 emissions.

8. Geographical break down
Emissions included from geographical areas in which we operate (UK).

9. Targets
Our emissions target is to reduce our GHG emissions, scopes 1, 2 and 3 by 10%.

10. Intensity Measurement
We have chosen total gross GHG emissions per unit turnover of revenue (tCO_2/£million) as this is a common business metric for our industry sector.

11. External Assurance Statement
Achilles carbon reduction programme CEMARS (Certified Emissions Measurement and Reduction Scheme) will be auditing the data for the 2017 reporting period in due course in accordance with ISO 14064-1:2006, and verification will be conducted in accordance with ISO 14064-3:2006 and the requirements of the CEMARS programme.

12. Carbon Offsets
We have not purchased any carbon credits which reduce our GHG emissions.

13. Green Tariffs
We have not purchased a green tariff which reduces our GHG emissions.

Sustainability

GHG Emissions Data

	Tonnes of CO_2e				
	1st Jan – 31st Dec 2013	1st Jan – 31st Dec 2014	1st Jan – 31st Dec 2015	1st Jan – 31st Dec 2016	**1st Jan – 31st Dec 2017**
Scope 1					
(Gas Consumption, Owned Transport, Gas Oil Consumption)	787*	850*	770*	746*	**1,333**^
Scope 2					
(Electricity)	173*	121*	97*	148*	**62**^
Scope 3 (Mandatory)					
(Business Travel, Waste Disposal, Water Supply/Treatment)	632*	673*	641*	681*	**686**^
Total Gross Emissions	1,592*	1,644*	1,508*	1,576*	**2,081**^
GHG Removals	–	–	–	–	**–**
Carbon Credits / Offsets Purchased	–	–	–	–	**–**
Green Electricity Purchased	–	–	–	–	**–**
Total Annual Net Emissions	1,592*	1,644*	1,508*	1,576*	**2,081**^
Total gross GHG emissions per unit turnover or revenue (tCO_2/£million)	42.97*	40.80*	43.01*	39.33*	**38.05**^

* Amended figures – after audit and verification by CEMARS.
^ Figures awaiting verification audit by CEMARS.

1. Company Information
Nomenca Ltd is a subsidiary division of North Midland Construction PLC, incorporated in the UK. Registered address is Nunn Close, The County Estate, Huthwaite, Sutton-In-Ashfield, Nottinghamshire, NG17 2HW.

2. Reporting Period
GHG emissions data for the period 1 January 2017 to 31 December 2017.

3. Change in Emissions
Our total annual net emissions have increased in 2017, due to an increase in business.

4. Approach
We have followed DEFRA's guidance on Environmental Reporting Guidelines. We have used the CEMARS reporting portal to collate data for the period. Data is gathered to fulfil our requirements under the CEMARS (Certified Emissions Measurement and Reduction Scheme); this system utilises the DEFRA/DECC latest conversion factors.

5. Methodology
We have reported on all of the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

6. Organisational Boundary
The operational control consolidation approach has been used to account for operational emissions with reference to the methodology described in the GHG Protocol and ISO 14064-1:2006 standards.

Please note, the GHG emissions are for the operational activities of Nomenca Ltd but excluding North Midland Construction PLC.

7. Operational Scopes
We have measured our scope 1, 2 and significant scope 3 emissions.

8. Geographical break down
Emissions included from geographical areas in which we operate (UK).

9. Targets
Our emissions target is to reduce our GHG emissions, scopes 1, 2 and 3 by 10%.

10. Intensity Measurement
We have chosen total gross GHG emissions per unit turnover of revenue (tCO_2/£million) as this is a common business metric for our industry sector.

11. External Assurance Statement
Achilles carbon reduction programme CEMARS (Certified Emissions Measurement and Reduction Scheme) will be auditing the data for the 2017 reporting period in due course in accordance with ISO 14064-1:2006, and verification will be conducted in accordance with ISO 14064-3:2006 and the requirements of the CEMARS programme.

12. Carbon Offsets
We have not purchased any carbon credits which reduce our GHG emissions.

13. Green Tariffs
We have not purchased a green tariff which reduces our GHG emissions.

TomTom Technology

We have significantly invested in the upgrade and utilisation of our TomTom technology. Now we are able to monitor, report and manage our fleet more effectively than ever before through:

- Vehicle tracking: Daily summary reports and detailed trip reports allow us to view how efficient our vehicles are on the road. From this we can implement changes to continuously improve. It allows us to view usage times, driving times, duration and standstill times.
- Green and safe driving: OptiDrive 360 allows us to monitor speeding, harsh steering or sudden braking, idle time, fuel consumption, constant speed, coasting, green speed and gear shift. Our vehicles are speed limited which has significantly improved our efficiency. The real time reporting provides us with an insight into our entire fleet, spotting trends and anomalies with fuel efficiency.

Targets for coming year:

- Zero environmental incidents (year on year)
- Continuing our 50% reduction in carbon footprint strategy
- Increased environmental awareness
- Waste reduction – emphasis on planning and embed a core principle of zero waste to landfill.

Approval of Strategic Report

The Strategic Report was approved and authorised for issue by the Board on 27 March 2018 and signed on its behalf by:

John Homer
Chief Executive
27 March 2018

Pictured: Collecting our Green Apple Awards at the Houses of Parliament

Governance

A robust review of our risk management and governance procedures

Pictured: NM Group board of directors

Board of Directors

Robert Moyle BSc (Hons), CEng, FICE
Executive Chairman

Strengths

- Leadership to provide growth and development of the Group
- Development of our people
- Attainment of Investors in People Gold standard
- Key monitoring of emerging markets for Group development
- Customer engagement and retention

Robert is a Chartered Engineer and a Fellow of the Institute of Civil Engineers. He joined the Group as a Site Engineer in 1973. His progression culminated in being appointed the Executive Divisional Director of the Utilities Division and to the PLC Board in 1984.

He was appointed Chief Executive in 1990, implementing a strategy of development that has taken the Group from the position of a Regional to that of a National Contractor. Robert took on his new role as Executive Chairman in 2016.

John Homer FRICS
Chief Executive

Strengths

- Effective leadership for business success
- Passionate about people and culture
- Ardent drive for exceptional customer service
- Experience in change management strategies
- Successful problem solving qualities

John joined the Group in June 2016. He has enjoyed a successful career in the construction industry over the last thirty years, holding executive positions at BAM Construct UK and Galliford Try PLC. Most recently he has been a managing director at Morgan Sindall Construction. He is a Chartered Surveyor and has extensive experience of solution delivery for a range of high profile public and private sector clients.

Dan Taylor BSc (Hons), ACA
Finance Director and Company Secretary

Strengths

- UK GAAP and IFRS compliance
- Strategic financial planning
- Forecasting and detailed analysis
- Risk management, policy and process implementation

Dan joined the Group in 2013 having rapidly progressed his career since completing his degree and becoming a Chartered Accountant. He brought not only his experience in accounting, tax and auditing but also an in-depth knowledge of construction.

Dan bears full responsibility for monitoring the Group's business performance and cash flow; overseeing budgets and ensuring operational adherence across all regions. Additionally, Dan is accountable for annual reporting and the Group's financial models, governance and risk. He was appointed to the Board in August 2013 and also sits on the Executive Administration Board (EAB) with responsibility for supply chain and procurement.

Andy Langman
Managing Director Nomenca Ltd

Strengths

- Effective financial management and commercial acumen
- Client retention
- Best business practice
- Inspiring innovation and innovative ideas
- Strong leadership skills in board governance

Andy joined the Group in 1998 as Managing Director of Nomenca Limited during the formation of the subsidiary company, and was appointed to the Board of North Midland Construction PLC in 2013.

During his tenure, Andy has steered Nomenca into year on year growth within the specialist MEICA field. Cultivating an enviable reputation within the market based on repeat business through long-term relationships in both contracting, product development and maintenance. He also sits on the Executive Administration Board (EAB) with responsibility for ICT.

Stuart Proud Managing Director
NMC Nomenca Divisions

Strengths

- Client relationship management
- Inspiring innovation
- Versatile and proactive management style

Stuart joined the Group in 1977 as a civil site engineer. He continued to progress his career through site management, culminating in reaching Executive Director for Operations in 2005.

In 2009 he led the integration of the NMCNomenca delivery division to service our long-term strategic client Severn Trent Water. His stewardship of NMCNomenca has yielded long-term profitability and has successfully secured further works with the E5 consortium, BNM Alliance and a contract extension for AMP6. He is also Managing Director for the Civil Engineering division.

Stuart was appointed to the NMC Board in October 2013 and is a member of the Group's Executive Administration Board (EAB) with strategic responsibilities for QESH.

Ian Elliot
Independent Non-Executive Director

Ian is a Chartered Engineer with an Honours Degree in civil engineering. He has extensive 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. He has served on the Board since March 2006. The Nomination Committee has rigorously reviewed his position and independence in line with the code.

Steve Brown Senior Independent
Non-Executive Director

Steve is a Chartered Accountant and has held a number of Non-Executive and Executive Directorships in both the public and private sectors, including Center Parcs plc. He is currently a Non-Executive Director of Orbit Housing Group and the Peterborough and Stamford NHS Foundation Trust. He is also Chairman of the Midlands region of the National Trust and is an advisor to a range of developing organisations. The Nomination Committee has rigorously reviewed his position and independence in line with the code. Steve has served on the Board since 2004.

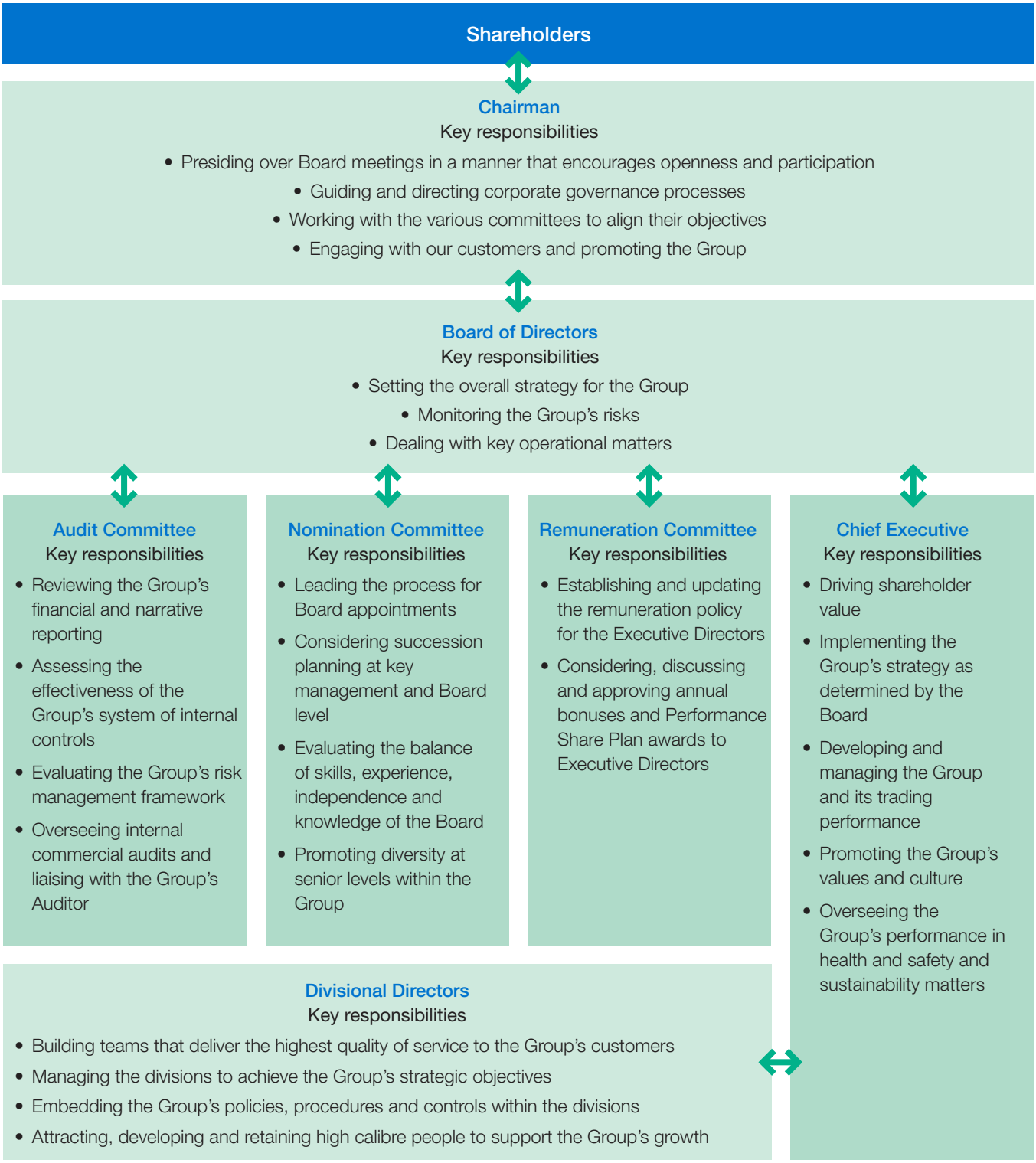
David Rogers
Independent Non-Executive Director

David is a partner in the national law firm Weightmans LLP, working in their Manchester office in the firm's construction team. He is dual qualified as a solicitor in England, Wales and also in Scotland. Previously he has been a partner in major commercial law firms in Manchester and Scotland. He is an experienced commercial litigation lawyer and has specialised in construction and engineering disputes for more than 30 years. He is a trained mediator and is accredited by Centre for Effective Dispute Resolution (CEDR). David was appointed to the Board in 2011.

Corporate Governance

Governance framework

The Group is governed through the Board and its committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of the work carried out by these committees is described in the reports on pages 61 to 80. The interaction between stakeholders within the Group's governance framework and the key responsibilities of each is set out below.



Robert Moyle | Chairman

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 2017 the Directors confirm that the Company has taken appropriate steps to comply with the provisions of "The UK Corporate Governance Code" and with the provisions of the Disclosure and Transparency Rules on Audit Committees and Corporate Governance statements (DTR 7).

The Principles of Good Governance

The Board of Directors, under its Chairman, R Moyle, consists of five Executives, all highly experienced in the construction industry, and three independent Non-Executive members. Details of their biographies can be found on pages 56 and 57.

The Non-Executive Directors have no financial or contractual interest in the Company other than by way of their fees and shareholdings and are considered independent of the Company. J Homer 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 SJT Brown, who has served for thirteen years, and the Non-Executive Director Mr I Elliott has served for eleven years. The Nomination Committee has rigorously reviewed their position and independence in line with the code. Mr SJT Brown and Mr I Elliott have offered themselves up for re-election.

The Board met formally, as a whole, eight times during the year and the Audit Committee met four times during the year. The Remuneration Committee also met five times during the year. All required Directors were present at each meeting to have quorum. The Board has a formal schedule of matters reserved solely for it to decide which includes responsibility for the overall Group strategy.

In advance of all Board Meetings a Board pack is circulated to Board members informing them of all relevant matters.

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 2017. 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 led by the Nomination Committee, which comprises the Executive Chairman and existing Non-Executive Directors. The Committee evaluates the skills and experience of potential Non-Executive Directors and makes recommendations to the Board. Further details can be found in the Nomination Committee report on page 65.

Corporate Governance

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

Accountability and Review

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 and Strategic Report.

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 were in place for the full year to 31 December 2017 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.

The Board has not undertaken a formal annual review of the effectiveness of the internal controls. 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 three independent Non-Executive Directors, Mr SJT Brown (Chairman), Mr I Elliott and Mr DP Rogers. The Board is satisfied that they have recent and relevant financial experience to analyse, and when necessary to challenge, the information contained in, or the presentation of, management accounts and statutory financial statements. The Chairman, Chief Executive and the Finance Director attend Committee meetings for specific purposes at the agreement of the Committee.

The Committee is responsible for reviewing the nature and scope of the external 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. BDO LLP currently carries out routine tax compliance work (see note 8 for fees charged). The Committee takes the view that carrying out this non-audit work does not affect BDO LLP's objectivity or independence, given the extent of fees charged for non-audit services, and 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 Auditor are considered by the Board as a whole.

During the year the Committee met on four occasions and all members were present. The external Auditor was invited and attended these meetings.

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 Trading updates, as required by the UK Listing Authority's Disclosure and Transparency Rules, 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).

Code of Best Practice

Throughout the year ended 31 December 2017 the Company has been compliant with the UK Corporate Governance Code 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.

DA Taylor is the Company Secretary, a role he combines with his responsibilities as Finance Director.

The Audit Committee has reviewed the necessity and value of an internal commercial audit function and agreed the continuation of the project monitoring programme in relation to commercial and contractual risk on contracts. The Company is utilising internal expertise from across divisions to deliver the internal commercial audit function, which adds to the development of the employees involved and encourages best practice across all divisions. The committee continually reviews the requirement for internal audit by an external body.

Audit Committee Report

Steve Brown | Non-Executive Chairman, Audit Committee

This year we have hopefully put together a report which is transparent yet concise and shows not only what we have done but how we did it in 2017.

Who are we?

The Audit Committee is made up of three independent Non-Executive Directors, Ian Elliott, David Rogers and myself, Steve Brown. Our biographies, qualifications and experience are included on page 57.

Our purpose

The key purpose of the Audit Committee is to monitor and review the formal arrangements established by the Board in respect of:

- the financial reporting and narrative reporting of the Group;
- the effectiveness of the internal controls and the risk management framework;
- whistleblowing;
- internal commercial audit and project monitoring process; and
- the external audit process.

What we did during the year

- Review of interim and final financial statements, and announcements relating to the financial performance of the Group.
- Examination of the internal control processes within the Group and, in particular, how those have been implemented since the integration of a number of divisions and the potential growth opportunities the Group has.
- Recommending the reappointment of the external Auditor, agreeing the scope of their work and their remuneration, and reviewing their effectiveness and independence.
- Reviewing the reports and opinions of the external experts that have been used in the preparation of the financial statements. In particular, in relation to significant claim recovery relating to the legacy contract.
- Agreeing the continuing scope of works of an internal commercial audit programme, or known internally as contract 'project monitoring'. Review of any opportunities for improvement, ensuring that any process changes are embedded.
- Examining the key financial processes and procedures in place at a higher level to alleviate error and/or potential fraud and protect the Group's assets.

Audit Committee Report

- Advising the Board on whether the financial statements are fair, balanced and understandable and if they provide the information necessary for the shareholders to assess the Group performance, business model and strategy.
- The Audit Committee has responsibility for a number of other matters and you will find information on these and other documents that are pertinent to understanding the Audit Committee's role and remit on our website www.northmid.co.uk.

Financial Reporting Council letter

The Company received a letter from the Financial Reporting Council's (FRC) Corporate Reporting Review Team on 1 February 2017, asking certain questions about some disclosure matters in our annual report for the year ended 31 December 2015. The Company responded fully to the matters raised in the FRC's letter, enabling it to conclude its enquiry. As a result of the FRC's enquiry, the Company has made improvements to the disclosures in this annual report in the following areas:

- the effect of "legacy contracts" on business performance in both the strategic report and the financial statements;
- the analysis of the business' development, performance and financial position in the strategic report; and
- the disclosures in respect of any significant accounting judgements and sources of estimation uncertainty arising in respect of construction contracts in the financial statements.

The FRC's enquiry did not result in any change to reported profit or net assets.

We recognise that the FRC's review was based on a review of our annual report for the year ended 31 December 2015 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. Its review did not provide any assurance that the Company's annual report and financial statements are correct in all material respects.

The committee also noted that the only significant item raised as part of the FRC's Audit Quality Review of the external audit concerned the one remaining legacy contract and the disclosures in respect of any significant accounting judgements and sources of estimation uncertainty arising in respect of construction contracts in the financial statements.

External audit

The Committee formally met with the external Auditor, BDO LLP, during the year end process to discuss the nature and scope of the audit, to review (in some detail) the audit plan and lastly to review the outcome of the audit and to discuss issues arising and their resolution.

When meeting with the Auditor we reviewed the Group's accounting policies to ensure that they remained appropriate and discussed in broad terms the major risks that the Auditor was likely to consider during their work. These are set out in the Auditor's own report, but included profits recognised on contracts, recoverability of trade receivables, and going concern. We also discussed fees, which are set out in note 8, and all other relationships which may have a bearing on the Auditor's independence.

We also discussed the judgements and uncertainties inherent in the preparation of the financial statements with the Auditor and how these areas were dealt with by the Group which are set out in note 4. These matters are as follows:

Recognition of revenue and attributable profit (or losses) on contracts

The Auditor anticipated this to be an area of significant risk because the extent of revenue and profit or loss recognised on a partially completed contract represents an area of judgement. The Board, where necessary, has taken expert advice on the value of certain problematic contracts recognised in the financial statements. These experts have been used to give opinion on the legal substance and quantum measurement where appropriate. The Audit Committee reviewed and agreed with the use of such experts and the process the Board has undertaken to ensure that these contracts were reflected accurately in the financial statements.

Recoverability of construction contracts and trade receivables

The Auditor assessed the recoverability of trade receivables to be an area of significant risk as a result of the sector and the characteristics of the contracting environment.

The Board, where necessary, has taken expert advice on the value of certain problematic contracts recognised in the financial statements. These experts have been used to give opinion on the legal substance and quantum measurement where appropriate. The Audit Committee reviewed and agreed with the use of such experts and the process the Board has undertaken to ensure that these contracts were reflected accurately in the financial statements which are set out in note 4.

Audit plan

The Committee agreed the audit plan with the Auditor, having paid particular regard to issues of scope and materiality. The Committee also agreed the external Auditor remuneration.

Annual report

We have discussed the presentation of the annual report, both in the context of the increasing acceptance of the concept of integrated reporting and also in view of the difficulties shareholders commented on in relation to the ever increasing complexity of the financial statements.

Audit completion
The Committee also discussed expected losses due to the legacy contract and any unfavourable commercial settlements.

At our final meeting with the Auditor, prior to signing the annual report, we discussed the resolution of the risks that the Auditor had identified above.

The Audit Committee recognised and agreed with the Board's use of external experts. The Audit Committee concluded that the experts (who are independent and drawn from a variety of relevant disciplines) have provided opinions on the legal merits and the quantum evaluations of the specific contracts. In the discharge of its duties, the Audit Committee has had regard to the expert opinions and the advice and guidance within them. It has also reviewed the processes which the Board has adopted to ensure that the specific contracts were properly reported in the Financial Statements, including that they accurately reflected the experts' views.

Other fees paid to our external Auditor

In terms of non-audit services, these have been limited to tax compliance related to the audit and amounted to £12,000 (2016: £11,000). All such activities have to be agreed by this Committee. We are satisfied, based on the level of fees and the use of separate departments, that the Auditor independence has been maintained.

Effectiveness of our Auditor

We are currently reviewing the effectiveness of the external Auditor. In doing so we plan to speak to the Finance Director, the Chief Executive, and a selection of the Group's senior financial management within each business unit. We will ask them to complete a questionnaire, as we did last year, which will provide an objective scoring system around aspects of technical quality and of service quality. However, at this stage we remain satisfied that our Auditor is delivering an effective service on behalf of shareholders in terms of the necessary scrupulousness and challenge in their work, and also in terms of supporting the annual report process effectively. We shall continue to review this on an annual basis. BDO LLP have been our Auditor since 2010; there are no contractual obligations surrounding their appointment. Our last tender was in 2010, at which time our current auditor was first appointed.

Internal commercial audit

The Audit Committee feel that undertaking commercial and contractual peer reviews of certain contracts, known internally as contract 'project monitoring', is imperative to mitigate the inherent risk within the construction industry in which the Group operates. The Audit Committee continued a project monitoring programme in relation to commercial and contractual risk and this review will be enhanced to assess risk assessments prior to pricing of tenders. This aligns with the key strategic focus of preventing losses. The Company is utilising internal expertise from all divisions to deliver the internal commercial audit function. The reports produced are reviewed by the Committee during the year by exception. A summary of progress is issued at every Board meeting, along with a timetable for upcoming reviews. The Committee continually reviewed the requirement for internal audit by an external body.

Financial statements

The financial statements, and the annual report as a whole, are the responsibility of the entire Board. Their responsibility statement is contained in the Report of the Directors on page 81, but the Board looks to the Audit Committee to advise it in relation to the financial statements both as regards their form and content, issues which might arise and on specific areas which require judgement, such as the going concern presumption. The Board believes the annual report, taken as a whole, is fair, balanced and understandable.

In order to be able to advise the Board that the annual report is fair, balanced and understandable we spent some time deciding what we felt this meant and who our key stakeholders were and what this would mean for them. We decided that the annual report should be free from bias, tell the story of the Company for this financial year accurately and make sense to the reader.

Going concern review

The Committee review the going concern and viability position. Particular attention was given to both the liquidity and solvency position envisaged by the report for the period 12 months from this date and the foreseeable future as set out in the Board's strategic plan.

Future plans

We will of course continue to perform our duties as set out in our terms of reference over the course of the next year. However, there are a number of matters which we will be concentrating on as the year progresses, including:

- A review of the effectiveness of the internal commercial audit function and potential enhancements to its scope; as well as a continual review of the requirement for internal audit by an external body; and
- A review of the effectiveness of the Audit Committee.

SJT Brown
Non-Executive Chairman, Audit Committee
27 March 2018

Audit Committee Report

How we did it in 2017

The Committee met five times during the last year, and we plan to do this again during 2018. During the last year the following matters were discussed:

February 2017

Updated the external Auditor on the financial performance of the Group and discussed areas of significant risk.

Reviewed impact of revised annual report and accounts and legislative requirements.

Agreed approach to review risk management procedures.

21 and 30 March 2017

Initial review of the draft annual report and accounts.

Reviewed effectiveness of reporting, our policies, governance code and the requirements of ISA 700 in the annual report and accounts.

Reviewed and signed off the preliminary announcement for 2016 results.

Detailed discussion around secured workload, going concern and cash flow forecasts.

Discussed Auditor effectiveness and reported back to BDO LLP based on compiled questionnaire.

October 2017

Review of legacy contract position and potential year end commercial risks.

Discussed strategic approach to revenue and the impact of the new IFRS 15 Revenue recognition standard.

December 2017

Pre year-end review of results.

Updated the external Auditor on strategy and progress against targets.

Identification of potential risks and uncertainties within the Group that may impact the financial statements.

Agreed reporting, accounting and auditing issues with the committee and the external Auditor.

Review of Audit Committee terms of reference.

As well as attending the Audit Committee meetings, the members continued to perform their duties throughout the year, through:

- regulatory updates;
- discussion of significant risks and uncertainties as they arise; and
- review of interim Financial Statements, and Announcements relating to the financial performance of the Group.

Nomination Committee Report

Robert Moyle | Chairman, Nomination Committee

Membership

The members of the Nomination Committee are Mr R Moyle (Executive Chairman of the Group and committee); Mr SJT Brown (Senior Non-Executive Director); Mr D Rogers (Non-Executive Director); Mr I Elliott (Non-Executive Director); and Mr J Homer (Chief Executive).

Duties of the Committee

The main duties of the Committee include but are not limited to the following:

- Lead the process for Board appointments and make recommendations to the Board;
- Consider succession planning at senior levels within the Group and ensure an appropriate balance of skills and experience;
- Evaluate the balance of skills, experience, independence and knowledge of the Board; and
- Consider diversity issues, ensuring consideration of candidates from a wide range of backgrounds.

Diversity

Our policy is that no individual should be discriminated against on the ground of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability. Whilst we have not currently established diversity targets this policy is reflected in our approach to recruitment at all levels.

Governance processes

The Committee meets at least twice a year and at such other times as the Committee Chair may request.

The Company's Non-Executive Directors serving on the Committee are appropriately considered to be independent members of the Board.

The Committee has formal terms of reference which can be viewed on the Company's website www.northmid.co.uk.

Main activities

On 4 October 2017 the Committee met to review the terms of reference, the structure of the Board and Subcommittees and consider succession planning and the Group's structure going forwards.

On 20 March 2018 the Committee met to consider the succession planning in place for the operating segments and the Board itself.

Robert Moyle
Chairman, Nomination Committee
27 March 2018

Remuneration Report

Remuneration Committee Chairman's Letter

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for 2017. This report has been prepared following a year in which the Group has seen a growth in turnover of 16.48% to £291.77 million (2016: £250.49 million). Although the Operating Profit achieved of £1.19 million (2016: £2.24 million) is below the Board's and Committee's expectations, the Underlying profitability of the continuing divisional segments has increased significantly to £8.30 million (2016: £5.91 million), which is testament to the continued efforts of the Executive Board members, together with Group's other management and all employees.

Whilst we remain cautious in our overall outlook on executive pay, during 2017 we took actions (all of which were within the scope of our shareholders' approved remuneration policy) which we felt were appropriate to reward our strongly performing executive team fairly. The changes can be summarised as follows:

Pay element	Detail
Base salaries for 2018	John Homer – £310,000 (2017: £277,000) Dan Taylor – £180,000 (2017: £160,000) Andy Langman – £160,000 (2017: £150,000) Stuart Proud – £160,000 (2017: £150,000)
Annual Bonus for 2018	Executive Directors' maximum bonus opportunity increased to 60% of base salary (2017: 50% of base salary max)

We believe that it is correct to recognise the strong performance of our Executive Directors and other top performing staff. This has resulted in significantly improved underlying financial performance by the Group, which in turn has driven good returns for our shareholders and increased the size of the business. The share price increase from 1 January 2017 to 31 December 2017 was 83% from £1.80 per share to £3.30 per share (noting the slight deterioration since the year end, with the current price at £2.98 per share).

We recognise that these salary increases are above normal "pay-inflation" levels, but we believe that when setting the levels of remuneration for the Executive Directors it is important to take particular care to ensure that the base salaries are commensurate to the increased size and complexity of their roles. The growth in turnover of 16.48% and the forecast turnover growth in turnover for 2018 of 13.0% is one of the areas taken in to consideration. We have also externally benchmarked these remuneration packages and are satisfied that these are in line with market rates.

Although the maximum bonus potential for our annual bonus has been increased for 2018, we believe that our bonus plan remains appropriate. The increased potential under this bonus plan will only be delivered if future performance targets are achieved. As this plan is based primarily on profits before tax any additional incentive pay earned will be appropriately "self-funded" as part of the attainment of the PBT targets.

Stepping back from the detail, we believe that our Executive Directors are very important to the continued development of NM Group, and particularly to the fulfilment of our ongoing growth plans. Accordingly, we believe that the changes which we have made for our Executive Directors will have a materially retentive impact and that the path which we are taking is clearly in shareholders' best interests.

For completeness, the salary for our Executive Chairman in 2018 will remain unchanged from 2017 levels (2017: base salary £369,000). The Executive Chairman has waived his entitlement to an annual bonus for the year ended 31 December 2017. He has also agreed not to be included in the annual bonus scheme from 1 January 2018 onwards.

Whilst not a matter for the Remuneration Committee, for 2018 the Board has increased Non-Executive Directors' fees to £40,000 for 2018 (2017: £36,000).

Shareholder approval

The regulations governing the directors' remuneration reports of listed companies require that we split our report into two sections: a Policy Report which sets out the Company's forward-looking Directors' Remuneration Policy and a separate Implementation Report which gives details of the payments made to Directors in 2017, as well as other required disclosures.

As we are retaining our existing policy (for which Shareholder approval was obtained at the 2016 AGM), we will only be holding one vote on remuneration matters at the forthcoming AGM, that being an advisory vote on the Implementation Report.

I hope that you will continue to be supportive of our Executive remuneration policy and practices, and that you will vote in favour of the Implementation Report at the 2018 AGM.

On a final note, from 1 April 2018 I will be stepping down as Chairman of the Remuneration Committee but will remain a member. Mr I Elliott has accepted the role from that date.

Yours sincerely

SJT Brown
Non-Executive Chairman, Remuneration Committee
27 March 2018

Remuneration Introduction and Policy

Introduction

This report contains the material required to be set out as the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the DRR Regulations").

Shareholder approval was obtained at the 2016 AGM for our Directors' Remuneration Policy and we are not proposing to make any changes to this policy, which will continue to apply for the forthcoming year. For ease of reference, Part A below sets out the key features of our policy. The full policy is as disclosed in last year's Annual Report. Part A is not subject to a vote at the 2018 AGM.

Part B constitutes the implementation sections of the Remuneration Report ("Implementation Report"). The Auditor has reported on certain parts of the Implementation Report and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those parts of the Implementation Report which have been subject to audit are clearly indicated. Part B is subject to an advisory vote at the 2018 AGM.

Part A: Directors' Remuneration Policy

The following table summarises the key features of our Directors' Remuneration Policy. The policy has been developed mindful of the Corporate Governance Code and is felt to be appropriate to support the long-term success of the Company, whilst ensuring that it does not promote inappropriate risk-taking. For completeness, the scenario charts have been updated to reflect revisions to the Executive Directors' packages for 2018. For the avoidance of doubt, we are bound by the Directors' Remuneration Policy as published in the 2015 Annual Report.

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Executive Directors			
Base salary This is the core element of pay and reflects the individual's role and position within the Group with some adjustment to reflect their capability and contribution.	Base salaries will be reviewed each year by the Committee. The Committee does not strictly follow benchmark pay data but uses the median position as a reference point in considering, in its judgement, the appropriate level of salary having regard to other relevant factors, including corporate and individual performance and any changes in an individual's role and responsibilities. Base salary is paid monthly through the payroll.	The Executive Directors' salaries will not be increased so as to exceed the median for the equivalent roles in companies listed in the FTSE SmallCap Index. Normally, Executive Directors' base salaries will not be increased by more than the average awarded to staff. However, during the life of this policy it may be necessary to make higher increases to bring the Executive Directors' salaries closer to an appropriate market rate, and/or to reflect (i) an increase in scope of role/ responsibilities, (ii) any changes to other elements of an Executive Director's package.	N/A

Remuneration Policy

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Benefits To provide benefits valued by recipients.	The Executive Directors receive private health care cover, a company car or car allowance and a company fuel card. The Committee reserves discretion to introduce new benefits where it concludes that it is appropriate to do so, having regard to the particular circumstances and to market practice. Where appropriate, the Company will meet certain costs relating to Executive Director relocations.	It is not possible to prescribe the likely change in the cost of insured benefits or the cost of some of the other reported benefits year-to-year, but the provision of benefits will operate within an annual limit of £50,000 per Executive (plus a further 100% of base salary in the case of relocations). The Committee will monitor the costs of benefits in practice and will ensure that the overall costs do not increase by more than the Committee considers appropriate in all the circumstances.	N/A
Pension To provide retirement benefits.	Executive Directors can receive pension contributions to personal pension arrangements or, if a Director is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance can be paid as a cash supplement and/or consolidated into base salary.	The maximum employer's contribution is limited to up to 25% of base salary, although it is not currently anticipated that pension provision for the Executive Directors will be at this level.	N/A

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Annual Bonus Plan To motivate Executives and incentivise delivery of performance over a one-year operating cycle, focusing on the short to medium-term elements of our strategic aims.	Annual Bonus Plan levels and the appropriateness of measures are reviewed annually at the commencement of each financial year to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events such as corporate acquisitions or other major transactions where the Committee considers it to be necessary in its opinion to make appropriate adjustments. Annual Bonus Plan outcomes are paid in cash following the determination of achievement against performance measures and targets, albeit that a portion of the bonus can be deferred and payable a year later. Clawback/malus provisions apply to the Annual Bonus Plan as explained in more detail in the relevant note to the policy table (which does not form part of the policy itself).	The maximum annual bonus that can be earned is 75% of base salary for the duration of this policy. To the extent that the actual maximum bonus opportunity in any year was less than 75%, the Committee can in exceptional circumstances agree to pay a higher bonus than originally contemplated up to (but not exceeding) the overriding 75% salary cap.	The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. The Committee's current intention is that, for a threshold level of performance, a bonus of up to 30% of salary can be paid. The Annual Bonus Plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the Annual Bonus Plan for any performance measure (from zero to any cap) should it consider that to be appropriate. Further details of measures, their weighting and targets will be disclosed in the relevant Annual Report on Remuneration.

Remuneration Policy

Element and Purpose	Policy and Operation	Maximum	Performance Measures
Long-Term Incentives Provided under the Performance Share Plan ("PSP"), to motivate and incentivise delivery of sustained performance and alignment with shareholders.	The primary ongoing long-term incentive plan is the Performance Share Plan. Awards can be granted as conditional shares or a nil/nominal cost option, vesting subject to the achievement of three-year performance conditions. Awards can be satisfied by shares and/or cash. A payment equivalent to the dividends that would have accrued on the number of shares that vest may be made to participants on vesting, as cash or shares. PSP awards are subject to clawback/malus provisions described more fully in the relevant note to the policy table (which does not form part of the policy itself).	Awards over shares worth up to 100% of salary can be granted each year (or such higher number as the Committee considers appropriate in exceptional circumstances, up to a maximum of 200%). Details of any awards granted in a year will be disclosed in the relevant Annual Report on Remuneration.	The Committee may set such performance conditions on PSP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Committee's opinion, make it appropriate to substitute, vary or waive the performance conditions in such manner as the Committee thinks fit. Performance periods may be over such periods as the Committee selects at grant, which will not be less than (but may be longer than) three years. No more than 25% of awards vest for attaining the threshold level of performance for each condition. Further details of measures, their weighting and targets will be disclosed in the relevant Annual Report on Remuneration.

Element and Purpose	Policy and Operation	Maximum	Performance Measures
All-employee Share Plans To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	The Company operates an HMRC-approved Share Incentive Plan which follows the usual form for such plans. Executive Directors are able to participate in the plan on the same terms as other Group employees.	The maximum participation levels for the plan are set by HMRC from time to time.	Consistent with normal practice, such awards are not subject to performance conditions.
Non-Executive Directors			
Non-Executive Director Fees To enable the Company to recruit and retain Non-Executive Directors of the highest calibre, at the appropriate cost.	The fees paid to Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board. In the normal course, Non-Executive Directors will not be granted awards under any incentive arrangements. The Company reserves the right to provide benefits (including travel and office support) within the prescribed limits.	Fees are paid monthly through payroll. The aggregate fees (and any benefits) of the Non-Executive Directors will not exceed £250,000 in aggregate. Any increases actually made will be appropriately disclosed.	N/A

Notes to the policy table:

Malus and clawback (for information and not part of the Directors' Remuneration Policy)

Malus (being the forfeiture of any deferred element of incentive pay, including PSP awards) and clawback (being the ability of the Company to claim repayment (as a debt) of any net element of incentive pay previously paid) provisions can be applied by the Committee. If the Committee becomes aware that the financial (or other) results that they used to determine an incentive payout were incorrect which resulted in an overpayment and/or if the Committee becomes aware of an act or omission by an Executive Director that justifies (or would at the time have justified) summary dismissal, the Committee can apply malus and/or clawback on any incentive payment declared up to three years prior to the relevant event coming to light.

Stating maximum amounts for the remuneration policy

The DRR Regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the above, these will operate simply as caps and are not indicative of any aspiration.

Travel and hospitality

While the Committee does not consider travel and hospitality to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality (whether paid for by the Company or another party) and business travel for Directors (and exceptionally their families) may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Differences between the policy on remuneration for Directors from the policy on remuneration of other employees

While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where the Company's pay policy for Directors differs from its pay policies for groups of employees, this reflects the appropriate market rate for the relevant roles. The Company takes into account pay levels and bonus opportunity applied across the Group as a whole when setting the Executive Directors' Remuneration Policy.

Remuneration Policy

Outstanding obligations
The Company will honour any commitments entered into prior to the approval and introduction of this policy.

Pension contributions
An Executive Director may elect to surrender salary or annual bonus outcomes in return for additional contributions to pension arrangements being made by the Company on his behalf. Any such amounts surrendered are regarded as part of the original pay element for the purposes of this policy rather than as amounts counting towards the maximum employer's pension contribution stated in the table above. If the Company elects to increase the additional pension contribution to reflect any related employer's NICs saving, any such increases to reflect employer's NICs will be regarded as additional employer's pension contributions for the purposes of this policy.

Committee discretions
The Committee will operate the Annual Bonus Plan and PSP according to their respective rules and the above policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans.

These discretions include, but are not limited to, the following:

- The timing of grant of an award/bonus opportunity;
- The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- The determination of performance against targets and resultant vesting/bonus payouts;
- Discretion required when dealing with a change of control or restructuring of the Group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- The annual review of performance measures, weightings and targets from year to year.

In addition, while performance measures and targets used in the Annual Bonus Plan and PSP will generally remain unaltered, if events occur which, in the Committee's opinion, would make a different or amended target a fairer measure of performance, such amended or different target can be set provided that it is not materially more or less difficult to satisfy, having regard to the event in question.

Any use of these discretions would, where relevant, be explained in the Directors' Remuneration Report and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders. The Committee may make minor amendments to the policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Share ownership guidelines
Any vested shares under the proposed new Performance Share Plan must (unless the Remuneration Committee determines otherwise) be retained unless/until the Executive Director holds shares worth at least 100% of salary.

Recruitment remuneration policy
The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre Executives to strengthen the management team and secure the skill sets to deliver our strategic aims. The main features of this policy are described below.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the general policy for Executive Directors as set out above and structure a package in accordance with that policy. Consistent with the DRR Regulations, the caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice.

The Annual Bonus Plan and PSP will operate (including the maximum award levels) as detailed in the general policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate. For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy-out awards forfeited by the individual on leaving a previous employer.

For the avoidance of doubt, buy-out awards are not subject to a formal cap. Any recruitment-related awards which are not buy-outs will be subject to the limits for Annual Bonus Plan and PSP as stated in the general policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buy-outs the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing Annual Bonus Plan and PSP. It may, however, be necessary in some cases to make buy-out awards on terms that are more bespoke than the existing Annual Bonus Plan or PSP (e.g. structure awards that may pay out over multi-year periods).

All buy-outs, whether under the Annual Bonus Plan, PSP or otherwise, will take account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek to make buy-outs subject to what are, in

its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases (such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited) and where the Committee considers it to be in the interests of shareholders.

A new Non-Executive Director would be recruited on the same terms as explained above in respect of the main policy for such Directors.

Service Contracts

None of the Executive Directors has a service contract which exceeds one year. The current notice periods are six months for all Executives. Copies of these contracts are kept at the Company's registered office.

The Non-Executive Directors have letters of appointment. They are engaged for specific terms and their reappointment will not be automatic.

The date of each Executive Director's contract is:

Name	Date of latest contract
R Moyle	March 2015
J Homer	June 2016
DA Taylor	February 2013
A Langman	January 2018
DS Proud	March 2015

Termination policy summary

The Committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time, the provisions of service contracts and the terms of any incentive arrangement. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the Annual Bonus Plan, PSP or other incentive arrangement.

Under the PSP, if during the performance or vesting period, a participant:

i. resigns or is dismissed, awards normally lapse in full;

ii. dies, awards vest in full

iii. ceases to be employed due to injury, ill health, disability, redundancy, retirement, the participant's employing company or employing part of a business being sold out of the Group or for any other reason the Committee determines, awards are retained and vest in the normal course subject to the performance conditions, or, if the Committee so decides, immediately on the participant ceasing to be in employment. Awards will be prorated by reference to the proportion of the performance period for which the participant remained employed, unless the Committee determines otherwise.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

External appointments

The Company's policy is to permit an Executive Director to serve as a non-executive director elsewhere when this does not conflict with the individual's duties to the Company. Where an Executive Director takes such a role, whether they are entitled to retain any fees which they earn from that appointment will be considered on a case by case basis. No Executive Directors currently hold any external appointments.

Statement of consideration of employment conditions elsewhere in the Group

Pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration. The Committee receives regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There is also oversight of the all-employee share schemes which Executive Directors and all other Group employees can participate in on the same terms and conditions.

Reflecting standard practice, the Company did not consult with employees in drawing up this Remuneration Report.

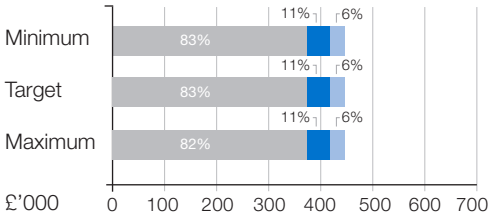
Statement of consideration of shareholder views

The Committee ensures that its major shareholders are consulted in advance of any material changes in Executive pay practices at the Company. The Committee also considers any feedback which it receives from its shareholders in relation to remuneration.

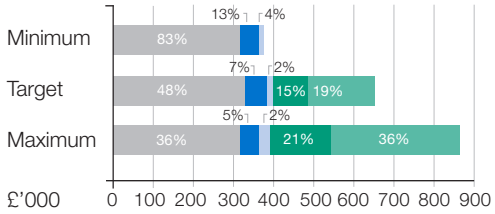
Remuneration Annual Report

Illustration of Remuneration Policy (updated for 2018)

Robert Moyle



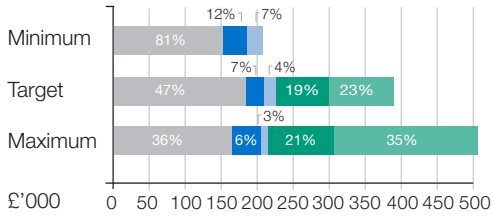
John Homer



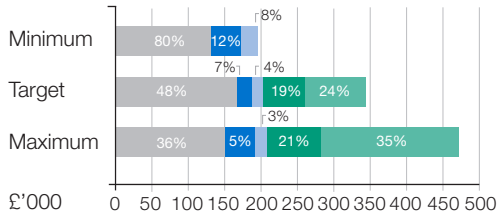
Key

- Salary
- Pension
- Benefits
- Bonus
- PSP

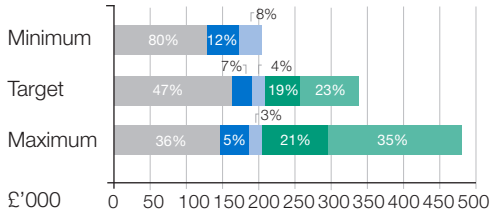
Daniel Taylor



Andrew Langman



Stuart Proud



The charts above aim to show how the remuneration policy set out above for Executive Directors will apply in 2018 using the following assumptions:

Minimum	• Consists of base salary, benefits and pension. • Base salary is the salary to be paid in 2018. • Benefits are an estimate of benefits to be paid for the full year in 2018. • Pension measured as the defined contribution or cash allowance in lieu of Company contributions (excluding any pension paid in lieu of bonus).				
	£'000	Base Salary	Benefits	Pension	Total Fixed
	Robert Moyle	£369	£28	£50	£447
	John Homer	£310	£15	£47	£370
	Daniel Taylor	£180	£15	£27	£219
	Andrew Langman	£160	£15	£24	£197
	Stuart Proud	£160	£15	£24	£197
Target	Based on what the Director would receive if performance was 'on-target'. Therefore, includes fixed pay as above plus a target bonus payout of 40% of salary and an assumed target level of vesting under the PSP (i.e. 50%, excluding share price appreciation and dividends). Robert Moyle has agreed not to participate in the annual bonus from 1 January 2018 onwards.				
Maximum	Based on what the Director would receive if performance was at 'maximum'. Therefore, includes fixed pay as above plus a maximum bonus payout of 60% of salary and full vesting of an illustrative 100% of salary award under the PSP (excluding share price appreciation and dividends). Robert Moyle does not participate in the PSP.				

Part B: Implementation report for 2017

Audited information

Single total figure table (audited)

The remuneration for the Executive and Non-Executive Directors of the Company who performed qualifying services during the year is detailed below. The Non-Executive Directors received no remuneration other than their annual fee.

For the year ended 31 December 2017:

	Fees £'000	**Basic salaries £'000**	**Benefits in kind £'000**	**Annual bonus £'000**	**Pension scheme contributions £'000**	**Total 2017 £'000**
Executive Directors						
R Moyle (Chairman) (Highest Paid)	–	369*	28	–***	50	447
J Homer	–	290**	9	150	44	493
DA Taylor	–	160	13	80	24	277
A Langman	–	150	6	65	23	244
DS Proud	–	150	9	75	23	257
Non-Executive Directors						
SJT Brown	36	–	–	–	–	36
I Elliott	36	–	–	–	–	36
DP Rogers	36	–	–	–	–	36
Total	108	1,119	65	370	164	1,826

* Mr R Moyle's salary includes agreed previous uplift on pension payment from the Remuneration Committee.

** On the first anniversary of his appointment (1 June 2017) John Homer's salary was increased to £300,000 reflecting his performance in his first 12 months as Chief Executive Officer. Going forwards, John Homer's salary reviews will be aligned with those of other Executive Directors at 1 January each year.

*** Mr R Moyle has agreed to waive his bonus entitlement for 2017.

For the year ended 31 December 2016:

	Fees £'000	Basic salaries £'000	Benefits in kind £'000	Annual bonus £'000	Pension scheme contributions £'000	Total 2016 £'000
Executive Directors						
R Moyle (Chairman) (Highest Paid)	–	357	28	95	50	530
J Homer (from 1 June 2016)	–	158	5	79	24	266
DA Taylor	–	142	9	64	21	236
A Langman	–	142	3	64	21	230
DS Proud	–	142	5	89	21	257
Non-Executive Directors						
SJT Brown	35	–	–	–	–	35
I Elliott	35	–	–	–	–	35
DP Rogers	35	–	–	–	–	35
Total	105	941	50	391	137	1,625

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2017 was £1,826,000 (2016: £1,625,000).

Taxable benefits (audited)

The taxable benefits relate to car allowance (paid gross, but net of business mileage) or company cars, fuel cards, and private health care.

Remuneration Annual Report

Bonus scheme (audited)

The bonus payable to the Executive Directors for 2017 was based on adjusted PBT targets. For the achievement of a threshold level of adjusted PBT, a bonus of 30% of salary was payable. For achieving a stretch level of adjusted PBT, a bonus of 50% of salary was payable (i.e. the normal maximum bonus payable). For Messrs Moyle, Homer and Taylor, their bonus was payable entirely by reference to Group PBT. As Messrs Langman and Proud are Managing Directors of specific business segments, a portion of their bonuses was payable on segment profits as well as Group PBT. In addition, the Committee reserved the right to reduce the provisional bonus payout (down to zero if thought appropriate) if the Committee believed that exceptional circumstances make it appropriate to do so. These exceptional circumstances could include (but are not limited to) (i) material reputational damage to the Company caused by mismanagement, (ii) material regulatory censure, (iii) a material breach of the Company's Health, Safety and Environmental policies.

	Annual Bonus £'000	Annual Bonus %
Executive Directors		
R Moyle (Chairman) (Highest Paid)	–	0%
J Homer	150	50%
DA Taylor	80	50%
A Langman	60	45%
DS Proud	75	50%

Given the competitive nature of the Company's sector, the specific PBT targets for the Annual Bonus Plan are considered to be commercially sensitive and accordingly will not be disclosed until such time as the Committee believes them no longer commercially sensitive. In determining bonuses for 2017 the Committee excluded the significant adverse impact on PBT of the results of the litigation related to the one remaining legacy contract. With this exclusion all PBT targets for the annual bonus plan were materially exceeded. The Committee will exclude any reversal of the provision (increase of PBT) relating to the one remaining legacy contract in future years accordingly.

Performance Share Plan

Shareholder approval was obtained at the 2016 AGM for the establishment of a new Performance Share Plan ("PSP").

Executive	Awards outstanding at 01/01/17	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	Interests outstanding at 31/12/17	Normal vesting/ exercise date
J Homer	196,363		–	–	196,363	From 7 June 2019
		93,633	–		93,633	From 27 April 2020
DA Taylor	103,374		–	–	103,374	From 7 June 2019
		54,084	–	–	54,084	From 27 April 2020
A Langman	103,374		–	–	103,374	From 7 June 2019
		50,704	–	–	50,704	From 27 April 2020
DS Proud	103,374		–	–	103,374	From 7 June 2019
		50,704	–	–	50,704	From 27 April 2020

The PSP awards granted in 2017 were granted on the basis of shares worth 100% of each individual's base salary, and calculated using the average market price of 295.83p taken using the last three trading days prior to grant on 27 April 2017. The exercise price is nil. The minimum share price in 2017 was 191p and the maximum share price was 432.5p. The closing share price on 31 December 2017 was 330p.

These awards vest based on performance against the aggregate Adjusted PBT targets shown below, each measured over a period of three financial years commencing with the year of grant.

2016 PSP awards (vest 2019)

Aggregate Adjusted PBT for 2016, 2017 and 2018	% of award that vests
Below £8m	0%
£8m	0%
£12m	100%
Between £8m and £12m	0% – 100% straight-line

2017 PSP awards (vest 2020)

Aggregate Adjusted PBT for 2017, 2018 and 2019	% of award that vests
Below £9m	0%
£9m	0%
£13m	100%
Between £9m and £13m	0% – 100% straight-line

'Adjusted' PBT will be used to determine vesting, thereby allowing the Remuneration Committee to remove the impact of one-off/exceptional items and/or reflect the impact of any major disposals/acquisitions etc. The required disclosures under IFRS 2 share based payments have been omitted under grounds of materiality and the Group's performance.

Statement of Directors' shareholding and share interests (audited)

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:

North Midland Construction PLC	**31/12/17 10p ordinary shares**	31/12/16 10p ordinary shares
R Moyle	**462,636**	461,788
J Homer	**260**	–
DA Taylor	**27,716**	3,535
AD Langman	**192,159**	191,299
DS Proud	**51,181**	50,321
SJT Brown	**6,500**	6,500
I Elliott	**–**	–
DP Rogers	**–**	–

As at 27 March 2018 the interest of DA Taylor was increased by 180 shares, J Homer 178 shares and 179 shares for each of AD Langman, DS Proud and R Moyle. This was as a result of their participation in the Employee Share Plan. The interests of the Directors in shares pursuant to their participation in the PSP are set out in the relevant section above. A share ownership guideline applies under which Executive Directors are required to retain (unless the Committee determines otherwise) all shares that vest under the PSP until such time as they hold shares worth 100% of salary. At present, Messrs Moyle and Langman satisfy this guideline, but Messrs Homer, Taylor and Proud do not.

Payments to past Directors (audited)

There were no payments to past Directors during the year (2016: None)

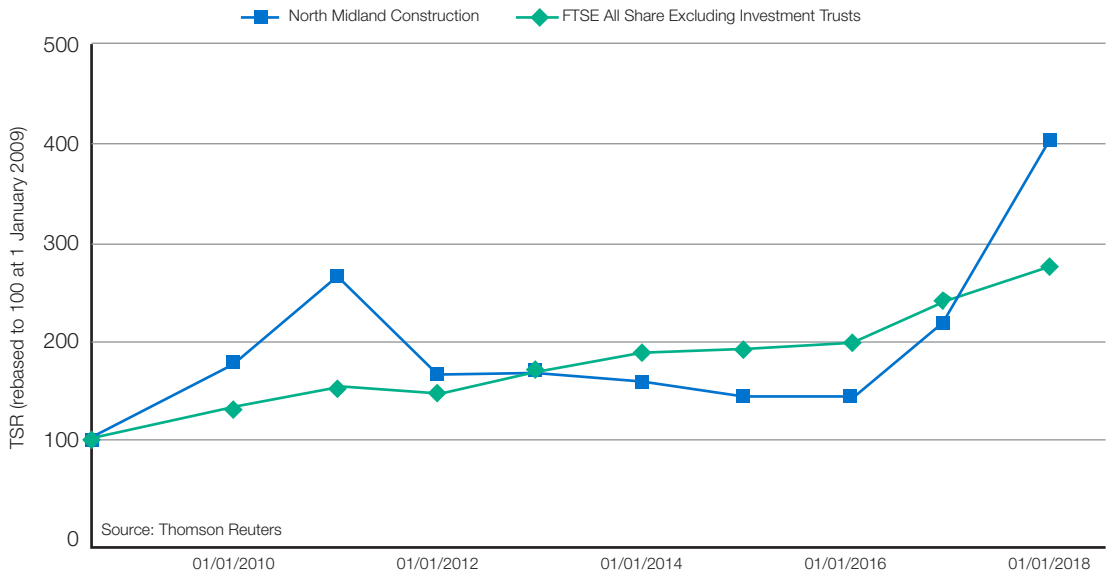
Payments for Loss of Office (audited)

There were no payments for loss of office during the year (2016: None)

Remuneration Annual Report

Performance Graph and CEO Remuneration Table (unaudited)

The graph below shows the Company's Total Shareholder Return performance compared with the FTSE All Share Index excluding Investment Trusts. The graph provides a basis for comparison with a relevant equity index, and the Committee believes that no other published index provides a better comparison. In accordance with the Regulations, the graph shows this performance over a nine year period.



The Regulations also require a table setting out the remuneration of the CEO over a nine year period which is presented below. The Regulations require the table to express the payout under the bonus as a percentage of the maximum bonus opportunity. However, as the Company's bonus plan did not operate with a maximum bonus opportunity until 2015, we have instead shown the bonus actually paid in the relevant years. No long-term incentive awards vested during the relevant years:

		CEO single figure of total remuneration (£'000)	Bonus paid to CEO (£)	Percentage of maximum bonus paid (from 2015)
2017	J Homer	493	150	100%
2016	J Homer[1]	266	79	100%
2016	R Moyle[1]	221	40	67%
2015	R Moyle	393	–	–
2014	R Moyle	368	–	–
2013	R Moyle	348	–	–
2012	R Moyle	347	–	–
2011	R Moyle	319	–	–
2010	R Moyle	408	56	N/A
2009	R Moyle	333	–	–

[1] John Homer joined the Board of North Midland Construction on 1 June 2016, becoming Chief Executive Officer on that date. The 2016 single figure of total remuneration for John Homer shows his remuneration since joining the Board. The 2016 single figure of total remuneration for Robert Moyle is prorated up until this date, when he ceased to act as Chief Executive Officer. Bonus caps were introduced from 1 January 2016.

Change in CEO Pay for the year compared to UK salaried employees

The table below sets out the change in remuneration of the Chief Executive and the average change in the Company's salaried population between 2016 and 2017:

	Salary	Benefits	Bonus
Chief Executive	3.3%	0%	-100%
Average of salaried employees	5.9%	4%	20%

The above CEO percentage base salary is that for Robert Moyle, the Executive Chairman. Mr Moyle acted as Chief Executive Officer until 31 May 2016. John Homer was appointed Chief Executive Officer with effect from 1 June 2016 and so does not have a full year's service in 2016 to allow for the comparison between 2016 and 2017.

Relative spend on pay

The table below shows the total cost of remuneration in the Group, compared with the dividends distributed.

	Year ended 31 December 2017 £000	Year ended 31 December 2016 £000	Change
Aggregate employee remuneration	**69,486**	58,738	18.3%
Equity dividends	**608**	152	301%

Statement of voting at AGM

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Executive Directors' remuneration, the Company will seek to understand the reasons for any such vote, and will detail here any actions in response to it.

Details of the voting on the Directors' Remuneration Report resolution tabled at the 2017 AGM are set out below. The most recent resolution to approve the Directors' Remuneration Policy was tabled at the 2016 AGM, and details regarding this vote can be found in the Company's Directors' Remuneration Report for 2016.

Number of Votes	**Votes in favour**	**Votes against**	**Votes withheld**
Remuneration Report	5,939,148 (99.99%)	500 (0.01%)	32,582

Unaudited information

Remuneration Committee

The members of the Remuneration Committee (all of whom are independent Non-Executive Directors) are:

- Steve Brown (Chairman);
- Ian Elliot; and
- David Rogers.

The Committee's principal responsibilities are:

- recommending to the Board the remuneration strategy and framework for the Executive Directors and senior managers;
- determining, within that framework, the individual remuneration arrangements for the Executive Directors and senior managers; and
- overseeing any major changes in employee benefit structures throughout the Group.

The Committee met on five occasions during the year, and three occasions after the year end.

Robert Moyle and John Homer are invited to attend meetings of the Committee, except when their own remuneration is being discussed, Daniel Taylor attends as secretary except when his own remuneration is being discussed and other Executives attend meetings as required.

The Committee has formal terms of reference which can be viewed on the Company's website.

Advisers

FIT Remuneration Consultants LLP (FIT), signatories to the Remuneration Consultants Group's Code of Conduct, continued to provide advice to the Committee on all matters relating to remuneration, including best practice. FIT provided no other services to the Group and, accordingly, the Committee is satisfied that the advice provided by FIT is objective and independent. FIT's fees in respect of 2016 were £20,391.60 (ex VAT). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

Implementation of Policy in 2018

Executive Directors

Base Salary

- Base salaries for the Executive Directors for 2018 will be as follows:
  Robert Moyle – £325,000 (plus £44,000 pension-related amount, with this additional amount not used to calculate pension entitlements)
  John Homer – £310,000
  Daniel Taylor – £180,000
  Messrs Langman and Proud – £160,000

Remuneration Annual Report

Pension

- Contributions rates for Executive Directors for 2018 will be as follows:
  Robert Moyle – £50,000 (plus £44,000 uplift as salary, as noted above)
  Messrs Homer, Taylor, Langman and Proud – 15% of salary

Benefits

- Details of the benefits received by Executive Directors are set out on pages 75 and 76.
- There is no current intention to introduce additional benefits in 2018.

Annual Bonus Plan

- While the overall Annual Bonus Plan maximum is 75% of base salary, in 2018 no bonus will be paid in excess of 60% of salary (save where exceptional performance makes it appropriate to pay a higher bonus to up, but not exceeding, the 75% plan maximum).
- The bonus payable to the Executive Directors for 2018 will be based on adjusted PBT targets. For the achievement of a target level of adjusted PBT, a bonus of 40% of salary will be payable. For achieving a stretch level of adjusted PBT, a bonus of 60% of salary will be payable which is the normal maximum bonus payable for 2018. For Messrs Homer and Taylor, their bonus is payable entirely by reference to Group adjusted PBT. As Messrs Langman and Proud are Managing Directors of specific business segments, a portion of their bonuses is payable on segment profits as well as Group adjusted PBT. As Executive Chairman, Mr R Moyle will not participate in the annual bonus scheme for 2018.
- In addition, the Committee may reduce the provisional bonus payout (down to zero if thought appropriate) if the Committee believes that exceptional circumstances make it appropriate to do so. These exceptional circumstances could include (but are not limited to) (i) material reputational damage to the Company caused by mismanagement, (ii) material regulatory censure, (iii) a material breach of the Company's Health, Safety and Environmental policies.
- Given the competitive nature of the Company's sector, the specific adjusted PBT targets for the Annual Bonus Plan are considered to be commercially sensitive and accordingly will not be disclosed until such time as the Committee believes them no longer commercially sensitive.
- For the purposes of assessing performance against the adjusted PBT targets, the Committee may exclude the impact of any material one-off / non-recurring / 'exceptional' items which may be potentially PBT-enhancing and will determine, acting fairly and reasonably, how to treat any such items that may negatively impact PBT.

Performance Share Plan

It is intended that awards will be made to certain Executive Directors in 2018 over shares with 100% of salary.

These awards will vest three years after grant based upon performance against the following stretching three year aggregate adjusted PBT targets for 2018, 2019 and 2020:

Aggregate Adjusted PBT for 2018, 2019 and 2020	% of award that vests
£18.25m	0%
£21.25m	50%
£24.25m	100%
£18.25m – £24.25m	0% – 100% straight-line

- 'Adjusted' PBT will be used to determine vesting, thereby allowing the Remuneration Committee to remove the impact of one-off/exceptional items and/or reflect the impact of any major disposals/acquisitions etc.

Non-Executive Directors

The Non-Executive Directors' fees for 2018 will be £40,000.

This report was reviewed and approved by the Board on 27 March 2018 and signed on its behalf by order of the Board.

SJT Brown
Non-Executive Director, and Chairman of the Remuneration Committee
27 March 2018

Directors' Report

The Directors present their annual report and audited financial statements for the year ended 31 December 2017.

The Corporate Governance Statement approved by the Board is provided on pages 59 and 60 and incorporated by reference herein.

Results

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

	2017 £'000	2016 £'000
Operating profit	**1,191**	2,241
Finance costs	**(187)**	(179)
Profit before tax	**1,004**	2,062
Tax	**(262)**	572
Profit	**742**	2,634

Dividends

Details of dividends paid during the year of 3.0p (1.5p per ordinary share) are set out in note 11. The Directors recommend a final dividend of 3.0p (2016: 3.0p) for the year ended 31 December 2017. The Board is committed in the near future, subject to a sustained return to profitability, to the increased payment of dividends.

The Board's strategy is to return to a steady attractive dividend and as such would expect to pay no less than 33% of all profits after tax back to its shareholders. If possible the Board should review payments up to 50% of profit after tax each year, subject to the Group's growth profile, cash flow forecasts and other investment opportunities which would ultimately achieve higher returns for its shareholders.

Therefore, dividends each year to be reviewed by the Board between 33% and 50% of profit after tax giving dividend cover of between 2 and 3 times.

Any dividends paid outside of these parameters would be deemed exceptional by the Board. The current year's dividends declared of 6.0p (2016: 4.5p) is exceptional based on the policy parameters, but has been proposed due to the underlying profitability, the cash generation and the secured workload for 2018.

Directors

The Directors of the Company who served during the year are as shown on pages 56 and 57.

In accordance with the Articles of Association and the Group's commitment to following applicable governance requirements, SJT Brown, I Elliot and D Rogers retire by rotation and, being eligible, offer themselves for re-election.

Significant Shareholdings

10p ordinary shares:

	2017 £'000	2016 £'000
Mr PR Wood and Mr WEC Cursham (see note 30)	**841,174**	851,174
Mrs D Hutchinson, Mr IB Speke and Mr MS Garratt (see note 30)	**3,249,716**	3,249,716
Mr R Moyle, Mrs AEF Moyle and Mr RL Symington (see note 30)	**691,860**	691,860
Capita IRG Trustees Ltd	**438,806**	476,249
TWG Charlton	**792,500**	555,000

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 £41,000 during the year (2016: £43,000). These donations were made to 87 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 offers 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.

The Group is committed to equality and diversity and does not discriminate in employee selection.

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.

Directors' Report

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.

Share Capital

Details of the authorised and issued share capital of the Company are set out in note 18.

The Directors believe that it would be advantageous to the Company to have more flexibility as regards the shares in the Company. The Directors have, therefore, decided to request shareholders to confer the authorities as detailed below. The Directors will be voting in favour of the proposed Resolutions in respect of their own shareholdings in the Company, and they recommend that you vote in favour of the Resolutions.

Greenhouse Gas Emission

Details of our emission during the year are set out on pages 51 and 52 and form part of the Directors' Report Disclosures.

Authority to Allot Equity Securities (Resolution 6)

Generally, the Directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders.

If passed, Resolution 6 will authorise the Directors to allot shares in the Company (and to grant rights to subscribe for, or to convert any security into, shares in the Company) up to an aggregate nominal amount of £50,750 (which represents approximately 5% of the Company's issued share capital as at 1 April 2018, being the last practicable date before the publication of this document).

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of the Resolution (whichever is earlier). It is the Directors' intention to renew the allotment authority each year. There are no present plans to exercise this authority.

Disapplication of Pre-emption Rights (Resolution 7)

Resolution 7, if passed, would enable the Directors to allot shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £50,750 (which represents approximately 5% of the Company's issued share capital as at 1 April 2018), without having to first offer them to shareholders in proportion to their existing holdings. This limit is in line with the guidelines issued by the Pre-emption Group.

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of the Resolution (whichever is earlier). It is the Directors' intention to renew this authority each year. There are no present plans to exercise this authority.

Authority to Purchase Ordinary Shares (Resolution 8)

Resolution 8 will be proposed as a Special Resolution to give the Company authority to purchase its own shares in the market during the period until the next Annual General Meeting of the Company for up to 1,000,000 shares, representing approximately 10% of the issued ordinary share capital of the Company.

The Directors have no current intention of exercising this authority to purchase the Company's ordinary shares. The Company will only exercise this authority to make such a purchase in the market if the Directors consider it is in the best interests of the shareholders generally to do so.

The Company is permitted to hold shares it has purchased in treasury, as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy options exercised under any of the Company's share schemes. Whilst held in treasury, the shares are not entitled to receive any dividend or dividend equivalent (apart from any issue of bonus shares) and have no voting rights. The Directors believe it is appropriate for the Company to have the option to hold its own shares in treasury if, at a future date, the Directors exercise this authority. The Directors will have regard to investor Group guidelines which may be in force at the time of any such purchase, holding or resale of shares held in treasury.

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months after the passing of the Resolution (whichever is earlier). It is the Directors' intention to renew this authority each year.

Amendments to the Articles of Association of the Company (Resolution 9)

Resolution 9, if passed, will introduce certain amendments to the Company's articles of association, in compliance with the requirements and authorisations provided for in the Companies Act 2006. A full explanation of the proposed amendments is given in the Appendix to the Notice of Meeting on pages 117 to 119.

A Sustainable Business

We ensure our business is sustainable by taking a long-term view; valuing our employees and addressing the direct and indirect impact we have on the environment. Our sustainability policies are applied to affect the transition of our business to a low carbon economy. Further details are available on the Company's website (www.northmid.co.uk).

Modern Slavery Act

We are against any form of human trafficking and modern slavery. We act ethically and with integrity in all our business relationships and are committed to ensuring that there is no human trafficking and modern slavery within our supply chain. We have implemented and enforced effective systems and

controls designed to address the risk of human trafficking and modern slavery. For further information our full policy is available on the Company's website.

Anti-Corruption, Bribery and Fraud Prevention

We conduct all our business in an honest and ethical manner. We have a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. We uphold all laws relevant to countering bribery and corruption in all of the jurisdictions in which we operate, however, we remain bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct, home and abroad. For further information our full policy is available on the Company's website.

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(j) to the accounts with further disclosure provided in note 28.

All Employee Share Ownership Plan

The Company's All Employee Share Plan currently has 145 (2016: 119) participants. The total holding is 488,496 (2016: 476,249) shares.

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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 enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

DA Taylor
Finance Director & Company Secretary
27 March 2018

Pictured: Gas bag installation at Calder Vale WwTV completed by Nomenca

Financial Statements

A detailed report of our financial results

Independent Auditor's Report

Opinion on financial statements

We have audited the financial statements of North Midland Construction PLC (the "Parent Company') and its subsidiaries (the "Group"') for the year ended 31 December 2017 which comprise the Group Statement of Comprehensive Income, the Statements of Changes in Equity of the Group and Company, the Balance Sheets of the Group and Company, the Statements of Cash Flows of the Group and Company and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 38 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 83 in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 83 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 39 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and attributable profit (or losses) on contracts: Refer to page 62 (Audit Committee Report) and notes 2 and 4 to the financial statements for the Directors' disclosures of the related accounting policies, judgments and estimates. Revenue and attributable profit (or loss) is recognised on the stage of completion of individual contracts and frameworks, calculated on the proportion of total costs incurred at the reporting date as compared to the projected total costs at completion. Expected losses are recognised immediately as an expense. The extent of revenue and profit / loss to recognise on a particular partially completed contract represents an area of significant judgement within the financial statements, which involves an assessment of both current and future contract performance. The potential outcomes for contracts can have an individual or collectively material impact on the financial statements, whether through error or management bias. Legacy contracts, which carry a high contractual and commercial risk, may be subject to estimation uncertainty.	For a selection of contracts from each operating segment we obtained a copy of the contract documentation and critically assessed and challenged the recognition of revenue from review of the performance of the contract. • We substantively tested the revenue figures as applied to the contracts throughout the year. • We tested the controls governing applications for payment and recognition of WIP, the application of payroll, subcontractor and purchasing costs to the contracts ledger for operational effectiveness throughout the year. • We assessed the position adopted by management at the year end as compared to external evidence being customers' certification of work done or other relevant correspondence. • We carried out a detailed review of the post year end performance of the contracts to corroborate estimates taken at the year end in respect of costs expected to be incurred and challenged assumptions which appeared inconsistent with actual post year end performance. • Groups of contracts negotiated as a single framework were reviewed to ensure they were accounted for on a weighted average basis and accurately reflected the overall performance of the contract. • We assessed the reliability of management estimates in light of the positions adopted in previous years compared to actual out-turn. • We reviewed legal and experts' reports instructed and received on contentious issues and contracts. • We considered the specific accounting entries and disclosure of legacy contracts.
Recoverability of trade receivables and amounts recoverable under construction contracts: Refer to page 62 (Audit Committee Report) and notes 2 and 4 to the financial statements for the Directors' disclosures of the related accounting policies, judgments and estimates. This area was assessed as a significant risk because construction contract assets (trade receivables and amounts recoverable under construction contracts) may be subject to complex negotiated settlements or dispute.	We identified individual trade receivable and amounts recoverable under construction contract balances which we considered presented the greatest risk of exposure either by size or by age. Where possible we corroborated the year end trade receivables to post year end payments and customer remittances. Where construction contract assets had not been supported by external certifications we agreed the balance to QS applications at the year end and where applicable, external expert quantification opinions. If payment had not been received we inspected correspondence with the customer, including customer certifications of applications made for payment and customer payment history to assess the recoverability of the debt. We challenged management's assessment of the recoverability of trade receivables and construction contract balances in light of the evidence available to us, including a review of legal and experts' reports instructed and received on contentious issues. We inspected a sample of retention balances and in each case we corroborated the value of the retention to customer correspondence and confirmed when the retention was due. For all retentions that were due we reviewed the status of the project and formed a conclusion on the recoverability of the balance in light of the evidence presented.

Independent Auditor's Report

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users, that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £414,000 (2016: £1,850,000) for the Group and £364,000 (2016: £1,500,000) for the Company. In determining this, we based our assessment on 5% of underlying profit (2016: 0.75% of turnover). We believe that underlying profit (as defined on page 1 of the annual report) represents one of the principal key performance indicators for the Group and Parent Company, and is a generally accepted auditing benchmark.

Performance materiality was set at 75% of the above materiality levels based on a strong control environment and a low level of expected misstatements.

Whilst materiality for the financial statements of the Group as a whole was £414,000, each component of the Group was audited to a lower level of materiality. Audits of the components were performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

We agreed with the Audit Committee that we would report for their consideration all individual audit differences in excess of £8,280 and £7,280 for the Group and Company respectively. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Scope of the audit of the financial statements

The Group audit strategy was risk based and the nature and extent of our testing was established by concluding on the areas we considered represented a significant risk of material misstatement. In making this assessment we:

- Assessed the degree of estimation uncertainty associated with the judgements taken by the Directors during the preparation of the financial statements taking into account external factors which could result in management bias. This was specifically focused in the extent of profit or loss recognised on certain contracts. We inspected the performance of the six operating divisions inclusive of joint operations and selected certain contracts from each operating segment which we considered presented the greatest risk of material misstatement for detailed testing.
- Critically assessed the Group control environment and internal systems used to generate the following key accounting entries, revenue, direct material costs, subcontractor costs, payroll, stock and work in progress.
- Comparatively reviewed the performance of the Group against our expectations based on our knowledge of the Group, other relevant sector knowledge, the external economic conditions and historic performance and trends.
- Considered non-routine or unusual transactions which have an inherent risk of material error.

Our Group audit scope focused on the trading Parent Company, North Midland Construction PLC and trading subsidiary Nomenca Limited which were both subject to a full scope audit by the Group audit team. These entities represent the principal business units of the Group and account for 100% of the Group's revenue, 100% of the Group's profit before tax and 100% of the Group's total assets.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 83** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 61** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 60** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the members on 14 December 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ending 31 December 2010 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Richard Wilson (Senior statutory auditor)
for and on behalf of BDO LLP
Statutory auditor
Nottingham, UK.
27 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £'000 Underlying	2017 £'000 Legacy (note 4)	2017 £'000 Total	2016 £'000 Underlying	2016 £'000 Legacy (note 4)	2016 £'000 Total
Revenue	3	**297,619**	**(5,849)**	**291,770**	251,164	(675)	250,489
Other operating income		**451**	**–**	**451**	325	–	325
		298,070	**(5,849)**	**292,221**	251,489	(675)	250,814
Raw materials and consumables		**(44,698)**	**–**	**(44,698)**	(39,291)	–	(39,291)
Other direct charges		**(167,019)**	**(1,443)**	**(168,462)**	(140,388)	(3,176)	(143,564)
Employee costs	7	**(69,486)**	**–**	**(69,486)**	(58,738)	–	(58,738)
Depreciation of property, plant and equipment	13	**(3,057)**	**–**	**(3,057)**	(2,400)	–	(2,400)
Other operating charges		**(5,327)**	**–**	**(5,327)**	(4,580)	–	(4,580)
Operating profit	8	**8,483**	**(7,292)**	**1,191**	6,092	(3,851)	2,241
Finance costs	9	**(187)**	**–**	**(187)**	(179)	–	(179)
Profit before tax		**8,296**	**(7,292)**	**1,004**	5,913	(3,851)	2,062
Tax	10	**(1,665)**	**1,403**	**(262)**	(198)	770	572
Profit and total comprehensive income for the year		**6,631**	**(5,889)**	**742**	5,715	(3,081)	2,634
Attributable to:							
Equity holders of the Parent				**742**			2,634
Profit per share — basic	12			**7.31p**			25.95p
Profit per share — fully diluted	12			**7.31p**			25.95p

Statements of Changes in Equity

for the year ended 31 December 2017

Group	Share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	1,015	455	20	8,727	10,217
Profit and total comprehensive income for the year	–	–	–	2,634	2,634
Dividends payable	–	–	–	(152)	(152)
Balance at 31 December 2016	1,015	455	20	11,209	12,699
Profit and total comprehensive income for the year	–	–	–	742	742
Dividends payable	–	–	–	(608)	(608)
Balance at 31 December 2017	**1,015**	**455**	**20**	**11,343**	**12,833**

Company	Share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	1,015	455	20	6,064	7,554
Profit and total comprehensive income for the year	–	–	–	2,127	2,127
Dividends payable	–	–	–	(152)	(152)
Balance at 31 December 2016	1,015	455	20	8,039	9,529
Profit and total comprehensive income for the year	–	–	–	248	248
Dividends payable	–	–	–	(608)	(608)
Balance at 31 December 2017	**1,015**	**455**	**20**	**7,679**	**9,169**

Balance Sheets

as at 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Assets			Restated		Restated
Non-current assets					
Property, plant and equipment	13	**17,122**	13,651	**17,116**	13,640
Investments in subsidiaries	14	**–**	–	**2,437**	2,437
Deferred tax asset	22	**1,223**	1,411	**1,222**	1,411
		18,345	15,062	**20,775**	17,488
Current assets					
Inventories	15	**1,820**	2,065	**1,387**	1,544
Construction contracts	16	**14,707**	12,175	**11,575**	9,280
Trade and other receivables	17	**35,227**	37,695	**31,455**	33,743
Cash and cash equivalents	24	**17,006**	11,405	**16,355**	10,614
		68,760	63,340	**60,772**	55,181
Total assets		**87,105**	78,402	**81,547**	72,669
Equity and liabilities					
Capital and reserves attributable to equity holders of the Parent					
Share capital	18	**1,015**	1,015	**1,015**	1,015
Merger reserve	19	**455**	455	**455**	455
Capital redemption reserve	19	**20**	20	**20**	20
Retained earnings	19	**11,343**	11,209	**7,679**	8,039
Total equity		**12,833**	12,699	**9,169**	9,529
Liabilities					
Non-current liabilities					
Obligations under finance leases	20	**2,514**	1,785	**2,514**	1,785
Provisions	21	**404**	394	**404**	394
		2,918	2,179	**2,918**	2,179
Current liabilities					
Trade and other payables	23	**68,726**	61,145	**67,009**	58,709
Current income tax payable		**177**	194	**–**	67
Obligations under finance leases	20	**2,451**	2,185	**2,451**	2,185
		71,354	63,524	**69,460**	60,961
Total liabilities		**74,272**	65,703	**72,378**	63,140
Total equity and liabilities		**87,105**	78,402	**81,547**	72,669

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 for the year was £248,000 (2016: £2,127,000).

The notes on pages 95 to 114 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 27 March 2018 and signed on its behalf by

J Homer
Chief Executive

DA Taylor
Finance Director and Company Secretary
27 March 2018

Statements of Cash Flows

for the year ended 31 December 2017

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Cash flows from operating activities		Restated		Restated
Operating profit	**1,191**	2,241	**190**	1,607
Adjustment for:				
Depreciation of property, plant and equipment	**3,057**	2,400	**3,052**	2,395
Gain on disposal of property, plant and equipment	**(448)**	(317)	**(448)**	(317)
Increase in reinstatement provision	**10**	33	**10**	33
Operating cash flows before movement in working capital	**3,810**	4,357	**2,804**	3,718
Decrease in inventories	**245**	270	**157**	491
Increase in construction contracts	**(2,532)**	(1,182)	**(2,295)**	(2,216)
Decrease in receivables	**2,468**	244	**2,288**	4,909
Increase in payables	**7,581**	4,557	**8,300**	1,468
Cash generated from operations	**11,572**	8,246	**11,254**	8,370
Income tax (paid) / received	**(91)**	78	**17**	78
Interest paid	**(79)**	(61)	**(79)**	(61)
Net cash generated from operations	**11,402**	8,263	**11,192**	8,387
Cash flows from investing activities				
Purchase of property, plant and equipment	**(2,897)**	(1,303)	**(2,897)**	(1,303)
Proceeds on disposal of property, plant and equipment	**580**	475	**580**	474
Dividends received from subsidiaries	**–**	–	**350**	–
Net cash used in investing activities	**(2,317)**	(828)	**(1,967)**	(829)
Cash flows from financing activities				
Equity dividends paid	**(608)**	(152)	**(608)**	(152)
Repayment of obligations under finance leases	**(2,768)**	(2,381)	**(2,768)**	(2,381)
Interest payable under finance leases	**(108)**	(118)	**(108)**	(118)
Net cash used in financing activities	**(3,484)**	(2,651)	**(3,484)**	(2,651)
Net increase in cash and cash equivalents	**5,601**	4,784	**5,741**	4,907
Cash and cash equivalents at 1 January 2017	**11,405**	6,621	**10,614**	5,707
Cash and cash equivalents at 31 December 2017	**17,006**	11,405	**16,355**	10,614

Notes to the Financial Statements

1. Notes to the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations 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 and have been prepared on a historical cost basis.

Accounting standards issued but not adopted
None of the amendments to standards that are effective from 1 January 2017 had a significant effect on the Group's financial statements.

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- Annual Improvements to IFRSs (2014–2016 Cycle) (effective 1 January 2018 and 1 January 2019)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

The Group has commenced its assessment of the impact of these standards and IFRS 9, IFRS 15 and IFRS 16 are considered in further detail below. The Group is not yet in a position to state whether the remaining standards would have a material impact on its results of operations and financial position. The Group does not intend on early adopting any of these standards.

IFRS 15 Revenue from Contracts with Customers (effective for the year beginning 1 January 2018), provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS 11 Construction Contracts and IAS 18 Revenue. The most significant areas of change which could potentially have an effect are:

- The standard prescribes that revenue is either all recognised at a point in time, or is recognised over time, depending on an assessment of when the performance obligation is deemed to be satisfied
- Recognition of variable income is subject to a revenue constraint such that revenue may only be recognised to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur in future
- There is also a requirement to both bundle and unbundle contracts depending on how the standard guidance on performance obligations applies to the individual contractual arrangements of the Group

Notes to the Financial Statements

1. Notes to the financial statements continued

The Group's IFRS 15 transition project is substantially complete and it is intended that the standard will be implemented with full retrospective application in the Group's 2018 financial statements. The choice of transitional practical expedients is being finalised and will be determined during the early part of 2018. The Directors estimate that the impact of applying IFRS 15 on the 2018 financial statements will be as below:

Revenue	**£m**
Revenue for the year ended 31 December 2017 prior to restatement	291.8
Estimated IFRS 15 adjustment	8.1
Revenue for the year ended 31 December 2017 after restatement	299.9
Profit and total comprehensive income	
Profit and total comprehensive income for the year ended 31 December 2017 prior to restatement	0.7
Estimated IFRS 15 adjustment	6.5
Profit and total comprehensive income for the year ended 31 December 2017 after restatement	7.2
Retained earnings	
Retained earnings at 1 January 2017 prior to restatement	11.2
Estimated IFRS 15 adjustment	(6.5)
Retained earnings at 1 January 2017 after restatement	4.7
Profit and total comprehensive income for the year ended 31 December 2017 after restatement	7.2
Dividends payable	(0.6)
Retained earnings at 31 December 2017 after restatement	11.3

Based on the analysis above the Directors consider that, following restatement under IFRS 15, the net assets of the Group at 31 December 2017 will not vary materially from those shown in these financial statements. This assessment is subject to the precise choice of transitional arrangements adopted and the amounts presented in the 31 December 2018 financial statements may differ to the amounts presented above.

IFRS 9 Financial Instruments (effective for the year beginning 1 January 2018) replaces IAS 39 Financial Instruments: Recognition and Measurement and specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. The most significant area of change which could potentially have an effect is the "expected loss" model, under which an allowance for credit losses is calculated by considering the cash shortfalls that would be incurred in various default scenarios and multiplying the shortfalls by the probability of each scenario occurring.

Based on an assessment of historic credit losses on loans and receivables, the Directors consider that the impact of adopting IFRS 9 will not have a material impact on the 2018 financial statements.

IFRS 16 Leases (effective for the year beginning 1 January 2019) replaces IAS 17 Leases and provides a single lease accounting model, requiring lessees to recognise right of use assets and lease liabilities in the Balance Sheet for all applicable leases. Operating lease costs currently recognised within operating profit in the Statement of Comprehensive Income will be replaced by depreciation and finance costs. IFRS 16 is expected to have a significant effect on the amounts recognised in the Group's financial statements as at 31 December 2019, representing an increase in gross assets and liabilities in the Balance Sheet and an increase in operating profit and finance costs in the Statement of Comprehensive Income. The full impact of the standard is currently under review, therefore it is not practical to provide a reasonable estimate of the financial effect until this review is complete.

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 2017. All inter-company transactions and balances are eliminated on consolidation. Where the Company has control over an investment it is classified as a subsidiary. The Company controls an investee where all three of the following elements are present: power over the investee, exposure to variable returns from the entity, and the ability of the investor to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2. Significant accounting policies continued

(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 15 years
Fixtures, fittings, equipment and motor vehicles	– between 2 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) 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.

(d) 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 of 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 a group of contracts negotiated as a single framework are performed on a concurrent or continuous basis, and are so closely interrelated that in effect they are part of a single project with a single profit margin, then they accounted for as an aggregated single construction contract. Such contracts are accounted for on a weighted basis reflecting any known inequalities in profitability and giving a more accurate reflection of the overall performance of the contract.

Where it is anticipated that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The recoverable sales value of work carried out at the balance sheet date, which has not been applied for, is recognised as construction contracts in the Balance Sheet.

Trade receivables includes unpaid applications both certified and uncertified. Applications and certificates are reduced accordingly based on the stage of completion of a contract when compared to the cash received at the balance sheet date.

The cost incurred in relation to work completed at the balance sheet date, net of progress buying on construction contracts, is recognised in trade payables. In addition, any payments received in advance of completing the work are also recognised in trade payables.

Legacy contracts, being those entered into before 31 December 2013 and carrying a high contractual and commercial risk, are also accounted for on this basis. This is discussed further in note 4.1.

(e) 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 or 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 in the Balance Sheet. 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 balance sheet date.

2. Significant accounting policies continued

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, 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 is reviewed at each balance sheet 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.

(f) 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.

(g) Leases
Assets held under finance leases are recognised as assets of the Group at the fair value at the inception of the leases or, if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the Balance Sheet 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except if another systematic basis is more representative of the time pattern in which economic benefit will flow to the Group.

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

(h) Reinstatement provision
The reinstatement provision represents the Directors' best estimate of the fair value of expected costs relating to the statutory maintenance liability of two years on all contracts undertaken in the public highway.

(i) Joint operations
The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

Where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement it classifies its interests as a joint operation.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements)

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

2. Significant accounting policies continued

(j) Financial instruments
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 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.

Retentions are included in trade receivables and 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.

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 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.

(k) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is also the Chief Executive.

(l) Impairment of financial assets
All financial assets excluding cash and those measured at fair value through profit and loss, are assessed for indicators of impairment at each reporting date.

(m) Investments in subsidiaries
Investments in subsidiaries are carried at cost less any provision for impairment.

(n) Business combinations under common control
Business combinations under common control are accounted for using predecessor accounting whereby no assets or liabilities are restated to their fair value, instead the predecessor carrying values relating to the acquired entity are used.

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.

Notes to the Financial Statements

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

4.1 Revenue recognition and valuation of construction contracts within trade and other receivables

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. This includes the valuation of construction contract claims, incentive payments and variations in the contract work.

Judgement is also applied in determining when contracts should be aggregated and treated as a single construction contract. Where a group of contracts are treated as an aggregated single construction contract the Group has to estimate the percentage of construction to date as a proportion of the total construction to be performed, in addition to estimating the future margins and any final incentive payments to be received. The use of these estimates is intended to give the most accurate representation of the overall future single margin.

The Group reviews these estimates and assumptions as each contract progresses. To the extent that the amounts receivable on the contracts are different to the amounts recorded such differences will impact revenue and cost of sales in the period in which such determination is made.

Change of accounting policy

The Directors have restated the 2016 construction contracts and trade receivables figures to better reflect the classification of those assets in line with the Company policy and to provide reliable and more relevant information to users of the financial statements. Trade receivables includes unpaid applications both certified and uncertified, which are reduced accordingly based on the stage of completion of a contract when compared to the cash received at the balance sheet date.

Construction contract balances are amounts recoverable over and above any application values included in trade receivables. Comparative amounts as at 31 December 2016 have been restated to reflect an increase in trade and other receivables of £7.0m in the Group and Company Balance Sheets, Statements of Cash Flows and notes 16, 17 and 28, with a corresponding decrease in the construction contracts balance at that date. There has been no effect on profit or retained earnings as a result of the restatement.

Trade receivables

The carrying value of trade receivables amounted to £35.23 million (2016 restated: £37.70 million) as at 31 December 2017, in relation to £43.69 million (2016 restated: £32.84 million) of applications for payment that have not been certified.

Management have significant experience in making estimates around the percentage-of-completion, based on costs to complete and final project out-turn. Although there are likely to be fluctuations on individual contracts, using a portfolio basis the level of estimation uncertainty leading to a material adjustment within the next financial year is considered to be low. Estimation uncertainty which could have a material impact on the trade receivable asset has been mitigated where necessary by the use of independent quantum and legal experts who were assessed by the Directors for their ability, qualifications and experience in this field.

Legacy contracts

Legacy contracts are construction contracts entered into at the height of the recession, before 31 December 2013, and which carried a high contractual and commercial risk. These contracts have negatively impacted the Group's income statement in 2013 and subsequent years. As at 31 December 2017, there is only one legacy contract remaining. The legacy contract is included within trade receivables.

In the year to 31 December 2017, the total loss before tax recognised on legacy contracts was £7.29 million (2016: £3.85 million). During the year to 31 December 2016 the Group completed all onsite works for the one remaining legacy contract, therefore removing any further uncertainty around costs to fulfil the contract.

Contract revenue on the one remaining legacy contract has been recognised based on the prudent best estimate of the Directors as at 31 December 2017 of the amount recoverable from the client. Following a High Court ruling towards the end of 2017, which did not support the application of the well-established 'prevention principle' in relation to this contract; the Company has been

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

granted leave to appeal this decision by the Court of Appeal. On the advice of the Company's lawyers the Directors will vigorously pursue this appeal, but have decided to make a further provision against the outstanding debt. This matter will be kept under constant review and further announcements will be made if appropriate. The Group is and will be pursuing claims with the client for sums greater than the carrying value and is in negotiations to settle this balance. The Directors have sought to make the estimate as precise as possible by reflecting the views of independent quantum and legal experts who were appointed by the Directors for their ability, qualifications and experience in this field.

The independent quantum and legal experts, in conjunction with management, considered a number of factors when making their assessment, such as contractual terms, work performed, claims for variations, submissions for extensions of time, claims for loss and expense and expected time frames in which settlement in likely.

There are inevitably other external factors involved in the settlement of this balance which may be outside of the Board's control. In consideration of these factors, the Directors have assessed the potential reasonable range of variation on the trade receivable asset. This range has been assessed and estimated as an increase or decrease to trade receivables of £1.80 million or £1.60 million respectively.

Whilst the Directors are making every effort to seek a swift resolution to the matter, they are committed to achieving the best possible result for the Group. The ultimate settlement of this matter may take in excess of 12 months to achieve.

Construction contracts

The carrying value of construction contract assets amounted to £14.71 million (2016 restated: £12.18 million) as at 31 December 2017.

Construction contract assets on the Balance Sheet reflect amounts recoverable on construction contracts relating to small works frameworks, manufacture and fabrication projects with low estimation uncertainty, such that there is not considered to be a significant risk that their carrying amounts might change materially within the next financial year.

4.2 Deferred tax asset

The carrying value of the deferred tax asset as at 31 December 2017 amounted to £1.22 million (2016: £1.41 million).

The recognition of deferred tax assets primarily relates to the carry forward of unused tax losses. This requires an assessment of the extent to which it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Given the recent history of tax losses of the Group, the recognition of this asset requires judgement by the Directors.

The Directors have assessed the recovery of the deferred tax asset, which is considered to be probable on the basis of the trading forecast for the Group, indicating sufficient future taxable profits to utilise the tax losses.

5. Reporting segments

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

Operating segments

The Group is composed of the following operating markets which are conducted in the UK and are effectively market sectors:

- Construction
- Power
- Highways
- Water
- Telecommunications

Further details of the operating segments' activities is provided in our Operational Review on pages 28 to 33.

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

Notes to the Financial Statements

5. Reporting segments continued

Year ended 31 December 2017

	Construction £'000	Power £'000	Highways £'000	Water £'000	Telecom-munications £'000	Underlying £'000	Legacy £'000	Total £'000
Revenue								
External sales	**33,712**	**15,311**	**45,084**	**168,169**	**35,343**	**297,619**	**(5,849)**	**291,770**
Result before corporate expenses	**2,971**	**1,345**	**2,828**	**15,254**	**752**	**23,150**	**(7,292)**	**15,858**
Corporate expenses	**(1,462)**	**(1,060)**	**(2,189)**	**(8,686)**	**(1,270)**	**(14,667)**	**–**	**(14,667)**
Operating profit/(loss)	**1,509**	**285**	**639**	**6,568**	**(518)**	**8,483**	**(7,292)**	**1,191**
Finance costs						**(187)**	**–**	**(187)**
Profit before tax						**8,296**	**(7,292)**	**1,004**
Tax						**(1,665)**	**1,403**	**(262)**
Profit for the year						**6,631**	**(5,889)**	**742**

Year ended 31 December 2016

	Construction £'000	Power £'000	Highways £'000	Water £'000	Telecom-munications £'000	Underlying £'000	Legacy £'000	Total £'000
Revenue								
External sales	23,812	30,427	32,751	134,618	29,556	251,164	(675)	250,489
Result before corporate expenses	5,222	1,799	2,036	11,922	(294)	20,685	(3,851)	16,834
Corporate expenses	(4,217)	(880)	(1,595)	(6,685)	(1,216)	(14,593)	–	(14,593)
Operating profit/(loss)	1,005	919	441	5,237	(1,510)	6,092	(3,851)	2,241
Finance costs						(179)	–	(179)
Profit before tax						5,913	(3,851)	2,062
Tax						(198)	770	572
Profit for the year						5,715	(3,081)	2,634

Segment assets

	2017 £'000	2016 £'000
Construction	**6,195**	11,220
Power	**10,841**	9,240
Highways	**14,297**	12,037
Telecommunications	**15,737**	18,351
Water	**40,035**	27,554
Total segment assets and consolidated total assets	**87,105**	78,402

5. Reporting segments continued

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Construction	**424**	273	**924**	390
Power	**192**	355	**420**	507
Highways	**567**	382	**1,236**	546
Telecommunications	**444**	345	**969**	493
Water	**1,430**	1,045	**3,111**	1,491
Total	**3,057**	2,400	**6,660**	3,427

There were no impairment losses recognised in respect of property, plant and equipment. All of the above relates to continuing operations and arose in the United Kingdom.

The results of each segment are not materially affected by seasonality.

Information about major customer

Revenues of approximately £118,872,000 (2016: £101,076,000) were derived from a single external customer. These revenues are attributable to the Water segment. No other customer accounted for more than 10% of revenues.

6. Employee numbers

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

	2017 No.	2016 No.
Management	**103**	95
Administration	**158**	104
Contracting	**1,161**	1,081
	1,422	1,280

7. Employee costs

Employees costs in the year for the Group and Company were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**61,498**	52,200
Social security costs	**5,876**	4,871
Other pension costs	**2,112**	1,667
	69,486	58,738

Remuneration in respect of the Directors is set out in the Remuneration Report on pages 66 to 80.

Notes to the Financial Statements

8. Operating profit

		2017 £'000	2016 £'000
Operating profit is stated after charging:			
Hire of plant and machinery	– one-off hire charges – operating leases	**8,830**	7,502
Depreciation	– wholly owned	**1,458**	991
	– held under finance lease	**1,599**	1,409
Rentals payable under operating leases		**399**	348
Auditor's remuneration	– audit fee of Parent Company	**55**	38
	– audit fee of subsidiaries	**25**	24
	– taxation services	**–**	3
	– other services	**–**	8
Directors' emoluments			
Fees to Non-Executive Directors		**108**	105
Remuneration as Executives salary and benefits		**1,184**	991
	– performance related	**365**	391
	– pension contributions relating to five Directors in defined contribution schemes	**163**	137
And after crediting:			
Gain on disposal of property, plant and machinery		**448**	317

9. Finance costs

	2017 £'000	2016 £'000
Interest on overdraft	**79**	61
Interest on obligations under finance leases	**108**	118
	187	179

10. Tax

	2017 £'000	2016 £'000
Current tax – current year 19.25% (2016: 20%)	**177**	194
Current tax – prior year	**(103)**	(60)
Deferred tax – current year 18.80% (2016: 20%)	**32**	(706)
Deferred tax - prior year	**72**	–
Deferred tax – rates adjustment	**84**	–
	262	(572)

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

	2017 £'000	2016 £'000
Profit before tax	**1,004**	2,062
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	**193**	412
Expenses not deductible for tax purposes	**3**	(26)
Income not taxable for tax purposes	**(8)**	–
Depreciation on assets not qualifying for capital allowances	**27**	42
Other differences	**(6)**	28
Adjustments in respect of previous periods	**53**	(60)
Deferred tax asset recognised	**–**	(789)
Deferred tax asset utilised in period	**–**	(179)
	262	(572)

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The tax credit in the prior year arises from a deferred tax asset from short-term timing differences and trading losses now recognised. There are no unrecognised trading losses carried forward (2016: £nil).

10. Tax continued

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

11. Dividends

Amounts recognised as distributions to equity holders in the year:

	2017 £'000	2016 £'000
Final dividend for the year ended 31 December 2016 of 3p (2015: 0p) per share	**303**	–
Interim dividend for the year ended 31 December 2017 of 3p (2016: 1.5p) per share	**305**	152
	608	152

The Directors recommend a final dividend of 3p per share for the year ended 31 December 2017 (2016: 3p).

12. Earnings per share

Earnings per share, both basic and diluted, is calculated on the profit attributable to equity holders of the parent of £742,000 (2016: £2,634,000) and the weighted average of 10,150,000 (2016: 10,150,000) shares in issue during the year.

The share awards granted under the performance share plan are considered to be contingently issuable shares that could potentially dilute basic earnings per share in the future, but were not included in a calculation of diluted earnings per share because they are antidilutive for the year.

13. Property, plant and equipment

	Group				**Company**			
Cost	**Freehold land and buildings £'000**	**Plant and machinery £'000**	**Fixtures, fittings, equipment and motor vehicles £'000**	**Total £'000**	**Freehold land and buildings £'000**	**Plant and machinery £'000**	**Fixtures, fittings, equipment and motor vehicles £'000**	**Total £'000**
At 1 January 2016	7,950	8,499	10,173	26,622	7,950	8,347	9,751	26,048
Additions	–	1,573	1,855	3,428	–	1,573	1,854	3,427
Disposals	–	(1,052)	(860)	(1,912)	–	(1,052)	(860)	(1,912)
At 1 January 2017	7,950	9,020	11,168	28,138	7,950	8,868	10,745	27,563
Additions	1,104	1,947	3,609	6,660	1,104	1,947	3,609	6,660
Disposals	–	(1,102)	(1,871)	(2,973)	–	(1,102)	(1,871)	(2,973)
At 31 December 2017	**9,054**	**9,865**	**12,906**	**31,825**	**9,054**	**9,713**	**12,483**	**31,250**
Depreciation								
At 1 January 2016	1,335	5,633	6,873	13,841	1,335	5,496	6,451	13,282
Charge for the year	127	801	1,472	2,400	127	797	1,471	2,395
Disposals	–	(907)	(847)	(1,754)	–	(907)	(847)	(1,754)
At 1 January 2017	1,462	5,527	7,498	14,487	1,462	5,386	7,075	13,923
Charge for the year	106	966	1,985	3,057	106	962	1,984	3,052
Disposals	–	(1,088)	(1,753)	(2,841)	–	(1,088)	(1,753)	(2,841)
At 31 December 2017	**1,568**	**5,405**	**7,730**	**14,703**	**1,568**	**5,260**	**7,306**	**14,134**
Carrying amount								
At 31 December 2017	**7,486**	**4,460**	**5,176**	**17,122**	**7,486**	**4,453**	**5,177**	**17,116**
At 31 December 2016	6,488	3,493	3,670	13,651	6,488	3,482	3,670	13,640
At 31 December 2015	6,615	2,866	3,300	12,781	6,615	2,851	3,300	12,766

Notes to the Financial Statements

13. Property, plant and equipment continued

Included in the assets of the Group and Company are assets held under finance leases with a carrying amount of:

	2017 £'000	2016 £'000
Plant	**2,634**	1,930
Motor vehicles	**3,710**	2,635
	6,344	4,565
Additions for the Group and Company financed by new leases		
Plant	**1,316**	1,040
Motor vehicles	**2,447**	1,083
	3,763	2,123

14. Investments in subsidiaries

	Shares in Group companies	
Company	**2017 £'000**	2016 £'000
Cost:		
At 1 January and 31 December	**2,437**	2,437

Details of Group undertakings (incorporated in Great Britain):

		Percentage of ownership interest and voting power held	
	Principal activities	**2017 %**	2016 %
North Midland Building Limited	Building and Refurbishment	**100**	100
Nomenca Limited	Mechanical and Electrical Installation	**100**	100

The registered address for all subsidiaries is the same as that of the Parent Company.

15. Inventories

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Raw materials and consumables	**1,820**	2,065	**1,387**	1,544

16. Construction contracts

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
		Restated		Restated
Contracts in progress at balance sheet date:				
Progress billings and applications for payment included in trade and other receivables	**33,856**	36,471	**30,149**	30,459
Amounts due to contract customers included in trade and other payables	**–**	–	**–**	–
	33,856	36,471	**30,149**	30,459
Contract costs incurred plus recognised profits less recognised losses to date	**372,961**	313,001	**324,256**	271,391
Less: Progress billings and applications for payment	**(358,254)**	(300,826)	**(312,681)**	(262,111)
Amounts recoverable on construction contracts	**14,707**	12,175	**11,575**	9,280

The Directors have restated the 2016 construction contracts and trade receivables figures to better reflect the classification of those assets in line with the Company policy and to provide reliable and more relevant information to users of the financial statements. Trade receivables include all application values less any adjustment for the stage of completion of a contract, or the deemed recoverable amount. Construction contract balances are amounts recoverable over and above any application values included in trade receivables. Comparative amounts as at 31 December 2016 have been restated above to reflect a decrease in amounts recoverable on construction contracts of £7.0m in the Group and Company Balance Sheets, with a corresponding increase in the trade receivables balance at that date.

17. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
		Restated		Restated
Trade receivables	**25,369**	29,642	**22,441**	24,351
Retentions held by customers for contract work	**8,487**	6,829	**7,708**	6,108
Other receivables	**9**	19	**8**	19
Prepayments and accrued income	**1,362**	1,205	**1,298**	1,159
Amount owed by Group undertakings	**–**	–	**–**	2,106
	35,227	37,695	**31,455**	33,743

The average credit period (excluding retentions) taken on sales is 32 days (2016: 33 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. Trade receivables comprise of applications for payment in respect of construction contracts. Applications for payment that had not been certified as at 31 December 2017 totalled £43,687,000 (2016 restated: £32,844,000), Company £33,919,000 (2016 restated: £25,860,000). Certified amounts of approximately £2,530,000 (2016: £1,935,000), Company £2,308,000 (2016: £1,935,000) were past due as at 31 December 2017, but have not been impaired as the Directors consider these debts to be fully recoverable, which is consistent with past default experience. All balances are less than six months overdue except £557,000 (2016: £277,000).

The Directors have restated the 2016 construction contracts and trade receivables figures to better reflect the classification of those assets in line with the Company policy and to provide reliable and more relevant information to users of the financial statements. Trade receivables include all application values less any adjustment for the stage of completion of a contract, or the deemed recoverable amount. Construction contract balances are amounts recoverable over and above any application values included in trade receivables. Comparative amounts as at 31 December 2016 have been restated above to reflect an increase in trade and other receivables of £7.0m in the Group and Company Balance Sheets, with a corresponding decrease in the construction contracts balance at that date.

18. Share capital

	2017 £'000	2016 £'000
Authorised:		
12,500,000 ordinary shares of 10p each	**1,250**	1,250
Allotted, issued and fully paid:		
10,150,000 (2016: 10,150,000) ordinary shares of 10p each	**1,015**	1,015

19. Reserves

The following describes the nature and purpose of each reserve within equity:

Merger reserve	The excess of the fair value of investments over the nominal value of shares issued as a consideration arising from business reconstructions that were accounted for as a merger.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Retained earnings	All other net gains/losses and transactions with owners not recognised elsewhere.

Notes to the Financial Statements

20. Obligations under finance leases

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Amounts payable under finance leases:				
Within one year	**2,451**	2,185	**2,451**	2,185
In the second to fifth years inclusive	**2,514**	1,785	**2,514**	1,785
Present value of lease payments	**4,965**	3,970	**4,965**	3,970
Future finance charges payable on leases:				
Within one year	**87**	75	**87**	75
In the second to fifth years inclusive	**58**	46	**58**	46
	145	121	**145**	121
Total amounts payable under finance leases	**5,110**	4,091	**5,110**	4,091

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 2017 the average effective borrowing rate was 1.8% (2016: 2.4%) over either LIBOR or bank base rate payable quarterly, subject to a minimum base rate of 0.5% (2016: 0.25%). Future finance charges have been estimated assuming a bank base rate of 0.5% (2016: 0.25%).

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

	Group and Company			
	2016 £'000	New leases £'000	Repayments £'000	**2017 £'000**
Reconciliation of liabilities arising from financing activities:				
Obligations under finance leases	3,970	3,763	(2,768)	**4,965**
Total liabilities from financing activities	3,970	3,763	(2,768)	**4,965**

21. Provisions

	Group and Company	
	2017 £'000	2016 £'000
At beginning of year	**394**	361
Additional provision in year	**192**	195
Utilisation of provision	**(182)**	(162)
At end of year	**404**	394

The reinstatement provision represents the Directors' best estimate of the fair value of expected costs relating to the statutory maintenance liability of two years on all contracts undertaken in the public highway. It is expected this will be utilised over two years.

22. Deferred tax

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
At beginning of year	**(1,411)**	(705)	**(1,411)**	(702)
Recognised in income statement	**188**	(706)	**189**	(709)
At end of year	**(1,223)**	(1,411)	**(1,222)**	(1,411)

22. Deferred tax continued

The deferred tax balance can be analysed as follows:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Depreciation in excess of capital allowances	**(120)**	81	**(116)**	84
Other differences	**(33)**	(38)	**(36)**	(38)
Recognised losses	**(1,070)**	(1,454)	**(1,070)**	(1,457)
	(1,223)	(1,411)	**(1,222)**	(1,411)

A deferred tax asset has been recognised on the basis that there is sufficient evidence in the trading forecast, that it is probable that future profits will be available against which the unused tax losses can be utilised.

23. Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Trade payables	**54,141**	52,353	**54,141**	52,042
Other taxes and social security costs	**6,734**	4,670	**3,739**	1,866
Accruals and other payables	**7,851**	4,122	**7,748**	4,029
Amounts owed to Group undertakings	**–**	–	**1,381**	772
	68,726	61,145	**67,009**	58,709

The average credit period taken for trade purchases, excluding retentions, is 43 days (2016: 52 days).

24. 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.

25. Contingent liabilities

Aviva Insurance Limited, Lloyds Bank plc, and HCC International Insurance Company Plc have given Performance Bonds to a value of £6,010,000 (2016: £4,490,000) on the Group's behalf. These bonds have been made with recourse to the Group.

26. Operating lease commitments

	Land and buildings		Other leases	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Lease activity				
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the period	**229**	232	**170**	116
At the balance sheet date the Group had outstanding commitments under non-cancellable leases which fall due as follows:				
Within one year	**201**	264	**281**	138
In the second to fifth years inclusive	**315**	382	**340**	293
	516	646	**621**	431

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.

27. Pension contributions

The total cost charged to income of £2,112,000 (2016: £1,667,000) represents pension contributions payable by the Group. As at 31 December 2017 contributions of £252,000 (2016: £201,000) due in respect of the current reporting period had not been paid over to the schemes.

28. 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, a variable rate bank overdraft and finance leases when required. 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. Forecasts and budget are approved by the Board to predict expected operational expenses each month.

The Group had cash balances at the year end of £17,006,000 (2016: £11,405,000) and has facilities in place to meet all anticipated working capital requirements.

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 where 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 that the Group's relatively diverse operations provide a reduction in concentration risk by sector, geography and exposure to individual customers, except the major customer as noted in note 5 where a framework agreement and long-standing relationship is in place. Loans to/from joint operations are on normal arm's 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. The results of impairment testing of trade receivables is described in note 17.

28. Financial instruments and financial risk management continued

Classes and fair value of financial instruments

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
		Restated		Restated
Financial assets				
Construction contracts	**14,707**	12,175	**11,575**	9,280
Trade and other receivables	**33,865**	36,490	**30,157**	32,584
Cash and cash equivalents	**17,006**	11,405	**16,355**	10,614
Financial liabilities				
Trade and other payables	**61,992**	56,473	**63,270**	56,841
Obligations under finance leases	**4,965**	3,970	**4,965**	3,970

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

Comparative information has been restated as a result of the change in accounting policy described in note 4.

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 17.

The maturity of finance leases is provided in note 20.

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

Notes to the Financial Statements

29. Key management

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

Key management and personnel during 2017 were as follows:

PLC Board:	R Moyle (*)	
	J Homer (*)	
	DA Taylor (*)	
	AD Langman	
	DS Proud	
	SJT Brown	
	I Elliott	
	DP Rogers	
Nomenca Ltd Directors:	AD Langman	
	RAJ Culshaw	
Divisional Managers:	Building:	N Banks
	Civils:	A Brown
	Highways:	G Poyzer
		M Lowson
	Utilities:	P Norton
		D Andrews
		M Blakeway
	Nomenca:	WT Brelsford
		MH Shadrick
		P Birch
		G Stonard
	NMCNomenca:	JA Smith
		M Lee
		PD Jackson
		F Ashley
	Head office:	G Clegg
		MW Hanrahan
		ML Mason
		K Morris
		M Barney

* R Moyle, DA Taylor and J Homer are also Directors of Nomenca Limited

Key management costs

Key management costs: Salary, employer's national insurance contributions and benefits £4,608,000 (2016 restated: £3,976,000); pension contributions £338,000 (2016 restated: £287,000).

30. 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:

		2017	2016
Mrs MG Moyle	(Mother to R Moyle)	**224,557**	224,557
Miss KEF Moyle	(Daughter of R Moyle)	**2,000**	2,000
Miss ER Moyle	(Daughter of R Moyle)	**2,000**	2,000
Mrs D Thompson	(Sister to R Moyle)	**232,342**	237,400
Mr IB Speke, Mrs D Hutchinson & Mr MS Garratt	1962 TG Moyle Settlement	**2,474,328**	2,474,328
Mr IB Speke, Mrs D Hutchinson & Mr MS Garratt	1967 TG Moyle Settlement	**775,388**	775,388
Mr PR Wood & Mr WEC Cursham	William Morris Settlement	**841,174**	851,174
Mr R Moyle, Mrs AEF Moyle & Mr RL Symington	1996 R Moyle Settlement	**691,860**	691,860

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 Company previously advised that on 29 March 2017, SPARK Advisory Partners Limited ("SPARK"), the Company's sponsor (in respect of this matter only), notified the Financial Conduct Authority (the "FCA") of a breach of the Listing Rules in relation to the related party transactions. SPARK also notified the FCA that the Company has a "controlling shareholder" (being the Moyle family and its associates) for the purposes of the Listing Rules in respect of which there is no agreement in place as required by Listing Rule 9.

The Company has now received a formal response from the FCA in respect of these breaches of the Listing Rules. The FCA's review has now been concluded and they do not intend to take any further action in relation to these matters at the present time. The basis of the FCA's decision was due to the following confirmations having been made:

1. SPARK has confirmed to the FCA that the transactions entered into between the Company and Mr R Moyle were fair and reasonable as far as the shareholders of the Company were concerned; and
2. SPARK has confirmed to the FCA that agreements, as required by LR 9.2.2AR(2)(a), have been put in place between the Company, Mr R Moyle and the Moyle family trusts.

31. 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	**2017 £'000**	2016 £'000
Due to North Midland Building Limited	**(772)**	(772)
Due (to) / from Nomenca Limited	**(626)**	2,106
	(1,398)	1,334

During the year the Company carried out £43,000 (2016: £413,000) of work for Nomenca Limited. Nomenca Limited carried out £1,300,000 (2016: £1,401,000) of work for the Company.

Notes to the Financial Statements

32. Joint operations

The Group is currently involved in the following joint operations:

	Group's Share	
	2017	2016
— with Costain Limited and Mott MacDonald Bentley Ltd. The ASP Batch Joint Venture. Waste Water Major Projects, Coventry UK.	**33%**	33%
— with Laing O'Rourke Construction Ltd. Ambergate Working Alliance. Construction of reinforced concrete covered storage reservoir, Ambergate, UK.	**50%**	50%
— with Barhale Limited. BNM Alliance. Construction of Elan Valley Aqueduct Scheme and Newark Sewerage Strategy Scheme.	**50%**	50%
— with Bam Nuttall Limited. BAMNomenca. Water Projects for South East Water.	**50%**	50%
— with Doosan Enpure Limited. DNM Alliance. Water Projects for Severn Trent Water.	**50%**	–

The Group financial statements for the year ended 31 December 2017 incorporate the following relating to the joint operations:

	2017 £'000	2016 £'000
Revenue	**45,206**	19,519
Expenses	**43,046**	18,316
Assets	**2,025**	2,907
Liabilities	**2,025**	2,907

33. Capital management

Capital comprises issued ordinary share capital, reserves and retained earnings.

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.

Notice of Meeting

Notice is hereby given that the Seventieth Annual General Meeting of North Midland Construction PLC will be held at Nunn Close, The County Estate, Huthwaite, Sutton-in-Ashfield, Nottinghamshire on 17 May 2018 at noon for the following purposes:

Ordinary Business

1. Receive and adopt the Directors' Report, the Strategic Report and the financial statements for the year ended 31 December 2017 and the Auditor's Report thereon.
2. To declare a final dividend.
3. To reappoint the following Directors:
   i. SJT Brown
   ii. I Elliott
   iii. DP Rogers
4. To appoint BDO LLP as Auditor of the Company under section 489 of the Companies Act 2006 until the conclusion of the next General Meeting of the Company at which audited accounts are laid before members.
5. To approve the Directors' Remuneration Report.

Additional Resolutions

Special Business

To consider and, if thought fit, pass the following Resolutions, of which Resolution 6 will be proposed and voted on as an Ordinary Resolution and Resolutions 7,8 and 9 will be proposed and voted on as Special Resolutions.

6. That, pursuant to section 551 of the 2006 Act the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities up to an aggregate nominal amount of £50,750 (which represents approximately 5% of the Company's issued share capital), provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the date 15 months from the date of the passing of this Resolution (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

   In this Resolution, 'Relevant Securities' means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

   This authority is in substitution for and shall replace all existing authorities (which, to the extent unused at the date of this Resolution, are revoked with immediate effect).

7. That, subject to the passing of Resolution 6 above, and pursuant to section 570 of the 2006 Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority granted by Resolution 6 as if section 561(1) of the 2006 Act did not apply to any such allotment, up to an aggregate nominal amount of £50,750 (which represents approximately 5% of the Company's issued share capital), and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the date 15 months from the date of the passing of this Resolution (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

   This power is in substitution for and shall replace all existing powers (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Notice of Meeting

8. That, pursuant to section 701 of the 2006 Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of £0.10 each in the capital of the Company ("Shares"), provided that:

   i. the maximum number of Shares which may be purchased is 1,000,000 (representing 10% of the Company's issued ordinary share capital);

   ii. the minimum price (exclusive of expenses) which may be paid for a Share is £0.10;

   iii. the maximum price (exclusive of expenses) which may be paid for a Share is the higher of: (i) an amount equal to 105% of the average of the middle market quotations for the Shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the date 15 months from the date of the passing of this Resolution (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

9. That the articles of association of the Company be amended to take account of certain requirements and authorisations provided for in the Act and that these new articles of association be adopted to the exclusion of, and in substitution for, the existing articles of association of the Company (and accordingly those provisions which, immediately before 1 October 2009, were contained in the Company's memorandum of association and by virtue of section 28 of the Act would otherwise be treated as provisions of the Company's articles of association shall no longer apply to the Company); and as contemplated in such altered articles of association:

   i. the Company may send or supply any document or information that is required or authorised to be sent or supplied to a member or another person by the Company under the Companies Acts (as defined in section 2 of the Act), or pursuant to the Company's articles of association or to any other rules or regulations to which the Company may be subject, by making it available on a website; and

   ii. the provisions of the Act which apply to sending or supplying a document or information required or authorised to be sent or supplied by the Companies Acts (as defined in section 2 of the Act) by making it available on a website shall also apply, the necessary changes having been made, to sending or supplying any document or information required or authorised to be sent by the Company's articles of association or other rules or regulations to which the Company may be subject by making it available on a website.

   An explanation of the main changes to the Company's articles of association, and the reasons for adopting the electronic communications regime, is set out in the Appendix to this Notice. A full copy of the amended articles of association is available for inspection on request.

By order of the Board

DA Taylor
Finance Director and Company Secretary
27 March 2018

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

Appendix to Notice of Meeting – Explanatory Notes

Resolution 3 - Election/Re-election of Independent Directors

In accordance with the provisions of the UK Corporate Governance Code, all current Independent Directors at the date of the AGM will retire at the AGM. All Directors, being eligible, offer themselves for election or re-election at the AGM. Short biographical details of the Directors are shown on pages 56 and 57 of the Annual Report and Accounts and full details are available on www.northmid.co.uk.

The Listing Rules require companies that have a controlling shareholder or shareholders to put the election or re-election of independent directors to a dual vote of (i) the shareholders as a whole, and (ii) the independent shareholders, being any person entitled to vote on the election of directors who is not a controlling shareholder of the Company. Mr IB Speke, Mr MS Garratt and Mrs D Hutchinson, as trustees of the 1962 TG Moyle Settlement (24.38%), Robert Moyle together with his wife (4.60%), Mr R Moyle, Mrs AEF Moyle and Mr RL Symington, as trustees of the 1996 R Moyle Settlement (6.82%), Mr IB Speke, Mr MS Garratt and Mrs D Hutchinson, as trustees of the 1967 TG Moyle Settlement (7.64%) and Mr WEC Cursham and Mr PR Wood, as trustees of the William Morris Settlement (8.29%) are each controlling shareholders by virtue of their respective shareholdings in the Company. The Independent Directors for these purposes are each of I Elliot, SJT Brown and DP Rogers, who are the Directors that the Board has determined are Independent Directors for the purposes of the UK Corporate Governance Code. Resolution 3 is therefore being proposed as an ordinary resolution which all shareholders may vote on, but in addition the Company will separately count the number of votes cast by independent shareholders in favour of the resolution to determine whether the threshold in (ii) above has been met.

As required by the Listing Rules, in respect of each of the Independent Directors, the Company confirms the following:

i. There are no existing or previous relationships, transactions or arrangements between each Independent Director and the Company, any of its Directors, any controlling shareholder of the Company or any associate of such a controlling shareholder.

ii. Each of the Independent Directors continues to be effective, to contribute to the performance of the Board and demonstrate commitment to his or her role. In addition to the board/committee meetings and AGM, they attend and contribute to executive management conferences and investor days, and each of them provide additional support to the Board and the Company on a specific area of interest related to his or her skills and experience, as set out on page 57.

iii. The Company has determined that each Independent Director is indeed independent by considering the various relationships referred to above and obtaining confirmation from its senior management and the relevant Independent Director that the relevant Independent Director was not involved in any decisions relating to the dealings referred to or any other dealing between the Independent Director or any organisation with which he or she is connected and the Company, any of its directors, any controlling shareholder of the Company or any associates of such a controlling shareholder.

The Company recommends that the Independent Directors should be re-elected as set out in the relevant resolutions.

Under the Listing Rules, if a resolution to re-elect an independent director is not approved by a majority vote of both the shareholders as a whole and the independent shareholders of the Company at the AGM, a further resolution may be put forward to be approved by the shareholders as a whole at a meeting which must be held more than 90 days after but within 120 days of the first vote. Accordingly, if any of Resolution 3 is not approved by a majority vote of the Company's independent shareholders at the AGM, the relevant Director(s) will be treated as having been re-elected only for the period from the date of the AGM until the earlier of (i) the close of any general meeting of the Company, convened for a date more than 90 days after the AGM but within 120 days of the AGM, to propose a further resolution to re-elect him or her, (ii) the date which is 120 days after the AGM and (iii) the date of any announcement by the Board that it does not intend to hold a second vote. In the event that the Director's re-election is approved by a majority vote of all shareholders at a second meeting, the Director will then be re-elected until the next AGM.

Resolution 9 - Adoption of new articles of association

It is proposed in resolution 9 that the Company adopts new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to ensure the articles are up to date with electronic communications legislation.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted below. The New Articles are available for inspection, as noted on page 116.

Appendix to Notice of Meeting – Explanatory Notes

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum and provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 9 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Act are in the main amended to bring them into line with the Act.

3. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

4. Authorised share capital and unissued shares

The Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

5. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

7. Provision for employees on cessation of business

The Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the Directors may exercise this power.

8. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Act, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

9. Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

10. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

11. Electronic conduct of meetings

Amendments made to the Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

12. Electronic communications

The New Articles have been updated to allow the Company to apply electronic communications rules to documents and information to be sent under its articles of association, as well as documents and information required or permitted to be sent under the Act and under other rules or regulations including the Listing Rules. The Act requires certain conditions to be met before a company can take advantage of the new rules, including that the Company must notify shareholders by post or electronically that the relevant document is available on the website. The New Articles allow the Company to use electronic communications with shareholders as the default position by placing any documents or information, including the annual report and accounts, on a website rather than sending such documents or information to shareholders in hard copy. Shareholders may also ask for a hard copy of any document at any time.

The Company is asking each shareholder individually to agree that the Company may send or supply documents or information by means of a website, subject to Resolution 9 being passed. This request is included with this letter and explains that, if the Company has not received a response within 28 days beginning with the day of the request, the shareholder will be taken to have agreed. This request is being sent to all shareholders, (including those who have already agreed to website publication), so that in the future the Company has a single regime applicable to all shareholders. Even if a shareholder fails to respond, and is taken to agree to website publication, he or she can ask for a hard copy of any document from the Company at any time.

The Company will send a notification to shareholders to alert them to the publication of the relevant document when a document or information is made available on the website. Shareholders may choose to receive this notification in hard copy form or by email. The new arrangements are expected to save considerable administrative, printing and postage costs, while preserving shareholders' rights to receive hard copy documents if they wish.

13. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Financial Calendar

Preliminary results announcement	28/03/2018
Annual General Meeting	17/05/2018
Interim period end	30/06/2018
Half yearly financial results	09/08/2018
Year end	31/12/2018

Company Information

North Midland Construction PLC

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

Tel: 01623 515008
Fax: 01623 440071
Email: webcontact@northmid.co.uk
Website: www.northmid.co.uk

Directors and advisors

Company registration number
00425188 (England and Wales)

Directors

R Moyle BSC (Hons) CEng FICE
J Homer FRICS
DA Taylor BA (Hons) ACA
AD Langman
DS Proud
SJT Brown FCA
I Elliott BSc CEng MICE
DP Rogers LLB

Secretary

DA Taylor BA (Hons) ACA

Auditor

BDO LLP
Regent House
Clinton Avenue
Nottinghamshire
NG5 1AZ

Solicitors

Browne Jacobson
Mowbray House
Castle Meadow Road
Nottinghamshire
NG2 1BJ

Bankers

Lloyds Bank plc
Old Market Square
Nottinghamshire
NG1 6FD

Registered office

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

Registrars

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

Corporate Brokers

SI Capital
Bow House
Bow Lane
London
EC4M 9EE

Corporate Advisors

Spark Advisory Partners Ltd
No.1 Aire Street
Leeds
LS1 4PR

North Midland Construction PLC

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

Tel: 01623 515008
Fax: 01623 440071

Email: **webcontact@northmid.co.uk**

www.northmid.co.uk