A positive impact on everything we touch

nmcn

nmcn plc

(FORMERLY NORTH MIDLAND CONSTRUCTION PLC)

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

www.nmcn.com

nmcn

nmcn provides a **complete service offering** to the construction industry from conception to optimisation, **delivering best value** and **innovation**.

Purpose

A positive impact on everything we touch

Having a positive impact on everything we touch means putting people at the heart, promoting safety above all and considering the total wellbeing of our people. We are a sustainable company, and we want to promote all the ways we look after the environment and the communities in which we live. We take pride in achieving national and industry standards of excellence, and, above all, we work hard to ensure the sustainability of the planet for future generations. We not only aspire to become better collaborators with each other, but also with everyone we work with, famous for being progressive in the development and improvement of people, quality and technology.

Read more on **Purpose** on pages 02 to 03

New Identity

One name, one logo, one brand and a new way to express who we are. Our nmcn branding is inspired by the need to future-proof our legacy and represents people at the heart - that includes our colleagues, customers, clients, and supply chain.

Website

Our website has a wealth of additional information and case studies showcasing our expertise.

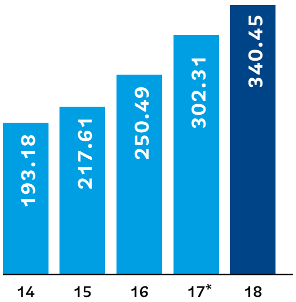
www.nmcn.com

Highlights

Financial

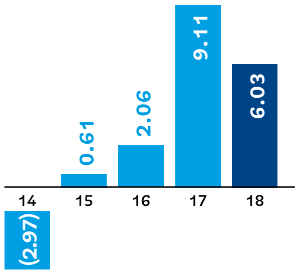
Revenue growth
£m

+12.62%
£340.45m



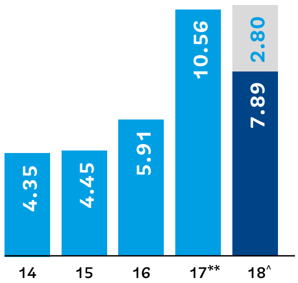
Profit before tax
£m

-33.8%
£6.03m



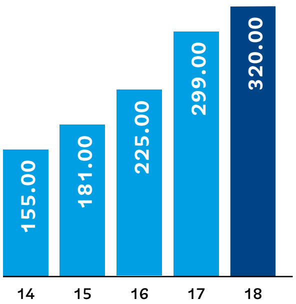
Profit before non-recurring Items £m**

-25.28%
£7.89m



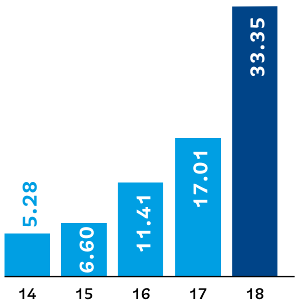
Secured workload
£m

+7.02%
£320.00m



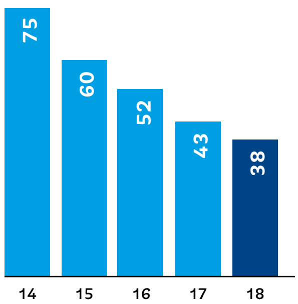
Cash
£m

+96.06%
£33.35m



Creditor Days
£m

-11.63%
38



Operational

- Considered growth in revenue in line with strategic plan objectives.
- Rigorous selection of new work at bid stage and effective risk management of operations resulting in predictable margin tolerances.
- Excellent results from our focus on cash management with a year end balance of £33.35 million.
- Improvement in creditor days over the last 5 years from 75 to 38. More potential for further progress is in train.
- Strong performance on winning new work with significant framework orders received and more repeat business in the pipeline.
- Strong opening order book of carefully considered high quality work.
- Good progress on advancing our digital transformation agenda for improved operational efficiency.
- Our focus on people being at the heart of our business and the differentiator for success continues to be successful.

* after IFRS 15 and other prior year restatement – see note 2
** please see pages 24 to 29 for our Financial Review which explains this alternative performance measure in more detail
^ illustrative to show Telecoms losses added back to profit of £2.80m, which then totals £10.69 million

Contents

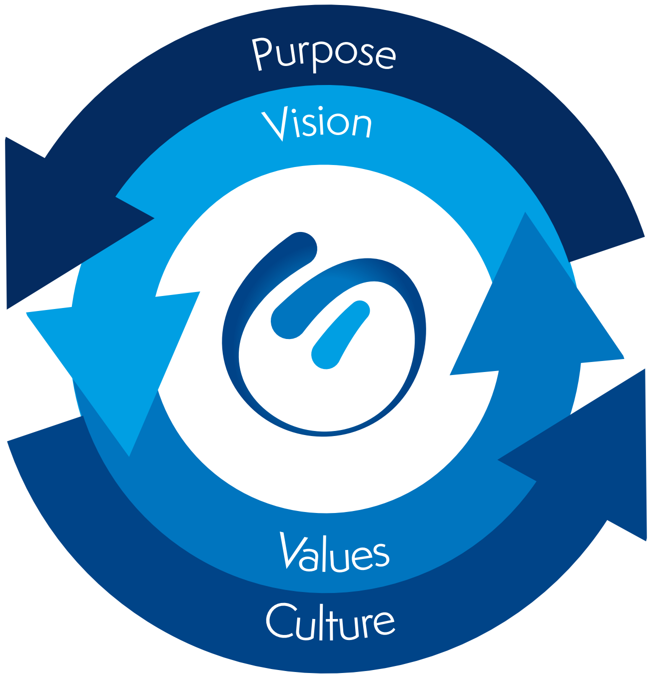
OUR PURPOSE, VISION, VALUES AND CULTURE

Our Identity

Our iconic nmcn branding is inspired by the need to future-proof our legacy and provides us with one name, one logo, one brand and a new way to express who we are.

It represents people at the heart – that includes our colleagues, customers, clients and supply chain. It signifies collaboration – we are one nmcn and we work better together. We believe in sustainability not only for our business but for our communities and the environment in which we work and live. We are progressive about developing people, quality and technology.

As we move forward our nmcn identity will provide us with a platform on which we can build further success and continue to grow.



Read more information on **Our Positive Impact** on pages 42 to 53

Purpose

A positive impact on everything we touch

Vision

To be the best performing company in our chosen markets by delivering exceptional customer service

Values

People are what makes us who we are
Inspire what we do differently
Excellence is what we achieve

Culture

We are an agile organisation providing a safe, inclusive and fair environment for people to succeed

Our Culture

A caring culture; an agile organisation providing a **safe, inclusive** and **fair environment** for people to succeed.

We Care

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 ever more 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 19, 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.

"The focus is truly on people and their development in order to build a sustainable business and carry it forward into the future."

"I have developed into my role with confidence, ability and strength. Additionally, I have been given further opportunity to grow and develop for the future, with enrolment on the latest ILM (Institute of Leadership and Management) level five management course. The course will give me further skills and abilities to progress my career and handle the new challenges that lie ahead. "

RICHARD
Proposals Manager

Communication
Clearer lines of communication and sharing information – newsboard, connect, intranet

Engagement
Collaborative working across the business units and more team events

Group Branding
A powerful identity that supports our offering and culture

Performance Reviews
Opportunity for performance reviews for all our people

Personal Development
Development opportunities for all

Reward and Recognition
Remuneration bandings, benefits box and impromptu recognition from line management

Read more on how we **Support our People and Employee Engagement** on page 19

OUR GROUP
AT A GLANCE

We have aligned the Group's operational business units under two distinct market segments: Water and Built Environment

Water

We provide innovative, sustainable solutions to our water and wastewater customers. Our capabilities within this market are vast with the ability to deliver infrastructure and non-infrastructure projects, operation, service and maintenance. Our experience in this sector spans over five decades and through our dedicated technical experts we take a 'full asset lifecycle thinking' approach across all our services. We serve almost all of the water utilities across the country.

Our Major Projects team have expertise in water, power generation, power distribution, waste to energy and infrastructure works for both public and private sectors. We have gained market leadership status in the delivery of our off-site factory built and assembled solutions and are the only Security Systems and Alarms Inspection Board (SSAIB) accredited construction company in the UK to complete a full asset security service.

What we do

- Asset security
- Civil engineering
- Design
- Major projects
- Mechanical and electrical
- Instrumentation, controls and automation
- Off site build solutions

Built Environment

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

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.

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.

What we do

- Social housing
- Student accommodation
- Health and primary care centres
- New construction and improvement works on major highways schemes
- Creating and enhancing natural open spaces for public use
- Planning and installation of telecoms services
- Property development (nmcn Investments)

Investment Case

Scope to increase margin and profitability

Strong positioning in growing sectors

- Water industry has growth potential and certainty through long-term frameworks
- nmcn has complete offering for infrastructure in the water industry, delivering the full value chain from consultancy, design, build, operate to maintenance and service
- Built environment growth through local government infrastructure expenditure and the demand for accommodation nationally
- nmcn expertise can be selectively applied to these sectors ensuring enhanced quality of earnings through strict governance

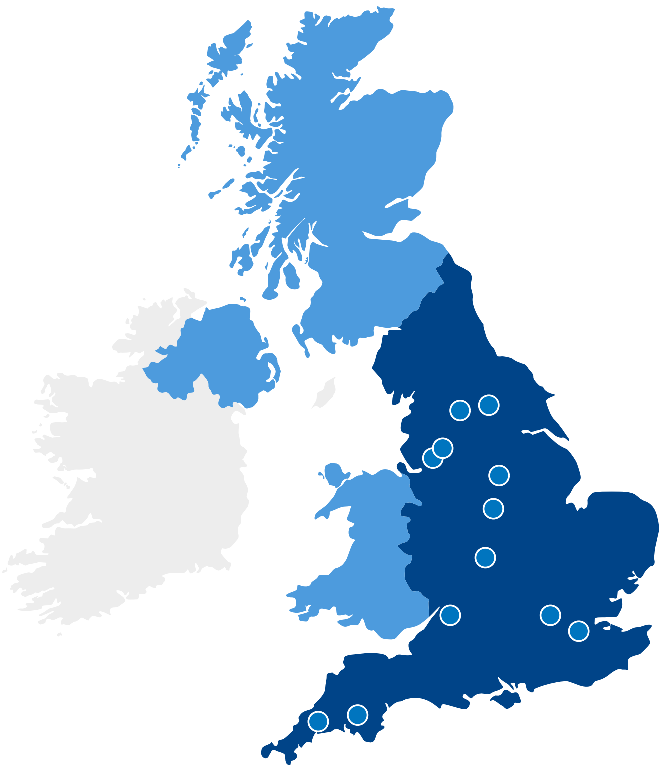
Culture that considers the wellbeing, development and improvement of our people.

Focused on improving technology and quality in our projects.

Read more on our current **Strategic Focus** on pages 16 to 21

Operational areas

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



STRATEGIC REPORT

A review of our business and strategy

nmcn

Collaborative working across the business units

CHAIRMAN'S STATEMENT

Further growth continues to be delivered and an increasing presence in its chosen markets will provide a firm foundation for the Group to progress in the future and deliver enhanced shareholder return.

"The Group has been particularly successful in delivering and expanding upon long term customer relationships, whilst also securing new opportunities within its chosen markets. The quality and performance of operational delivery is also providing opportunities to construct larger and more technically challenging projects."

ROBERT MOYLE
Chairman

Recent Performance

The Group has made further progress during the last financial year, delivering significant increases in both revenue and profit over the previously reported figures. Profit before tax for the year totalled £6.03 million compared to £1.00 million reported in the 2017 Annual Report and Accounts.

Group revenue increased by 12.62% to £340.45 million (2017 restated: £302.31 million). The effect of IFRS 15 on these results is covered in more detail in the Chief Financial Officer's financial review on pages 24 to 29. However, profit before tax and non-recurring items for the year ended 31 December 2018, amounted to £7.89 million (2017 restated: £10.56 million), and profit before tax amounted to £6.03 million (2017 restated: £9.11 million).

Cash

There was a significant improvement in the cash position during the year with the year-end figure standing at £33.35 million (2017: £17.01 million), an improvement of 96.06%. A proportion of the extra cash generated is being utilised in the expansion of nmcn Investments.

Dividend

On the basis of the improved results, the Board is proposing an increased dividend of 12p per share thus increasing the full year dividend to 18p (2017: 6p).

Corporate Governance

The Group is continuing to grow and is being entrusted by its customers to undertake projects of increasingly higher value and technical complexity over a wider geographical area. The construction market still remains highly competitive. The Board remains very aware of the potential risks, that are attached to this progression and stringent reviews of potential future opportunities are undertaken. Risk management has improved across the Group and existing procedures and controls are reviewed and new ones introduced on a regular basis.

Our People

Our people are the key to our current and future success. Nationally unemployment is at a historic low and all industries are under pressure to attract and retain individuals of the right calibre to progress their business. This Group is no exception. Over the year employee numbers increased by 114 and this is a testament to the high regard that the Group is held in within the industry. Steps have been taken to make our recruitment more far ranging and relationships established with differing organisations to attract young people, in particular, into construction. It is heartening that our long term strategy to improve both gender and ethnic diversity within the Group is delivering results, albeit slowly.

For many years we have been striving to build a fully sustainable business to minimise our impact on the environment, the climate, society and people in general. It is gratifying to report that progress is being maintained and that this vision is extremely attractive to today's generation and highly valued by shareholders.

During the year Steve Brown, the Senior Independent Non-Executive Director retired from the Board after fourteen years of dedicated service as Chairman of both the Audit and Remuneration Committees. Our special thanks are extended to him for his guidance, wisdom and stewardship over these years.

We welcomed to the Board as his replacement two new Non-Executive Directors; Mike Holt, the new Chairman of the Audit Committee and Margaret Amos. Both have extensive PLC experience and bring complementary and diverse skills to the Board. Ian Elliott has taken over as Senior Independent Non-Executive Director and is Chairman of the Remuneration Committee.

The loyalty, dedication and hard work of all of our people are the engine of this Group. I would like to take this opportunity to thank all the employees for their commitment during this last year.

Health and Safety

The physical and mental well-being of all the Group's employees and supply chain are of paramount importance to the Board. We are confident that our culture and the path upon which we have embarked is the correct one. Therefore, it is disappointing to report an increase in the "Accident Frequency Rate" (AFR) to 0.12 (2017: 0.04). Deeper analysis of this decline in performance reveals it emanating from perceived low risk, high frequency activities and greater concentration in these areas of operation has already been instigated.

Opportunity for Growth

The Group has been particularly successful in delivering and expanding upon long-term customer relationships, whilst also securing new opportunities within its chosen markets. Securing the civil engineering framework for South West Water is further proof of our ability to expand upon our expertise to offer a full turnkey capability in the water industry. We are delighted also to have been awarded a place on both Lot 1 and Lot 2 of the AMP7 framework by Severn Trent Water. This maintains an unbroken relationship of over forty years with this very important customer. The quality and performance of operational delivery is also providing opportunities to construct larger and more technically challenging projects. The creation of joint arrangements to undertake particular contracts, working collaboratively with another partner, has proved particularly successful, both for nmcn Investments and the water business in particular.

Outlook

The secured order book for completion in the current year is £320 million (2017: £299 million) and the strong customer base will deliver further opportunities for growth in the year. The Board is optimistic, therefore, that progress will be maintained this financial year.

ROBERT MOYLE
Chairman
27 March 2019

Profit before tax

+502.77%
£6.03m

2017*: £1.00m

Revenue

+12.62%
£340.45m

2017**: £302.31m

Cash

+96.06%
£33.35m

2017: £17.01m

*as previously reported in the 2017 Annual Report and Accounts
**after IFRS 15 and other prior year restatement – see note 2

University of Sheffield Campus Public Realm works delivered by our Highways business unit

OUR MARKET REVIEW

Water

Sector spend is forecast to be circa £4.6 billion per annum for the period 2020-2025.

Of this there is a commitment to spend circa £1.8 billion per annum on upgrades and new works, including circa 40% through off-site build solutions, £1.6 billion per annum on capital maintenance and £1.12 billion per annum on infrastructure schemes.

The Asset Management Programme (AMP) 6 to AMP7 transition takes place between the latter part of 2019 and through to Q4 2020. Our recent successes will ensure no dip in turnover during 2019 but initial business plan figures from water companies suggest a slow investment start to the AMP. Additional major projects or frameworks will need to be secured in 2019 to off-set the potential reduction in turnover from existing frameworks; strategic wins are currently being pursued.

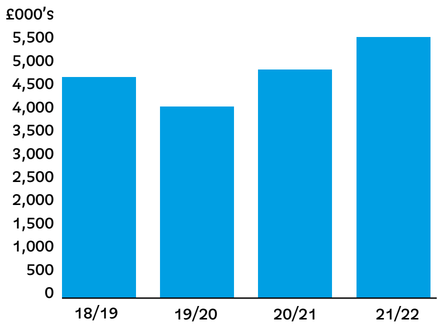
During AMP6 the off-site build element has still not delivered to Government and Ofwat expectations. However, the Environment Agency's Water Industry National Environment Programme (WINEP) will see up to £5 billion invested by water companies in the natural environment through 2020 to 2025. A significant element of this is phosphorus removal and will provide a significant opportunity for our products business and modular factory-built solutions.

AMP7 Ofwat drivers are around customer experience, total expenditure (TotEx) and outcome-based solutions, as such there will be a greater move to asset optimisation, capital maintenance and reductions in energy and chemical. Customer experience is now a primary element of water company Outcome and Delivery Incentive (ODIs) with a third of all incentive measures linked to it; penalties for failure are significant.

Environment Agency investment in flood defence schemes to increase to circa £600 million per annum to mitigate the impact of major flooding events.

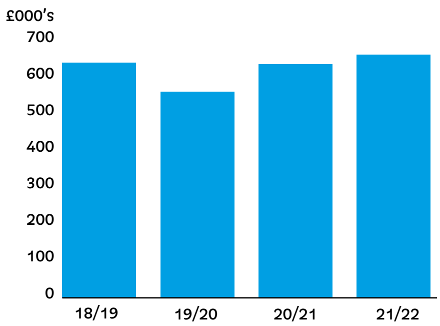
Water

Significant increase in investment as the AMP progresses.



Flood defence

Increase in funding from central and local government.



Hodsock STW enhancements for Severn Trent Water delivered by our Water business unit

What this means for nmcn

- Increased expenditure in asset maintenance and optimisation
- Ofwat and water company drive for factory-built solutions
- Chemical dosing equipment and innovative new product technology to remove phosphates
- Customers moving to direct delivery models
- Water company bonuses and penalties heavily linked to whole life customer experience (C-MeX)

Built Environment

The National Infrastructure and Construction Pipeline Analysis 2017, which includes specific data from the Homes and Communities Agency (HCA), as well as projects and programmes from Ministry of Housing, Communities and Local Government (DCLG), identifies committed government investment in the Affordable Homes Programme rising to circa £1.9 billion in the period 2018/2019, with sustained investment of circa £2.5 billion from 2019 to 2021, peaking at circa £3.3 billion in 2022.

Investment from the Housing Infrastructure Fund programme is forecast to rise to circa £800 million and circa £1.2 billion in 2019/2020 and 2020/2021 respectively.

Future investment in the period 2021/2022 onwards consists of investment from the Land Assembly Fund, Housing Infrastructure Fund and following the Prime Minister's announcement that she is lifting the borrowing cap for councils which will make it easier for them to meet their affordable homes requirements; a £9 billion programme.

Education sector investment is anticipated to increase by 11% in 2019 boosted by student accommodation work. This has been a growth area for a number of years and will continue for at least the next four years as a result of increases in student numbers, investor opportunities and university backing.

The Pipeline Analysis also identifies committed government investment in highways infrastructure of circa £1.4 billion in 2019/2020 rising to circa £1.5 billion in 2020/2021, with annual rises in highways investment in excess of 10%.

Annual investment in maintenance, junction improvements and minor roads is forecast to grow by circa 40% by 2020 (this excludes motorway investments and major A roads); £15.2 billion over the period 2015-2020.

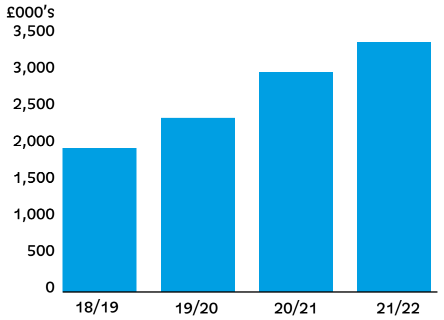
What this means for nmcn

- Significant increase in investment for social housing and affordable homes
- Increase in demand for student accommodation to match significant growth in university places
- Increase in small development opportunities for nmcn Investments
- Secured programme of work for Highways business unit through Highways England Collaborative Delivery Framework
- Increase in funding for highway repair and maintenance

Following our success in securing a place on the Highways England Collaborative Delivery Framework, £8 billion over eight years. We have been nominated for the first year 1 scheme at £30 million and an ongoing programme of work has been identified for future years.

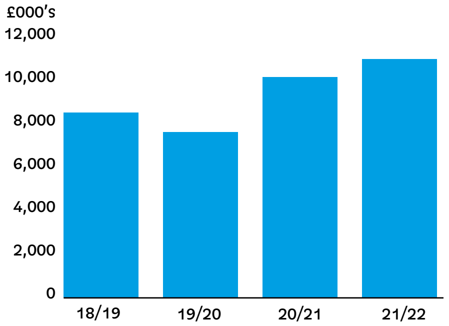
Housing and Regeneration

Significant increase in investment to meet demand for accommodation.



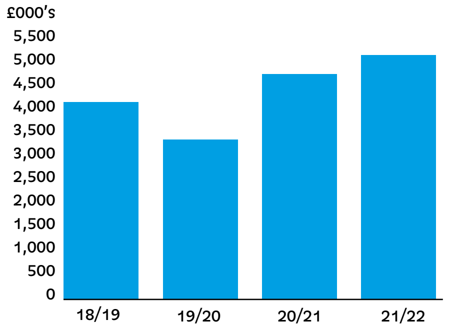
Education

Increase in student numbers drives demand for expansion.



Highways (excluding Motorways)

Significant investment growth to meet infrastructure needs.



OUR BUSINESS MODEL

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

One nmcn

- We work collaboratively to provide full, end-to-end solutions to our customers.
- We ensure we invest in developing our people, quality and technology.
- We operate in two specific market segments: Water and Built Environment, providing design and construction, consultancy services, and supporting the operation and maintenance of assets.
- Our specialist positioning in the Water segment means that this segment is profitable with good margins and generates cash that can be used for focused investment into attractive markets. The Built Environment, through nmcn Investments, utilises this cash to generate enhanced margins.

Value generated from One nmcn

Our purpose is to have a positive impact on everything we touch. This means putting people at the heart, promoting safety above all and considering the total wellbeing of our people. The delivery of high-quality infrastructure projects provides a 'value enhancing' asset to our customers and partners.

Water

Treating water has a positive impact on our health, our families, our communities, and the economy at large. We ensure our consultancy is tailored specifically to our clients. Our intention is to deliver high-quality infrastructure and non-infrastructure maintenance, service and projects.

Built Environment

Constructing the great places of tomorrow has a positive impact on British heritage and building infrastructure that the next generation will inherit. Our planning and construction of infrastructure projects are delivered to a high quality, enhancing the value of customers' assets.

Value generated

We are experts in the water industry, providing a full-service offering, with a wide range of products and services for water utility companies. We build high-quality water and wastewater treatment systems. We can provide a complete solution for our customers, due to our ability to deliver the full value chain from consultancy, design, build, operate to maintenance and service. Our team has specialist technical expertise and capabilities.

Value generated

We can provide an end to end solution from site development, planning, multi-utility design and installation, building construction and handover. nmcn Investments provides highly flexible alternative funding arrangements.

Water

Sectors served

- Public sector water and wastewater utility companies
- Industrial sector

Key resources

- Experienced personnel providing expert advice and solutions
- Digital design packages
- Assets: workshops, machinery and plant

Services

Our product portfolio comprises of the following off-site factory-built and assembled solutions:

- Booster sets
- Chemical dosing
- Fabrications
- Instrument boards
- MCCs and control panels
- Package plants

Specialist services:

- Security systems scoping, design and installation.
- Civil engineering within the power generation, power distribution and waste-to-energy markets.
- Design: a range of disciplines across mechanical, civil, structural, electrical, ICA and process design including 3D CAD and laser scan surveying.
- Mechanical and electrical: design, installation and maintenance services.

Built Environment

Sectors served

- Public sector
- Telecoms
- Private sector developers
- Housing associations
- Education sector

Key resources

- Experienced personnel providing expert advice and solutions
- Digital design packages
- Assets: workshops, machinery and plant

Services

- Financing of new developments
- Student accommodation
- Schools
- Health care
- Affordable homes
- Discrete residential
- Commercial buildings
- Motorways, feeder roads and junction improvements
- Public realm
- Flood defence
- Housing infrastructure works
- High-speed fibre

nmcn

CHIEF EXECUTIVE'S STATEMENT

Growing the business to provide a sustainable return while having a positive impact on overarching stakeholders.

"A complete re-brand has occurred to consolidate the activities of the group and project the image under one name and one logo. In this we will promote the single identity of a national company that has a high reputation for quality delivery and a strong people culture at its heart. The enhanced public image will be a positive benefit for all stakeholders."

JOHN HOMER
Chief Executive

Overview of the year

The last year has been a successful year for the business in achieving progress against our strategic plans. Our long-term strategy is to grow the business to provide a sustainable return for its shareholders while having a positive impact on its overarching stakeholders. Progress continues to be made in the development of our people and effective risk management through the use of focused governance control mechanisms.

Particularly pleasing is the overall cash generation position, with a year end balance of £33.4m and a consistent weekly average cash balance.

A complete re-brand has occurred to consolidate activities of the group and project the image under one name and one logo. In this we will promote the single identity of a national company that has high reputation for quality delivery and a strong people culture at its heart. The enhanced public image will be a positive benefit for all stakeholders.

Cash Position

Cash is at the top of our strategic priorities list, against which we have performed very well in the year. We ended the year with a cash balance of £33.4m, an increase of 96% compared to the prior year. Our average weekly cash was recorded at £10.6m which shows the consistency of our performance. In addition, we have invested from our free cash flow in the acquisition of freehold property and significant sums in the development business that we are progressing.

Telecoms Losses

It is disappointing that the losses have continued in the division. These emanate solely from the term framework with our principal customer for the repair and maintenance of their fibre network in the North of England. During the year we have restructured the management team who have been engaged in both overhauling our operational performance and detailed dialogue with the customer on the prevailing commercial terms. Performance in the second half of the year shows a slowdown of the losses and the division is now well placed to go forward.

Operations

It is pleasing to be able to report that good progress is being seen on improving the operational performance of the Group. Our short-term target of achieving 3% net returns is within our sights. Our vision of 5% margins in the future is achievable by continuing to enhance our offering upstream into design activities and the returns from our property investment business will help to achieve this blended result.

Order Book

The markets in which we operate continue to remain buoyant as the acute need for investment into both maintaining and improving the infrastructure of the nation continues. We continue to exercise critical judgement over the orders that we target and ensure that effective governance is in place in all stages of securing work. Our order book for construction in 2019 stands at £320 million (2018: £299 million.

Safety

Health and safety remains our top priority in everything that we do. A fundamental plank in our people agenda is to look out for the health, safety and wellbeing of all the people that come into contact with our operations. A considerable investment has been made into the latest thinking on behavioural-based safety techniques to advance our approach to this strategically. It is therefore especially disappointing that our headline RIDDOR Accident Frequency Rate (AFR) statistics have taken a reversal to 0.12 from 0.04 in 2017. Most of the incidents that have occurred fall under the "low risk, high frequency" category and a lot of work has been done to investigate each to understand the root cause.

People and Culture

We maintain that our people and our culture are at the heart of everything that we do and our differentiating factor in the service that we provide to our customers. Over the course of the year we have invested in the whole employee engagement agenda to make sure that people are connected with the way that we do business and that behaviours are aligned with these principles. The next stage of this is the launch of our Positive Impact Plan which pulls this all together with tangible metrics for us to progress.

Technology

During the year we have continued to make good progress on our Digital Transformation agenda. Accreditation to ISO PAS 1192 BIM Level 2 has been achieved. This marks a significant milestone in our strategy. Protocols have been established for the sharing and naming of data and we have a number of examples where BIM is being used to good effect. The next step on the path is to engage in consistent application of these techniques and achieve linkage of the data from other systems in use. Great potential exists to realise further efficiency in progressing with our investment in this area.

Supply Chain

We continue to enjoy mutually rewarding trading relationships with our supply chain partners. This was recognised by the success industry awards as the best main contractor to work with 2018. The skills shortage that prevails in the industry means that we need to continue to ensure that we are the customer of choice to secure the right resources that we need for us to succeed.

Our mandatory Payment Practices Reporting for the second half of 2018 is 51 days. This information does not provide a meaningful comparison with the overall construction sector due the amount of materials that we source for our directly employed workforce. Our own long-standing measure of Creditor Days at 38 shows a further 5 days improvement in 2018 from 43 in 2017 and 52 in 2016. We continue to engage with our supply chain to make sure that these terms are acceptable to both parties.

Skills Shortage

We continue to focus on being a positive employer and are working pro-actively to ensure we do not suffer from the skill shortage which exists in the construction industry. It is clear that our ability to attract and retain the right quality of resources will be the determining factor in continuing our growth. Our efforts on the training and development front continue to show good results. We are particularly pleased with our approach to the Apprenticeship Levy and intend to build on this success.

Conclusion

Our continued focus on ensuring rigorous governance in contract selection and effective risk management coupled with the advancement of our employee experience programme will ensure that the current momentum on achieving our goals is maintained.

JOHN HOMER
Chief Executive
27 March 2019

Cash

+96.06%
£33.35m
2017: £17.01m

Secured Workload

+7.02%
£320.00m
2017: £299.00m

Creditor Days

-11.63%
38 days
2017: 43 days

Our people at our nmcn brand launch event

OUR STRATEGY

Our objective is to construct a sustainable and **growing business** through good leadership and effective communication.

Our strategy reflects maintaining a respectable profit margin. This will be reflected in a progressive dividend payment to our 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.

STRATEGIC FOCUS	DESCRIPTION
Driving Cash	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	The emphasis being placed on preventing losses as a strategic priority will in itself give rise to an improvement in profit. Work continues 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	We continue to develop 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	People remain key to our success. Keeping a "family feel" around the Group is a high priority as we progress. We will continue with our learning and development. This is aligned with our business culture.
Enhance Brand Image	Our brand identity and the image it portrays in our chosen markets is fundamental to our future success. To reinforce this we have been reviewing our public relations plan, core media targets and approach with the aim of being more visible in the marketplace. A senior project team has been commissioned to look at this.
Effective Communication	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.

Read about our **Strategy in Action** on pages 19 to 21

PROGRESS IN 2018 AND OUR FUTURE

We ended the year with a cash balance of £33.4m, an increase of 96% compared to the prior year. Our average weekly cash was recorded at £10.6m which shows the consistency of our performance.

A cash culture will continue to be driven across the operating segments and individual business units. The allocation of cash resources and the investment strategy thereof is being continually developed by the Board. A proportion of the Group's cash generated is being used to expand nmcn Investments.

We have introduced smarter ways of working, streamlined processes and improved governance. The senior management team reviewed our strategy and to support the delivery of this objective have decided, for 2019, to focus on Quality, which is expanded in more detail on page 21.

Positive ownership of this strategic priority by the business units has maintained our progress during 2018. Looking forward to 2019 and beyond, we have strengthened and aligned the terms and conditions under which we operate.

Clear execution of our strategy, ensuring we only work in our chosen markets, delivering exceptional customer service, will ensure we prevent material losses in future years.

People are at the heart of everything we do and remain fundamental to our continued business success. The senior management team reviewed our strategy and to support the delivery of this objective have decided, for 2019, to focus on People, which is expanded in more detail on page 19.

The new brand launch towards the end of 2018 was well received by our people, supply chain and customers. We have developed a strategic public relations plan which focuses on making our new brand more visible in the marketplace.

Our Positive Impact Plan outlined on pages 42 to 53 is a blueprint to enhance our brand and impact into the future.

Our approach to effective communication, both internally and externally, is progressing well and we will ensure that our key business messages are conveyed in both an appropriate format and a timely manner. This is supported by our focus on Technology, which is expanded in more detail on page 20.

PEOPLE

Context

Our people have remained at the heart of our business, and are the central theme to our ever-evolving story. We nurture a supportive environment which invests in our people's potential and allows them to develop and thrive. In 2018, we made significant strides forward by establishing a clear company purpose and culture; we gathered insight through extensive feedback from our colleagues, conducting interactive workshops at our biannual face-to-face Leadership Briefings. The outcome of this created a company purpose - a positive impact on everything we touch and a redefined caring culture that our colleagues have helped to clarify; *an agile organisation providing a safe, inclusive and fair environment for people to succeed*.

We also embarked on reinventing our brand - this strategic move not only aligned with the greater business purpose but deepened our focus to have a positive impact, by putting our people at the heart of what we do, and as a result we identified a working tactic which we are now embedding in 2019; *our everyday actions create a positive impact on our people, the communities and the environment in which we work*.

2018 has been the foundation for how we will develop a reiterative drumbeat with our people. The underpinning objectives accompanying this are:

- Retain our best people
- Attract diverse, high-quality people
- Nurture an improved culture for further engaging and empowering our people
- Provide a platform for future growth

Several processes are used effectively for day-to-day communication and for communicating nmcn's business strategies and plans:

- We have a digital platform for daily communication; a new intranet called İConnect.
- Weekly Company News Board which shares company news and updates.
- Monthly – Executive Leadership Focus communicated and cascaded through our teams.
- Quarterly – a company magazine called Connect which provides an overview of company news, people recognition stories, Safe by Action Days and Feedback Surveys.
- Biannual – face-to-face Leadership Briefings (interactive listening workshops during leadership briefings), Bright Ideas - "You said, We did"
- Annual – Annual General Meeting and Leadership Conference.

At nmcn, we aim to reduce the unequal ratio of men and women in our workforce, and prioritise diversity and inclusivity. We want to ensure people are treated equally at work and receive the same rewards and recognition. We are at the start of our journey but are committed to championing better working lives. 2018 has seen a reduction in the hourly pay gap between men and women and there has been an increase of women in each quartile between 2017 and 2018.

Our Academy supports learning and development which ensures that our people are competent and capable of meeting today's professional and business standards. nmcn's leadership team is committed to developing the workforce of the future by investing in apprenticeships, trainees, a new graduate scheme for 2019, leadership programmes and further education to obtain master's qualifications. 2018 saw 25 people complete an Institute of Leadership and Management qualification with 15 people completing our bespoke non-accredited Leadership Essentials programme. In 2018, we had a record number of colleagues, totalling 209, who maximised the opportunity to further their development.

nmcn is also committed to retaining its Gold status in Investors in People for 2019.

Our Strategy in action

Introducing İConnect - our new company intranet

We recognised that our world of work is changing and we do not want to be an organisation that is 'behind the curve' in terms of technology adoption and transformation. The feedback gathered from colleagues highlighted the need to resolve some of the difficult challenges they were facing with communications. Therefore, 2018 saw the launch of İConnect - an integrated solution which provides an engaging, easy and accessible way for colleagues to work together and be informed about what's happening in the business and help us make major strides towards improving communication and engagement.

Other benefits include:

- More tailored communication with information that impacts key job roles
- Greater acknowledgement of the employee experience
- Connects across disparate platforms, functions and business units
- Facilitates organisational learning - promoting best practises and consistency among business units and functions

TECHNOLOGY

Digital Transformation

We have made progress on the whole digital transformation agenda but it is acknowledged that there is still a long way to go to realise the full benefits in this area.

In 2018 we have progressed our process maturity and improved our management control of design. In parallel we have invested in and started implementation of Cabinet, a 'Work in Progress' software to enable BIM-compliant design, which sits alongside Viewpoint as our Common Data Environment.

During 2018 we obtained BIM Level 2 British Standard certification (BS1192 part 2) as well as accreditation to the new ISO 44001 standard for collaboration, replacing BS11000. We also rolled out a series of innovation workshops across each division to inspire key people to envision the possibilities we are making available to them, and encourage them to inspire their own teams and become "thought sponsors" both internally and externally. These sessions not only highlighted new technology, but also underlined the importance of shared data, information and knowledge exchange across projects, and across the business as a whole.

During 2019 we will be engaging external inspiration and leadership from bodies such as the UK BIM Alliance, whom we hope to be gold level patrons of in 2019. This will bring a whole new set of case studies and shared experiences from across various sectors of the industry to drive progress across our business.

Asset Security

We are working towards a fully integrated security service offering to serve existing water sector customers and frameworks as well as other UK markets. During 2018 we became the first UK construction company to obtain Security Systems and Alarms Inspection Board (SSAIB) accreditation. SSAIB is a Security Industry Authority (SIA) approved certification body - in respect of the SIA Approved Contractors Scheme - that operates within the UK.

During 2018 we also started to review product development for the manufacture of physical and electronic security products.

Products

In addition to operational expansion, product development is ongoing and progress is being made with developing and increasing our manufacturing capability in plastics fabrication, glass reinforced plastic structures, 3D printing and adaption of treatment technology (ultra violet, ozone, chromium removal).

The Control Panel operation in Plymouth is benefiting from its larger facility and has developed a cost-effective hybrid Form 2 construction design with South West Water and have been accredited as System Integration (SI) software developers for Siemens, Allen Bradley and Schneider Programmable Logic Control systems.

Work on the Mono Block continues to develop Off Site Build's (OSB's) next product with the hope of having the product developed by end of period Q2 2019 and manufacturing the product using 3D printing rather than built as much as possible. Work on the asset lifecycle element of the Mono Block is not as advanced as the block itself but it is planned to have an offering by Q4 2019.

With continued standard product development, integration across our manufacturing capabilities and formation of a digital library we will provide a flexible, efficient business that is aligned to our customers' needs and provide sustainable profits.

E-trading Platform

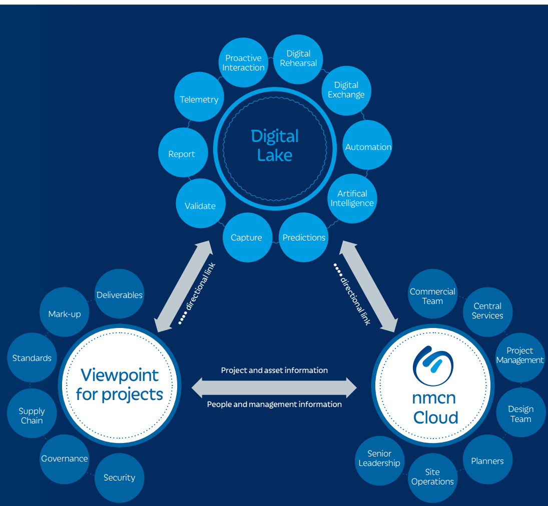
Work on the E-trading platform is at a very early stage but is hoped to be launched Q2 2019, with the initial platform allowing customer access to enable visibility of asset life cycle information.

Our Strategy in action

Digital Transformation Direction of Travel

As set out in the Industry 4.0 2020 vision in May 2018, and the 10 dimensions of BIM, the outcomes for BIM and Digital Transformation are clear in our minds. We have begun our digital transformation and timed this appropriately to drive the business towards those goals, whilst remaining sympathetic to the business itself.

The 2020 vision explained how standardisation of information strategy would enable us to provide such outcomes as digital rehearsals, automation and predictions, but naturally this isn't a step we can take in one giant leap. The implementation of our Common Data Environment, our data share system and our internally developed nmcn Cloud take us a major step forward.



QUALITY

The focus on Quality is not just about the quality of products or services that we provide to our customers but also includes the quality of people, systems and processes that help us to deliver an exceptional customer experience. To support this, the focus has been on developing a proactive risk-based approach to the key areas of product quality. We have developed this initiative from our successful approach in health and safety reporting and utilising lessons learnt from the root cause analysis of our non-conformance system. This has identified the following key improvement areas:

- Failure to Plan – Detailed plans that allow a gated completion process
- Poor Workmanship – Identify training requirements and engage competent skilled labour, site engineers and site management.
- Programme Constraints – Have contingencies in place for plant, materials and resource. Back-up plan, allowing time risk allowance in programme
- Poor Information – Make sure information is current, ensure teams have correct information.
- Human Error – Challenge poor performance, provide training, learn from experience and double check.
- Poor Quality of Material – wrong materials specified, ordered and delivered. Check tickets, check specification, if in doubt challenge.

It is essential that we embed this within our culture alongside our other key performance goals and the Executive Administration Board (EAB) have maintained product quality as a key focus area for 2019.

Cost of Non-Quality

The cost of poor quality and non-conformity, both internally and externally from our supply chain, has a significant impact on overall profitability. Our recent implementation of tools to support BIM level 2 compliance will significantly reduce this. During 2019 the A4IM (Aim for Improvement) reporting system will provide more robust real time cost capture and thus drive better root cause and prevention plans.

Key achievements

- ISO 9001 and ISO 14001 Transition
- QESH and reporting system portal improvements
- Test and inspection plan digitisation

Digitisation to improve Quality

We have made great progress in this area since we transitioned to the new ISO 9001 standard and ISO 11001. We are working with improvement teams across the business in order to develop new and simplified improvement systems and processes that support the business and provide high quality business information. We have implemented a new Quality, Environment, Safety and Health (QESH) portal that is both modern and intuitive to ensure ease of access to all the required processes, procedures and documentation.

Information Security Management

The Company is accredited to the British Standard, ISO 27001:2013 - Information Security Management System (ISMS) and we are starting to embed the key principles across the business. The associated policies and procedures ensure that we manage and control the Company's information security risks.

The 27001:2013 ISMS standard is designed to protect the confidentiality, integrity and availability of the information within a company. The information is not only about IT security; it is also about managing processes, legal protection, managing human resources, physical protection and more. It includes all forms of information security, both physical and electronic, such as data stored on computers, laptops, external devices and mobile phones which is transmitted across networks, printed, written or spoken during conversations.

2019 targets

- Quality First programme
- Real Time data dash board
- Business continuity in line with ISO 22301
- Positive Impact Plan roll out

Our Strategy in action

ISO Transitioning

During 2018 we successfully transitioned from ISO9001:2015 (Quality Management System) and ISO14001:2008 (Environmental Management System) to ISO9001:2015 and ISO14001:2015.

Both systems are based on the plan-do-check-act (PDCA) methodology to drive continuous improvement and provide a process-oriented approach to documenting and reviewing the structure, responsibilities, and procedures required to achieve effective quality management and environmental management in our business.

As part of our Quality First initiative we have particularly focused on:

- Management of resources, including human resources and our work environment
- Product realisation, including the steps from design to delivery
- Measurement, analysis and improvement of our systems through activities like internal audits and corrective and preventive action linked to our A4IM initiative.

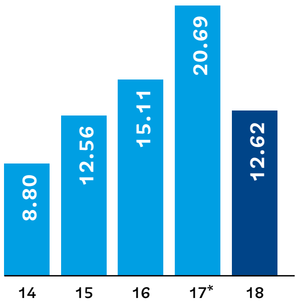
nmcn

OUR KEY PERFORMANCE INDICATORS

REVENUE GROWTH 12.62%

Definition
Illustration of sales increase over time.

Performance
A considered year of revenue growth, an increase of 12.62% year on year and in the last three years consistent growth of over 10% each year.

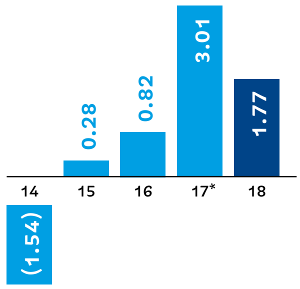


Link to Strategy
To continue to grow the company and engender a cash culture through sustained organic growth, developing our market share within our chosen markets.

NET RETURN ON SALES 1.77%

Definition
Ratio of profit before tax to revenue.

Performance
Net return on sales is encouraging but has been affected by the poor margins achieved in our Telecoms business unit.

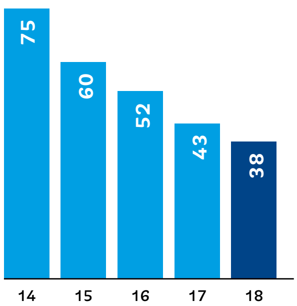


Link to Strategy
Net return is crucial to allow us to prosper and return wealth to our shareholders. This links directly to driving cash, improving profit and minimising losses.

CREDITOR DAYS 38

Definition
The average period taken to pay our supply chain in days.

Performance
A further 5 days improvement in 2018 to 38 days, continuing the downward trend since 2014. We continue to engage with our supply chain to make sure that these terms are acceptable to both parties.

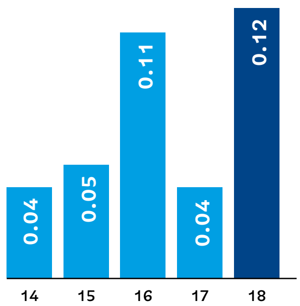


Link to Strategy
Reducing our creditor days allows us to work more closely and collaboratively with our supply chain, in turn realising efficiency and value whilst promoting our brand image.

ACCIDENT FREQUENCY RATE 0.12

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

Performance
2018 has been a challenging year with an upturn in our AFR. We continue to focus on ensuring we learn from these incidents in order to prevent recurrence.



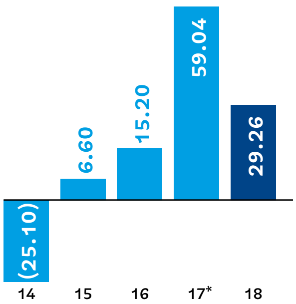
Link to Strategy
Maintaining the safety of our people reflects our value that everyone has the right to go home safely at the end of the day. It affects our brand reputation for being a good company to work for who puts its people first as we strive to have a positive impact on everything we touch.

* after IFRS 15 and other prior year restatement – see note 2

NET RETURN ON CAPITAL EMPLOYED 29.26%

Definition
Profitability over capital employed.

Performance
Return on capital employed is encouraging but has been affected by the poor results in our Telecoms business unit.

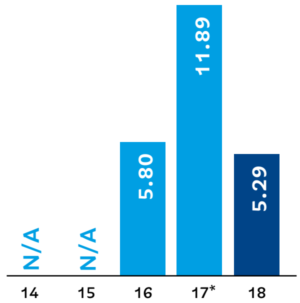


Link to Strategy
Measuring net return on capital employed ensures that the Group's capital is employed with the greatest efficiency compared to profitability.

DIVIDEND COVER 5.29 TIMES

Definition
The ratio of earnings to dividends being paid.

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 2019.

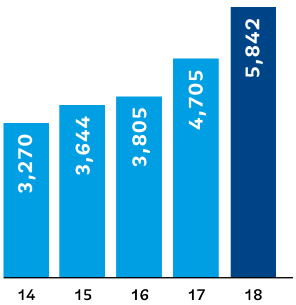


Link to Strategy
Returning a steady dividend stream to our investors impacts on the confidence in our brand as a viable business, returning profits and loss minimisation.

TRAINING DAYS ACROSS THE GROUP 5,842

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 24.17% increase in training days during 2018.

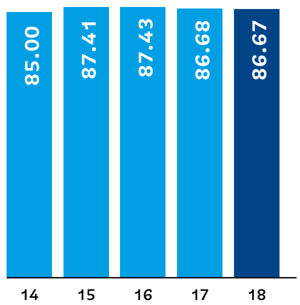


Link to Strategy
Developing our people is a key element of our strategy. Ensuring that our people are motivated with the necessary skills and education makes a direct impact on our profitability.

EMPLOYEE STABILITY INDEX 86.67%

Definition
Recognised HR metric for retention of experienced employees.

Performance
Level results over the last period indicate a positive result from our investment in our people blended with a healthy introduction of new blood to stimulate progress.



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.

OUR FINANCIAL REVIEW

OUR FINANCIAL REVIEW

The Group is well positioned to take advantage of the increase in infrastructure spending plans that prevail, with a cautious view on the continuing Brexit uncertainty for the wider UK economy.

"It is very pleasing to report that actions taken to drive better cash management throughout the Group has led to a much improved cash balance of £33.35 million (2017: £17.01 million). In particular, improved disciplines around cash collection and upfront agreements on contractual terms have meant that the average credit period taken by customers has reduced."

DANIEL TAYLOR
Chief Financial Officer

Overview of 2018

The Group has continued to make good progress this year and has delivered an acceptable quality of earnings within difficult market conditions for construction generally. It has also largely resolved all legacy contract disputes and has continued to strengthen its balance sheet position. Further investment has been made in adherence of 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 well positioned to take advantage of the increase in infrastructure spending plans that prevail, with a cautious view on the continuing Brexit uncertainty for the wider UK economy. The net return on revenues is encouraging, but has been impacted by the poor margins achieved in our Telecoms business unit, due to an ongoing framework with its principal customer, which is due to expire in April 2019.

The continuing profitability, cash generation and enhanced secured workload for 2019 are further significant positives which give the Board confidence for the Group's future.

Group structure

Our operational activities are divided into two operating segments, Water and Built Environment ("Our segments"). These segments are clearly defined, based on the differing services they provide to the distinct clients that they serve.

The operating segments are serviced by five business units. Each business unit has a clear, focused offering to the customers that they serve. These business units 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.

Group financial performance

Profit before tax for the year totalled £6.03 million compared to £1.00 million reported in the 2017 Annual Report and Accounts. Whilst the Group has implemented IFRS 15 Revenue from Contracts with Customers ("IFRS 15") using the full retrospective method, the restatement does not change overall shareholder value but re-allocates revenue and profitability to different accounting periods, the effect of which has increased profits for 2017 as losses (mainly associated with the legacy contracts) have been allocated to earlier years. Profit before tax and non-recurring items for the year ended 31 December 2018 amounted to £7.89 million compared to £10.56 million for 2017 as restated. Solid progress has been achieved across most business units and sectors. The Telecoms business incurred greater losses, however, and future business with its principal customer is under review. Results overall for the year were marginally better than the Board's expectations. Profit before tax amounted to £6.03 million (2017 restated: £9.11 million).

Water Segment

	YEAR ENDED 31 DEC 2018 £'000	YEAR ENDED 31 DEC 2017 £'000	YEAR ON YEAR MOVEMENT £'000	YEAR ON YEAR MOVEMENT %
		Restated		
Revenue	**244,580**	170,498	74,082	43.5%
Operating profit	**8,071**	6,630	1,441	21.7%
Operating profit margin	**3.3%**	3.9%		(0.6%)
Secured workload	**211,319**	209,742	1,577	0.8%

* Stated before non-recurring items as defined on pages 26 and 27.

The growth in revenue within the Water segment has been significant in the year and is up 43.5% on last year, an increase of £74.08 million as restated. The growth principally reflects our focus on delivering exceptional customer service and has been achieved through new framework awards, an increase in major infrastructure works, and the ongoing performance on our Asset Management Period ("AMP") 6 Frameworks, especially during the later years of an AMP cycle.

The operating profit of £8.07 million is a significant increase on last year, albeit operating margins were slightly lower as a result of investments for future years. The operating profit performance was above our anticipated strategic plans for the current financial year, being a year of transition between AMP cycles, and is extremely encouraging given the increased efficiencies required by our customers year on year in the Water industry.

There has been further investment in organisational capability during 2018, to maintain our competitive advantage and to ensure that we are best placed to deliver on the new major frameworks we have been awarded and expect to be awarded for 2019/20 and beyond. This investment has temporarily reduced the operating margins. The continued investment in our people and their development, to ensure the sustainability of the business, means the segment is cautiously optimistic for 2019. The secured workload for construction in 2019 is slightly ahead of the position in 2018, however there remains uncertainty in quarter 4 2019 and quarter 1 2020, in relation to visibility of workload due to the AMP transition period.

Our re-brand has brought a fresh look to our site teams

OUR FINANCIAL REVIEW

Built Environment

	YEAR ENDED 31 DEC 2018 £'000	YEAR ENDED 31 DEC 2017 £'000	YEAR ON YEAR MOVEMENT £'000	YEAR ON YEAR MOVEMENT %
		Restated		
Revenue	**95,870**	131,812	(35,943)	(27.3%)
Operating profit	**(95)**	4,113	(4,208)	(102.3%)
Operating profit margin	**(0.1%)**	3.1%		(3.2%)
Secured workload	**108,952**	89,293	19,659	22.0%

* Stated before non-recurring items as defined on pages 26 and 27.

The Built Environment segment has suffered a reduction in revenue in the year of circa 27.3% to £95.87 million, which has created a marginal operating loss. As reported at the half year, the Telecoms business unit continued to be loss-making on the back of reduced levels of activity and difficulties on a term framework for our principal customer. A loss of £2.80 million was generated on lower revenues, when compare to a profit of £0.24 million in 2017 as restated. Excluding Telecoms, operating profit within the Built Environment segment was £2.71 million (2017 restated: £3.87 million), on significantly reduced revenue.

A restructure of the business unit to improve operating performance and align the business to the reduced levels of expenditure has been implemented and we are now seeing encouraging signs for 2019.

The Construction and Highways business units have continued to perform strongly in challenging market sectors, where delays from our customers due to the uncertainty surrounding Brexit has undoubtedly had an impact.

The Business segment has an order book for construction in 2019 of circa £109 million, an increase of 22% on the position last year. This coupled with a rigorous approach to contract selection and the rectification planned and forecast for the Telecoms business unit gives the board confidence for 2019 and beyond.

Non-recurring items

The non-recurring items in 2018 are in relation to the following items and amounted to £1.87 million (2017: £1.44 million) in total before tax. These items have been identified as items that are not attributed to the ongoing trading of the Group and are explained in the following paragraphs accordingly. The profit before non-recurring items is deemed by the Board to be an alternative performance measure ("APM"). The Group has used this APM to aid comparability of its

Sustainability is a core item on our agenda

performance and position between periods.

Legacy Contract costs (see below) accounted for £0.51 million of non-recurring costs in the period (2017: £1.44 million).

A specific provision was required in the year at a cost of £0.37 million (2017: £Nil), for an insolvent development customer. This does not give rise to an expected credit loss provision against trade receivables due to the unusual nature and requirements of the transaction. The Board is satisfied with the robust credit and collection controls in place across the business, which continue to be strengthened.

During the period, the Group rectified significant defective work of £0.47 million (2017: £Nil) as a result of a substandard product, provided by an aggregate supplier. This situation is unique and recovery is being progressed, however given the material nature of the amount being sought from the supplier a contingent asset has not been recognised in line with applicable accounting standards. This has led the Board to classify this item as non-recurring. Any recovery in future years will be treated in the same way.

During the year a non-recurring 'true-up' of the Directors' Performance Share Plan (PSP) expense, in relation to previous periods but impacting the current year, was recognised at £0.52 million (2017: £Nil). The true-up relates to the Remuneration Committee agreeing to exclude both positive and negative impacts from provisions in respect of the litigation related to the one remaining legacy contract across the three-year performance period. With the adjustments to exclude such provisions, the maximum targets were exceeded and the plan is expected to vest in full.

Legacy Contract (*)

Legacy contracts are construction contracts entered into at the height of the recession, before 31 December 2013, and which carried a higher than normal contractual and commercial risk. These contracts have negatively impacted the Group's income statement in 2013 and subsequent years. Only one legacy contract now remains to be resolved.

The Group has been pursuing claims with the client for sums greater than the carrying value and will continue to do so until it is resolved. 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

Revenue

+12.62%

£340.45m

2017**: £302.31m

Profit before tax

+502.77%

£6.03m

2017*: £1.00m

Profit before non-recurring items

-25.28%

£7.89m

2017**: £10.56m

Cash:

+96.06%

£33.35m

2017: £17.01m

Creditor Days

-11.63%

38 days

2017: 43 days

Total dividend

+200%

18.0p

2017: 6.0p

*as previously reported in the 2017 Annual Report and Accounts
**after IFRS 15 and other prior year restatement – see note 2

OUR FINANCIAL REVIEW

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 twelve months to achieve.

Cash and working capital

It is very pleasing to report that actions taken to drive better cash management throughout the Group have led to a much improved cash balance of £33.35 million (2017: £17.01 million). In particular, improved disciplines around cash collection and upfront agreements on contractual terms have meant that despite a 12.6% increase in revenue the average credit period taken by customers has reduced to 28 days (2017: 32 days). The outflow of cash from the increased revenue amounted to £7.19 million (2017 restated: £11.87 million) across trade and other receivables. The average credit period taken on credit purchases has also reduced to 38 days (2017: 43 days) due to shorter terms being offered to maintain the best supply chain and achieve the most commercial pricing. The inflow of cash of £19.67 million (2017 restated: £10.73 million) is due to the increase in trade and other payables to £93.14 million (2017 restated: £73.47 million). This increase is due to timing of year end payments processed and also due to the increase in revenue and cash collection in the fourth quarter. Due to higher revenues this also impacted higher cost accruals, other taxes and social security and contract liabilities balances.

The Group ensures it has a sustainable working capital mix to support our growth across all contracts and segments and has re-secured its banking facilities in early 2019 to allow us to do this. We are also targeting further reductions to creditor payment terms to allow our supply chain to grow sustainably with us.

Any excess cash that is being generated by the business units is currently under strategic review. nmcn Investments continues to look for opportunistic ways of generating higher returns, in particular through high quality bespoke residential housing developments where our expertise can be utilised to greater effect. This investment stream is managed through a strict level of governance and Board oversight.

As a result of the Group's growth the net investment during the year on property, plant and equipment increased to £3.26 million (2017: £2.90 million), in line with the Group'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 £19.92 million (2017 restated: £18.17 million), which positions the Group to deliver its targeted growth through 2019 and beyond.

The non-cash charge for share-based payment expense of £1.07

million (2017: £Nil) has added to the operating cash generation. This was an additional expense in the year through the statement of comprehensive income, and the same amount has been credited directly to equity in line with applicable accounting standards, increasing the Group's reserves.

Taxation

The current tax charge of £1.19 million (2017 restated: £1.88 million) relates to tax on profits at 19% in addition to a reduction in the deferred tax rate applicable to taxable temporary differences. All trading group companies will be paying tax for 2019 and beyond as quarterly payments on account.

Dividend

Due to the strong performance of the Group during the year, the increase in cash reserves balanced with the need to restore the balance sheet after the impact of the legacy contracts over a sustained period, and a positive outlook for 2019, the Board is proposing to increase the final dividend to 12.0p (2017: 3.0p), taking the total dividend for the year to 18.0p (2017: 6.0p). The total dividend is covered 3.30 times (2017: 1.22 times).

Restatements

During the year, the Group implemented IFRS 15 and has restated its 2017 results using the full retrospective approach.

The Group made two further restatements to the 2017 financial statements which were both in relation to reclassifications only. The restatements have not impacted the total comprehensive income for the previous year or the total equity of the Group.

The Company reclassified an asset that was jointly owned from within contract assets to property, plant and equipment due to the long-term nature of the asset concerned. The net book value, and hence total adjustment at 31 December 2017 was £1.05 million.

The Company also reclassified items between contract assets and accruals, increasing both by £3.69 million to better reflect the nature and timing of the transactions involved. The restatements combined also increased revenue and the related costs by £2.43 million.

Details of the restatements are set out in note 2.

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 as well as the challenges faced by many high profile troubled competitors in the industry.

The Group is anticipating an inflationary growth rate in revenue for 2019 as it is a year of transition for the AMP frameworks in the water industry. The Group is currently prudently forecasting to achieve a progressive net return on revenues of circa 2% for 2019.

With just over 90% of our anticipated 2019 revenue having already been secured, and the expectation that the remainder will be determined from known frameworks or negotiated tenders, the Board is cautiously optimistic regarding the future quality of earnings increasing. The Board does remain cautious over any impact from Brexit and any impact from the AMP transition on the Group's major client's workload in the fourth quarter 2019 and first quarter of 2020. That said, we remain confident in the outlook for the Group and expect the positive progress achieved to continue into 2019 and beyond.

DANIEL TAYLOR
Chief Financial Officer
27 March 2018

nmcn

OUR OPERATIONAL REVIEW

Water

Wins for multiple key strategic frameworks and new customers

"Our success in securing a number of strategic AMP7 frameworks puts the business in an excellent position moving forward, with further potential from other targeted opportunities."

JOHN HOMER
Chief Executive

Revenue

+43.5%
£244.58m

2017*: £170.50m

Secured Workload

+0.75%
£211.32m

2017: £209.74m

*after IFRS 15 and other prior year restatement – see note 2

The water segment has had a positive year with notable project and framework wins.

Major Projects have secured a new customer in States of Jersey winning a £56m design and build project for Growth, Housing and Environment, to develop a new sewage treatment works at Bellozanne in St Helier. As principal contractor we will deliver civil engineering design and construction of the sewage treatment works while keeping the current facility in operation. Completion is scheduled for December 2022 and will enhance the efficiency and performance of the 60-year-old facility.

The South West team builds on their excellent long-term relationship with South West Water (SWW) after securing two frameworks for both civil and Mechanical, Electrical, Instrumentation, Control and Automation (MEICA) works. The Civil Engineering K7 Capital Works Framework runs from 2020-2025 and sees a move to a design and build arrangement for all major capital schemes. The team will provide civil engineering works, building works and incidental MEICA works.

The second framework sees us secure two positions on the MEICA Capital Works Framework Contract for both major and minor works, covering AMP6 and AMP7. The new framework runs for an initial period of three years, with an option for SWW to extend this through to 2026.

We have been successful in securing key appointments to Lot 1 – Design and Build and Lot 2 – Build only on the Severn Trent Water AMP7 £2 billion investment programme; decisions on a further two lots are still awaited.

Operationally we have had significant milestones including a year of construction on the Frankley Birmingham Resilience Project, the completion of Mayflower WTW and the continuation of Bray Keleher expansion works.

Outlook

- Continue to secure our target AMP6/7 Frameworks.
- Bridge the cyclical gap of the AMP transition programme as we move from AMP6 to AMP7.
- AMP7 Ofwat drivers indicate that there will be a greater move to asset optimisation, capital maintenance and energy or chemical reduction, as well as significant focus on customer experience through the introduction of Customer Measure of Experience (C-Mex).

BUSINESS MODEL IN ACTION - WATER

A year of construction on the Birmingham Resilience Project

Our project at Frankley Water Treatment Works is the biggest infrastructure project in Severn Trent's history. The works currently provide more than 1.2 million customers with drinking water. The new infrastructure will provide an alternative water supply to Birmingham to allow regular maintenance of the 70-mile long Elan Valley Aqueduct which delivers water to Frankley from Wales.

Over the course of the last year, over 12,000m^3 of concrete has been poured, 4000t of rebar has been fixed and the MEICA installation is well underway. The team has grown significantly with the recruitment of 300 new colleagues, with a number of university placement students also taken on, injecting industry standards and knowledge into their degree programmes.

There are over 11km of pipe to lay, ranging from the major 2.2m diameter feed main through to the service water pipes and cable ducts. In September 2018 over the course of one week the team laid 1142m^3 of concrete and the MEICA installation has progressed on two of the major structures. To facilitate the connection of the reservoir the team has designed and installed a major cofferdam using secant piling to permit the 12m deep excavation and then 200m of a segmental tunnel to maintain the integrity of Frankley reservoir.

With over 70 interventions with the existing works the team has to ensure that water supply is never compromised with meticulous planning being carried out. We have successfully completed a number of these, including the diversion of existing mains and HV supply and building demolition to allow the new stream to be integrated into the existing works.

The works are due for completion at the end of 2020 with plans to be in river model by 29 February 2020.

OUR OPERATIONAL REVIEW

Built Environment

Key strategic frameworks wins and new customers developed

"The securing of a number of strategic frameworks across both the Construction and Highways business units places the group in an excellent position for the next five years."

JOHN HOMER
Chief Executive

Revenue

-27.3%

£95.87m

2017*: £131.81m

Secured Workload

+22.0%

£108.95m

2017*: £89.29m

The Built Environment segment has had a positive year with notable project and framework wins.

Through our Highways division we secured multiple lots on the Derby and Nottingham Highways Framework, the Highways Framework 2 for North East Lincolnshire Council, the Contractors Work Stack Framework for Liverpool City Council and secured a tier 1 position on the strategic Highways England Delivery Integration Partners Framework. The latter has already provided us with a multi million pound project to perform significant junction improvements to the M621 in Leeds.

The Construction business unit secured a number of major projects including 75 units for the Mansfield Brewery PRS Scheme for SDL and 11 Houses at Roundhills Farm, Sutton-in-Ashfield for Brooklyn Ellis (EKV). Our investments arm, nmcn Investments, has also been successful in securing a number of strategic development opportunities.

The Construction business also secured a place on the Construction Works Framework for Leicester City Council, which has already provided some key contract wins in the education sector.

Operationally we achieved a number of significant milestones including the successful handover of Bristol City Centre remodelling scheme, our first scheme for Bruntwood, a Commercial office in Manchester, was successfully handed over and a 735 bedrooms student accommodation complex on Denby St in Sheffield.

A restructure of the Telecoms business unit to improve operating performance has been undertaken. Renegotiation of the principal framework within Telecoms is being progressed and there are encouraging signs for 2019.

Outlook

- Continue to secure strategic Construction and Highways frameworks
- Controlled growth of nmcn Investments
- Expand our customer base and geographical coverage
- Strengthen our leadership and delivery teams to achieve framework commitments
- Renegotiation of principal framework in Telecoms being progressed

*after IFRS 15 and other prior year restatement – see note 2

Bristol City Centre Remodelling

Contract Description

Major remodelling of highways and public realm infrastructure in Bristol city centre as part of a Metrobus masterplan to create a rapid bus transit system in and around South Gloucestershire and Bristol. The project comprised:

- New link road between Baldwin Street and St Augustine's Parade to optimise traffic flows. Concrete piling and creation of a bridge deck under the road's surface was required to protect the culvert that houses the River Frome.
- Highway widening and new construction to create bus lanes, together with installation of bus stop and shelter infrastructure.
- Reconstruction of pedestrian areas, with high specification repaving of the public square around Bristol Cenotaph, new street furniture, bespoke lighting and soft landscaping.
- Creation of segregated cycle paths for cyclists.
- Multiple diversions to existing services and installation of new.

The scheme interfaced with a significant number of stakeholders, including the public, businesses, retailers, Bristol Hippodrome, residents, transport operators and emergency services. We created a communications plan and appointed a Liaison Officer to manage stakeholder liaison and engagement, which included a stakeholder consultation event, letters, project website, one-on-one liaison and weekly newsletter updates.

Works Undertaken

- New highway construction
- Widening and modifications to existing highways
- S278 works
- Drainage
- Street lighting
- Street furniture
- CCTV installation
- Traffic signals
- Extensive service diversions
- Traffic management
- Stakeholder liaison

OUR RISKS

Introduction

nmcn'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. Board assessment covers risks that would threaten the business model, future performance, solvency or liquidity of the Group.

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 the next page.

Risk Management Framework

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

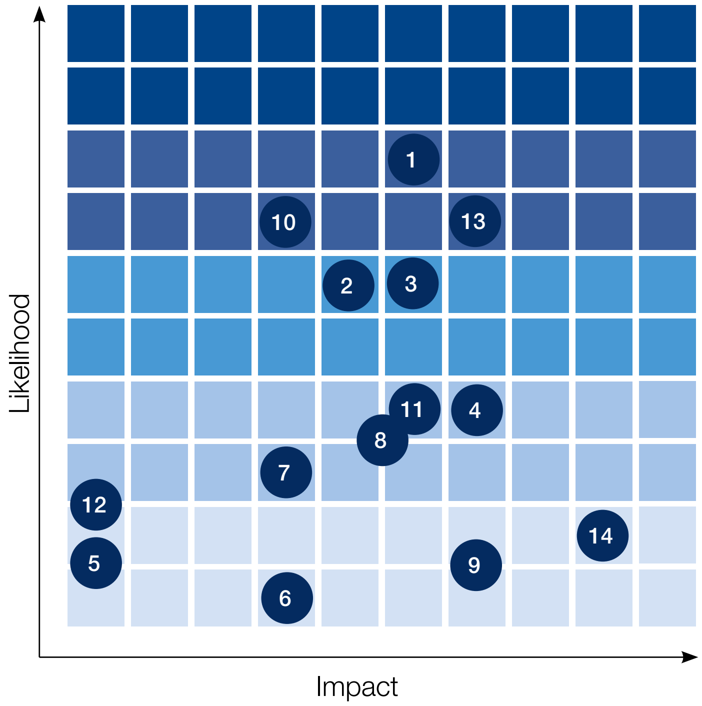
2018 saw the continuing strengthening of the risk management culture and disciplines embedding the Group's strategic priorities and related objectives. This approach forms a fundamental element of the three lines of defence model in place across the business.

The Group's risk and governance model is designed so that the Board maintains overall responsibility for risk. Each business unit 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 business units take ownership of specific business risks.

Risk is managed across the Group in the following ways:

- The Group and its business units 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 business units and the central Group functions.
- The Chief Executive and Chief Financial Officer meet with the business units monthly throughout the year and with an established agenda and reporting format covering a range of matters. This allows the Chief Executive and Chief Financial Officer 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 submission, are assessed based on the strategic objectives of the business units. Governance levels are set according to risk appetite, but includes significant involvement from the Chief Executive and Chief Financial Officer.
- 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 business unit 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 underway 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 Administration Board.



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 / Brexit
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
13. Cyber risk
14. Loss of major customer

Going Concern and Viability Statement

The Strategic Report on pages 8 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. In addition, further information on the key performance indicators, principal risks and material uncertainties affecting nmcn can be found on pages 22 to 23 and 34 to 41. Starting on page 34, the risk disclosures section of the Annual Report and Accounts 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 2018. 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 2018, 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 2021, 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:

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

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 2021. 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.

nmcn

OUR RISKS

NO.	RISK AREA	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		• Top-down leadership • Maintain accreditations: ISO 9001, 14001, 18001 & CEMARS • Board performance monitoring • Regular management meetings evaluating performance and identify 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 • QESH induction/on-boarding • NCR/incident/accident reporting • QESH audit findings • Individual performance development reviews • Annual reviews for QESH policies and procedures • QESH management team risks and opportunities register • QESH objectives (regular review and monitoring) • Robust stakeholder management plans	**INCREASE** • The area of health and safety continues to be a focus and we have seen the Group's AFR rate increase during the year based on the number of RIDDORs. We believe we must do better • 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

Strategy Key

- Driving Cash
- Improve Profit
- Prevent Losses
- Develop, Maintain and Protect Our People
- Enhance Brand Image
- Effective Communication

NO.	RISK AREA	STRATEGIC LINK	MITIGATION ACTION / CONTROL	CHANGE DURING THE YEAR
2	**Brexit / Economic** The macroeconomic environment within the United Kingdom after Brexit is riddled with inherent uncertainty. In particular, the lack of clarity over the manner and timing of Brexit is a concern for our supply chain, increasing the risk of materials shortages and adding to cost pressures Brexit is also expected to exacerbate the current skills shortage in the construction industry due to reduced mobility of migrant labour, although the majority of staff employed directly by the Group are UK citizens		• Active engagement with our supply chain on the impact of Brexit, including any forecast pricing issues • Long-term frameworks that include increases in inflation • Contingency planning to allow increased stock holding levels and access to materials • Robust tendering system to ensure costs are correctly captured • Brexit risk assessment embedded for new projects, in relation to time delay and costs implications	**INCREASE** • Brexit has caused uncertainty around the UK economy in general which is where the majority of the Group's revenue derives from • Any weakening of the pound is likely to cause price pressures from our supply chain • Continued uncertainty around the manner and timing of Brexit increases risk of material shortages and cost pressures
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 revenue requires continued expenditure at a national and local level		• We operate our business through two operating segments, comprising five business units serving different market sectors, 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	**STABLE** • 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 market place
4	**Attraction and retention of key leaders and managers** Failure to attract and retain key leaders and managers could lead to a lack of necessary expertise or lack of continuity to execute strategy		• Maintain and improve our 'Investors in People' status • Effective communication to senior managers and Directors • We adopt market-based compensation, including appropriate incentive packages • Personal development opportunities • Talent management and succession planning • Close relationships have been fostered with educational institutions	**STABLE** • There has been an increase in both attraction and retention. 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 purpose, values and culture of the Group

OUR RISKS

NO.	RISK AREA	STRATEGIC LINK	MITIGATION ACTION / CONTROL	CHANGE DURING THE YEAR
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 • Third party audits of our subcontractors	**STABLE** • Upskilling our people's knowledge of the Modern Slavery Act and Bribery Act through the induction process and refreshers
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 • Reviews of the pricing of contract bids and carry out ongoing commercial reviews of terms for certain types of contract	**DECREASE** • 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 2018
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 • Asset management • Quality procedures reducing likelihood of liabilities	**DECREASE** • Full internal audit undertaken quarterly by our insurance brokers to ensure the Group is fully covered for its insurance requirements • The Group also has encouraging claims history for its major insurances

Strategy Key

- Driving Cash
- Improve Profit
- Prevent Losses
- Develop, Maintain and Protect Our People
- Enhance Brand Image
- Effective Communication

NO.	RISK AREA	STRATEGIC LINK	MITIGATION ACTION / CONTROL	CHANGE DURING THE YEAR
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 on a monthly basis • External audit on our Annual Report and Accounts • Annual KPIs are established and maintained	**STABLE** • Review and improvement in financial reporting • Significant process and transparency enhancements to the bespoke in-house reporting systems • Strengthening of internal team with appointment of a 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 assessing potential deposits with suitable financial institutions	**DECREASE** • Cash management is a key strategic objective • Cash balance improved significantly • Further opportunities for betterment • Increased funding facilities in place
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	**STABLE** • No change from previous period, still remains risk that is monitored • Cyber security strategy implemented (see risk area 13 below)

OUR RISKS

NO.	RISK AREA	STRATEGIC LINK	MITIGATION ACTION / CONTROL	CHANGE DURING THE YEAR
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 advisers if required	**DECREASE** • 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 2018
12	**Legal** Legal and regulatory failure, for example involvement in blacklisting, cover pricing, bribery, other 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 disqualification 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	**STABLE** • Group ensures panel of professional firms keep it abreast of all developments • Internal training as and when required

Strategy Key

- Driving Cash
- Improve Profit
- Prevent Losses
- Develop, Maintain and Protect Our People
- Enhance Brand Image
- Effective Communication

NO.	RISK AREA	STRATEGIC LINK	MITIGATION ACTION / CONTROL	CHANGE DURING THE YEAR
13	**Cyber risk** All businesses experience cyber attacks from phishing, viruses, malware and brute force attacks The risk of data loss and disruption from these attacks would not only impact our profitability and brand but would also impact our relationship and confidence with our customers		• Cyber awareness training • Security incidents reporting system • Targeted phishing campaign across the Group • Audit / maintain ISO 27001 / GDPR compliance • Maintain Cyber Essentials Certificate • The implementation of an industry-leading security fabric • Regular / proactive maintenance of the firewalls • Endpoint antivirus / anti malware applications including telemetry back to our Security Operating Centre • Sandbox service that captures all "unknowns" and test before release • Regular penetration testing and feedback	**STABLE** • Security Operations Centre report and recommendations • Proactive / automated updates of firewall • Monthly review of cyber awareness training participation • Comms to our people to raise awareness (first line of defence)
14	**Major loss of client** Failure to retain existing major frameworks Significant loss of revenue Loss of cash generating baseload turnover Impact on regional offices		• Customer relationship management plans in place and reviewed monthly • Win strategies developed to retain existing and secure new framework awards • Customer Expectation Surveys, Customer Satisfaction and Customer Performance Questionnaires completed and analysed for -/+ trends • Understand customer objectives and market developments and have SMART plans established	**STABLE** • Major focus on customer experience • Ongoing development of key strategic customer relationships

OUR POSITIVE IMPACT

Purpose

A positive impact on everything we touch

Development of the Positive Impact Plan

During 2018 we took some time to think about nmcn's role today and in the future, thinking about the type of business we want to be and how we engage with our stakeholders. It's been an exciting journey and one which will position nmcn to be the best performing company in our chosen markets but also one which will bring our purpose to life.

We engaged with colleagues, customers, suppliers and external stakeholders to form our plan. Through stakeholder insights, a deep understanding of where we are today and the achievements we have made, together with reflecting on the signals of change, we have finalised our five-year Positive Impact Plan. The Plan sets a clear direction for us to 2025 on issues which are important to us and where we can take positive action.

Strong leadership

Leadership has been fundamental to the successful development and subsequent launch of the Positive Impact Plan. Both the Group Board and Executive Administration Board have been actively involved in the development of our five-year plan which was launched to our Top 100 Leaders in early March. The roll-out of the plan will be phased during 2019 providing opportunities for engagement of our colleagues and wider stakeholders and alignment to key national or industry events.

nmcn Positive Impact Plan

Our Positive Impact Plan ensures that our everyday actions create positive impacts on everything we touch. Our focus will be on delivering positive impact in everything we do, creating a virtuous link between our own growth and the success of the communities in which we work.

Our priorities and commitments

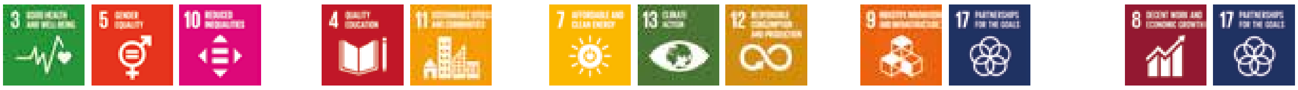
The Positive Impact Plan consists of five key priorities where we believe we can have the most impact: Our People; Our Impact; Our Communities; Thinking Differently; and Better Business. We have set an ambition for each priority together with a range of individual and measurable targets through to 2025 which are underpinned by robust delivery plans.

Our key priorities align to the United Nations Sustainable Development Goals which aim to tackle the world's most pressing challenges through the promotion of sustainable development. All the goals are important, but we have focused on those which are material to nmcn and where we can have the most positive impact.

We have focused our goals around five key priorities; Our People, Our Communities, Our Impact, Thinking Differently and Better Business. These priorities align with a number of the United Nations Sustainable Development Goals where our company can have a positive impact for the future.

The goals which support our five key priorities are:

Our People	Our Communities	Our Impact	Thinking Differently	Better Business



2019 deliverables

2019 provides the first step on our Positive Impact journey to 2025 and several key deliverables will ensure we put the foundations in place for a sustainable plan.

During this year we will be:

- Ensuring robust baselines are in place for our key performance indicators which will help us measure how we are performing against our 2025 targets
- Launching our employee volunteering policy to support our colleagues who are passionate about giving back to their local communities
- Delivering our first Positive Impact Week where our colleagues, clients and suppliers will come together to support local projects in the communities where we live and work
- Building on the success of our prison programme to support those who have been in prison to find sustainable employment in the construction sector
- Developing our low carbon strategy which will set out the key activities we need to undertake to achieve our 34% reduction in carbon emissions by 2025. The strategy will also ensure we comply with the new Task Force on Climate Related Financial Disclosures.

Measuring our progress and performance

The Positive Impact Plan will be an integral part of our business strategy and performance. Each business unit within nmcn will have their own Positive Impact Plan relevant to them and the clients they serve, which will support the business in achieving the 2025 goals it has committed to. Progress and performance will be reviewed both at our Group Board, Executive Administration Board and the newly formed Positive Impact Committee, chaired by our CEO, John Homer. The Positive Impact Committee will provide strategic leadership, direction and oversight of the nmcn Positive Impact Plan to 2025 to ensure its effective implementation. It will also ensure the adequacy of resources and consider any external signals of change in respect of sustainability. The Committee will be attended by the executive sponsors for each of the priorities, operational leads, key support functions and an external adviser.

The management of risk within our work on sustainability is integrated in the Group risk management approach. Further information on our risks can be found on pages 34 to 41.

Working in partnership

We recognise that many of the issues we have identified cannot be tackled by any one company, therefore collaboration is a key thread running through our approach. We are committed to working in partnership with peers, customers, supply chain and external organisations to ensure we deliver against our commitments, but more importantly, have a positive impact on everything that we touch. As part of the development of the Plan, we have already identified a series of partners who will assist in the delivery of key initiatives.

OUR POSITIVE IMPACT

nmcn plc Sustainability Report

At nmcn plc we are committed to building a sustainable business for the long term, building on our heritage and values. Our purpose is clear – to have a positive impact on everything we touch, and we continue to be proud of the performance and investment we make in our people, communities, environment and supply chain. During 2018 we embarked on the next phase of our journey – working with our stakeholders to understand what matters to them, setting ambitious sustainability targets for 2025 and demonstrating our commitment to the United Nations Sustainable Development Goals. Our Positive Impact Plan will be our blueprint for bringing our purpose to life.

Our People – The Drivers of our Success

People continue to be at the core of our success and our strategy remains clear; attract, recruit, engage and develop our people. We want to be a company that people choose to work for, providing a supportive culture where inclusivity, opinions, diversity and opportunity are encouraged.

Listening to our People

We recognise the importance of listening, engaging and empowering our people and we provide various opportunities to facilitate this. In 2018 we launched a series of new communication platforms including Leadership Briefings which provide an opportunity for our Executive Team to share the plans, priorities and current performance of the Group, and launched our new intranet platform which enables greater accessibility to information and best practice across the business. As part of the new UK Corporate Governance Code we support the requirements for worker engagement in giving people a voice within the boardroom.

Resourcing for our Growth

Our in-house recruitment team is focussed on attracting the best talent into our business. In 2018 a total of 114 new colleagues joined nmcn plc of which 91% were recruited through our in-house team taking our current workforce to over 1,800. This approach enables us to source directly a diverse pipeline of talent and more importantly maintain a consistent level of quality. An external benchmarking exercise of our remuneration benefits during the year ensured we were in line with the market to attract the best talent.

Our ILM 5 delegates complete their presentations

Developing our People

We have continued to invest in the learning and development of our people during 2018 yielding measurable benefits. 25 colleagues registered onto the Level 3 and Level 5 Institute Leadership and Management programme creating the leaders of the future. The nmcn Academy goes from strength to strength with 22 colleagues starting new apprenticeships during the year taking the total number in our Academy to 147. In addition, 18 colleagues completed their apprenticeships and continued to progress their careers with us. Many of our colleagues on the Academy participated in the National Apprenticeship Week showcasing their careers to those considering construction as an employment pathway.

Investing in the development of our people is key for the successful growth of the business and we were delighted to receive the East Midlands Property Skills and Apprenticeship Scheme of the Year Award. We were also finalist in the Construction News Talent Awards – Excellence in Learning & Development.

Engaged People

The pride, passion and commitment that our colleagues contribute to nmcn is essential for our success. Our established purpose and values form the foundation of our culture. We continued to put in place during the year further ways to enhance our colleagues' experience from seeking feedback and involvement in the development of our single identity, promoting leadership engagement across the business and investing in our communications systems. In the coming year we will focus on reigniting engagement with our regions, using storytelling for communications and helping our line management develop team effectiveness. We regularly test and monitor colleague engagement levels which provide insights and action areas for us to focus on. During 2018, we increased participation of the employee share plan which helps align colleagues with the performance of the Group.

2019 Priorities

- Retain Gold status in Investors in People
- Promotion of our Purpose, Vision and Values in all internal communications, corporate inductions and leadership briefings.
- Embed improved communication platforms and create new channels for site-based teams.
- Improve selection process for Hiring Managers to increase retention.
- Implementation an applicant tracking system, Google Hire
- Deliver Academy growth plans, in line with our business need.
- Launch nmcn Positive Impact Volunteering policy providing our colleagues with 3 days of paid volunteering

A positive impact on everything we touch

OUR POSITIVE IMPACT

Our Communities

Beach Clean – Branscombe Beach

On a very sunny day on Wednesday 11th July, volunteers from nmcn, Viridor and SWW travelled from Penn House to Branscombe beach for the first clean of the day. After our initial H&S talk we were issued with a black bin bag and our long reach litter pickers and with a sun hat and sun screen applied we all then went on our long walk up the pebble beach. It was a glorious day and we even had the bonus of seeing dolphins leaping in the sea in the distance.

From Branscombe we then travelled to Budleigh Salterton where the team continued their task of collecting as much rubbish as we could find. With lots of positive comments from the general public saying what a wonderful job we were doing, we really felt it was a worthwhile day out.

After lunch and a cooling drink we were off to our last beach for the day, Exmouth. The last few hours were then spent walking along the long stretch of sandy beach where we continued our quest to find any litter. Plastic bottles and cans were separated at the end of the day to be recycled.

STEM (Science, Technology, Engineering and Maths) day

On the 12th March nmcn volunteered to help run a STEM day for the year sevens at Fowey River Academy. In helping to run the day we were required to:

- Make sure the students understood the 3 STEM tasks they were undertaking
- Try to encourage them to think like engineers when undertaking their tasks
- Chat to them about our roles and the educational routes we took to get to these jobs
- Ask the students what aspirations they had for their future career paths and ask them to think about the educational route they need to take

The theme of the STEM day was energy and in particular; how to generate electricity, how electricity is then used and finally, how will electricity be generated in the future.

To round the day off the students then had to discuss how they think electricity could be generated in the future and also, come up with imaginative ways of generating electricity they haven't been tried yet.

Our Journey to Zero Harm

Safety is a mindset. Our focus on safety is a key element of how we operate. Our drive to ensure everyone champions the right behaviours across the business and our supply chain to keep people safe and healthy is relentless.

2018 was a disappointing year due to an increase in the number of reportable accidents recorded. To address this, we have focussed on root cause analysis and learning from these incidents to identify areas for improvement. Our All Accident Frequency Rate (AAFR) improved during the year together with the potential severity of the accidents that are being recorded, demonstrating that our approach and strong leadership commitment are contributing to positive progress. This was recognised by RoSPA where we received 7 awards across the Group and the inaugural RoSPA Presidents award having gained more than 10 consecutive Gold awards in this prestigious annual scheme.

Consistent approach

As a result of a consistent and sustained approach to safety in the area of service strikes, our performance continues in the right direction. Our damage rate trend decreased during 2018 and we saw a significant reduction in high potential incidents. We continue to encourage everyone working on our sites to set high standards around safety, provide safe systems of work and most importantly look out for each other.

Connected Minds

Creating the right environment and behaviours is critical if we are to achieve our goal of zero harm. In 2018, we strengthened the safety team with the appointment of a psychologist specialising in safety climate and culture. The appointment has resulted in the development and launch of our next generation approach to behavioural safety 'Connected Minds' which forms part of a wider strategy on health, safety and wellbeing.

As a business, with a strong focus on site activities, a positive site culture is imperative. The support therefore of our site teams on our behavioural safety programme is crucial to ensure its success. Operative focus groups 'Value You' are focussed on addressing underlying assumptions within the industry about the nature of work, the impact on their own wellbeing and the acceptance of this. In addition to the safety of our people, their health and wellbeing is of equal importance. Society continues to place a spotlight on mental health and statistics show that male site workers in construction are three times more likely to commit suicide than the average UK male. Our mental health programme covers both a proactive and reactive approach. We provide mental health first aiders on our projects, host talks but also measure the actual mental health of our workforce. Through measuring the health of our colleagues we are able to identify hotspots which can be addressed by job design or the psychological working conditions.

Workforce perceptions of health & safety

This year, once again, we undertook the Health and Safety Laboratory (HSL) Safety Climate Survey providing a unique insight into our safety culture and opportunities for improving it. The tool covers eight factors from organisational commitment, health and safety, trust and behaviours through to resources and usability of procedures. Over 75% of colleagues completed the survey providing an excellent response rate. Results from the survey all exceeded the HSL benchmark score and demonstrated that our culture around safety is continuously improving. The findings have identified some areas for improvement especially on the usability of our procedures which will be a focus over the coming year.

2019 Priorities

- Deliver our Zero Harm approach and strive for zero RIDDORs
- Implement the Health & Wellbeing framework incorporating primary interventions around employee health
- Reduce All Accident Frequency Rate
- Reduce Lost Time Incidents

Ruth Hartley, Health and Safety Manager, presenting on 'connected minds'

OUR POSITIVE IMPACT

Delivering Environmental Change

2018 saw increasing pressure on businesses in relation to environmental issues. Societal campaigns around biodiversity, increasing awareness of air quality and health together with more robust reporting requirements on energy and carbon are just some of the things shaping the way businesses think about their impact on the environment.

During the year nmcn successfully transitioned its Environmental Management System to the new ISO14001:2015 standard which places greater requirements for top management commitment and involvement, with an emphasis on risk-based thinking and consideration to the life cycle perspective.

Our approach to a low carbon business

Our successful maintenance of the CEMARS (Carbon and Energy Management and Reduction Scheme) certification for the 7th year resulted in us achieving a Gold standard. Audited annually by Achilles, this independent certification is an important demonstration of our commitment to measuring, managing and reducing our greenhouse gases. Travel continues to be a significant contributor to our footprint alongside electricity consumption. The use of TomTom technology in our fleet has enabled us to more effectively manage, monitor and report on our fleet. Alongside vehicle tracking, OptDrive 360 and fuel consumption reports, we have real time monitoring which is helping us identify trends and anomalies. Driver training is also provided to help improve driver skills and more efficient driving practices.

Proactively engaging with our people

Increasing awareness amongst our colleagues

The environmental team was strengthened in 2018 with the appointment of Environmental Advisors providing wider support to the business. New environmental training was introduced to ensure colleagues can identify, control and minimise the environmental impacts of their work and identify environmental improvement opportunities. This together with a focus on environmental issues meant we had no environmental incidents recorded during the year. Bespoke online training is being developed to help different job roles within the organisation understand how they can carry out environmentally themed tasks. In addition, Newground Legislation Update Service were appointed to provide the latest updates to environmental law – this service is also accessible by our supply chain demonstrating our commitment to helping SMEs.

Enhancing the biodiversity of our work

The built environment has the potential to significantly increase the ecological value of a site through proper planning, design and construction. Our work with the Nottinghamshire Wildlife Trust demonstrates our commitment to this agenda. We work closely with them to explore ways to enhance the biodiversity of our head office and sites.

2019 Priorities

- Zero environmental incidents
- 50% reduction in carbon emission intensity
- Increase environmental awareness
- Embed a core principle of zero waste to landfill with a specific focus on planning

"Last year we embarked on an ambitious and far-reaching set of goals which has defined a new strategic vision for our organisation: By 2020 we will, through our outstanding people, make strides in further advancing our quest to be employer of choice, while delivering real and tangible benefits for our people to achieve their full potential."

KAREN MORRIS
Group HR Director

Investing in our communities

Businesses like ours continue to play an important role in the communities in which they live and work providing employment opportunities, local economic growth and innovation. Challenges such as social mobility, skills, homelessness and knife crime continue to plight our communities and greater pressure is being placed on businesses to rethink the role they play in partnership with the public and third sector in addressing these issues.

Giving Back

We encourage our colleagues to give back to their local community. During 2018 our colleagues got involved in a range of projects from the Trent Rivers Trust where they cleared vegetation on a brook, to litter picking within the vicinity of the head office during lunch to collecting plastic bottles for a local school to help build a school greenhouse. We also made donations to 99 charities ranging from STEM activities in schools, local football teams and supporting colleagues on fundraising challenges. In the coming year we will be launching the Positive Impact Volunteering policy – allowing employees to have 3 days for paid volunteering and a reporting portal to log and measure the hours volunteered by our colleagues.

Making construction a career of choice

Engaging with young people is critical to building a pipeline of talent into the sector and tackling the growing skills crisis. A recent report by the Construction Skills Network shows over 160,000 new jobs will need to be created to meet construction demand in the next five years. The diversity of our sector must also change to reflect society – less than 15% are women and under 10% are from a Black and Minority Ethnic background.

nmcn continued to support the young people agenda throughout the year by actively engaging with local schools by providing career talks, assemblies, sponsoring apprenticeship fairs and running competitions with local schools. Colleagues volunteered their time, skills and experience to inspire young people, so they make construction a career of choice not chance.

Supporting those facing barriers to work

2018 saw our inaugural construction employability programme delivered in partnership with HMP Ranby. nmcn is challenging the fact that three quarters of employers will not hire a candidate with a previous conviction and have committed to directly working with prisons to support those facing barriers back into work. The programme delivered in partnership with HMP Ranby and Milton Keynes College provides training and employment opportunities for offenders into the construction sector upon release. HMP Ranby is a resettlement category C male adult prison in Nottingham.

Engaging with our communities

The 14 week programme provides candidates with an NVQ Civil Engineering Level 1 course. The course covers a range of topics including basic building methods, health & safety together with bespoke nmcn curriculum such as service avoidance, manual handling and underground service detection. All successful candidates obtain their Construction Skills Certification Scheme (CSCS) Certificate providing the first routeway into the sector.

nmcn employees deliver the bespoke nmcn curriculum and health and safety content which is focussed on the behaviours and cultures expected when working on our projects.

After completing the programme, successful candidates are offered job interviews, which can lead to a full-time position within nmcn or its supply chain. To date fourteen candidates completed the programme and obtained their NVQ Civil Engineering Level 1. Six candidates have moved into a positive outcome – either employment or further training. One candidate successfully secured work with nmcn.

2019 Priorities

- Deliver one further program with HMP Ranby supporting ten candidates
- Develop a structured schools programme to inspire the next generation
- Run a Positive Impact week for all colleagues to volunteer

OUR POSITIVE IMPACT

Working with our Supply Chain

Our supply chain partners are a key component of our success. Through our established supply chain, we share best practice and provide industry leading approaches to our customers. Our strategy is a balance of managing risk, maintaining value and efficiency whilst bringing innovation.

Working as one

Our annual supply chain forum in 2018 was attended by over 200 people with all members of supply chain given exclusive insight into our growth plans, sharing innovations and discussing key issues facing the engineering and construction sectors. The event provided an opportunity to share the new nmcn brand and our behavioural safety programme 'Connected Minds'. With over 5,000 members of our supply chain we have a unique opportunity to celebrate best practice through our annual supply chain awards. The event celebrated excellence in areas of quality, health and safety, innovation, performance and customer service.

Collaborative Approach

We collaborate with a wide range of partners from SMEs and local companies to technical and specialist providers and engage through a range of methods including the supply chain conference, annual review meetings, safety training events, collaboration events, meet the buyer events and community projects. Our commitment and certification to ISO44001 – Collaborative Business Relationships Management System ensures that our relationships are as effective as possible. Our operational and commercial teams have been trained in supply chain relationship management techniques such as collaborative planning and early supplier involvement to get the most from the partnerships.

Supporting SMEs

More than 80% of nmcn's supply chain is made up of SMEs and we ensure they align with our values, aspirations and culture especially in safety and innovation. Our Market Place portal is a new approach to open working. It allows partners to view our rolling programme of work from tender award to latest progress on site giving clear transparency of opportunities available.

2019 Priorities

- Communication of Supply Chain and Procurement Team strategy
- Collaborative Business Relationships training extended to supply chain
- Risk management approach
- Implement strategic change agenda: cost reduction, smart working

Supply Chain Collaboration

Enhancing our Customer Experience

Customer focus is the bedrock of our business. On many of our projects, we seek to go beyond our customers' expectations by helping them unlock value with innovative approaches to the engineering and construction delivery.

Engaging with our customers and wider stakeholders

During 2018 we used a variety of ways to communicate and engage with our customers. Our customer forms were just one example of our engagement methods which helped us to understand customers' views on our performance, quality and safety. This year 177 customer forms were completed – an increase of 35% on the previous year. The feedback has provided valuable insights enabling us to create bespoke customer action plans.

The use of QR codes and project specific Google sites has proved an extremely successful communication method with one customer, Highways England. Early feedback has shown the innovation has reduced calls and complaints to their operational centres and the resulting success will be shared across the other Highways England frameworks.

Wider stakeholder engagement is fundamental on our projects. During the year we trialled an online stakeholder management plan which received positive feedback across the Water and Highways businesses. Information captured has been used to engage with local stakeholders making the stakeholder engagement process more productive and seamless.

Tracking Areas for Improvement

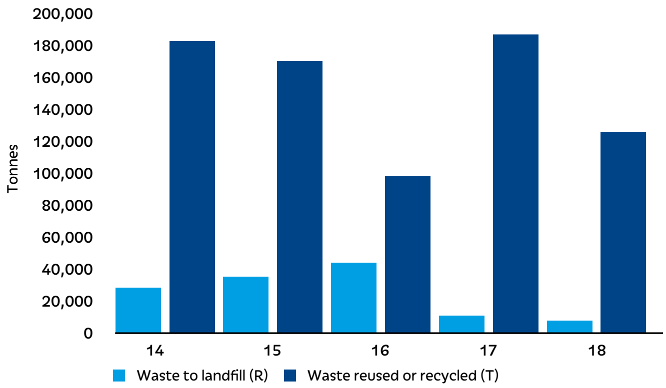
We monitor complaints and compliments received by members of the public. In 2018, we received 147 contacts via phone, website and social media. 90% of the contacts were complaints which were dealt with by the business and appropriate action plans put in place. The others were compliments or requests for further information.

2019 Priorities

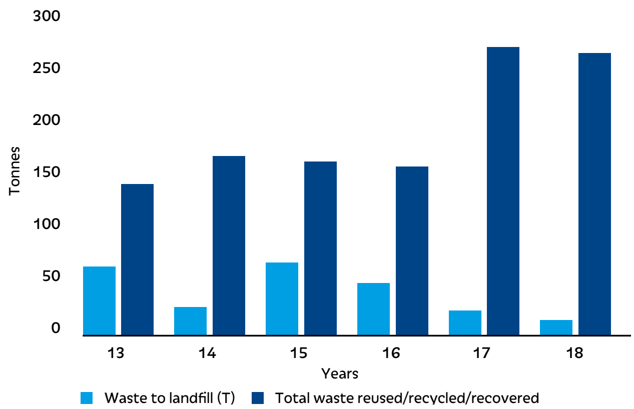
- Net Promoter Score >0 – meaning all customers are likely to recommend nmcn
- Customer Experience is the responsibility of all business units
- Accreditation to the Institute of Customer Service for the Highways business

Waste reduction data

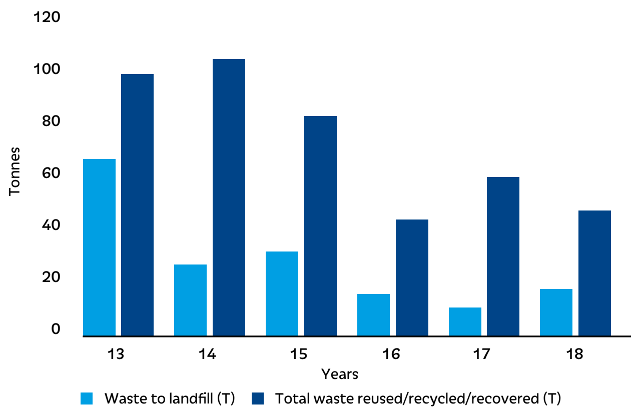
Group construction site waste data 2014-2018



Total head office waste produced by destination 2014-2018



Total regional offices waste produced by destination 2014-2018



OUR POSITIVE IMPACT

Greenhouse gas emissions inventory summary – nmcn Sustainable Solutions Ltd

Table 1: GHG emissions data summary.

	2014	2015	2016	2017	**2018**
Scope 1	850.34*	769.95*	746*	931*	**980^**
Scope 2	121.01*	97.02*	148*	99*	**54^**
Scope 3 mandatory	672.57*	640.60*	681*	696*	**981^**
Total gross emissions	1,643.92*	1,507.57*	1,576*	1,726*	**2,015^**
Certified green electricity	0.00	0.00	0.00	0.00	**0.00**
Purchased emission reductions	0.00	0.00	0.00	0.00	**0.00**
Net GHG emissions (all scopes)	1,643.92*	1,507.57*	1,576*	1,726*	**2,015^**
Total gross GHG emissions per turnover/revenue (£millions)	40.8*	43.01*	39.33*	31.56*	**29.22^**

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

1. Company information

nmcn Sustainable Solutions Ltd is a subsidiary of nmcn 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 1st January 2018 – 31st December 2018.

3. Change in emissions

Our total annual net emissions have increased in 2018, due to an increase in business.

4. Approach

We have followed DEFRA's 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 nmcn Sustainable Solutions Ltd but excluding nmcn PLC.

7. Operational scopes

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

8. Geographical break down

Emissions included are from the 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 2018 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.

Greenhouse gas emissions inventory summary – nmcn Plc

Table 1: GHC emissions data summary.

	2014	2015	2016	2017	**2018**
Scope 1	6,994.56*	7,505.44*	8,089*	9,349.59*	**10,113.89^**
Scope 2	522.36*	531.02*	506*	403.85*	**384.34^**
Scope 3 mandatory	2,705.47*	2,092.01*	2,026*	1,899.29*	**2,467.74^**
Total gross emissions	11,866.32*	11,636.03*	12,195.72*	11,652.73*	**12,985.97^**
Certified green electricity	0.00	0.00	0.00	0.00	**0.00^**
Purchased emission reductions	0.00	0.00	0.00	0.00	**0.00^**
Net GHG emissions (all scopes)	11,866.32*	11,636.03*	12,195.72*	11,652.73*	**12,985.97^**
Total gross GHG emissions per turnover/revenue (£millions)	68.33*	56.55*	51.65*	39.94*	**47.81^**

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

1. Company information

nmcn 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 1st January 2018 – 31st December 2018.

3. Change in emissions

Our total annual net emissions have increased in 2018, due to an increase in business.

4. Approach

We have followed DEFRA's 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.

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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 nmcn PLC, excluding those of its subsidiary nmcn Sustainable Solutions Ltd.

7. Operational scopes

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

8. Geographical break down

Emissions included are from the 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%.

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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.

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12. Carbon offsets

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

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

Approval of Strategic Report

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

JOHN HOMER
Chief Executive
27 March 2019

OUR GOVERNANCE

Presents a clear view of our governance

Clear lines of communication and information

nmcn

BOARD OF DIRECTORS

Robert Moyle

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

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 30 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.

Daniel Taylor

Chief Financial Officer

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.

Dan heads up the nmcn Investments arm which looks to invest the Company's cash reserves. Currently, the focus for this investment is in carefully selected residential speculative developments and small vertically integrated, off-site build supply chain acquisitions.

Andy Langman

Managing Director – Water

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 in 2013.

During his tenure, Andy has steered nmcn Sustainable Solutions 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.

Andy is now Managing Director of the new integrated Water business. He also sits on the Executive Administration Board (EAB) with responsibility for ICT.

Stuart Proud

Managing Director – Water

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.

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

Ian Elliott

Senior 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. From October 2018 Ian was appointed as Senior Independent Director for the Company.

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 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 the Centre for Effective Dispute Resolution (CEDR). David was appointed to the Board in 2011.

Mike Holt

Independent Non-Executive Director

Mike has significant listed public company board and financial experience. He is currently a non-executive director, and chair of the audit and risk committee, of Schroders Asian Total Return Investment Company plc and a non-executive director, and chair of audit, at AIM-quoted Real Good Food plc.

Between 2010 and 2017, he was CFO of Low & Bonar PLC, an international performance materials group and prior to that he was CFO of Vp plc, the specialist equipment rental group, for over six years from 2004; both companies were listed on the Main Market of the London Stock Exchange. Prior to joining Vp, Mike held a number of senior financial positions within Rolls-Royce Group in the UK, USA and Hong Kong.

Mike is a Fellow of The Institute of Chartered Accountants in England and Wales and a member of The Association of Corporate Treasurers. Mike qualified as a Chartered Accountant with Arthur Andersen. Mike was appointed to the Board in 2018 and is the Designated Non-Executive Director for the Audit Committee.

Margaret Amos

Independent Non-Executive Director

Margaret is an experienced board-level leader with experience in finance, transformation and programme management. She has over 27 years' experience with Rolls Royce plc in a number of senior positions including Finance Director - Engineering, IT and Corporate as well as Director of Business Planning. She has extensive non-executive director experience in both the private and public sectors and is currently a director of South Derbyshire Clinical Commissioning Group (NHS) and Trinitas Services Limited (a subsidiary of Trinity House).

Margaret is a Fellow of The Chartered Institute of Management Accountants and a Fellow of The Chartered Institute of Procurement and Supply and is undertaking a Doctorate in Transformation Strategy. She will support the whole Board's initiative to develop good structures for employee engagement and establishing regular meaningful dialogue with employees. In this regard, Margaret, a member of the Remuneration Committee, will become our Designated Non-Executive Director with responsibility for employee engagement starting in 2019.

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 62 to 83. The interaction between stakeholders within the Group's governance framework and the key responsibilities of each is set out below.

Shareholders

Chairman

Key responsibilities

- Presiding over Board meetings in a manner that encourages openness and participation
- Guiding and directing corporate governance processes
- Working with the various committees to align their objectives
- Engaging with our customers and promoting the Group

Board of Directors

Key responsibilities

- Setting the overall strategy for the Group
- Monitoring the Group's risks
- Dealing with key operational matters

Audit Committee

Key responsibilities

- Reviewing the Group's financial and narrative reporting
- Assessing the effectiveness of the Group's system of internal controls
- Evaluating the Group's risk management framework
- Overseeing internal commercial audits and liaising with the Group's Auditor

Nomination Committee

Key responsibilities

- Leading the process for Board appointments
- Considering succession planning at key management and Board level
- Evaluating the balance of skills, experience, independence and knowledge of the Board
- Promoting diversity at senior levels within the Group

Remuneration Committee

Key responsibilities

- Establishing and updating the remuneration policy for the Executive Directors
- Considering, discussing and approving annual bonuses and Performance Share Plan awards to Executive Directors

Chief Executive

Key responsibilities

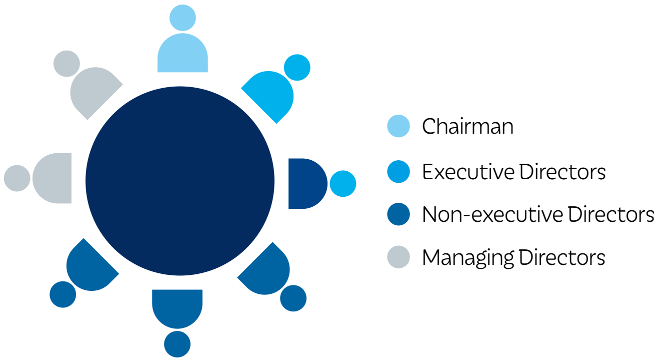
- Driving Shareholder value
- Implementing the Group's strategy as determined by the Board
- Developing and managing the Group and its trading performance
- Promoting the Group's values and culture
- Overseeing the Group's performance in health and safety and sustainability matters

Divisional Directors

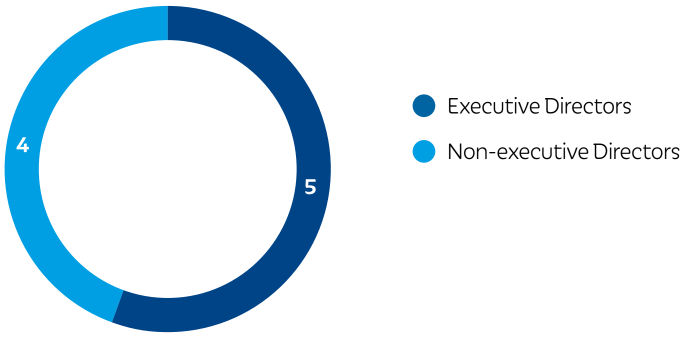
Key responsibilities

- Building teams that deliver the highest quality of service to the Group's customers
- Managing the divisions to achieve the Group's strategic objectives
- Embedding the Group's policies, procedures and controls within the divisions
- Attracting, developing and retaining high calibre people to support the Group's growth

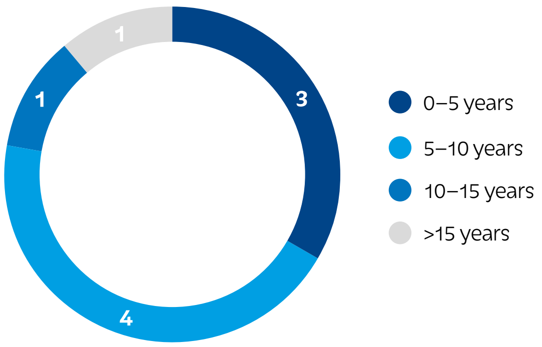
Board composition



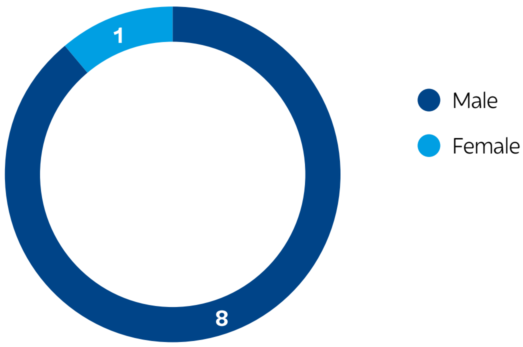
Independence



Board tenure in years



Board Gender



CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance. This statement describes how the relevant principles of governance are applied to the Company.

"The Company is currently progressing the production of financial research on its behalf by an appropriate market analyst. The Board believes this will give current and prospective shareholders better and more timely information on the Company's performance and future prospects."

ROBERT MOYLE
Chairman

For the year ended 31st December 2018 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 Company already complies with many aspects of the revised UK Corporate Governance code which came into effect on 1st January 2019, and where it didn't previously, has implemented a plan to comply accordingly.

The principles of good governance

The Board of Directors, under its Chairman, Robert Moyle, consists of five Executives, all highly experienced in the construction industry, and four independent Non-Executive members. During the period the Company has increased the number of Non-Executive members, with the appointment of Mike Holt and Margaret Amos, following the retirement of Steve Brown in August 2018. Details of their biographies can be found on page 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. John 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 Ian Elliott, who has served for 12 years. The Nomination Committee has rigorously reviewed his position and independence in line with the code. Ian Elliott has offered himself up for re-election accordingly.

The Board met formally, as a whole, nine times during the year and the Audit Committee met five times during the year. The Remuneration Committee met six times, and the Nominations Committee met three 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 31st December 2018. 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, Chief Executive 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 66.

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 organisational 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 31st December 2018 and up to the date of approval of this report. The procedures are constantly reviewed throughout the year along with the operational risks across the Group and prioritisation of those risks identified for further action. This is carried out primarily at a management level and reported up to the Board and as summarised on pages 34 to 41.

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, being a period of at least 12 month from the date of approval of the financial statements. 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 four independent Non-Executive Directors, Mike Holt (Chairman), Ian Elliott, David Rogers and Margaret Amos. 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 Chief Financial Officer 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. 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 five occasions and all members were present. The external Auditor was invited and attended three of these meetings.

Relations with 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. The Company is currently progressing the production of financial research on its behalf by an appropriate market analyst. The Board believes this will give current and prospective shareholders better and more timely information on the Company's performance and future prospects. Details of these, together with related press releases, are available at the Company's website (www.nmcn.com).

Code of Best Practice

Throughout the year ended 31st December 2018 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.

Daniel Taylor is the Company Secretary, a role he combines with his responsibilities as Chief Financial Officer.

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, and is progressing a plan to implement a co-sourced internal audit function through 2019 and beyond.

AUDIT COMMITTEE REPORT

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report.

"The Committee continually reviews the requirement for internal audit by an external body, and is progressing a plan to implement a co-sourced internal audit function during 2019."

MIKE HOLT
Chairman of the Audit Committee

Who are we?

The Audit Committee is made up of all four independent Non-Executive Directors; David Rogers, Ian Elliott, Margaret Amos and myself, Mike Holt. Collectively, we have the skills and experience required to fully discharge our duties and responsibilities. Our biographies, qualifications and experience are included on page 57. I was appointed Audit Committee Chairman in October 2018, taking over from Steve Brown who I would like to thank for chairing this Committee for the past nine years and overseeing a thorough hand-over to me. Having been the Group Finance Director of Vp plc (2004-2010) and Chief Financial Officer of Low & Bonar PLC (2010-2017), I meet the requirements of recent and relevant financial experience.

The Company Chairman, Chief Executive and Chief Financial Officer also generally join at least part of Audit Committee meetings by invitation. The Audit Committee meets at least three times a year.

The Committee Chairman may call a meeting at the request of any member or the Company's external Auditor. The Audit Committee meets privately with the external Auditor at least once a year.

Our purpose

The primary role of the Committee, which reports to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound financial control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the Group's financial statements and any formal announcements relating to its financial performance;
- the effectiveness of the Group's internal financial controls and the risk management systems;
- the integrity and responsiveness of the Group's whistleblowing process;
- the effectiveness of the internal commercial audit across the Group;
- the effectiveness of the external audit process; and
- taking specific responsibility for certain key areas of risk management to support the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation.

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, the risk management framework and procedures for contract selection.

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.

Assessing the impact on the financials and clarity of the disclosures around the new financial reporting standards, in particular IFRS 9, IFRS 15 and IFRS 16.

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.

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, strategy and impact of new financial reporting standards. 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.nmcn.com.

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 contract assets, going concern and the impact of new accounting standards and their disclosure requirements. We also discussed fees, which are set out in note 10, 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) recognition

For construction-related contracts and services, revenue and profit recognition is a key judgement area. 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 contract assets and trade receivables

As at 31st December 2018 the value of trade receivables and contract assets was £41.77 million. The recoverability of contract assets and trade receivables is 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.

Financial statements disclosure - Consideration on the impact of IFRS 9, IFRS 15 and IFRS 16

The Audit Committee has reviewed detailed financial analysis and reports, produced by the Chief Financial Officer and Group Financial Controller, in relation to the implementation of the aforementioned standards, and on how these standards will impact the financial statements of the Company. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are applicable for periods beginning on or after 1st January 2018 and therefore have been applied for the first time this year. IFRS 16 Leases is effective from 1st January 2019. A company can choose to apply IFRS 16 before that date, however the impact on the Company is immaterial to the income statement and hence the standard has not been adopted early.

The Audit Committee reviewed and agreed the disclosures in relation to IFRS 9 and IFRS 15 to ensure there was adequate disclosure included within the financial statements.

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

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, and concluded that the risks had been dealt with accordingly through the audit work completed and the culmination of the Annual Report and its disclosures.

Other fees paid to our external Auditor

In terms of non-audit services, there were no fees payable in the year. In 2017 these services were limited to tax compliance relating to the audit and amounted to £12,000. All such activities were previously agreed by this Committee. We are satisfied that the Auditor's independence has been maintained.

Effectiveness of our Auditor

Each year we review the effectiveness of the external Auditor. In doing so we speak to the Chief Executive, the Chief Financial Officer,

AUDIT COMMITTEE REPORT

the Group Financial Controller, and a selection of the Group's senior financial management within each business unit, and ask them to complete a questionnaire, which provides a structured and informed basis for us to assess the technical quality and service quality of the external Auditor, BDO LLP. 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 feels 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. 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 reviews the requirement for internal audit by an external body, and is progressing a plan to implement a co-sourced internal audit function during 2019.

Change of financial reporting standards

The Audit Committee has reviewed the detailed financial statement disclosures and impact thereon, in relation to the changes in financial reporting standards, in particular IFRS 15 Revenue from Contracts with Customers. The Committee has recommended to the Board, as part of the financial statements, that the disclosures are accurate, balanced and understandable.

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 84, 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 and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 reviews 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;
- Continual review of the requirement for internal audit by an external body, of which the Audit Committee intends to implement a co-sourced internal audit throughout 2019; and
- A review of the effectiveness of the Audit Committee.

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

MIKE HOLT
Chairman, Audit Committee
27 March 2019

The Committee met **five** times during the last year, and three times so far post the year end. During the last year the following matters were discussed:

20th and 28th March 2018

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 2017 results.

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

August 2018

Review of contract positions and potential impact on the financial statements of any commercial risks.

Reviewed IFRS 9 and 15 initial disclosure requirements and actual financial impact and disclosures.

Reviewed and signed off the interim statement for 2018 half year results.

October 2018

Review of contract positions and potential year-end commercial risks.

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

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

December 2018

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.

February 2019

Discussed the impact of new reporting standards of the financial statements through a detailed report prepared by the Executive team, in particular the future impact of IFRS 16.

Reviewed the consolidation adjustments relating to nmcn investments, and the required disclosures in the Annual Report.

Review of whistleblowing log and ongoing actions that are addressing the concerns raised.

Summary update from the Executive team on the insurance policies renewal as part of our risk management strategy.

Clarification and discussion around accounting treatment for potential risks and uncertainties within the Group that may impact the financial statements.

Discussion and agreement.

19th and 27th March 2019

Initial review of the draft Annual Report and Accounts, including authorising the Audit Committee report.

Review of the corporate risk register and strategic review for 2019.

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 2018 results.

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

Met with the external Auditor and considered their report.

Reviewed the business requirement for internal audit by an external body. The Committee agreed to implement a co-sourced internal audit throughout 2019.

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NOMINATION COMMITTEE REPORT

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

"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."

ROBERT MOYLE
CHAIRMAN OF THE NOMINATION COMMITTEE

Membership

The members of the Nomination Committee are Robert Moyle (Executive Chairman of the Group and Committee), Ian Elliott (Senior Non-Executive Director), David Rogers (Non-Executive Director), Mike Holt (Non-Executive Director), Margaret Amos (Non-Executive Director) and John 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.nmcn.com.

Main activities

On 20th March 2018 the Committee met to consider the succession planning in place for the operating segments and the Board itself. A review of the training currently being undertaken by several members of the Board was made. The Committee was informed of that, as instructed, six independent search firms had been approached to undertake to find a replacement for Steve Brown and a potential additional Non-Executive Director. Four had expressed an interest to be considered and after an exhaustive appraisal process, it was agreed to appoint Odgers Berndtson, who had a partner who specialised in the appointment of Non-Executive Directors and their track record for appointments included several major companies in the construction and related sectors.

On 11th July 2018 the Committee met to review the shortlist of candidates for the replacement of Steve Brown, who had announced his desire to retire from the Board at the AGM. The appointment of Ian Elliott to the position of Senior Independent Director upon Steve Brown's retirement was ratified.

On 8th August 2018 the Committee met to discuss the appointment of the new Non-executive Directors after the potential candidate interviews undertaken by Robert Moyle and Ian Elliott.

On 12th December 2018 the Committee reviewed and confirmed its Terms of Reference.

ROBERT MOYLE
Chairman, Nomination Committee
27 March 2019

REMUNERATION REPORT

Remuneration Committee Chairman's Letter

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for 2018. This is the first report since I succeeded Steve Brown as Chairman of the Remuneration Committee from 1st April 2018 and I would like to thank Steve for his work for the Committee.

Company performance in 2018

nmcn continued to perform strongly in 2018, and this had the following impacts on pay for our Executive Directors:

- Annual bonus incentives were achieved at high levels (50%-60% of salary, 2018 max 60% of salary).
- Our first share-based Performance Share Plan ("PSP") award, which was subject to three-year cumulative PBT targets measured over 2016, 2017 and 2018, has vested in full.

Overall, we are content as a Committee to confirm these outcomes. The Company is making good progress and we would note that, in the three years over which our PSP was measured, our Total Shareholder Return was around 374%.

Policy renewal at 2019 AGM

The 2019 AGM is the three-year anniversary of the approval of our Directors' Remuneration Policy ("the Policy"), which was approved at the 2016 AGM. Under the UK Companies Act, we need to renew our three-yearly authority from shareholders to operate the Policy at the 2019 AGM as a normal business item.

The Policy proposed at the 2019 AGM is substantially unchanged from our 2016 Policy, which has served the Company and shareholders well. The main changes proposed are:

- A two-year holding period for new awards to Executive Directors under the PSP from 2019.
- The Remuneration Committee will have overriding discretion to reduce formulaic vesting outturns under the PSP and annual bonus (including to zero) if it considers that the level of vesting is not appropriate.

Beyond these limited changes, the key features of the Policy are:

- The maximum annual bonus opportunity remains at 75% of salary. However, the annual bonus opportunity for 2019 will remain at 60% of salary. For 2019, bonus of up to 50% of salary is payable for achievement against a stretch level of adjusted PBT targets and up to 10% of salary will be payable for achievement against strategic targets
- Awards of shares worth up to 100% of salary can be granted each year under the PSP. Shares will vest based on the achievement of performance targets, which for new awards in 2019 will again be stretching three-year aggregate adjusted PBT targets
- Employer's pension contributions are now limited to 15% of salary (the previous limit was 25% of salary)

For completeness, the Executive Chairman agreed not to be included in the annual bonus scheme from 1st January 2018 onwards and he does not receive awards under the PSP.

UK Corporate Governance Code

In preparing the updated Policy, the Committee considered thoroughly the changes regarding the governance, oversight and design of remuneration recommended by the new UK Corporate Governance Code, effective from 1st January 2019.

Although we will fully report on the Committee's response to the new Code in our Directors' Remuneration Report for 2019, the Committee has already undertaken some actions which it was appropriate to initiate at an early stage. These include:

- Amending the Committee's Terms of Reference to make clear the Committee has responsibility for setting the pay arrangements for our senior management team as well as for Executive Directors.
- As noted above, clarifying the Committee's ability to adjust purely formulaic outcomes for all incentive plans and introducing a two-year holding period for all new PSP awards.
- Supporting the whole Board's initiative to develop good structures for employee engagement and establishing regular meaningful dialogue with employees. In this regard, Margaret Amos, a member of the Remuneration Committee, will become our Designated Non-Executive Director with responsibility for employee engagement.
- Starting from 2018, each year the Committee receives a detailed report on pay levels and structures across our entire workforce that enables the Committee to have an informed insight on how pay arrangements across our organisation are working to support our strategy.
- We have committed to keeping under review the developing market trends towards the alignment of Executive Directors' pension contribution rates with those of the majority of our staff, as well as the potential extension of shareholding guideline requirements for a period after an Executive Director leaves the Company. We expect to review these matters further during the next three years in which our 2019 Policy is expected to operate. We reduced the maximum pension contribution for Executive Directors from 25% of salary to 15% of salary in 2019.

Shareholder approval

Our Directors' Remuneration Report is in 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 2018, as well as other required disclosures.

At the AGM on 16th May 2019, shareholders will be asked to approve two resolutions related to Directors' remuneration matters:

- To approve the Directors' Remuneration Policy as set out in Part A of this report; and
- To approve the Implementation Report sections of this report (excluding the Directors' Remuneration Policy).

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 Directors' Remuneration Policy and the Implementation Report at the 2019 AGM.

Yours sincerely

IAN ELLIOTT
Non-Executive Chairman, Remuneration Committee
27 March 2019

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 proposing to make only limited changes to this policy, as outlined in the Remuneration Committee Chairman's letter.

Part A represents the Directors' Remuneration Policy which will take effect, subject to the approval of our shareholders, immediately after the 2019 AGM.

Part B constitutes the implementation sections of the Directors' 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. The Implementation Report is subject to an advisory vote at the 2019 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 UK 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.

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES	CHANGES
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. 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	No material changes

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES	CHANGES
Benefits To provide benefits valued by recipients.	The Executive Directors receive private health care cover, independent financial advice, 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). Relocation payments would be made only in the year of relocation (and/or the following financial year). 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	No material changes
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 15% of base salary.	N/A	No material changes

REMUNERATION POLICY

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES	CHANGES
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.	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 target level of performance, a bonus of up to 40% 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.	No material changes

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES	CHANGES
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. From 2019, new awards are subject to an additional two-year holding period following the end of the three-year performance period. 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.	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. The Committee retains a standard power to apply its judgement to adjust the outcome of any performance measure for the Performance Share Plan (from zero to any cap) should it consider that to be appropriate. No more than 25% of awards may vest for attaining the threshold level of performance for any condition. Further details of measures, their weighting and targets will be disclosed in the relevant Annual Report on Remuneration.	No material changes

REMUNERATION POLICY

ELEMENT AND PURPOSE	POLICY AND OPERATION	MAXIMUM	PERFORMANCE MEASURES	CHANGES
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.	No material changes
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. For the avoidance of doubt, the amount stated above excludes any fees payable to the Chairman for the duration of this policy. Any increases actually made will be appropriately disclosed.	N/A	No material changes

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. The period for clawback is up to three years from vesting of the PSP award or the payment of a bonus.

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.

Outstanding obligations

The Company will honour any commitments entered into prior to the approval and introduction of this policy, including obligations entered into under prior policies.

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 the new target must, in the Committee's opinion, be appropriate in maintaining the integrity of the original award.

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.

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.

REMUNERATION POLICY

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, buyout awards are not subject to a formal cap. Any awards to a newly recruited director which are not buyouts will be subject to the limits for Annual Bonus Plan and PSP as stated in the general policy.

For any buyouts 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 buyout 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 buyouts, 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 buyouts 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. Exceptionally, where necessary, such buyouts may include a guaranteed or non-prorated annual bonus in the year of joining.

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 arrangements.

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

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

ii. ceases to be employed due to death, 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 holding period will normally continue to apply.

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

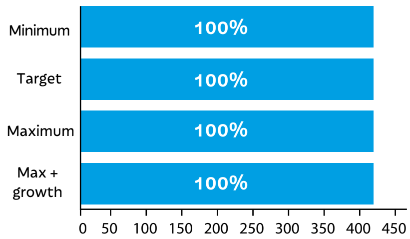
The Committee ensures that its major shareholders are consulted in advance of any material changes in executive pay practices at the Company. The Committee also considers any feedback which it receives from its shareholders in relation to remuneration.

REMUNERATION POLICY

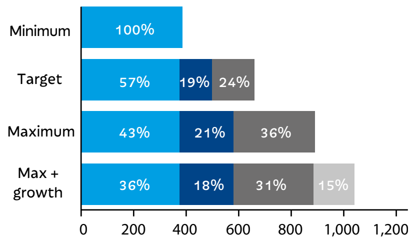
Illustration of Remuneration Policy for 2019

The charts below aim to show how the remuneration policy set out above for Executive Directors will apply in 2019 using the following assumptions:

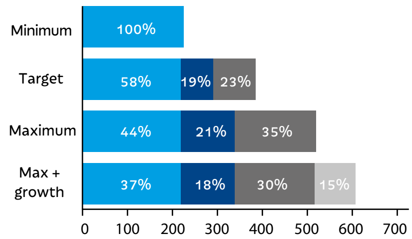
Robert Moyle



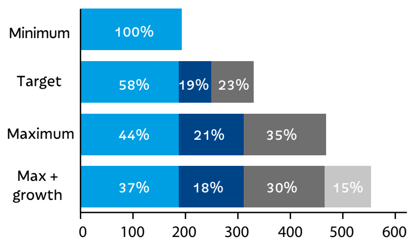
John Homer



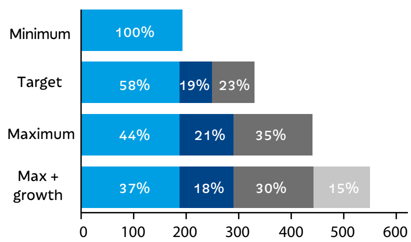
Daniel Taylor



Andrew Langman



Stuart Proud



Key

- Total fixed pay
- Bonus
- PSP
- Share price growth

Minimum	Consists of base salary, benefits and pension.				
	Base salary is the salary to be paid in 2019.				
	Benefits are an estimate of benefits to be paid for the full year in 2019.				
	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	£335	£30	£50	£413
	John Homer	£319	£16	£47	£370
	Daniel Taylor	£185	£15	£27	£219
	Andrew Langman	£165	£18	£24	£197
	Stuart Proud	£165	£16	£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 does not participate in the Annual Bonus Plan or PSP.				
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 Annual Bonus Plan or PSP.				

An additional bar is shown, representing the maximum assumptions above and including the impact of 50% share price growth over the performance period for the PSP.

REMUNERATION ANNUAL REPORT

Part B: Implementation report for 2018

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 31st December 2018:

	FEES £'000	BASIC SALARIES £'000	BENEFITS IN KIND £'000	ANNUAL BONUS £'000	PENSION SCHEME CONTRIBUTIONS £'000	LONG-TERM INCENTIVES £'000	TOTAL 2018 £'000
Executive Directors							
R Moyle (Chairman)	–	369[1]	30	–[2]	50	–[2]	449
J Homer	–	310	16	186	47	1,047[3]	1,606
DA Taylor	–	180	15	108	27	551[3]	881
A Langman	–	160	18	80	24	551[3]	833
DS Proud	–	160	16	96	24	551[3]	849
Non-Executive Directors							
SJT Brown	30[4]	–	–	–	–	–	30
I Elliott	40	–	–	–	–	–	40
DP Rogers	40	–	–	–	–	–	40
M J Holt	10[4]	–	–	–	–	–	10
M Amos	3[4]	–	–	–	–	–	3
Total	**123**	**1,179**	**95**	**470**	**172**	**2,700**	**4,739**

1. R Moyle's salary includes agreed previous uplift on pension payment from the Remuneration Committee.
2. R Moyle does not participate in the Annual Bonus Plan or the Performance Share Plan.
3. The expected levels of vesting under the PSP is shown on pages 78 and 79. Vesting is based on the adjusted aggregate PBT achieved over 3 financial years to 31 December 2018, which means the performance criteria is substantially complete as at 31 December 2018. Service related requirements will be completed at the date of vesting. The corresponding values under the PSP, including the estimated value of dividends accrued to 31 December 2018, are shown in the table above, based on a three-month average Company share price to 31 December 2018 of £5.069318. Any shares vesting under the PSP granted in 2016 will not vest until the end of the vesting period in June 2019. nmcn's share price has performed very well since the 2016 awards were granted. The value of the shares which vested at the date of grant was £284,092 for J Homer and £149,557 for each of DA Taylor, A Langman and DS Proud. The value of these shares based on the 3-month average share price to 31 December 2018 was £1,047,382 for J Homer and £551,385 for DA Taylor, A Langman and DS Proud.
4. Mr S Brown stepped down from the Board on 1st October 2018. Mr M J Holt and Ms M Amos joined the Board on 10th October 2018 and 12th December 2018 respectively. Fees shown are for the period in which each individual acted as a Director of nmcn.

For the year ended 31st December 2017:

	FEES £'000	BASIC SALARIES £'000	BENEFITS IN KIND £'000	ANNUAL BONUS £'000	PENSION SCHEME CONTRIBUTIONS £'000	LONG-TERM INCENTIVES £'000	TOTAL 2017 £'000
Executive Directors							
R Moyle (Chairman)	–	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

REMUNERATION ANNUAL REPORT

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for 2018 was £2,039,000 (2017: £1,826,000).

Taxable benefits (audited)

The taxable benefits relate to car allowance or company cars, fuel cards, and private health care.

Bonus scheme (audited)

The bonus payable to the Executive Directors for 2018 was based on adjusted PBT targets. For the achievement of a threshold level of adjusted PBT, a bonus of 0% (2017: nil%) of salary was payable. For achieving a stretch level of adjusted PBT, a bonus of 60% of salary was payable (i.e. the normal maximum bonus payable). For John Homer and Daniel Taylor, their bonus was payable entirely by reference to Group PBT. As Andy Langman and Stuart Proud are Managing Directors of specific business segments, a portion of their bonuses was payable on segment profits as well as Group PBT.

	ANNUAL BONUS £'000	ANNUAL BONUS % OF SALARY
Executive Directors		
J Homer	186	60%
DA Taylor	108	60%
A Langman	80	50%
DS Proud	96	60%

The table below shows the targets for the 2018 annual bonus and performance against these.

	ADJUSTED PBT FOR 2018
Threshold (0% of maximum)	£4m
Target (67% of maximum)	£5m
Maximum (100% of maximum)	£6m
Actual performance	£6.54m
Payout (% of maximum)	100%

When setting the targets for the 2018 annual bonus and when determining performance against the adjusted PBT targets for 2018, for consistency, the Committee excluded potential positive and negative impacts of provisions of the continuing litigation related to the one remaining legacy contract, due to the current executives included in the annual bonus having no involvement in the acceptance and delivery of the contract. The Committee expects to continue to exclude the positive and negative impacts from this litigation in future years accordingly, although it will continue to make regular qualitative assessments of management's performance in resolving this legacy issue before confirming the outcomes of nmcn's incentive plans in any year. Given the competitive nature of the Company's sector, the specific divisional PBT targets (for Andy Langman and Stuart Proud) 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.

Performance Share Plan

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

The performance period for the 2016 PSP awards ended on 31st December 2018. These awards will not vest until the end of the vesting period in June 2019. Performance against the adjusted aggregate PBT targets is shown below.

	AGGREGATE ADJUSTED PBT FOR 2016, 2017 AND 2018
Threshold (0% vesting)	£8m
Maximum (100% vesting)	£12m
Actual performance	£19.35m
Vesting (% of maximum)	100%

On a reported basis, excluding the IFRS 15 restatement, which was the basis on which the targets were set, aggregate PBT was £9.093m (2016: £2.064m; 2017: £1.004m; £6.025m). However, for consistency with the targets which were set at the beginning of the period (when potential outcomes were uncertain), the Committee felt it appropriate to exclude both positive and negative impacts from provisions in respect of the litigation related to the one remaining legacy contract across the period. With adjustments to exclude such provisions, the maximum targets were substantially exceeded. The Committee felt that full vesting is appropriate. As noted in the Chairman's letter, performance has continued to be strong and Total Shareholder Return over the period was around 374%; also, as noted above for the Bonus scheme, whilst the impacts from the continuing litigation have been excluded from the measurement of PBT, the Committee makes qualitative assessments of management's performance in resolving this legacy issue before confirming the outcomes of nmcn's incentive plans in any year

The table below shows the outstanding PSP awards as at 31st December 2018.

EXECUTIVE	DATE OF AWARD	AWARDS OUTSTANDING AT 01/01/18	AWARDS GRANTED DURING THE YEAR	NOTIONAL DIVIDEND SHARES ACCRUED	AWARDS VESTED DURING THE YEAR	AWARDS LAPSED DURING THE YEAR	INTERESTS OUTSTANDING AT 31/12/18	NORMAL VESTING/ EXERCISE DATE
J Homer	07/06/16	201,816	–	4,796	–	–	206,612	07/06/19
	27/04/17	95,205	–	2,263	–	–	97,468	27/04/20
	26/04/18	–	100,000	2,376	–	–	102,376	27/04/21
DA Taylor	07/06/16	106,244	–	2,525	–	–	108,769	07/06/19
	27/04/17	54,992	–	1,307	–	–	56,299	27/04/20
	26/04/18	–	58,064	1,379	–	–	59,443	27/04/21
A Langman	07/06/16	106,244	–	2,525	–	–	108,769	07/06/19
	27/04/17	51,555	–	1,225	–	–	52,780	27/04/20
	26/04/18	–	51,612	1,226	–	–	52,838	27/04/21
DS Proud	07/06/16	106,244	–	2,525	–	–	108,769	07/06/19
	27/04/17	51,555	–	1,225	–	–	52,780	27/04/20
	26/04/18	–	51,612	1,226	–	–	52,838	27/04/21

The PSP awards granted in 2018 were granted on the basis of shares worth 100% of each individual's base salary, and calculated using the average market price of 310.00p taken using the last three trading days prior to grant on 26th April 2018. The exercise price is nil. The minimum share price in 2018 was 272p and the maximum share price was 570p. The closing share price on 31st December 2018 was 520p.

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.

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

2018 PSP awards (vest 2021)

AGGREGATE ADJUSTED PBT FOR 2018, 2019 AND 2020	% OF AWARD THAT VESTS
Below £18.25m	0%
£18.25m	0%
£24.25m	100%
Between £18.25m and £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.

nmcn

REMUNERATION ANNUAL REPORT

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:

NMCN PLC	31/12/18 10P ORDINARY SHARES	31/12/17 10P ORDINARY SHARES
R Moyle	**463,221**	462,636
J Homer	**30,844**	260
DA Taylor	**37,273**	27,716
AD Langman	**192,744**	192,159
DS Proud	**51,766**	51,181
SJT Brown*	**6,500**	6,500
I Elliott	**–**	–
DP Rogers	**–**	–
M J Holt**	**–**	–
M Amos**	**–**	–

* Steve Brown stood down from the Board on 1st October 2018. Share interests shown for Steve Brown are those held at this date.
** Mike Holt and Margaret Amos joined the Board on 10th October 2018 and 12th December 2018 respectively.

As at 27 March 2019 the interests of Daniel Taylor, John Homer, Andy Langman, Stuart Proud and Robert Moyle had all increased by 84 shares. 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, Robert Moyle, Daniel Taylor, Stuart Proud and Andy Langman satisfy this guideline, but John Homer does not. This will be rectified once the PSP vesting occurs during the current year.

Payments to past Directors (audited)

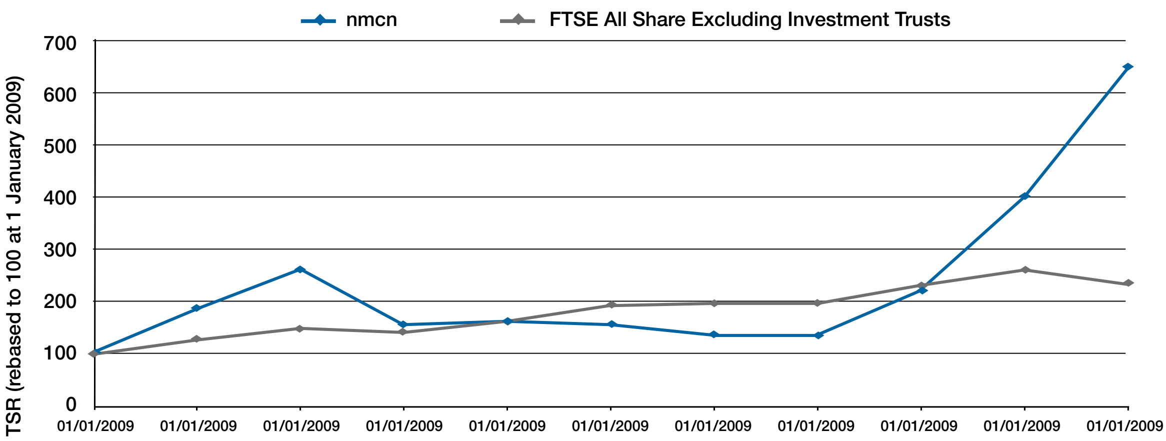
There were no payments to past Directors during the year (2017: None).

Payments for loss of office (audited)

There were no payments for loss of office during the year (2017: None).

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 ten-year period.



Source: Thomson Reuters Datastream

The Regulations also require a table setting out the remuneration of the CEO over a ten-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)
2018	J Homer	1,605	186	100%
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 nmcn plc on 1st 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 1st 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 2017 and 2018:

	SALARY	BENEFITS	BONUS
Chief Executive	3%	NIL%	10%
Average of salaried employees	4%	13.2%	37%

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 2018 £000	YEAR ENDED 31 DECEMBER 2017 £000	CHANGE
Aggregate employee remuneration	**78,887**	69,486	14%
Equity dividends	**1,872**	608	208%

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.

The following table shows the results of the advisory vote on the 2017 Directors' Remuneration Report at the 2018 Annual General Meeting and the binding vote on the Directors' Remuneration Policy at the 2016 Annual General Meeting:

NUMBER OF VOTES	VOTES IN FAVOUR	VOTES AGAINST	VOTES WITHHELD
Remuneration Report (2018 AGM)	6,937,775 (99.80%)	13,695 (0.20%)	2,000
Directors' Remuneration Policy (2016 AGM)	4,868,030 (99.98%)	1,117 (0.02%)	–

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REMUNERATION ANNUAL REPORT

Unaudited information

Remuneration Committee

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

- Steve Brown (Chairman until 1st April 2018, stepped down from the Committee on 1st October 2018);
- Ian Elliott (Chairman from 1st April 2018);
- David Rogers;
- Mike Holt (from 10th October 2018); and
- Margaret Amos (from 12th December 2018).

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 six occasions during the year, and two 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 2018 were £21,807.70 (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 2019

Executive Directors

Base salary

Base salaries for the Executive Directors for 2019 will be as follows:

- Robert Moyle – £334,750
- John Homer – £319,300
- Daniel Taylor – £185,400
- Andy Langman and Stuart Proud – £164,800

Pension

- Contributions rates for Executive Directors for 2019 will be 15% of salary

Benefits

- Details of the benefits received by Executive Directors are set out on pages 77 and 78.
- There is no current intention to introduce additional benefits in 2019.

Annual Bonus Plan

- While the overall Annual Bonus Plan maximum is 75% of base salary, in 2019 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 2019 will be based on adjusted PBT targets as to a maximum of 50% of base salary and strategic targets as to 10% of base salary. For the achievement of a target level of adjusted PBT, a bonus of 30% of salary will be payable. For achieving a stretch level of adjusted PBT, a bonus of 50% of salary will be payable. Up to 10% of base salary will be payable based on achievement against strategic targets, which will be disclosed in the 2020 Directors' Remuneration Report. For John Homer and Daniel Taylor, the financial portion of their annual bonus is payable entirely by reference to Group adjusted PBT. As Andy Langman and Stuart Proud are Managing Directors of specific business segments, a portion of their bonuses is payable on segment profits as well as Group adjusted PBT and strategic performance. As Executive Chairman, Robert Moyle will not participate in the annual bonus scheme for 2019.
- 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 2019 over shares with 100% of salary.

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

AGGREGATE ADJUSTED PBT FOR 2018, 2019 AND 2020	% OF AWARD THAT VESTS
£21.46m	0%
£24.46m	50%
£27.46m	100%
£21.46m – £27.46m	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.

In addition, the Committee may reduce the provisional vesting levels (down to zero if thought appropriate) if the Committee believes that these would not be appropriate

Non-Executive Directors

The Non-Executive Directors' fees for 2019 will be £41,200.

This report was reviewed and approved by the Board on 27th March 2019 and signed on its behalf by order of the Board.

IAN ELLIOTT
Non-Executive Director, and Chairman of the Remuneration Committee
27 March 2019

DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements for the year ended 31 December 2018.

The Corporate Governance Statement approved by the Board is provided on pages 60 and 61 and incorporated by reference herein.

Results

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

	2018 £'000	2017 £'000	2017 £'000 RESTATED
Operating profit	**6,111**	1,191	9,300
Net finance costs	**(83)**	(187)	(187)
Profit before tax	**6,028**	1,004	9,113
Tax	**(1,191)**	(262)	(1,884)
Profit	**4,837**	742	7,229

Dividends

Details of dividends paid during the year of 6.0p (2017: 3.0p per ordinary share) are set out in note 13. The Directors recommend a final dividend of 12p (2017: 3.0p) for the year ended 31st December 2018. 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, its balance sheet strength, 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 18p (2017: 6.0p) is within the policy parameters, and is a significant increase on the previous years.

Directors and Board Meetings

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, Robert Moyle, Ian Elliott, Mike Holt, and Margaret Amos retire by rotation and, being eligible, offer themselves for re-election.

Significant shareholdings

10p ordinary shares:

	2018 £'000	2017 £'000
Mr PR Wood and Mr WEC Cursham (see note 31)	**836,174**	841,174
Mrs D Hutchinson, Mr IB Speke and Mr MS Garratt (see note 31)	**3,249,716**	3,249,716
Mr R Moyle, Mrs AEF Moyle and Mr RL Symington (see note 31)	**691,860**	691,860
Capita IRG Trustees Ltd	**476,976**	438,806
TWG Charlton	**952,500**	792,500

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 £32 during the year (2017: £41,000). These donations were made to 99 beneficiaries.

Diversity and inclusivity

The Group is committed to providing opportunities for people with disabilities to enter employment, develop and progress within the organisation. This not only benefits the individuals but also the Group and community as a whole. In addition to complying with the requirements of the Equality Act 2010, it is also congruent with the Group's diversity principles and allows greater exposure of staff to work with a range of different people from different backgrounds.

When an employee becomes disabled in the course of their employment, reasonable steps will be taken to accommodate their disability by considering adjustments to working practices and arrangements, or as relevant.

Moreover, the Group utilises the following; biannual leadership briefings where feedback and interaction are encouraged, quarterly company magazine, weekly newsletters, daily articles promoting business and social discussions, and utilising a digital platform with the capability to feature regular polls and surveys.

Greenhouse gas emission

Details of our emission during the year are set out on pages 52 and 53 and form part of the Directors' Report disclosures.

Market value of shares at 31st March 1982

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

Auditor and disclosure of information to Auditor

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

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

Share capital

Details of the issued share capital of the Company are set out in note 19.

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.

Authority to Allot Equity Securities (Resolution 8)

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 8 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 27th March 2019, 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 9)

Resolution 9, 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 27th March 2019), 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 10)

Resolution 10 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, other than to fund the employee share scheme and Performance Share Plan. 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.

nmcn

DIRECTORS' REPORT

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. During 2019 the Company is launching its Positive Impact Plan. Further details are available on the Company's website (www.nmcn.com).

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 2.3 to the accounts with further disclosure provided in note 29.

All Employee Share Plan

The Company's All Employee Share Plan currently has 257 (2017: 145) participants. Their total holding is 476,976 (2017: 488,496) 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 Director's Report, a Strategic Report and Director's 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 provides 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

DANIEL TAYLOR
Chief Financial Officer & Company Secretary
27 March 2019

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


nmcn
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FINANCIAL STATEMENTS

Our financial performance explained

nmcn

A powerful identity that supports our offering and culture

Independent Auditor's Report

to the members of nmcn plc

Opinion

We have audited the financial statements of nmcn plc (the "Parent Company') and its subsidiaries (the "Group"') for the year ended 31 December 2018 comprising the Group Statement of Comprehensive Income, the Statements of Changes in Equity of the Group and the Parent Company, the Balance Sheets of the Group and Parent Company, the Statements of Cash Flows of the Group and Parent Company and the 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 2018 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.

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 34 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 34 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 61 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 35 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 judgement, 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) that 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, judgements and estimates. The Group have adopted IFRS 15 "revenue from contracts with customers" in these financial statements. IFRS 15 redefines the approach to recognising revenue and costs on construction contracts and introduces the concepts of 'highly probable' in assessing outcomes and performance obligations. The interpretation and adoption of this new standard involves judgements that give rise to a risk of material misstatement. Revenue and attributable profit 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 recognised on a particular partially completed contract represents an area of significant judgement which involves an assessment of both current and future contract performance. The potential outcomes for contracts can have a material impact on the financial statements, whether through error or management bias. The one remaining legacy contract continues to carry a higher contractual and commercial risk and therefore estimation uncertainty. In view of the judgments involved, potential for management bias and the significance of these matters to the determination of Group revenue and profits, we consider this to be an area giving rise to a significant risk of material misstatements in the financial statements.	We considered whether the revenue and cost recognition policies comply with Accounting Standards, having particular regard to the adoption of IFRS 15. We compared management's impact assessment of the adoption of IFRS 15, together with supporting information and analysis, with the principles of the accounting standard and disclosure requirements. We tested a sample of the amounts included in the adjustment to restate prior years' results, which was undertaken using a fully retrospective transition approach. We used a risk-based approach to identify a selection of contracts considered to present a higher risk of error, supplemented by a random sample of contracts covering all operating segments for detailed testing. We obtained a copy of the contract documentation and critically assessed and challenged the recognition of revenue and costs. The overall testing approach, and that specifically applied to each contract selected for testing, was: • We tested the application of the revenue and cost recognition policies, as refined upon the adoption of IFRS 15. • We challenged management's interpretation of 'highly probable', the determination of performance obligations and timing of recognition of variable income, agreeing these to supporting documentation where appropriate. • We substantively tested revenue and costs for a sample of contracts throughout the year. • We tested the controls governing applications for payment and recognition of contract assets and the application of payroll, subcontractor and purchasing costs to contracts for operational effectiveness throughout the year. The controls tested were those that most effectively addressed the control assertions relevant to the financial statements. • We assessed the position adopted by management at the year end by reference 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 to corroborate estimates 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 expected performance of the contract. • We assessed the reliability of management estimates in light of the positions adopted in previous years compared to the actual out-turns. • We reviewed legal and experts' reports instructed and received on contentious issues to ensure that the accounting treatments were consistent with these reports. • We considered the specific accounting entries, estimates and disclosure for the remaining legacy contract.

Independent Auditor's Report

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Recoverability of trade receivables and amounts recoverable under construction contracts (contract assets): 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, judgements and estimates. This area was assessed as a significant risk because construction contract assets (trade receivables, retention balances 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 contracts which we considered presented the greatest risk of exposure either by virtue of size or age. Where possible we corroborated the year end trade receivables to post year end payments and customer remittances. Where construction contract assets were not supported by external certifications we agreed the amounts to applications approved by the Group's Quantity Surveyors and where applicable, external expert opinions as to the quantum recoverable. 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 corroborated the value of the retention to customer correspondence, identifying when the retention fell 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.

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 £300,000 (2017 - £414,000) for the Group and £220,000 (2017 - £364,000) for the Parent Company. In determining this, we based our assessment on 5% of profit before tax (2017 - 5% of underlying profit before tax). We believe that profit before tax represents one of the principal key performance indicators for the Group and Parent Company, and is a generally accepted benchmark.

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

Whilst materiality for the financial statements of the Group as a whole was £300,000, 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. These materiality levels ranged between £222,000 and £233,000.

We agreed with the Audit Committee that we would report for their consideration all individual audit differences in excess of £10,000 and £7,500 for the Group and Parent Company respectively. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group audit strategy was risk based and the nature and extent of our testing was established by reference to 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 on the extent of profit or loss recognised on contracts in progress at the reporting date. We inspected the performance of the five operating divisions, inclusive of joint operations and selected contracts from each operating segment which we considered presented the greatest risk of material misstatement for detailed testing.
- Critically assessed the Group's control environment and internal systems used to generate the key accounting entries for revenue, direct material costs, subcontractor costs, payroll, stock and contract assets.

- 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 focused on the trading Parent Company, nmcn plc and trading subsidiary nmcn Sustainable Solutions Limited which were both subject to full scope audits 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.

We also gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal counsel. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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 64** – 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 62** – 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 61** – 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
- the Strategic Report and the Directors Report have been prepared in accordance with applicable legal requirements;

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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.; and

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 9 years, covering the years ending 31 December 2010 to 31 December 2018.

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.

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.

ANDREW MAIR (Senior statutory auditor)
for and on behalf of BDO LLP
Statutory auditor
Nottingham, UK.
27 March 2019

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 2018

	NOTES	2018 £'000 TOTAL BEFORE NON-RECURRING ITEMS	2018 £'000 NON-RECURRING ITEMS NOTE 2.5	2018 £'000 TOTAL	2017 £'000 TOTAL BEFORE NON-RECURRING ITEMS	2017 £'000 NON-RECURRING ITEMS NOTE 2.5	2017 £'000 TOTAL
					Restated*		
Revenue	2	**340,450**	**–**	**340,450**	302,310	–	302,310
Other operating income		**1,277**	**–**	**1,277**	451	–	451
		341,727	**–**	**341,727**	302,761	–	302,761
Share of profit of joint ventures	33	–	–	–	–	–	–
Raw materials and consumables		**(48,930)**	**–**	**(48,930)**	(46,587)	–	(46,587)
Other direct charges		**(195,740)**	**(1,865)**	**(197,605)**	(167,019)	(1,443)	(168,462)
Employee costs	8	**(78,633)**	**–**	**(78,633)**	(69,486)	–	(69,486)
Depreciation of property, plant and equipment	15	**(4,166)**	**–**	**(4,166)**	(3,599)	–	(3,599)
Other operating charges		**(6,282)**	**–**	**(6,282)**	(5,327)	–	(5,327)
Operating profit	10	**7,976**	**(1,865)**	**6,111**	10,743	(1,443)	9,300
Finance income	11	**31**	**–**	**31**	–	–	–
Finance costs	11	**(114)**	**–**	**(114)**	(187)	–	(187)
Profit before tax		**7,893**	**(1,865)**	**6,028**	10,556	(1,443)	9,113
Tax	12	**(1,542)**	**351**	**(1,191)**	(2,161)	277	(1,884)
Profit and total comprehensive income for the year		**6,351**	**(1,514)**	**4,837**	8,395	(1,166)	7,229
Attributable to:							
Equity holders of the Parent		**6,351**		**4,837**	8,395		7,229
Profit per share — basic	14	**62.57p**		**47.66p**	82.71p		71.22p
Profit per share — fully diluted	14	**59.29p**		**45.16p**	82.71p		71.22p

* Details of the restatement are presented in note 2.

Statements of Changes in Equity

for the year ended 31 December 2018

GROUP	SHARE CAPITAL £'000	MERGER RESERVE £'000	SHARE-BASED PAYMENT RESERVE £'000	CAPITAL REDEMPTION RESERVE £'000	RETAINED EARNINGS £'000	TOTAL £'000
Balance at 31 December 2016 as previously reported	1,015	455	–	20	11,209	12,699
Adjustment on adoption of IFRS 15 (Note 2)	–	–	–	–	(6,487)	(6,487)
Balance at 1 January 2017 as restated	1,015	455	–	20	4,722	6,212
Profit and total comprehensive income for the year as restated	–	–	–	–	7,229	7,229
Dividends paid	–	–	–	–	(608)	(608)
Balance at 31 December 2017	1,015	455	–	20	11,343	12,833
Profit and total comprehensive income for the year	–	–	–	–	4,837	4,837
Share-based payment expense	–	–	1,069	–	–	1,069
Share-based payment expense – deferred tax	–	–	381	–	–	381
Dividends paid	–	–	–	–	(914)	(914)
Balance at 31 December 2018	**1,015**	**455**	**1,450**	**20**	**15,266**	**18,206**

COMPANY	SHARE CAPITAL £'000	MERGER RESERVE £'000	SHARE-BASED PAYMENT RESERVE £'000	CAPITAL REDEMPTION RESERVE £'000	RETAINED EARNINGS £'000	TOTAL £'000
Balance at 31 December 2016 as previously reported	1,015	455	–	20	8,039	9,529
Adjustment on adoption of IFRS 15 (Note 2)	–	–	–	–	(6,439)	(6,439)
Balance at 1 January 2017 as restated	1,015	455	–	20	1,600	3,090
Profit and total comprehensive income for the year as restated	–	–	–	–	6,687	6,687
Dividends paid	–	–	–	–	(608)	(608)
Balance at 31 December 2017	1,015	455	–	20	7,679	9,169
Profit and total comprehensive income for the year	–	–	–	–	4,249	4,249
Share-based payment expense	–	–	1,069	–	–	1,069
Share-based payment expense – deferred tax	–	–	381	–	–	381
Dividends paid	–	–	–	–	(914)	(914)
Balance at 31 December 2018	**1,015**	**455**	**1,450**	**20**	**11,014**	**13,954**

Balance Sheets

as at 31 December 2018

	NOTES	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Assets			Restated		Restated
Non-current assets					
Property, plant and equipment	15	**19,918**	18,174	**19,918**	18,173
Investments in subsidiaries	16	**–**	–	**2,437**	2,437
Investments in joint ventures	33	**–**	–	**200**	–
Deferred tax asset	23	**893**	1,223	**786**	1,222
		20,811	19,397	**23,341**	21,832
Current assets					
Inventories	17	**1,791**	1,820	**1,287**	1,387
Trade and other receivables	18	**60,814**	53,627	**51,488**	45,902
Cash and cash equivalents	25	**33,353**	17,006	**31,358**	16,355
		95,958	72,453	**84,133**	63,644
Total assets		**116,769**	91,850	**107,474**	85,476
Equity and liabilities					
Capital and reserves attributable to equity holders of the Parent					
Share capital	19	**1,015**	1,015	**1,015**	1,015
Share-based payment reserve	20	**1,450**	–	**1,450**	–
Merger reserve	20	**455**	455	**455**	455
Capital redemption reserve	20	**20**	20	**20**	20
Retained earnings	20	**15,266**	11,343	**11,014**	7,679
Total equity		**18,206**	12,833	**13,954**	9,169
Liabilities					
Non-current liabilities					
Obligations under finance leases	21	**2,329**	2,514	**2,329**	2,514
Provisions	22	**350**	404	**350**	404
		2,679	2,918	**2,679**	2,918
Current liabilities					
Trade and other payables	24	**93,140**	73,471	**88,219**	70,938
Current income tax payable		**157**	177	**35**	–
Obligations under finance leases	21	**2,587**	2,451	**2,587**	2,451
		95,884	76,099	**90,841**	73,389
Total liabilities		**98,563**	79,017	**93,520**	76,307
Total equity and liabilities		**116,769**	91,850	**107,474**	85,476

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 £4,249,000 (2017 restated: £6,687,000).

The notes on pages 99 to 130 are an integral part of these financial statements.

The financial statements of the Group and Company (registered number 00425188) were approved and authorised for issue by the Board on 27 March 2019 and signed on its behalf by

J HOMER
Chief Executive

DA TAYLOR
Chief Financial Officer and Company Secretary

Statements of Cash Flows

for the year ended 31 December 2018

	NOTES	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
Cash flows from operating activities			Restated		Restated
Operating profit		**6,111**	9,300	**4,849**	8,239
Adjustment for:					
Depreciation of property, plant and equipment	15	**4,166**	3,599	**4,165**	3,590
Gain on disposal of property, plant and equipment		**(574)**	(448)	**(574)**	(448)
Share-based payment expense	9	**1,069**	–	**1,069**	–
Operating cash flows before movement in working capital		**10,772**	12,451	**9,509**	11,381
Decrease in inventories	17	**29**	245	**100**	157
Increase in receivables	18	**(7,187)**	(11,866)	**(5,586)**	(10,933)
(Decrease) / increase in reinstatement provision	22	**(54)**	10	**(54)**	10
Increase in payables	24	**19,669**	10,732	**17,281**	10,639
Cash generated from operations		**23,229**	11,572	**21,250**	11,254
Income tax (paid) / received	12	**(500)**	(91)	**(87)**	17
Net cash generated from operations		**22,729**	11,481	**21,163**	11,271
Cash flows from investing activities					
Purchase of property, plant and equipment	15	**(3,263)**	(2,897)	**(3,263)**	(2,897)
Proceeds on disposal of property, plant and equipment		**930**	580	**930**	580
Investment in joint ventures		**–**	–	**(200)**	–
Interest received	11	**31**	**–**	**31**	–
Interest paid	11	**(4)**	(79)	**(4)**	(79)
Dividends received from subsidiaries		**–**	–	**422**	350
Net cash used in investing activities		**(2,306)**	(2,396)	**(2,084)**	(2,046)
Cash flows from financing activities					
Equity dividends paid	13	**(914)**	(608)	**(914)**	(608)
Repayment of obligations under finance leases	21	**(3,052)**	(2,768)	**(3,052)**	(2,768)
Interest payable under finance leases	11	**(110)**	(108)	**(110)**	(108)
Net cash used in financing activities		**(4,076)**	(3,484)	**(4,076)**	(3,484)
Net increase in cash and cash equivalents		**16,347**	5,601	**15,003**	5,741
Cash and cash equivalents at 1 January	25	**17,006**	11,405	**16,355**	10,614
Cash and cash equivalents at 31 December	25	**33,353**	17,006	**31,358**	16,355

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

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

- IFRS 16 Leases (effective 1 January 2019)
- Annual Improvements to IFRSs (2015-2017 Cycle) (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures (effective 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- Amendments to IFRS 3 Business Combinations – Definition of a Business (effective 1 January 2020)
- Definition of Material - Amendments to IAS 1 and IAS 8 (effective 1 January 2020)

The Group has commenced its assessment of the impact of these standards and IFRS 16 is 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 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 Group's IFRS 16 transition project is substantially complete and it is intended that the standard will be implemented with full retrospective application in the Group's 2019 financial statements. The choice of transitional practical expedients is being finalised and will be determined during the early part of 2019. The Directors estimate that the adoption of IFRS 16 in the 2019 financial statements will not have a significant impact on profit and total comprehensive income but will result in the recognition of non-current assets of £2.5m and current liabilities of £2.5m as at 1st January 2019.

This assessment is subject to the precise choice of transitional arrangements adopted and the amounts presented in the 31 December 2019 financial statements may differ to the amounts presented above.

Notes to the Financial Statements

2 Changes to significant accounting policies and other restatements

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 in note 3. These policies have been consistently applied to all the years presented unless otherwise stated.

This is the first set of the Group's annual financial statements where IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. The impact on these financial statements and the changes to the Group's significant accounting policies, together with details of other restatements, are described in further detail below.

2.1 IFRS 15 Revenue from Contracts with Customers - overview

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

IFRS 15 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 previously included in IAS 11 Construction Contracts and IAS 18 Revenue. The effect of initially applying IFRS 15 is mostly attributed to the recognition criteria for variable income, which arises principally from variations in contract work, claims and incentive payments. 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. Under IAS 11 an amount was included in contract revenue to the extent that it was probable that it would result in revenue, which required a lower level of certainty than under IFRS 15. As a result, revenue may be recognised later under IFRS 15 than under IAS 11.

The Group has applied IFRS 15 retrospectively using the practical expedient in paragraph C5(c) of IFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognise that amount as revenue for all reporting periods presented before the date of initial application – i.e. 1 January 2018. The impact of the restatement on the prior year's results is shown in note 2.6.

2.2 IFRS 15 Revenue from Contracts with Customers – changes in accounting policy

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's adoption of IFRS 15 Revenue from Contracts with Customers are set out below.

	AMENDED ACCOUNTING POLICY	NATURE OF CHANGE IN ACCOUNTING POLICY
A	A contract is considered to exist with a customer where there is an agreement in place that creates enforceable rights and obligations on both parties to the contract. For each distinct contract identified, the transaction price is determined by reference to the total amount of consideration to which the Group expects to be entitled in exchange for the provision of services under the contract. A performance obligation is considered to exist where there is an explicit or implicit promise within the contract to transfer distinct services to the customer, or there is a promise to transfer a series of services that are substantially the same and have the same pattern of transfer to the customer. The transaction price is allocated to performance obligations by reference to the stand-alone selling price of the service promised under that performance obligation or, where there is no observable stand-alone selling price, the transaction price is allocated on the basis of the expected cost plus margin to provide the service. Where contracts that contain multiple performance obligations are performed on a concurrent or continuous basis and are so closely interrelated that in effect they are part of a single project that is negotiated as a single framework with a single profit margin, they are accounted for by applying the portfolio model to groups of performance obligations.	The Group's contracts with customers as defined under IFRS 15 correspond in almost all circumstances to construction contracts as previously defined under IAS 11. Groups of performance obligations negotiated as a single framework were previously accounted for as an aggregated single construction contract, which is analogous to the application of the portfolio model under the amended accounting policy. The transaction price under the amended accounting policy corresponds to the value of contract revenue as measured under the previous accounting policy, less the value of items now classified as variable income under IFRS 15 such as variations in contract work, claims and incentive payments (see below).
B	Where the customer controls the asset as it is constructed or enhanced, services are considered to be transferred over time and the transaction price allocated to the associated performance obligation is recognised as revenue 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 costs of satisfying the performance obligation. Where a performance obligation is not considered to be satisfied over time, the transaction price allocated to the performance obligation is recognised as revenue when the promised service is delivered to the customer.	Where the outcome of a construction contract could be estimated reliably, revenue and costs were recognised by reference to the stage of completion of activity at the balance sheet date. This was normally measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs (the "cost to cost" method). Where the outcome of a construction contract could not be estimated reliably, contract revenue was recognised to the extent of contract costs incurred that it is probable would be recoverable. The Group's construction contracts typically involve the transfer of services over time, therefore there is no financial impact associated with adopting this aspect of the amended accounting policy as the recognition of revenue continues to take place under the cost to cost method.

Notes to the Financial Statements

	AMENDED ACCOUNTING POLICY	NATURE OF CHANGE IN ACCOUNTING POLICY
C	Variations in contract work, claims, incentive payments and other categories of variable income are recognised in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.	Variations in contract work, claims and incentive payments were previously recognised to the extent that it was probable that they would result in revenue and that they were capable of being reliably measured. The amended accounting policy reflects the requirement under IFRS 15 to recognise revenue only when it is highly probable that a significant reversal will not occur, which is a higher level of certainty than was previously required under IAS 11. Consequently, this has led to an adjustment to Group retained earnings as at 1 January 2017 and profit and total comprehensive income for the year ended 31 December 2017.
D	Incremental costs to obtain a contract are capitalised and amortised consistently with the transfer of the services to which the asset relates. Other costs including the costs of satisfying the performance obligations under a contract are recognised as expenses in the period in which they are incurred.	Contract costs were previously recognised as expenses in the period in which they were incurred, including costs of obtaining a contract to the extent that recoverability under the contract was not probable. There is no material financial impact associated with adopting this aspect of the amended accounting policy due to the amount of pre-contract costs incurred historically. Costs to obtain contracts in future may, however, be capitalised and amortised in line with the amended accounting policy where the amounts involved are material.
E	Where it is anticipated that total contract costs will exceed total contract revenue, a provision is recognised in respect of the expected loss under the contract.	Where it was anticipated that total contract costs would exceed total contract revenue, the expected loss was recognised as an expense immediately. The requirements of the previous and amended accounting policies are similar and hence there is no financial impact associated with adopting this aspect of the amended accounting policy.
F	Trade receivables includes applications to the extent that there is an unconditional right to payment and the amount has been certified by the customer. The recoverable amount of applications that have not been certified and other amounts that have not been applied for but represent the recoverable value of work carried out at the balance sheet date are recognised as contract assets within trade and other receivables on the balance sheet. Retentions are included in trade and other 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. The contract costs incurred in relation to work completed at the balance sheet date, net of progress buying on construction contracts, is recognised in trade payables. Any payments received in advance of completing the work are recognised as contract liabilities within trade and other payables.	The recoverable sales value of work carried out at the balance sheet date, which had not been applied for, was previously recognised as construction contracts in the balance sheet. Trade receivables included unpaid applications both certified and uncertified. Applications and certificates were reduced accordingly based on the stage of completion of a contract when compared to the cash received at the balance sheet date. The amended accounting policy reflects the requirement under IFRS 15 to recognise all contract balances as contract assets or contract liabilities, other than any unconditional rights to consideration which are presented as receivables. Consequently, this has led to the creation of a new category of asset ("contract assets") within trade and other receivables, which now includes amounts previously held as trade receivables or construction contracts on the balance sheet.

2.3 IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments from 1 January 2018.

IFRS 9 Financial Instruments 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 on the Group's reported results 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 the Group's financial assets and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that there are no further material impairment losses to be recognised against the Group's financial assets.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's adoption of IFRS 9 Financial Instruments are set out below.

AMENDED ACCOUNTING POLICY	NATURE OF CHANGE IN ACCOUNTING POLICY
On initial recognition, a financial asset is classified as measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit or Loss ("FVTPL"). Financial liabilities are measured at amortised cost or FVTPL. All financial instruments are initially measured at fair value. The classification of financial instruments is based on the manner in which a financial instrument is managed and its contractual cash flow characteristics. Financial assets and liabilities are measured at amortised cost if both of the following conditions are met and the financial asset or liability is not designated as at FVTPL: • the financial asset or liability is held with the objective of collecting or remitting contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: • the financial asset is held with the objectives of collecting contractual cash flows and selling the financial asset; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets and financial liabilities not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.	IFRS 9 removes the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. These are replaced by the categories noted in the amended accounting policy for financial instruments. IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Notes to the Financial Statements

2.3 IFRS 9 Financial Instruments continued

AMENDED ACCOUNTING POLICY	NATURE OF CHANGE IN ACCOUNTING POLICY
The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, retentions held by customers for contract work, contract assets, trade payables, contract liabilities and interest-bearing borrowings (obligations under finance leases and bank overdraft). Based on the manner in which these financial instruments are managed and their contractual cash flow characteristics, all of the Group's financial instruments are measured at amortised cost using the effective interest method. The amortised cost of financial assets is reduced by impairment losses as described below. Interest income, foreign exchange gains and losses, impairments and gains or losses on derecognition are recognised through the Statement of Comprehensive Income. Trade receivables, retentions held by customers for contract work, trade payables, contract liabilities and balances held with subsidiaries and joint ventures are held at their original invoiced value, as the interest that would be recognised from discounting future cash flows over the short credit period is not considered to be material. Contract assets are measured at the recoverable amount of applications that have not been certified and other amounts that have not been applied for but represent the recoverable value of work carried out at the balance sheet date. 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.	Cash and cash equivalents, trade receivables, retentions held by customers for contract work, trade payables and interest-bearing borrowings were previously classified as loans and receivables under IAS 39 and were measured at amortised cost. These financial instruments are now classified as financial assets and liabilities at amortised cost under IFRS 9. Contract assets and contract liabilities are new categories of assets and liabilities that are recognised as a result of the adoption of IFRS 15. Amounts recognised as contract assets were previously recognised within trade receivables and construction contracts. Contract liabilities were previously recognised within trade payables. The adoption of IFRS 9 has therefore not had any impact on the measurement of the Group's financial assets and liabilities.
Impairment losses against financial assets at amortised cost are recognised by reference to any expected credit losses against those assets. Allowances for credit losses are calculated by considering on a discounted basis the cash shortfalls it would incur in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Forward-looking information is incorporated into the Group's assessment of expected credit losses and includes, but is not limited to, the consideration of macroeconomic data, economic forecasts for the sectors in which the Group operates and financial review of individually significant customers.	IFRS 9 replaces the incurred loss model in IAS 39 with the expected credit loss model, which requires that future events are taken into account when calculating impairments to financial assets. Based on an assessment of historic credit losses on the Group's financial assets and the likelihood of the occurrence of future credit losses on existing financial assets, the Directors consider that there are no further material impairment losses to be recognised against the Group's financial assets due to the adoption of the amended accounting policy.

2.4 Other restatements

During the year, the Group made two further restatements to the 2017 financial statements which were both in relation to reclassifications only. The restatements have not impacted the total comprehensive income for the previous year or the total equity of the Group.

The Company reclassified an asset that was jointly owned from within contract assets to property, plant and equipment due to the long-term nature of the asset concerned. The net book value, and hence total adjustment at the 31 December 2017 was £1.06 million. The Company also reclassified items between contract assets and accruals, increasing both by £3.69 million to better reflect the nature and timing of the transactions involved. The restatements combined also increased revenue and the related costs by £2.43 million. The impact of the restatement on the prior year's results is shown in note 2.6.

2.5 Non-recurring items

Non-recurring items are material items of income and expense which the Group believes should be disclosed in the income statement to assist in understanding the underlying financial performance achieved by the Group by virtue of their nature or size.

The non-recurring items have been identified as such as they are not attributed to the ongoing trading of the Group and are explained in the following paragraphs accordingly. The profit before non-recurring items is deemed by the Board to be an alternative performance measure (APM). The Group has used this APM to aid comparability of its performance and position between periods. The non-recurring items in 2018 are in relation to the following items and amounted to £1.87 million (2017: £1.44 million) in total before tax.

Legacy Contract contracts accounted for £0.51 million of non-recurring costs in the period (2017: £1.44 million).

A specific provision was required in the year at a cost of £0.37 million (2017: £Nil), for an insolvent development customer. This does not give rise to an expected credit loss provision against trade receivables due to the unusual nature and requirements of the transaction. The Board is satisfied with the robust credit and collection controls in place across the business, which continues to be strengthened.

During the period, the Group rectified significant defective work of £0.47 million (2017: £Nil) as a result of a substandard product, provided by an aggregate supplier. This situation is unique and recovery is being progressed, however given the material nature of the amount being sought from the supplier a contingent asset has not been recognised in line with applicable accounting standards, and this item has been classified as non-recurring. Any recovery in future years will be treated in the same way.

During the year a non-recurring 'true-up' of the Directors' Performance Share Plan (PSP) cost expense, in relation to previous periods but impacting the current year, was recognised at £0.52 million (2017: £Nil). The true-up relates to the Remuneration Committee agreeing to exclude both positive and negative impacts from provisions in respect of the litigation related to the one remaining legacy contract across the three-year performance period. With the adjustments to exclude such provisions, the maximum targets were exceeded and the plan is expected to vest in full.

2.6 Impact of restatements on the financial statements

The following tables summarise the impact of adopting IFRS 15 on the Group's and Company's , as described in notes 2.1 and 2.2, and the other prior year restatements described in note 2.4. References to the specific changes to which those adjustments relate are presented in the table headings as required.

Impact on the Group statement of comprehensive income

	YEAR ENDED 31 DECEMBER 2017			
	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.4	
Revenue	291,770	8,109	2,431	302,310
Other operating income	451	–	–	451
	292,221	8,109	2,431	302,761
Raw materials and consumables	(44,698)	–	(1,889)	(46,587)
Other direct charges	(168,462)	–	–	(168,462)
Employee costs	(69,486)	–	–	(69,486)
Depreciation of property, plant and equipment	(3,057)	–	(542)	(3,599)
Other operating charges	(5,327)	–	–	(5,327)
Operating profit	1,191	8,109	–	9,300
Finance costs	(187)	–	–	(187)
Profit before tax	1,004	8,109	–	9,113
Tax	(262)	(1,622)	–	(1,884)
Profit and total comprehensive income for the year	742	6,487	–	7,229

Notes to the Financial Statements

2.6 Impact of restatements on the financial statements continued

Impact on the Group balance sheet

	AS AT 1 JANUARY 2017				
	£'000	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.2F	Note 2.4	
Assets					
Non-current assets					
Property, plant and equipment	13,651	–	–	1,594	15,245
Investments in subsidiaries	–	–	–	–	–
Investments in joint ventures	–	–	–	–	–
Deferred tax asset	1,411	1,622	–	–	3,033
	15,062	1,622	–	1,594	18,278
Current assets					
Inventories	2,065	–	–	–	2,065
Construction contracts	12,175	–	(12,175)	–	–
Trade and other receivables	37,695	(8,109)	12,175	–	41,761
Cash and cash equivalents	11,405	–	–	–	11,405
	63,340	(8,109)	–	–	55,231
Total assets	78,402	(6,487)	–	1,594	73,509
Equity and liabilities					
Capital and reserves attributable to equity holders of the Parent					
Share capital	1,015	–	–	–	1,015
Share-based payment reserve	–	–	–	–	–
Merger reserve	455	–	–	–	455
Capital redemption reserve	20	–	–	–	20
Retained earnings	11,209	(6,487)	–	–	4,722
Total equity	12,699	(6,487)	–	–	6,212
Liabilities					
Non-current liabilities					
Obligations under finance leases	1,785	–	–	–	1,785
Provisions	394	–	–	–	394
	2,179	–	–	–	2,179
Current liabilities					
Trade and other payables	61,145	–	–	1,594	62,739
Current income tax payable	194	–	–	–	194
Obligations under finance leases	2,185	–	–	–	2,185
	63,524	–	–	1,594	65,118
Total liabilities	65,703	–	–	1,594	67,297
Total equity and liabilities	78,402	(6,487)	–	1,594	73,509

	AS AT 31 DECEMBER 2017				
	£'000	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.2F	Note 2.4	
Assets					
Non-current assets					
Property, plant and equipment	17,122	–	–	1,052	18,174
Investments in subsidiaries	–	–	–	–	–
Investments in joint ventures	–	–	–	–	–
Deferred tax asset	1,223	–	–	–	1,223
	18,345	–	–	1,052	19,397
Current assets					
Inventories	1,820	–	–	–	1,820
Construction contracts	14,707	–	(14,707)	–	–
Trade and other receivables	35,227	–	14,707	3,693	53,627
Cash and cash equivalents	17,006	–	–	–	17,006
	68,760	–	–	3,693	72,453
Total assets	87,105	–	–	4,745	91,850
Equity and liabilities					
Capital and reserves attributable to equity holders of the Parent					
Share capital	1,015	–	–	–	1,015
Share-based payment reserve	–	–	–	–	–
Merger reserve	455	–	–	–	455
Capital redemption reserve	20	–	–	–	20
Retained earnings	11,343	–	–	–	11,343
Total equity	12,833	–	–	–	12,833
Liabilities					
Non-current liabilities					
Obligations under finance leases	2,514	–	–	–	2,514
Provisions	404	–	–	–	404
	2,918	–	–	–	2,918
Current liabilities					
Trade and other payables	68,726	–	–	4,745	73,471
Current income tax payable	177	–	–	–	177
Obligations under finance leases	2,451	–	–	–	2,451
	71,354	–	–	4,745	76,099
Total liabilities	74,272	–	–	4,745	79,017
Total equity and liabilities	87,105	–	–	4,745	91,850

Notes to the Financial Statements

2.6 Impact of restatements on the financial statements continued
Impact on the Group statement of cash flows

	AS AT 31 DECEMBER 2017				
	£'000	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.2F	Note 2.4	
Cash flows from operating activities					
Operating profit	1,191	8,109	–	–	9,300
Adjustment for:					
Depreciation of property, plant and equipment	3,057	–	–	542	3,599
Gain on disposal of property, plant and equipment	(448)	–	–	–	(448)
Share-based payment expense	–	–	–	–	–
Operating cash flows before movement in working capital	3,800	8,109	–	542	12,451
Decrease in inventories	245	–	–	–	245
Increase in construction contracts	(2,532)	–	2,532	–	–
Decrease / (increase) in receivables	2,468	(8,109)	(2,532)	(3,693)	(11,866)
Increase in reinstatement provision	10	–	–	–	10
Increase in payables	7,581	–	–	3,151	10,732
Cash generated from operations	11,572	–	–	–	11,572
Income tax (paid) / received	(91)	–	–	–	(91)
Net cash generated from operations	11,481	–	–	–	11,481
Cash flows from investing activities					
Purchase of property, plant and equipment	(2,897)	–	–	–	(2,897)
Proceeds on disposal of property, plant and equipment	580	–	–	–	580
Investment in joint ventures	–	–	–	–	–
Interest received	–	–	–	–	–
Interest paid	(79)	–	–	–	(79)
Dividends received from subsidiaries	–	–	–	–	–
Net cash used in investing activities	(2,396)	–	–	–	(2,396)
Cash flows from financing activities					
Equity dividends paid	(608)	–	–	–	(608)
Repayment of obligations under finance leases	(2,768)	–	–	–	(2,768)
Interest payable under finance leases	(108)	–	–	–	(108)
Net cash used in financing activities	(3,484)	–	–	–	(3,484)
Net increase in cash and cash equivalents	5,601	–	–	–	5,601
Cash and cash equivalents at 1 January 2017	11,405	–	–	–	11,405
Cash and cash equivalents at 31 December 2017	17,006	–	–	–	17,006

Impact on the Company balance sheet

	AS AT 1 JANUARY 2017				
	£'000	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.2F	Note 2.4	
Assets					
Non-current assets					
Property, plant and equipment	13,640	–	–	1,594	15,234
Investments in subsidiaries	2,437	–	–	–	2,437
Investments in joint ventures	–	–	–	–	–
Deferred tax asset	1,411	1,610	–	–	–
	17,488	1,610	–	1,594	20,692
Current assets					
Inventories	1,544	–	–	–	1,544
Construction contracts	9,280	–	(9,280)	–	–
Trade and other receivables	33,743	(8,049)	9,280	–	34,974
Cash and cash equivalents	10,614	–	–	–	10,614
	55,181	(8,049)	–	–	47,132
Total assets	72,669	(6,439)	–	1,594	67,824
Equity and liabilities					
Capital and reserves attributable to equity holders of the Parent					
Share capital	1,015	–	–	–	1,015
Share-based payment reserve	–	–	–	–	–
Merger reserve	455	–	–	–	455
Capital redemption reserve	20	–	–	–	20
Retained earnings	8,039	(6,439)	–	–	1,600
Total equity	9,529	(6,439)	–	–	3,090
Liabilities					
Non-current liabilities					
Obligations under finance leases	1,785	–	–	–	1,785
Provisions	394	–	–	–	394
	2,179	–	–	–	2,179
Current liabilities					
Trade and other payables	58,709	–	–	1,594	60,303
Current income tax payable	67	–	–	–	67
Obligations under finance leases	2,185	–	–	–	2,185
	60,961	–	–	1,594	62,555
Total liabilities	63,140	–	–	1,594	64,734
Total equity and liabilities	72,669	(6,439)	–	1,594	67,824

Notes to the Financial Statements

2.6 Impact of restatements on the financial statements continued
Impact on the Company balance sheet

	AS AT 31 DECEMBER 2017				
	£'000	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.2F	Note 2.4	
Assets					
Non-current assets					
Property, plant and equipment	17,116	–	–	1,057	18,173
Investments in subsidiaries	2,437	–	–	–	2,437
Investments in joint ventures	–	–	–	–	–
Deferred tax asset	1,222	–	–	–	1,222
	20,775	–	–	1,057	21,832
Current assets					
Inventories	1,387	–	–	–	1,387
Construction contracts	11,575	–	(11,575)	–	–
Trade and other receivables	31,455	–	11,575	2,872	45,902
Cash and cash equivalents	16,355	–	–	–	16,355
	60,772	–	–	2,872	63,644
Total assets	81,547	–	–	3,929	85,476
Equity and liabilities					
Capital and reserves attributable to equity holders of the Parent					
Share capital	1,015	–	–	–	1,015
Share-based payment reserve	–	–	–	–	–
Merger reserve	455	–	–	–	455
Capital redemption reserve	20	–	–	–	20
Retained earnings	7,679	–	–	–	7,679
Total equity	9,169	–	–	–	9,169
Liabilities					
Non-current liabilities					
Obligations under finance leases	2,514	–	–	–	2,514
Provisions	404	–	–	–	404
	2,918	–	–	–	2,918
Current liabilities					
Trade and other payables	67,009	–	–	3,929	70,938
Current income tax payable	–	–	–	–	–
Obligations under finance leases	2,451	–	–	–	2,451
	69,460	–	–	3,929	73,389
Total liabilities	72,378	–	–	3,929	76,307
Total equity and liabilities	81,547	–	–	3,929	85,476

Impact on the Company statement of cash flows

	AS AT 31 DECEMBER 2017				
	£'000	£'000	£'000	£'000	£'000
	As reported	Adjustment	Adjustment	Adjustment	Restated
Explanation of adjustment		Note 2.2C	Note 2.2F	Note 2.4	
Cash flows from operating activities					
Operating profit	190	8,049	–	–	8,239
Adjustment for:					
Depreciation of property, plant and equipment	3,052	–	–	538	3,590
Gain on disposal of property, plant and equipment	(448)	–	–	–	(448)
Share-based payment expense	–	–	–	–	–
Operating cash flows before movement in working capital	2,794	8,049	–	538	11,381
(Increase) / decrease in inventories	157	–	–	–	157
Increase in construction contracts	(2,295)	–	2,295	–	–
Increase in receivables	2,288	(8,049)	(2,295)	(2,877)	(10,933)
(Decrease) / increase in reinstatement provision	10	–	–	–	10
Increase in payables	8,300	–	–	2,339	10,639
Cash generated from operations	11,254	–	–	–	11,254
Income tax (paid) / received	17	–	–	–	17
Net cash generated from operations	11,271	–	–	–	11,271
Cash flows from investing activities					
Purchase of property, plant and equipment	(2,897)	–	–	–	(2,897)
Proceeds on disposal of property, plant and equipment	580	–	–	–	580
Investment in joint ventures	–	–	–	–	–
Interest received	–	–	–	–	–
Interest paid	(79)	–	–	–	(79)
Dividends received from subsidiaries	350	–	–	–	350
Net cash used in investing activities	(2,046)	–	–	–	(2,046)
Cash flows from financing activities					
Equity dividends paid	(608)	–	–	–	(608)
Repayment of obligations under finance leases	(2,768)	–	–	–	(2,768)
Interest payable under finance leases	(108)	–	–	–	(108)
Net cash used in financing activities	(3,484)	–	–	–	(3,484)
Net increase in cash and cash equivalents	5,741	–	–	–	5,741
Cash and cash equivalents at 1 January 2017	10,614	–	–	–	10,614
Cash and cash equivalents at 31 December 2017	16,355	–	–	–	16,355

Notes to the Financial Statements

3 Other significant accounting policies

(a) Consolidation

The consolidated accounts include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2018. 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.

(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 three and 15 years
Fixtures, fittings, equipment and motor vehicles	– between two and ten 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) Taxation

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

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

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not discounted.

(e) 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.

(f) 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 statement of financial position as a finance lease obligation.

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

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.

(g) 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.

(h) Joint arrangements

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, otherwise the arrangement is classified as a joint venture.

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 rights and obligations.

The results of jointly controlled entities are incorporated in the financial statements using the equity method of accounting. After application of the equity method, the Group's investments in joint ventures are reviewed to determine whether any additional impairment loss in relation to the net investment in the joint venture is to be recognised in the statement of comprehensive income.

Where the Group's share of losses exceeds its equity accounted investment in a joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group is obliged to contribute towards its share of the loss.

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established.

(i) 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.

(j) Investments in subsidiaries

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

(k) 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.

(l) Share-based payments

Employee services received in exchange for the grant of equity-settled awards are reflected as a cost in the statement of comprehensive income on a straight-line basis over the vesting period. The amount charged is based on the fair value of the awards at the date of grant and the number of awards that are expected to vest. A separate component of equity is recognised in respect of employee services received to date and is released when the corresponding awards are exercised and shares are transferred to employees.

(m) Other operating income

Income not derived from the Group's primary activities, including profit on disposal of property, plant and equipment and financing income in respect of the Group's joint ventures, is recognised as other operating income and is recognised at the fair value of amounts receivable.

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

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.

Contract assets

The carrying value of contract assets amounted to £28.84 million (2017 restated: £33.20 million) as at 31 December 2018, in relation to £27.78 million (2017: £43.69 million) of applications for payment that had not been certified.

Management has 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 contract assets 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 2018, there is only one legacy contract remaining. The legacy contract is included within contract assets.

In the year to 31 December 2018, the total loss before tax recognised on legacy contracts was £0.51 million (2017: £7.29 million, prior to restatement). 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 2018 of the amount recoverable from the client. 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.

5. Reporting segments

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

Operating segments

From 1 January 2018 the Board reviews the Group's operational performance via two segments: the Water segment and the Built Environment segment. Accordingly, the segmental information presented below is prepared on the same basis and the previous years restated for comparison purposes.

Further details of the operating segments activities is provided in our operational and financial review on pages 24 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.

Year ended 31 December 2018

	BUILT ENVIRONMENT £'000	WATER £'000	TOTAL BEFORE NON-RECURRING ITEMS £'000	NON-RECURRING ITEMS £'000	TOTAL £'000
Revenue					
External sales	**95,870**	**244,580**	**340,450**	**–**	**340,450**
Result before corporate expenses	**7,649**	**20,857**	**28,506**	**(1,865)**	**26,641**
Corporate expenses	**(7,744)**	**(12,786)**	**(20,530)**	**–**	**(20,530)**
Operating profit/(loss)	**(95)**	**8,071**	**7,976**	**(1,865)**	**6,111**
Finance income			**31**	**–**	**31**
Finance costs			**(114)**	**–**	**(114)**
Profit before tax			**7,893**	**(1,865)**	**6,028**
Tax			**(1,542)**	**351**	**(1,191)**
Profit for the year			**6,351**	**(1,514)**	**4,837**

Year ended 31 December 2017

	BUILT ENVIRONMENT £'000	WATER £'000	TOTAL BEFORE NON-RECURRING ITEMS £'000	NON-RECURRING ITEMS £'000	TOTAL £'000
	Restated	Restated	Restated	Restated	Restated
Revenue					
External sales	131,812	170,498	302,310	–	302,310
Result before corporate expenses	10,095	15,314	25,409	(1,443)	23,966
Corporate expenses	(5,982)	(8,684)	(14,666)	–	(14,666)
Operating profit/(loss)	4,113	6,630	10,743	(1,443)	9,300
Finance income			–	–	–
Finance costs			(187)	–	(187)
Profit before tax			10,556	(1,443)	9,113
Tax			(2,161)	277	(1,884)
Profit for the year			8,395	(1,166)	7,229

5. Reporting segments continued

Segment assets

	2018 £'000	2017 £'000
Built Environment	**52,199**	49,070
Water	**64,570**	42,780
Total segment assets and consolidated total assets	**116,769**	91,850

Other segment information

	DEPRECIATION AND AMORTISATION		ADDITIONS TO NON-CURRENT ASSETS	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Built Environment	**1,467**	1,634	**2,213**	3,549
Water	**2,699**	1,965	**4,053**	3,111
Total	**4,166**	3,599	**6,266**	6,660

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. Segment liabilities are not presented as they are not managed on a segment-by-segment basis.

Information about major customer

Revenues of approximately £172,523,000 (2017: £118,872,000) 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. Revenue from contracts with customers

Disaggregation of revenue

Year ended 31 December 2018

	BUILT ENVIRONMENT £'000	WATER £'000	TOTAL £'000
Construction	**38,182**	**–**	**38,182**
Highways	**30,444**	**–**	**30,444**
Telecommunications	**27,244**	**–**	**27,244**
Civil Engineering and MEICA (nmcn Sustainable Solutions)	**–**	**68,967**	**68,967**
Civil Engineering and MEICA (NMCNomenca)	**–**	**175,613**	**175,613**
	95,870	**244,580**	**340,450**

Year ended 31 December 2017

	BUILT ENVIRONMENT £'000	WATER £'000	TOTAL £'000
Construction	33,624	–	33,624
Power	15,311	–	15,311
Highways	47,036	–	47,036
Telecommunications	35,841	–	35,841
Civil Engineering and MEICA (nmcn Sustainable Solutions)	–	55,130	55,130
Civil Engineering and MEICA (NMCNomenca)	–	115,368	115,368
	131,812	170,498	302,310

6. Revenue from contracts with customers continued

The majority of the Group's business is carried out under long-term contracts with customers, with the associated performance obligations being recognised over time. The Group operates across a number of market sectors within the construction industry and it is considered most appropriate to disaggregate revenue on this basis. No disaggregation of revenue by geographical market is presented as all of the Group's revenue is derived from the UK. The Directors do not consider there to be any further categories into which revenue can be meaningfully disaggregated.

Contract balances and performance obligations

	GROUP		COMPANY	
	CONTRACT ASSETS £'000	CONTRACT LIABILITIES £'000	CONTRACT ASSETS £'000	CONTRACT LIABILITIES £'000
As at 1 January 2017	27,425	(14,358)	19,371	(14,358)
Applications for payment	271,685	–	210,453	–
Transfers from contract assets to trade receivables	(256,493)	–	(197,773)	–
Excess of revenue recognised over rights to cash	11,351	–	9,929	–
Cumulative catch up adjustments	(9,850)	–	(6,545)	–
Impact of revenue constraint on applications for payment	(7,227)	–	(5,262)	–
Opening contract liabilities recognised in revenue	–	14,358	–	14,358
Payment received in advance of performance	–	(9,616)	–	(9,616)
As at 31 December 2017	36,891	(9,616)	30,173	(9,616)

	GROUP		COMPANY	
	CONTRACT ASSETS £'000	CONTRACT LIABILITIES £'000	CONTRACT ASSETS £'000	CONTRACT LIABILITIES £'000
As at 1 January 2018	**36,891**	**(9,616)**	**30,173**	**(9,616)**
Applications for payment	**371,649**	**–**	**306,579**	**–**
Transfers from contract assets to trade receivables	**(396,425)**	**–**	**(327,980)**	**–**
Excess of revenue recognised over rights to cash	**5,998**	**–**	**4,037**	**–**
Cumulative catch up adjustments	**17,480**	**718**	**13,071**	**718**
Impact of revenue constraint on applications for payment	**(2,244)**	**–**	**(937)**	**–**
Opening contract liabilities recognised in revenue	**–**	**9,616**	**–**	**9,616**
Payment received in advance of performance	**–**	**(30,177)**	**–**	**(28,677)**
As at 31 December 2018	**33,349**	**(29,459)**	**24,943**	**(27,959)**

Contract assets and contract liabilities are included within trade and other receivables (note 18) and trade and other payables (note 24) respectively. Cumulative catch up adjustments include the effect of contract modifications, variable consideration or a change in the estimate of contract price.

The Group typically satisfies the performance obligations contained in its contracts with customers over time, as the customer generally controls the asset as it is constructed or enhanced. As at 31 December 2018 the amount of revenue that was expected to be recognised when the remainder of the performance obligations contained in its contracts are satisfied was £431,986,000. The Group has applied the transitional relief under IFRS 15 allowing the Group not to disclose comparative information as at 31 December 2017.

Significant contract terms

Payment terms vary on a contract-by-contract basis and are negotiated individually with customers. Certain contracts for the development of residential property on behalf of the Group's joint ventures allow for amounts due under those contracts to be drawn down under the financing agreements in place between the Group and the relevant joint venture. Further information concerning the Group's joint ventures is presented in note 33.

Contracts undertaken in the public highway include a statutory maintenance liability of two years. Details of the associated provision are presented in note 22.

Notes to the Financial Statements

7. Employee numbers

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

	2018 No.	2017 No.
Management	**108**	103
Administration	**211**	158
Contracting	**1,217**	1,161
	1,536	1,422

8. Employee costs

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

	2018 £'000	2017 £'000
Wages and salaries	**68,778**	61,498
Social security costs	**6,807**	5,876
Other pension costs	**3,048**	2,112
	78,633	69,486

Remuneration in respect of the Directors is set out in the Remuneration Report on pages 67 to 83.

9. Share-based payments

The Group operates a Performance Share Plan (PSP) for its Board Directors, full details of which can be found in the Remuneration Report on pages 67 to 83.

The Group recognised expenses relating to equity-settled share-based payment transactions in the year ended 31 December 2018 totalling £1.07 million before taxation (2017: £nil). The expense recognised in the year ended 31 December 2018 reflects the PSP awards for 2016, 2017 and 2018. The valuation method used to value the Performance Share Plans is the Black-Scholes method.

	2018 AWARDS	2017 AWARDS
Awards outstanding at 1 January	**755,610**	506,485
Granted during the year - dividend shares for prior periods	**18,245**	–
Granted during the year - new awards	**285,886**	249,125
Awards vested during the year	**–**	–
Awards lapsed during the year	**–**	–
Awards exercised during the year	**–**	–
Awards outstanding at 31 December	**1,059,741**	755,610
Awards exercisable at 31 December	**–**	–
Weighted average remaining contractual life (years)	**1.13**	1.73

10. Operating profit

		2018 £'000	2017 £'000
Operating profit is stated after charging:			Restated
Hire of plant and machinery	– one-off hire charges – operating leases	**12,000**	8,830
Depreciation	– wholly owned	**2,681**	2,000
	– held under finance lease	**1,485**	1,599
Rentals payable under operating leases		**527**	399
Impairment for credit losses		**367**	–
Auditor's remuneration	– audit fee of Parent Company	**64**	55
	– audit fee of subsidiaries	**29**	25
Directors' emoluments			
Fees to Non-executive Directors		**131**	108
Remuneration as Executives' salary and benefits		**1,274**	1,184
	– performance related	**470**	365
	– pension contributions (five Directors in defined contribution schemes)	**172**	163
	– share-based payments	**1,069**	–
And after crediting:			
Gain on disposal of property, plant and machinery		**574**	448

11. Finance income and costs

	2018 £'000	2017 £'000
Interest receivable	**31**	–
Interest payable	**4**	79
Interest on obligations under finance leases	**110**	108
	114	187

Notes to the Financial Statements

12. Tax

	2018 £'000	2017 £'000
		Restated
Current tax – current year 19% (2017: 19.25%)	**467**	177
Current tax – prior year	**13**	(103)
Deferred tax – current year 18.46% (2017: 18.80%)	**704**	1,654
Deferred tax – prior year	**7**	156
	1,191	1,884

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

	2018 £'000	2017 £'000
		Restated
Profit before tax	**6,028**	9,113
Tax at the UK Corporation Tax Rate of 19% (2017: 19.25%)	**1,145**	1,754
Expenses not deductible for tax purposes	**25**	3
Income not taxable for tax purposes	**(27)**	(8)
Depreciation on assets not qualifying for capital allowances	**20**	27
Other differences	**8**	(6)
Adjustments in respect of previous periods	**20**	114
	1,191	1,884

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. There are no unrecognised trading losses carried forward (2017: £nil).

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 2018 has been calculated based on these rates.

13. Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 £'000	2017 £'000
Final dividend for the year ended 31 December 2017 of 3p (2016: 3p) per share	**305**	303
Interim dividend for the year ended 31 December 2018 of 6p (2017: 3p) per share	**609**	305
	914	608

The Directors recommend a final dividend of 12p per share for the year ended 31 December 2018 (2017: 3p).

14. Earnings per share

Basic earnings per share and diluted earnings per share are calculated on the profit attributable to equity holders of the parent of £4,837,000 (2017 restated: £7,229,000). The weighted average of 10,150,000 (2017: 10,150,000) shares in issue during the year is used for the basic earnings per share calculation only. For the diluted earnings per share calculation, 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 and are included in the calculation. Although the decision has not been formally approved by the Remuneration Committee, it is anticipated that the performance share plan will issue shares on an after tax basis, therefore issuing 53% of the 1,059,752 awards that are expected to vest. Accordingly an additional 561,669 shares have been used to calculate fully diluted earnings per share (2017: Nil).

15. 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 2017 (Restated)	7,950	11,421	11,168	30,539	7,950	11,270	10,745	29,965
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 1 January 2018	9,054	12,266	12,906	34,226	9,054	12,115	12,483	33,652
Additions	999	2,246	3,021	6,266	999	2,246	3,021	6,266
Disposals	–	(1,149)	(2,555)	(3,704)	–	(1,149)	(2,555)	(3,704)
At 31 December 2018	**10,053**	**13,363**	**13,372**	**36,788**	**10,053**	**13,212**	**12,949**	**36,214**
Depreciation								
At 1 January 2017 (Restated)	1,462	6,334	7,498	15,294	1,462	6,193	7,075	14,730
Charge for the year	106	1,504	1,989	3,599	106	1,500	1,984	3,590
Disposals	–	(1,088)	(1,753)	(2,841)	–	(1,088)	(1,753)	(2,841)
At 1 January 2018	1,568	6,750	7,734	16,052	1,568	6,605	7,306	15,479
Charge for the year	106	1,680	2,380	4,166	106	1,665	2,394	4,165
Disposals	–	(1,123)	(2,225)	(3,348)	–	(1,123)	(2,225)	(3,348)
At 31 December 2018	**1,674**	**7,307**	**7,889**	**16,870**	**1,674**	**7,147**	**7,475**	**16,296**
Carrying amount								
At 31 December 2018	**8,379**	**6,056**	**5,483**	**19,918**	**8,379**	**6,065**	**5,474**	**19,918**
At 31 December 2017	7,486	5,516	5,172	18,174	7,486	5,510	5,177	18,173
At 31 December 2016	6,488	5,087	3,670	15,245	6,488	5,077	3,670	15,235

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

	2018 £'000	2017 £'000
Plant	**3,350**	2,634
Motor vehicles	**3,407**	3,710
	6,757	6,344
Additions for the Group and Company financed by new leases		
Plant	**1,549**	1,316
Motor vehicles	**1,454**	2,447
	3,003	3,763

16. Investments in subsidiaries

COMPANY	SHARES IN GROUP COMPANIES 2018 £'000	2017 £'000
Cost:		
At 1 January and 31 December	**2,437**	2,437

Details of Group undertakings (incorporated in Great Britain):

	PRINCIPAL ACTIVITIES	PERCENTAGE OF OWNERSHIP INTEREST AND VOTING POWER HELD 2018 %	2017 %
nmcn Developments Limited	Building and refurbishment	**100**	100
nmcn Sustainable Solutions Limited	Mechanical and electrical installation	**100**	100
nmcn Investments Limited *	Dormant	**100**	–
nmcn Alliance Limited *	Dormant	**100**	–

* Subsidiaries incorporated during the year ended 31 December 2018

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

17. Inventories

	GROUP 2018 £'000	2017 £'000	COMPANY 2018 £'000	2017 £'000
Raw materials and consumables	**1,791**	1,820	**1,287**	1,387

18. Trade and other receivables

	GROUP 2018 £'000	2017 £'000	COMPANY 2018 £'000	2017 £'000
		Restated		Restated
Trade receivables	**8,422**	6,874	**5,862**	6,714
Retentions held by customers for contract work	**8,140**	8,487	**7,211**	7,708
Other receivables	**45**	13	**45**	8
Prepayments	**2,379**	1,362	**2,336**	1,299
Contract assets	**33,349**	36,891	**24,943**	30,173
Amount owed by Group undertakings	**–**	–	**2,277**	–
Amount owed by joint ventures	**8,479**	–	**8,814**	–
	60,814	53,627	**51,488**	45,902

The average credit period (excluding retentions) taken on sales is 28 days (2017: 32 days). The trade receivables are valued at amounts approximating to fair value. Trade receivables includes applications to the extent that there is an unconditional right to payment and the amount has been certified by the customer. The recoverable amount of applications that have not been certified and other amounts that have not been applied for but represent the recoverable value of work carried out at the balance sheet date are recognised as contract assets

The Group applies the simplified approach to measuring expected credit losses under IFRS 9 using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The Group's contract assets have similar risk characteristics to the trade receivables for similar types of contracts. During the year the Group recognised impairment for credit losses of £367,000 (2017: £Nil).

19. Share capital

	2018 £'000	2017 £'000
Issued and fully paid:		
10,150,000 (2017: 10,150,000) ordinary shares of 10p each	**1,015**	1,015

20. 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.
Share-based payment reserve	Amounts recognised in respect of share-based payment expenses and associated deferred tax balances.
Retained earnings	All other net gains/losses and transactions with owners not recognised elsewhere.

21. Obligations under finance leases

	GROUP		COMPANY	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts payable under finance leases:				
Within one year	**2,587**	2,451	**2,587**	2,451
In the second to fifth years inclusive	**2,329**	2,514	**2,329**	2,514
Present value of lease payments	**4,916**	4,965	**4,916**	4,965
Future finance charges payable on leases:				
Within one year	**94**	87	**94**	87
In the second to fifth years inclusive	**60**	58	**60**	58
	154	145	**154**	145
Total amounts payable under finance leases	**5,070**	5,110	**5,070**	5,110

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 2018 the average effective borrowing rate was 1.6% (2017: 1.8%) over either LIBOR or bank base rate payable quarterly, subject to a minimum base rate of 0.0% (2017: 0.5%). Future finance charges have been estimated assuming a bank base rate of 1.0% (2017: 0.5%).

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

	GROUP AND COMPANY			
	2017 £'000	NEW LEASES £'000	REPAYMENTS £'000	2018 £'000
Reconciliation of liabilities arising from financing activities:				
Obligations under finance leases	4,965	3,003	(3,052)	**4,916**
Total liabilities from financing activities	4,965	3,003	(3,052)	**4,916**

Notes to the Financial Statements

22. Provisions

	GROUP 2018 £'000	GROUP 2017 £'000
Group and Company		
At beginning of year	**404**	394
Additional provision in year	**141**	192
Utilisation of provision	**(195)**	(182)
At end of year	**350**	404

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.

23. Deferred tax

	GROUP		COMPANY	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
		Restated		Restated
At beginning of year	**(1,223)**	(3,037)	**(1,222)**	(3,020)
Recognised in income statement	**711**	1,814	**817**	1,798
Recognised in equity	**(381)**	–	**(381)**	–
At end of year	**(893)**	(1,223)	**(786)**	(1,222)

The deferred tax balance can be analysed as follows:

	GROUP		COMPANY	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
		Restated		Restated
Depreciation in excess of capital allowances	**(95)**	(120)	**(91)**	(120)
Recognised losses	**(83)**	(1,070)	**(83)**	(1,070)
Share-based payments	**(576)**	–	**(576)**	–
Other differences	**(139)**	(33)	**(36)**	(32)
	(893)	(1,223)	**(786)**	(1,222)

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.

24. Trade and other payables

	GROUP		COMPANY	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
		Restated		Restated
Trade payables	**42,346**	45,585	**42,345**	44,768
Other taxes and social security costs	**8,118**	6,734	**4,239**	3,739
Accruals and other payables	**13,217**	11,536	**12,903**	11,434
Contract liabilities	**29,459**	9,616	**27,959**	9,616
Amounts owed to Group undertakings	**–**	–	**773**	1,381
	93,140	73,471	**88,219**	70,938

The credit period taken for trade purchases, excluding retentions, is 38 days (2017: 43 days).

25. 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.

26. Contingent liabilities

Aviva Insurance Limited, Lloyds Bank plc, and HCC International Insurance Company Plc have given Performance Bonds to a value of £8,883,000 (2017: £6,010,000) on the Group's behalf. These bonds have been made with recourse to the Group.

27. Operating lease commitments

	LAND AND BUILDINGS		OTHER LEASES	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Lease activity:				
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the period	**339**	229	**188**	170
At the balance sheet date the Group had outstanding commitments under non-cancellable leases which fall due as follows:				
Within one year	**330**	201	**425**	281
In the second to fifth years inclusive	**865**	315	**680**	340
	1,195	516	**1,105**	621

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.

28. Pension contributions

The total cost charged to income of £3,048,000 (2017: £2,112,000) represents pension contributions payable by the Group. As at 31 December 2018 contributions of £348,000 (2017: £252,000) due in respect of the current reporting period had not been paid over to the schemes.

29. 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 budgets are approved by the Board to predict expected operational expenses each month.

The Group had cash balances at the year end of £33,353,000 (2017: £17,006,000) and has facilities in place to meet all anticipated working capital requirements.

29. Financial instruments and financial risk management continued

Credit risk

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

The Directors consider the Group's relatively diverse operations provide a reduction in concentration risk by sector, geography and exposure to individual customers, except the major customer as noted in note 5 where a framework agreement and long-standing relationship is in place. Loans to/from joint operations and joint ventures 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. Impairment losses against financial assets at amortised cost are recognised by reference to any expected credit losses against those assets. Allowances for credit losses are calculated by considering on a discounted basis the cash shortfalls it would incur in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability-weighted outcomes.

Classes and fair value of financial instruments

	GROUP		COMPANY	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
		Restated		Restated
Financial assets				
Trade and other receivables	**58,435**	52,265	**49,152**	44,603
Cash and cash equivalents	**33,353**	17,006	**31,358**	16,355
Financial liabilities				
Trade and other payables	**55,563**	57,121	**56,021**	57,583
Obligations under finance leases	**4,916**	4,965	**4,916**	4,965

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 2.

Categories of financial instruments

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

Maturity of financial instruments

The majority of trade and other receivables and contract asset balances excluding retentions are due between one and three months. Details of amounts overdue are provided in note 18.

The maturity of finance leases is provided in note 21.

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

30. 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 2018 were as follows:

PLC Board:	R Moyle (*)
	J Homer (*)
	DA Taylor (*)
	AD Langman
	DS Proud
	SJT Brown
	I Elliott
	DP Rogers
	MJ Holt
	M Amos
nmcn Sustainable Solutions Ltd Directors:	AD Langman
	RAJ Culshaw
Business Unit Directors:	N Banks
	D Andrews
	A Brown
	G Poyzer
	M Lowson
	P Norton (resigned 31 May 2018)
	M Blakeway (resigned 7 May 2018)
	WT Brelsford
	MH Shadrick
	P Birch
	G Stonard
	JA Smith
	M Lee
	PD Jackson
	F Ashley
	G Clegg
	MW Hanrahan
	ML Mason
	K Morris
	M Barney
	J Maloney
	A Smith
	MJ Catlin
	RM Walsh

* R Moyle, DA Taylor and J Homer are also Directors of nmcn Sustainable Solutions Limited

Key management costs:

Key management costs: Salary, employer's National Insurance contributions and benefits £5,955,000 (2017: £4,608,000); pension contributions £382,000 (2017: £338,000).

Notes to the Financial Statements

31. Controlling party

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

		2018	2017
Mrs MG Moyle (deceased)	(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**	232,342
Mr IB Speke, Mrs D Hutchinson and Mr MS Garratt	1962 TG Moyle Settlement	**2,478,328**	2,474,328
Mr IB Speke, Mrs D Hutchinson and Mr MS Garratt	1967 TG Moyle Settlement	**775,388**	775,388
Mr PR Wood and Mr WEC Cursham	William Morris Settlement	**836,174**	841,174
Mr R Moyle, Mrs AEF Moyle and Mr RL Symington	1996 R Moyle Settlement	**700,280**	696,280

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.

32. 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.

COMPANY	2018 £'000	2017 £'000
Due to nmcn Developments Limited	**(772)**	(772)
Due from / (to) nmcn Sustainable Solutions Limited	**2,277**	(626)
	1,505	(1,398)

During the year the Company carried out £Nil (2017: £43,000) of work for nmcn Sustainable Solutions Limited. nmcn Sustainable Solutions Limited carried out £1,675,000 (2017: £1,300,000) of work for the Company.

Transactions between the Company and its joint ventures are disclosed in note 33.

33. Joint arrangements

The Group is currently involved in the following joint operations:

	GROUP'S SHARE 2018	GROUP'S SHARE 2017
— 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%**	50%

The Group financial statements for the year ended 31 December 2018 incorporate the following relating to the joint operations:

	2018 £'000	2017 £'000
Revenue	**74,293**	45,840
Expenses	**74,010**	43,679
Assets	**3,603**	3,082
Liabilities	**16,599**	3,082

During the year the Group entered into joint ventures as listed below, for the purposes of developing residential property:

	GROUP'S SHARE 2018	GROUP'S SHARE 2017
— with Earl & Pelham Limited. E&P Enderleigh Limited joint venture	**50%**	–
— with Brooklyn Ellis Limited. BENMC Alliance (Roundhills) Limited joint venture	**50%**	–
— with Stagfield Group Limited. Springfield ECO Limited joint venture	**50%**	–

Summarised financial information in relation to the above joint ventures is presented below:

	2018 £'000	2017 £'000
Current assets		
Cash and cash equivalents	**36**	–
Other current assets	**9,180**	–
Total assets	**9,216**	–
Current liabilities		
Other current liabilities	**8,816**	–
Total liabilities	**8,816**	–
Net assets	**400**	–

The Group's investments in joint ventures are presented in the Group and Company balance sheets as follows:

	GROUP 2018 £'000	GROUP 2017 £'000	COMPANY 2018 £'000	COMPANY 2017 £'000
At beginning of year	**–**	–	**–**	–
Equity investment in joint ventures	**200**	–	**200**	–
Provision for unrealised profits	**(200)**	–	**–**	–
At end of year	**–**	–	**200**	–

During the year ended 31 December 2018 the Company provided services to its joint ventures as follows:

	CONSTRUCTION AND FINANCING SERVICES		AMOUNTS DUE FROM JOINT VENTURES	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
E&P Enderleigh Limited	**2,537**	–	**3,056**	–
BENMC Alliance (Roundhills) Limited	**785**	–	**1,414**	–
Springfield ECO Limited	**665**	–	**4,344**	–
	3,987	–	**8,814**	–

Construction services provided to joint ventures are recognised within revenue. Financing income from joint ventures is included within other operating income.

34. 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.

35. Capital commitments

As at 31 December 2018 the Group and Company had entered into capital commitments of £705,000 (2017: £Nil).

Notice of Meeting

Notice is hereby given that the Seventy-First Annual General Meeting of nmcn PLC will be held at Nunn Close, The County Estate, Huthwaite, Sutton-in-Ashfield, Nottinghamshire on 16 May 2019 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 2018 and the Auditor's Report thereon.
2. To declare a final dividend.
3. To reappoint the following Directors:
   i. R Moyle
   ii. I Elliott
   iii. M J Holt
   iv. M Amos
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 Policy.
6. To approve the Directors' Remuneration Report.

Additional Resolutions
Special Business

To consider and, if thought fit, pass the following Resolutions, of which Resolution 7 will be proposed and voted on as an Ordinary Resolution and Resolutions 8, 9 and 10 will be proposed and voted on as Special Resolutions.

7. To increase the aggregate annual limit on Directors' fees set out in Article 86 of the Company's Articles of Association from £70,000 to £500,000 with immediate effect.

   Article 86 of the Company's Articles of Association limits the aggregate total fees which may be paid to Directors to £70,000 per annum, or such higher amount as may be decided by ordinary resolution of the Company. £70,000 was in fact intended to limit the fees for each Director rather than total aggregate fees. Resolution 6 therefore corrects the amount set out in Article 86 by increasing the maximum aggregate limit for all Directors to £500,000. Such fees are in practice only normally paid to non-executive Directors as the executive Directors receive salaries and other benefits which do not fall within this limit. In the year to 31 December 2018 Directors' fees totalled £123,000. Although there are no current plans to significantly increase Directors' fees, the Directors believe it is desirable that the limit provide flexibility for any future increases in Director's fees or any increase in the number of Directors. Any remuneration policy as may be approved by the shareholders from time to time will continue to apply.

8. 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).

Notice of Meeting

9. That, subject to the passing of Resolution 8 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 8 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).

10. 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.

By order of the Board

DA TAYLOR
Chief Financial Officer & Company Secretary
27 March 2019
Nunn Close
The County Estate
Huthwaite
Sutton-in-Ashfield
Nottinghamshire
NG17 2HW

Financial Calendar

Preliminary results announcement	28/03/2019
Annual General Meeting	16/05/2019
Interim period end	30/06/2019
Half yearly financial results	08/08/2019
Year end	31/12/2019

Company Information

nmcn plc

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DS Proud
I Elliott BSc CEng MICE
DP Rogers LLB
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