NMCN PLC HALF YEARLY FINANCIAL STATEMENTS - 30TH JUNE 2019

Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR).

NMCN PLC

Date Issued
8th August 2019

UNAUDITED CONDENSED GROUP HALF YEARLY FINANCIAL STATEMENTS

nmcn Plc ("the Company" or "the Group" or "nmcn"), a leading engineering and construction company, delivering major water, built environment and critical national infrastructure projects, announces its unaudited interim results for the six months ended 30 June 2019.

HIGHLIGHTS

Revenue increased by 14.1% compared with H1 2018

Profit before tax increased by 38.4% to £3.5 million (H1 FY18 restated: £2.5 million)

Cash of £25.8 million, an increase of 36.5% (H1 FY18: £18.9 million)

Current order book for completion in 2019 of *circa* £356m (H1 FY18: *circa* £320 million)

Increased proposed dividend to 9.0p (H1 FY18: 6.0p)

	Six Months Ended 30 June 2019 £'000	Six Months Ended 30 June 2018 £'000 Restated[1]	Period Movement %
Revenue	183,978	161,175	+14.1%
Profit Before Tax	3,463	2,503	+38.4%
Cash and Cash Equivalents	25,785	18,891	+36.5%
Earnings per Share	27.0p	20.0p	+35.1%
Proposed Dividends	9.0p	6.0p	+50.0%

[1] *After IFRS 16 Leases and other prior period restatements - see note 3*

John Homer, Chief Executive

"These results demonstrate the continued progress made in the business against our strategic objectives. Our focus on profit improvement (profit before tax *circa* 38% ahead of last year) and cash generation (period end balance *circa* 36% ahead of last year) continues to show returns.

We continue to invest significantly in the development of our people and the evolution of our employer brand. It is our firm belief that our people are the overarching differentiator in the service that we provide and the primary driver for our continued success.

The outlook for future trading remains positive and provides the opportunity to maximise earnings from our operations. We are confident that the Board's expectations will be achieved, with net margins slightly exceeding 2%."

FOR FURTHER INFORMATION

John Homer, Chief Executive
Daniel Taylor, Chief Financial Officer
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Group Financial Performance

In the first half of 2019, the Group has achieved satisfactory growth in both revenue and profitability. Revenue for the period increased by 14.1% from £161.2 million to £184.0 million. Profit before tax for the period totalled £3.5 million compared to £2.5 million for the same period in 2018, an increase of over 38%. Continued progress has been achieved across the business units and sectors. The Telecoms business returned to a commendable level of profitability, following the completion of the strategic business review and the extension of a term contract with its principal customer. Results overall for the period were better than the Board's expectations and there is cautious optimism for the second half and beyond.

On 1 January 2019 the Group adopted IFRS 16 Leases under the retrospective method, leading to a restatement of the Group's previously reported results. As a result of the transition additional assets and liabilities of £2.0 million have been recognised as at 30 June 2018, with a minimal impact on profit before tax. Full details of the transition can be found in note 3.

Built Environment Segment

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000 Restated[1]	Period movement %
Revenue	51,874	48,786	+6.3 %
Operating profit	588	4	+13,365.2 %
Operating profit margin	1.1%	0.0%	+1.1 %
Secured workload	118,000	89,000	+32.6 %

[1] *After IFRS 16 Leases and other prior period restatements - see note 3*

The Built Environment segment has seen a sustainable growth in revenue in the period from £48.8 million to £51.9 million, an increase of 6.3%. This growth in the segment is despite uncertainty in the market place causing delays on the commencement of major schemes. This has impacted both the Construction and Highways business units.

These delays have meant only a small contribution to operating profit in the first half of the year by these business units, however both have healthy order books to construct in the second half of 2019. Both business units have invested in people for the future, to ensure we have the capability to deliver the additional revenue forecast in the second half of 2019 and future years. The Highways business unit in particular has been awarded a place on the Regional Development Partnership by Highways England where its first scheme is junction improvements on the M621 for *circa* £28 million. This scheme will commence in 2020 once the design stage is completed. The Construction business unit has a number of large schemes, which we are working on early design stages with developers, where orders are anticipated in the second half of the year for 2020 and beyond.

The Telecoms business unit has seen a significant turnaround in the first half of 2019 when compared to the same period last year. The business unit has achieved an operating profit of £0.5 million for the period. Further growth is expected in super-fast broadband over the next few years, and the business unit is well placed to take advantage of the right opportunities.

Secured order book for the Built Environment segment to construct in 2019 is £118 million (H1 2018: £89 million), an increase from the comparable period of 32.6%.

Water Segment

	Six months ended 30 June 2019 £'000	Six months ended 30 June 2018 £'000 Restated[1]	Period movement %
Revenue	132,104	112,389	+17.5%
Operating profit	2,953	2,585	+14.2%
Operating profit margin	2.2%	2.3%	-0.1%
Secured workload	238,000	231,000	+3.0%

[1] After IFRS 16 Leases and other prior period restatements - see note 3

The Water segment has achieved another significant growth in revenue for the period up from £112.4 million to £132.1 million, an increase of 17.5%. The Water segment also achieved an increase in operating profit to £3.0 million from £2.6 million, an increase of 14.2%.

During the period, and as previously reported, the Water segment has been successful in securing the following strategic frameworks for the Asset Management Period 7 ("AMP 7"):

- Severn Trent Water, Lots 1, 2 and 3
- South West Water, Civil Engineering K7 Capital Works Framework
- South Staffs Water, Water Treatment Works

The secured order book of circa £238 million for the Water segment is an increase of 3.0% on the previous period (H1 2018: £231 million). The Board is cautious around a potential downturn in workload through the AMP transition which may impact Q4 2019 and into 2020.

Legacy

In relation to the one remaining outstanding legacy contract with Cyden Homes Limited, the Group is pursuing claims with the client for sums greater than the carrying value and will continue to do so until it is resolved.

Cash

The improvement in profitability has resulted in a significant enhancement of the half-year bank position with cash at 30 June 2019 being £25.8 million (H1 2018: £18.9 million). This is after further investment in the self-funded nmcn residential developments of £4.4 million (H1 2018: £2.0 million), where all schemes are progressing well with the first sales due to be completed imminently. The forecast cash flows remain positive and hence the Group continues to assess strategic investment opportunities.

Dividend

The increase in profitability and the improved cash position, along with the Board's strategy to maintain a progressive dividend policy, has meant that the Board is proposing a 50% increase on the interim dividend to 9.0p per share (H1 2018: 6.0p per share). The dividend will be paid on 13 September 2019 to shareholders on the register at 16 August 2019.

Outlook

The current order book for completion this year is circa £356m (2018: *circa* £320 million). This leads the Board to be confident that its expectations will be achieved, with net margins slightly exceeding 2%.

Uncertainty around the political landscape and Local Government expenditure will remain until a conclusion is reached, but the Group's strong reputation for operational delivery, our balance sheet, cash position and positive rebrand means it is well placed to manage these headwind challenges. The outlook therefore for the Group remains positive, with the Group well positioned to obtain additional opportunities that prevail due to the well-publicised issues of some of the major construction companies in the UK.

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

The unaudited condensed Group results for the half year ended 30 June 2019 are shown below together with the unaudited (restated) Group results for the half year ended 30 June 2018 and the audited (restated) Group results for the year ended 31 December 2018.

	Six Months Ended 30 June		Year Ended 31 December
	2019	2018	2018
	£'000	£'000	£'000
		Restated [1]	Restated [1]
Revenue	183,978	161,175	340,450
Other operating income	610	291	1,277
	184,588	161,466	341,727
Raw materials and consumables	(28,848)	(24,556)	(48,930)
Other external charges	(104,176)	(91,636)	(197,605)
Employee costs	(41,946)	(38,116)	(78,633)
Depreciation of property, plant and equipment	(2,611)	(2,258)	(4,677)
Other operating charges	(3,466)	(2,311)	(5,720)
Operating profit	3,541	2,589	6,162
Finance income	37	-	31
Finance costs	(115)	(86)	(185)
Profit before tax	3,463	2,503	6,008
Tax (Note 7)	(705)	(475)	(1,187)
Profit for the period	2,758	2,028	4,821
Other comprehensive income	-	-	-
Total comprehensive income for the period	2,758	2,028	4,821
Attributed to:-			
Equity holders of the parent	2,758	2,028	4,821
	2,758	2,028	4,821
Basic earnings per share (Note 6)	27.0p	20.0p	47.5p
Diluted earnings per share (Note 6)	26.3p	20.0p	45.0p
Dividend per share (Note 8)	9.0p	6.0p	18.0p

[1] After IFRS 16 Leases and other prior period restatements - see note 3.

UNAUDITED CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share-Based Payment Reserve	Merger Reserve	Capital Redemption Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018 as previously reported	1,015	-	455	20	11,343	12,833
Adjustment on adoption of IFRS 16 (Note 3.5)	-	-	-	-	(21)	(21)
Balance at 1 January 2018 as restated	1,015	-	455	20	11,322	12,812
Profit and total comprehensive income for the period as restated (Note 3.5)	-	-	-	-	2,028	2,028
Dividends paid	-	-	-	-	(305)	(305)
Balance at 30 June 2018 as restated	1,015	-	455	20	13,045	14,535
Profit and total comprehensive income for the period as restated (Note 3.5)	-	-	-	-	2,793	2,793
Share-based payment expense	-	1,069	-	-	-	1,069
Share-based payment expense – deferred tax	-	381	-	-	-	381
Dividends paid	-	-	-	-	(609)	(609)
Balance at 31 December 2018 as restated (Note 3.5)	1,015	1,450	455	20	15,229	18,169
Profit and total comprehensive income for the period	-	-	-	-	2,758	2,758
Purchase of own shares (Note 11)	-	-	-	-	(164)	(164)
Exercise of share options	29	(697)	-	-	(977)	(1,645)
Share-based payment expense	-	521	-	-	-	521
Share-based payment expense – deferred tax	-	(236)	-	-	-	(236)
Dividends paid	-	-	-	-	(1,214)	(1,214)
Balance at 30 June 2019	1,044	1,038	455	20	15,632	18,189

UNAUDITED CONDENSED GROUP BALANCE SHEETS

The unaudited condensed Group balance sheets as at 30 June 2019 and 30 June 2018 (restated) are shown below together with the audited (restated) Group balance sheet as at 31 December 2018.

	30 June		31 December
	2019	2018	2018
	£'000	£'000	£'000
Assets		Restated[1]	Restated[1]
Non-current assets			
Property, plant and equipment	25,710	20,886	22,591
Investments in joint ventures	-	75	-
Deferred tax asset	739	890	902
	26,449	21,851	23,493
Current assets			
Inventories	1,855	1,539	1,791
Trade and other receivables	66,929	67,265	60,814
Cash and cash equivalents	25,785	18,891	33,353
	94,569	87,695	95,958
Total assets	121,018	109,546	119,451
Equity and liabilities			
Capital and reserves attributable to equity holders of the Parent			
Share capital	1,044	1,015	1,015
Share-based payment reserve	1,038	-	1,450
Merger reserve	455	455	455
Capital redemption reserve	20	20	20
Retained earnings	15,632	13,045	15,229
Total equity	18,189	14,535	18,169
Liabilities			
Non-current liabilities			
Obligations under leases	6,119	2,579	3,016
Provisions	339	401	350
	6,458	2,980	3,366
Current liabilities			
Trade and other payables	91,444	87,811	93,140
Current income tax payable	810	312	157
Obligations under leases	4,117	3,908	4,619
	96,371	92,031	97,916
Total liabilities	102,829	95,011	101,282
Total equity and liabilities	121,018	109,546	119,451

[1] After IFRS 16 Leases and other prior period restatements - see note 3.

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UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

The unaudited condensed Group statements of cash flows for the periods ended 30 June 2019 and 30 June 2018 (restated) are shown below together with the audited (restated) Group statement of cash flows for the year ended 31 December 2018.

	Six Months Ended 30 June		Year Ended 31 December
	2019	2018	2018
	£'000	£'000	£'000
		Restated[1]	Restated[1]
Cash flows from operating activities			
Operating profit	3,541	2,589	6,162
Adjustments for:			
Depreciation of property, plant and equipment	2,611	2,258	4,677
Gain on disposal of property, plant and equipment	(203)	(293)	(574)
Equity-settled share-based payment transactions	521	-	1,069
Operating cash flows before movements in working capital	6,470	4,554	11,334
(Increase)/decrease in inventories	(64)	284	29
(Increase)/decrease in receivables	(1,747)	(11,607)	1,177
Increase in amounts owed by joint ventures	(4,368)	(2,036)	(8,364)
Decrease in reinstatement provision	(11)	(3)	(54)
(Decrease)/increase in payables	(3,370)	14,340	19,669
Cash (used in)/generated from operations	(3,090)	5,532	23,791
Income tax paid	(129)	-	(500)
Net cash (used in)/generated from operations	(3,219)	5,532	23,291
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,438)	(1,953)	(3,263)
Proceeds on disposal of property, plant and equipment	532	550	930
Investment in joint ventures	-	(75)	-
Interest received	37	-	31
Interest paid	-	(4)	(4)
Net cash used in investing activities	(869)	(1,482)	(2,306)
Cash flows from financing activities			
Equity dividends paid	(1,214)	(305)	(914)
Purchase of own shares	(164)	-	-
Proceeds from exercise of share options	29	-	-
Repayments of obligations under leases	(2,016)	(1,778)	(3,543)
Interest payable under leases	(115)	(82)	(181)
Net cash used in financing activities	(3,480)	(2,165)	(4,638)
Net (decrease)/increase in cash and cash equivalents	(7,568)	1,885	16,347
Cash and cash equivalents at start of period	33,353	17,006	17,006
Cash and cash equivalents at end of period	25,785	18,891	33,353

[1] After IFRS 16 Leases and other prior period restatements - see note 3.

1. Basis of preparation

The unaudited condensed Group half-yearly financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and have been prepared on the basis of International Financial Reporting Standards (IFRSs) as adopted by the European Union. They do not include all of the information required for full annual financial statements. These condensed consolidated half-yearly financial statements have not been subject to audit or review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 by the Company's auditor, do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2018. The comparative figures for the year ended 31 December 2018 are not the Group's statutory accounts for that financial year. Those accounts have been reported upon by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under Section 435 and 498 (2) or (3) respectively of the Companies Act 2006.

The Board regularly reviews financial statements, cash balances and forecasts and the Directors confirm that they consider the Group has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the unaudited condensed Group half yearly financial statements.

This is the first set of the Group's financial statements where IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 3.

2. Use of judgements and estimates

The preparation of unaudited condensed Group half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed Group half-yearly financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

3.1. Changes in significant accounting policies and other restatements

Except as described below, the accounting policies adopted in the preparation of the unaudited condensed Group half-yearly financial statements to 30 June 2019 are consistent with the policies applied by the Group in its consolidated financial statements as at, and for the year ended 31 December 2018.

This is the first set of the Group's financial statements where IFRS 16 Leases has been applied. The impact on these condensed half-yearly financial statements and the changes to the Group's significant accounting policies, together with details of other restatements, are described in further detail below.

The Group has considered amendments to existing standards and interpretations that are effective for the year ending 31 December 2019 and is of the view that they have no impact on the unaudited condensed Group half-yearly accounts, except as noted below for IFRS 16.

3.2. IFRS 16 Leases - overview

The Group has initially adopted IFRS 16 Leases from 1 January 2019 under the retrospective approach.

IFRS 16 replaces IAS 17 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 previously recognised within operating profit in the statement of comprehensive income have been replaced by depreciation and finance costs. The adoption of IFRS 16 under the retrospective approach has affected the comparative information presented in the Group's condensed half-yearly financial statements, 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 impact of the restatement on the prior period's results is shown in note 3.5.

3.3. IFRS 16 Leases – changes in accounting policy

The details of the new significant accounting policy and the nature of the change to previous accounting policy in relation to the Group's adoption of IFRS 16 Leases is set out below.

Amended accounting policy	Nature of change in accounting policy
The Group assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract includes the right to control the use of an identified asset for a period of time in exchange for consideration. Factors that are considered when making this assessment include: the Group's right to obtain substantially all the economic benefits from use of the asset; the Group's right to direct the use of the asset; and the supplier's right to substitute the asset.	The Group previously determined whether a contract was or contained a lease under IFRIC 4. In practice, all contracts that are classified as a lease under IFRS 16 were also previously classified as a lease under IFRIC 4 and vice versa.
The Group allocates the consideration in the contract to each lease component on the basis of relative stand-alone selling prices. For each lease component, the Group recognises a right of use asset and a lease liability at the lease commencement date.	Under IAS 17, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards of ownership to the Group. Under IFRS 16, the majority of the Group's leases are recognised on the balance sheet as right of use assets and lease liabilities, including those arrangements previously classified as either finance leases or operating leases under IAS 17.
Lease liabilities are presented as "obligations under leases" in the balance sheet. The lease liability is initially measured at the present value of future lease payments, discounted at the interest rate implicit in the lease. Where the implicit interest rate cannot be determined, the Group discounts the future lease payments using its incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.	Lease liabilities were only recognised under IAS 17 in respect of arrangements classified as finance leases. This distinction no longer exists under IFRS 16. Where an arrangement was treated as a finance lease under IAS 17, a liability was initially recognised equal to the value of the asset capitalised within property, plant and equipment (see below). The liability was subsequently measured at amortised cost using the effective interest method. There is no material difference between the amounts recognised as liabilities or as interest expense for such arrangements following the adoption of IFRS 16. Lease payments associated with operating leases were recognised as an expense on a straight-line basis over the lease term, with no amounts being recognised on the balance sheet.
Right of use assets are presented in "property, plant and equipment" on the balance sheet. The right of use asset is initially measured at cost, representing the initial amount of the lease liability adjusted for any up-front lease payments, direct costs incurred or lease incentives received. The right of use asset is subsequently depreciated on a straight-line basis to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are	Assets were only recognised under IAS 17 in respect of arrangements classified as finance leases. Where an arrangement was previously treated as a finance lease under IAS 17, an asset was recognised within property, plant and equipment at the fair value of the asset or, if lower, the present value of the minimum lease payments. The asset was subsequently depreciated on the same basis as other similar assets purchased by the Group without recourse to financing arrangements. Such assets

determined on the same basis as those of property, plant and equipment.	are now presented as right of use assets within property, plant and equipment. There is no material difference between the amounts recognised as assets or as depreciation expense for such arrangements following the adoption of IFRS 16. In addition, under IFRS 16 a right of use asset is now recognised within property, plant and equipment for assets under leases that were previously classified as operating leases under IAS 17, for which were lease payments were recognised as an expense on a straight-line basis over the lease term, with no amounts being recognised on the balance sheet.
No right of use asset or lease liability is recognised in respect of leases with terms of 12 months or less or in relation to low value assets. Lease payments associated with such leases are recognised as an expense on a straight-line basis over the lease term.	The treatment of short-term leases and leases for low-value assets is unchanged on adoption of IFRS 16 as all such leases were previously classified as operating leases under IAS 17.

3.4. Other restatements

As disclosed in the consolidated financial statements for the year ended 31 December 2018, the Group made two restatements to its previously reported results, which were both in relation to reclassifications only. The restatements also applied to the six months ended 30 June 2018 as noted below. The restatements had no impact on total comprehensive income 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 30 June 2018 was £0.8 million. The Company also reclassified items between contract assets and accruals, increasing both by £4.3 million to better reflect the nature and timing of the transactions involved. The restatements combined also increased revenue and the related costs by £0.3 million. The impact of the restatement on the prior period's results is shown in note 3.5.

3.5. Impact of restatements on the condensed half-yearly financial statements

Impact on the condensed Group statements of comprehensive income

	Six Months Ended 30 June 2018				Year Ended 31 December 2018			
	As Reported	Adjustments		Restated	As Reported	Adjustments		Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Explanation of adjustment		Note 3.3	Note 3.4			Note 3.3	Note 3.4	
Revenue	160,859	-	316	161,175	340,450	-	-	340,450
Other operating income	291	-	-	291	1,277	-	-	1,277
	161,150	-	316	161,466	341,727	-	-	341,727
Raw materials and consumables	(24,509)	-	(47)	(24,556)	(48,930)	-	-	(48,930)
Other external charges	(91,636)	-	-	(91,636)	(197,605)	-	-	(197,605)
Employee costs	(38,116)	-	-	(38,116)	(78,633)	-	-	(78,633)
Depreciation of property, plant and equipment	(1,778)	(211)	(269)	(2,258)	(4,166)	(511)	-	(4,677)
Other operating charges	(2,543)	232	-	(2,311)	(6,282)	562	-	(5,720)
Operating profit	2,568	21	-	2,589	6,111	51	-	6,162
Finance income	-	-	-	-	31	-	-	31
Finance costs	(56)	(30)	-	(86)	(114)	(71)	-	(185)
Profit before tax	2,512	(9)	-	2,503	6,028	(20)	-	6,008
Tax	(477)	2	-	(475)	(1,191)	4	-	(1,187)
Profit for the period	2,035	(7)	-	2,028	4,837	(16)	-	4,821
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	2,035	(7)	-	2,028	4,837	(16)	-	4,821

3.5. Impact of restatements on the condensed half-yearly financial statements *(continued)*

Impact on the condensed Group balance sheets

	As at 1 January 2018			
	As Reported	Adjustment		Restated
	£'000	£'000	£'000	£'000
Explanation of adjustment		Note 3.3	Note 3.4	
Assets				
Non-current assets				
Property, plant and equipment	18,174	1,409	-	19,583
Investments in joint ventures	-	-	-	-
Deferred tax asset	1,223	5	-	1,228
	19,397	1,414	-	20,811
Current assets				
Inventories	1,820	-	-	1,820
Trade and other receivables	53,627	-	-	53,627
Cash and cash equivalents	17,006	-	-	17,006
	72,453	-	-	72,453
Total assets	91,850	1,414	-	93,264
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	(21)	-	11,322
Total equity	12,833	(21)	-	12,812
Liabilities				
Non-current liabilities				
Obligations under leases	2,514	374	-	2,888
Provisions	404	-	-	404
	2,918	374	-	3,292
Current liabilities				
Trade and other payables	73,471	-	-	73,471
Current income tax payable	177	-	-	177
Obligations under leases	2,451	1,061	-	3,512
	76,099	1,061	-	77,160
Total liabilities	79,017	1,435	-	80,452
Total equity and liabilities	91,850	1,414	-	93,264

3.5. Impact of restatements on the condensed half-yearly financial statements *(continued)*

Impact on the condensed Group balance sheets

	As at 30 June 2018				As at 31 December 2018			
	As Reported	Adjustment		Restated	As Reported	Adjustment		Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Explanation of adjustment		Note 3.3	Note 3.4			Note 3.3	Note 3.4	
Assets								
Non-current assets								
Property, plant and equipment	18,147	1,951	788	20,886	19,918	2,673	-	22,591
Investments in joint ventures	75	-	-	75	-	-	-	-
Deferred tax asset	883	7	-	890	893	9	-	902
	19,105	1,958	788	21,851	20,811	2,682	-	23,493
Current assets								
Inventories	1,539	-	-	1,539	1,791	-	-	1,791
Trade and other receivables	63,014	-	4,251	67,265	60,814	-	-	60,814
Cash and cash equivalents	18,891	-	-	18,891	33,353	-	-	33,353
	83,444	-	4,251	87,695	95,958	-	-	95,958
Total assets	102,549	1,958	5,039	109,546	116,769	2,682	-	119,451
Equity and liabilities								
Capital and reserves attributable to equity holders of the Parent								
Share capital	1,015	-	-	1,015	1,015	-	-	1,015
Share-based payment reserve	-	-	-	-	1,450	-	-	1,450
Merger reserve	455	-	-	455	455	-	-	455
Capital redemption reserve	20	-	-	20	20	-	-	20
Retained earnings	13,073	(28)	-	13,045	15,266	(37)	-	15,229
Total equity	14,563	(28)	-	14,535	18,206	(37)	-	18,169
Liabilities								
Non-current liabilities								
Obligations under leases	2,122	457	-	2,579	2,329	687	-	3,016
Provisions	401	-	-	401	350	-	-	350
	2,523	457	-	2,980	2,679	687	-	3,366
Current liabilities								
Trade and other payables	82,772	-	5,039	87,811	93,140	-	-	93,140
Current income tax payable	312	-	-	312	157	-	-	157
Obligations under leases	2,379	1,529	-	3,908	2,587	2,032	-	4,619
	85,463	1,529	5,039	92,031	95,884	2,032	-	97,916
Total liabilities	87,986	1,986	5,039	95,011	98,563	2,719	-	101,282
Total equity and liabilities	102,549	1,958	5,039	109,546	116,769	2,682	-	119,451

3.5. Impact of restatements on the condensed half-yearly financial statements *(continued)*

Impact on the condensed Group statements of cash flows

	Six Months Ended 30 June 2018				Year Ended 31 December 2018			
	As Reported	Adjustment		Restated	As Reported	Adjustment		Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Explanation of adjustment		Note 3.3	Note 3.4			Note 3.3	Note 3.4	
Cash flows from operating activities								
Operating profit	2,568	21	-	2,589	6,111	51	-	6,162
Adjustments for:								
Depreciation of PPE[1]	1,778	211	269	2,258	4,166	511	-	4,677
Gain on disposal of PPE	(293)	-	-	(293)	(574)	-	-	(574)
Share-based payment expense	-	-	-	-	1,069	-	-	1,069
Operating cash flows before movements in working capital	4,053	232	269	4,554	10,772	562	-	11,334
Decrease in inventories	284	-	-	284	29	-	-	29
(Increase)/decrease in receivables	(11,044)	-	(563)	(11,607)	1,177	-	-	1,177
Increase in amounts owed by joint ventures	(2,036)	-	-	(2,036)	(8,364)	-	-	(8,364)
Decrease in reinstatement provision	(3)	-	-	(3)	(54)	-	-	(54)
Increase in payables	14,046	-	294	14,340	19,669	-	-	19,669
Cash generated from operations	5,300	232	-	5,532	23,229	562	-	23,791
Income tax paid	-	-	-	-	(500)	-	-	(500)
Net cash generated from operations	5,300	232	-	5,532	22,729	562	-	23,291
Cash flows from investing activities								
Purchase of PPE	(1,953)	-	-	(1,953)	(3,263)	-	-	(3,263)
Proceeds on disposal of PPE	550	-	-	550	930	-	-	930
Investment in joint ventures	(75)	-	-	(75)	-	-	-	-
Interest received	-	-	-	-	31	-	-	31
Interest paid	(4)	-	-	(4)	(4)	-	-	(4)
Net cash used in investing activities	(1,482)	-	-	(1,482)	(2,306)	-	-	(2,306)
Cash flows from financing activities								
Equity dividends paid	(305)	-	-	(305)	(914)	-	-	(914)
Repayments of obligations under leases	(1,576)	(202)	-	(1,778)	(3,052)	(491)	-	(3,543)
Interest payable under leases	(52)	(30)	-	(82)	(110)	(71)	-	(181)
Net cash used in financing activities	(1,933)	(232)	-	(2,165)	(4,076)	(562)	-	(4,638)
Net increase in cash and cash equivalents	1,885	-	-	1,885	16,347	-	-	16,347
Cash and cash equivalents at beginning of period	17,006	-	-	17,006	17,006	-	-	17,006
Cash and cash equivalents at end of period	18,891	-	-	18,891	33,353	-	-	33,353

[1] Property, Plant & Equipment

4. Segment reporting

The Board reviews the Group's operational performance via two segments: the Water segment and the Built Environment segment.

Segment revenue and profit

	Six Months Ended 30 June 2019		
	Built Environment £'000	Water £'000	Total £'000
Revenue	51,874	132,104	183,978
Result before corporate expenses	4,197	9,669	13,866
Corporate expenses	(3,609)	(6,716)	(10,325)
Operating profit	588	2,953	3,541
Finance income			37
Finance costs			(115)
Profit before tax			3,463
Tax			(705)
Total comprehensive income for the period			2,758

	Six Months Ended 30 June 2018		
	Built Environment £'000 Restated	Water £'000 Restated	Total £'000 Restated
Revenue	48,786	112,389	161,175
Result before corporate expenses	3,227	9,043	12,270
Corporate expenses	(3,223)	(6,458)	(9,681)
Operating profit	4	2,585	2,589
Finance income			-
Finance costs			(86)
Profit before tax			2,503
Tax			(475)
Total comprehensive income for the period			2,028

Segment assets

	30 June 2019 £'000	30 June 2018 £'000 Restated
Built Environment	59,725	55,746
Water	61,293	53,800
Total segment assets and consolidated total assets	121,018	109,546

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

Other segment information

	Depreciation and amortisation 30 June		Additions to non-current assets 30 June	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
		Restated		Restated
Built Environment	915	738	2,123	1,389
Water	1,696	1,520	3,932	2,427
	2,611	2,258	6,055	3,816

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.

5. Revenue from contracts with customers

The following table shows the Group's revenue from contracts with customers, disaggregated into major classes of revenue and reconciled to the amount of revenue reported for the Group's reportable segments (Note 4).

	Six Months Ended 30 June 2019		
	Built Environment	Water	Total
	£'000	£'000	£'000
Construction	17,620	-	17,620
Highways	15,750	-	15,750
Telecommunications	18,504	-	18,504
nmcn Sustainable Solutions	-	36,008	36,008
NMCNomenca	-	96,096	96,096
	51,874	132,104	183,978

	Six Months Ended 30 June 2018		
	Built Environment	Water	Total
	£'000	£'000	£'000
	Restated	Restated	Restated
Construction	21,880	-	21,880
Highways	13,885	-	13,885
Telecommunications	13,021	-	13,021
nmcn Sustainable Solutions	-	32,150	32,150
NMCNomenca	-	80,239	80,239
	48,786	112,389	161,175

Revenues of approximately £92,010,000 (2018: £79,044,000) within the Water segment were derived from a single external customer.

6. 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 £2,758,000 (2018 restated: £2,028,000). The weighted average of 10,211,825 (2018: 10,150,000) shares in issue during the year is used for the basic earnings per share calculation. Outstanding share awards granted under the Performance Share Plan ("PSP") totalling 702,255 awards (2018: 1,016,898) are considered to be contingently issuable shares that could potentially dilute basic earnings per share in the future, of which the performance-related vesting conditions had been satisfied in respect of 264,986 awards as at 30 June 2019 (2018: nil). This additional number of shares is therefore included in the diluted earnings per share calculation as at that date.

7. Taxation

In respect of the six months ended 30 June 2019, the corporation tax effective rate was 20% (2018: 19%). A corporation tax provision has been included in relation to the taxable profits of the Company.

8. Dividends

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

	Six Months to 30 June	
	2019	2018
	£'000	£'000
Final dividend for the year ended 31 December 2018 of 12.0p (2017: 3.0p) per share.	1,214	305

The Directors propose an interim dividend of 9.0p (2018: 6.0p) per share, total £939,000 (2018: £609,000), which will be paid on 13 September 2019 to the shareholders on the register at 16 August 2019.

9. Related parties

The Group's related parties are key management personnel who are the executive directors, non-executive directors and business unit leaders.

The Company has a controlling shareholder for the purposes of the Listing Rules, being the Moyle family and its associates. The relevant agreements as required by LR 9.2.2AR(2)(a) have been put in place between the Company, Mr R Moyle and the Moyle family trusts.

10. Contingent liabilities

Lloyds Bank PLC, Aviva Insurance Limited and HCC International Insurance Co. Ltd have given Performance Bonds to a value of £8,264,000 (2018: £8,654,000) on the Group's behalf. These bonds have been made with recourse to the Group.

11. Share capital

During April 2019 the Group purchased 32,500 of its ordinary shares, which are held as treasury shares. 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.

During June 2019 the Company issued 288,608 ordinary shares in order to satisfy the vesting of share awards to certain directors, granted in 2016, under the Company's Performance Share Plan ("PSP").

The total number of ordinary shares in issue and total number of voting rights in the Company, excluding shares held as treasury shares, was 10,406,108 as at 30 June 2019 (2018: 10,150,000).

12. Seasonality

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

13. Principal risks and uncertainties

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in the last Annual Report and Accounts to 31 December 2018.

14. Responsibility Statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements, which has been prepared in accordance with IAS 34 and the ASB's 2007 statement of Half Year Reports, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

J Homer
Chief Executive

D A Taylor
Chief Financial Officer
8 August 2019