Nexus Infrastructure plc

Building Bright Futures

Annual report and financial statements 2018

The registered number of the Company is 05635505.

Welcome to the Nexus Infrastructure plc Annual report 2018

Nexus is a leading provider of essential infrastructure services to the UK housebuilding and commercial sectors.

The Group comprises three businesses:

- Tamdown, a provider of specialised civil engineering, infrastructure and concrete frame services;
- TriConnex, which designs, installs and connects utility networks to properties on new residential and commercial developments; and
- eSmart Networks, which provides electric vehicle ("EV") charging infrastructure, battery storage and specialised distribution network services.

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Find out more online at
www.nexus-infrastructure.com

Our highlights

2018 provides good growth foundations for Nexus.

Financial highlights

Revenue (£m)

2018	**134.9**
2017	**135.0**

£134.9m

Adjusted operating profit[1] (£m)

2018	**9.4**
2017	**9.3**

£9.4m

Earnings per share ("EPS") (p)

2018	**19.1**
2017	**15.4**

19.1p

Order book (£m)

2018	**289.7**
2017	**202.7**

£289.7m

Net cash[2] (£m)

2018	**20.0**
2017	**18.7**

£20.0m

Dividend (p)

2018	**6.6**
2017	**6.3**

6.6p

Operational highlights

Solid performance in FY18, with good future visibility

- Adjusted operating profit before the investment in the start up of eSmart Networks was £10.2m (2017: £9.3m), an increase of 8.8%
- Order book up 43% at year end to £289.7m (2017: £202.7m)
- Investment of £0.7m in nascent eSmart Networks division, launched in 2018, to capitalise on significant market opportunity

Established growth strategy within attractive and expanding addressable markets

- Organic growth driven by large multi-phase contracts, ongoing geographic expansion, service expansion, cross-selling and combined delivery of all Group services
- Inorganic growth plans focused on disciplined approach to bolt-on acquisitions

Strong cash generative business model

- Cash and cash equivalents of £26.4m at year end
- Proposed full-year dividend of 6.6p per share in line with progressive dividend policy

1 Adjusted operating profit is stated prior to exceptional items.
2 Net cash is calculated as cash and cash equivalents less borrowings.

At a glance

Nexus Infrastructure currently comprises three separately managed and operated businesses; Tamdown, TriConnex and eSmart Networks.

Our businesses

Tamdown provides a range of specialised infrastructure and engineering services to the UK housebuilding sectors.

Services include earthworks, building highways, substructures and basements, creating drainage systems, as well as constructing reinforced concrete frames.

The business has a well-established market position having been in operation for over 40 years and works with nine of the top ten largest UK housebuilders. Tamdown's operations are focused on the South East of England and London.

TriConnex designs, installs and connects gas, electricity and water networks and, more recently, fibre, on new residential and commercial developments.

Established in 2011 to take advantage of deregulation in the utilities market, with the goal of being recognised as the UK's leading independent provider of utility connections to new developments.

TriConnex's current areas of operation include the South East, the Midlands and the South West of England.

eSmart Networks provides electric vehicle ("EV") charging infrastructure, battery storage and specialised network services.

The business was created in late 2017 to respond to the UK's need for charging infrastructure as the transition from internal combustion engines to electric vehicles gathers pace.

With developing ability to deliver both complex and simple schemes for clients, the business is well placed when the market acceleration arrives.

Where we operate

Chairman's statement

I am pleased to report the results for the year ended 30 September 2018.

Geoff French CBE
Non-Executive Chairman

Review of the year

- **43% growth in the order book**
- **25% increase in profit before tax**
- **Strong balance sheet with net cash of £20.0m**
- **Well positioned to execute growth strategy**

Overview of the year

The Nexus business model, with Tamdown's well-established market position as a leading provider of essential infrastructure services to the UK's largest housebuilders, coupled with TriConnex's growing utilities connection business, was complemented this year by the creation of eSmart Networks, a provider of electric vehicle charging infrastructure, battery storage and specialised network services.

The Group reported revenue for the year of £134.9m which is in line with the previous year (2017: £135.0m). As previously reported, revenue growth in both Tamdown and TriConnex was held back by planning delays with clients either delaying the award of contracts or delaying commencement of works on site. These planning delays are largely the result of pre-commencement conditions set by local authorities ahead of development. The Government has recently updated the National Planning Policy Framework and associated planning legislation, to which local authorities are required to adhere, from October 2018. The Board believes that these changes in legislation should ultimately deliver a positive impact on our businesses.

The Group has continued to make good strategic progress and the Board is encouraged by the level of growth in the Group's order book which has been aided by growth in each division: Tamdown's order book is up by 31% to £142.4m, TriConnex's by 55% to £146.5m and eSmart Networks stands at £0.8m. The Group order book ended the year at £289.7m, a 43% year-on-year increase which provides Nexus with good visibility for the year ahead.

The Group has also maintained disciplined and strong cost control resulting in operating profit improvements within Tamdown and TriConnex. Group adjusted operating profit[1] improved by 1.1% to £9.4m (2017: £9.3m) and prior to the investment in eSmart Networks of £0.7m, Group adjusted operating profit increased by 8.8% to £10.2m (2017: £9.3m). eSmart Networks was created during the year, as we consider there to be significant opportunities to provide electric vehicle charging infrastructure, battery storage and specialised network services, as the UK's need for charging infrastructure gathers pace with the transition from the internal combustion engine to electric vehicles accelerating. eSmart Networks has made good progress in this new, rapidly evolving market.

1 Group adjusted operating profit excludes exceptional items.

The profit for the year attributable to equity holders of the parent company increased by 25.1% to £7.3m (2017: £5.8m) and the basic earnings per share increased to 19.1p per share, an increase of 24.2% (2017: 15.4p per share).

The Group is also pleased to report a continued high cash and cash equivalent balance of £26.4m (2017: £27.1m), resulting in net cash of £20.0m (2017: £18.7m).

Strategy

The Group's mission is to be recognised as the leading provider of essential infrastructure services in the UK. The Group's strategy is to deliver outstanding performance through a focus on innovation and customer service which will lead to profitable growth, building on existing market positions by developing new markets and services whilst extending geography, both organically and through complementary earnings enhancing acquisitions.

The Group's organic growth strategy is focused on four key drivers: increasing market share within our current geographies, expanding into new geographies, diversification into new growth sectors and leveraging client relationships to enhance cross-selling within the Group. In addition to organic growth, further growth will come from the successful sourcing, execution and integration of acquisitions.

The Group is taking a disciplined approach to acquisitions, seeking to enhance shareholder value with acquisitions that are linked, or closely associated, with TriConnex or eSmart Networks.

Returns to shareholders

As a listed company, one of our primary objectives is to deliver increased shareholder value over time. The Board has adopted a progressive dividend policy and has already paid an interim dividend in the year of 2.2p per share (2017: 2.1p per share). For the year ended 30 September 2018, the Board is proposing a final dividend of 4.4p per share (2017: 4.2p per share), which, if approved at the Annual General Meeting ("AGM"), will take the dividend for the year to 6.6p per share. (2017: 6.3p per share), an increase on the previous year of 4.8%. The total dividend for the year of £2.5m (2017: £2.4m) is a dividend cover of 2.9 times the Group's profit after tax, adjusted for exceptional items, which is better than our guidance on dividend cover stated at the time of the IPO. The dividend will be paid on 5 March 2019 to shareholders on the register at close of business on 8 February 2019. The shares will go ex-dividend on 7 February 2019.

Looking forward, whilst continuing to invest in the growth plans of the business, our progressive dividend policy will enable shareholders to benefit as the Group delivers on its performance targets.

Board and governance

There were no changes to the composition of the Board during the financial year, though since the year end, I am pleased to announce that Ffion Griffith joined the Board as a Non-Executive Director with effect from 1 November 2018. Ffion is a Fellow of the Chartered Institute of Personnel and Development and has 25 years' experience in senior roles across a range of sectors including technology, professional services and private equity. She is currently HR Director of Efficio and until recently a Non-Executive Director of Burnt Mill Academies Trust and previously a Board member at the law firm SJ Berwin LLP.

The Board now consists of six members, including four Non-Executive Directors and two Executive Directors. In line with The QCA Corporate Governance Code ("Code"), the Board has reviewed the independence of the Non-Executive Directors and considers all the Non-Executive Directors to be independent.

People

A primary driver of the Group's success is the team of highly skilled, driven and loyal employees across the businesses. Last year saw the launch of "Building Bright Futures", which is a Group-wide initiative focused on our culture, our people, our clients and the communities we serve. Nexus places great importance on engaging with and developing its employees and providing a platform for personal growth and successful career development. On behalf of the Board, I would like to congratulate and thank them for their continued hard work and dedication.

Outlook

Looking ahead, whilst there is continued general uncertainty posed by the forthcoming exit from the EU, the fundamental market growth drivers for our business are positive. Our continuing strong order book, coupled with our strong balance sheet, means our business is well positioned to deliver further growth.

Geoff French

Non-Executive Chairman

7 December 2018

Executive review

Demand from clients is robust, and the Group's order book continues to increase, providing good visibility for the year ahead.

Mike Morris
Chief Executive Officer

Alan Martin
Chief Financial Officer

Revenue (£m)

Tamdown	TriConnex	eSmart
£102.5m	**£32.2m**	**£0.3m**

Gross profit (£m)

Tamdown	TriConnex	eSmart
£17.2m	**£10.4m**	**£0.0m**

Operating profit/(loss) (£m)

Tamdown	TriConnex	eSmart
£8.0m	**£3.7m**	**(£0.7m)**

We are pleased to present the executive review for the Group for this year ended 30 September 2018.

Group operating results

The impact of planning delays affected the Group's businesses to varying degrees, with the overall outcome that the Group's full-year revenue of £134.9m was in line with the prior year (2017: £135.0m). Revenue for Tamdown was £102.5m (2017: £105.6m) and TriConnex revenue increased 9.3% to £32.2m (2017: £29.5m). eSmart Networks was created in late 2017 and generated revenue in the period of £0.3m.

Gross profit for the year increased to £27.6m (2017: £27.2m) with the overall gross margin improving by 31 basis points to 20.5% (2017: 20.2%).

Administrative expenses for the Group totalled £18.2m (2017: £19.6m). The Group adjusted operating profit for the year, which includes the investment in eSmart Networks of £0.7m, totalled £9.4m (2017: £9.3m), an improvement of 1.1%. The Group adjusted operating profit before the investment in eSmart Networks increased 8.8% to £10.2m (2017: £9.3m) with Tamdown growing operating profit by 11.2% to £8.0m (2017: £7.2m) and TriConnex improving by 7.2% to £3.7m (2017: £3.5m). The Group adjusted operating margin[1] for the year was 7.0% (2017: 6.9%). The Group adjusted operating margin before the investment in eSmart Networks improved by 63 basis points to 7.5% (2017: 6.9%).

Profit for the year attributable to equity holders of the parent company was £7.3m (2017: £5.8m).

Basic earnings per share increased 24.2% to 19.1p per share (2017: 15.4p per share).

The Group's balance sheet remains strong, with net assets growing by 28.2% to £21.8m (2017: £17.0m). The Group's net cash remains high at £20.0m (2017: £18.7m) with cash and cash equivalents at £26.4m (2017: £27.1m) and bank borrowings of £6.4m (2017: £8.4m). The Group holds a high net cash position in order to support growth and the Group's acquisition strategy.

Demand from clients during the year has been robust and each division has significantly increased their order books: Tamdown's order book is up by 31% to £142.4m, TriConnex's by 55% to £146.5m and eSmart Networks has achieved £0.8m. The Group order book at 30 September 2018 was £289.7m, being a 43% year-on-year increase.

1 Group adjusted operating profit and operating margin exclude exceptional items.

Investment proposition

Attractive and growing addressable market

Strong and high-quality client base

Enviable forward order book

Well-established and robust client relationships

Reputation for high-quality delivery of essential services

Track record of growth, highly profitable and cash generative

TriConnex is involved early on projects, often before land acquisition

Tamdown undertakes multi-phase projects with large clients

eSmart Networks positioned for market take-off

Executive review continued

Tamdown has a very established market position having been in operation for over 40 years.

Multi-phase contracts provide a good level of visibility for future revenues.

Established market position means we are well placed to benefit from the Government's ongoing stimulus.

Financial and operating performance

Revenue for Tamdown decreased by 2.9% to £102.5m (2017: £105.6m). The decrease was due to a small number of contracts starting later in the summer than expected, with the associated revenue being deferred to later periods. The primary reason for the later starts was driven by clients taking longer than expected to resolve planning issues. This related mostly to pre-commencement conditions, which prevented works starting on site until resolved.

The Government has recently updated the National Planning Policy Framework and associated planning legislation, which local authorities are required to adhere to from October 2018. The Board believes that these changes in legislation should ultimately have a positive impact on its business.

Notwithstanding the decrease in revenue for the year, Tamdown's gross profit was in line with the prior year at £17.2m (2017: £17.3m). The gross margin for the year at 16.8% (2017: 16.4%) represents an improvement of 40 basis points, driven by continued focus on cost control, resolution of potential claims and process improvements.

Administrative expenses reduced to £9.2m (2017: £10.1m) due to our continued focus on tight cost control.

Operating profit grew by 11.2% to £8.0m (2017: £7.2m) and achieved an operating margin of 7.8% (2017: 6.8%).

The margin improvements were achieved through a combination of gross profit improvements and tight cost controls.

The Tamdown order book grew significantly over the year, with the order book at 30 September 2018 up 31% year-on-year to £142.4m (2017: £108.3m). This growth was due to a number of factors, including winning work from new clients, an increase in the average contract size won and the deferred commencement of start on works on site on a number of contracts. This substantial improvement provides confidence for our future growth plans.

Order book

£m				
83.1	95.0	86.7	108.3	**142.4**
2014	2015	2016	2017	**2018**

Our markets

Tamdown clients are UK housebuilders and affordable housing developers, including housing associations. As such, the UK housebuilding market is key to Tamdown. There is currently general uncertainty posed by the UK's forthcoming exit from the EU, however, the fundamental market growth drivers for our business are positive since the housing market has been in a long-term position of structural undersupply as the number of new houses built has failed to keep pace with the rate of household formation. The National Housing Federation has identified the need for up to 340,000 new homes in England per year up to 2031, which is ahead of the Government estimate of 300,000 new homes target to tackle the housing shortage. There is the expectation that the housing deficit will remain over the long term. The prevalence of this deficit has attracted a significant amount of Government stimulus to the sector.

Tamdown operates in the South East of England and London where the undersupply of housing appears to be more acute compared to the rest of the UK. Within the London market there is a drive to significantly increase the number of affordable homes being constructed, with a shift from home ownership to private renting. Tamdown works with the majority of the quoted housebuilders, who account for approximately 50% of total private new build volumes with this dominance expected to continue as they work through their land bank and develop larger schemes.

Tamdown also works with a number of housing associations that deliver mixed tenure developments and are focused on the affordable homes segment of the housing market.

The Housing white paper released in February 2017 announced new plans by the UK Government to tackle the undersupply of houses by reducing the obstacles to housebuilding and help local authorities, developers and small to medium-sized housebuilders meet housing needs. This is alongside a commitment to build more affordable homes, including Rent to Buy and shared ownership, with an extra £1.4bn for the Affordable Homes Programme, to build around 225,000 affordable homes.

The October 2018 Budget confirmed the extension of Help to Buy until 2023, with a number of changes to price eligibility levels. The changes are not expected to have an adverse impact on the usage of the scheme and the extension provides certainty to housebuilders.

Clearly, with Tamdown's established market position as one of the leading providers of infrastructure services to major UK housebuilders, we are well placed to benefit from the Government's ongoing stimulus.

Growth strategy

Tamdown's ambitions are to grow profits in a sustainable manner through the successful delivery of its strategic goals including:

Multi-phase projects:

A significant element of Tamdown's work is from larger, multi-phase projects, which provide a good level of visibility of future revenues.

These projects are typically large housing developments which are completed in stages. Once Tamdown has won an initial phase it is typically retained for the remainder of the scheme, the phases of which can extend over many years. With Tamdown's extensive client base and long-standing reputation for good customer service with the leading housebuilders and housing associations, the Company is well placed to be awarded multi-phase projects.

Client diversification:

The majority of Tamdown's clients are large residential housebuilders. Tamdown is developing relationships with clients that address the affordable housing market such as housing associations that undertake developments themselves and main contractors that build on behalf of housing associations.

The skills that Tamdown employs are transferable from the residential sector to other sectors and services. The infrastructure activities that Tamdown undertakes for the residential sector such as earthwork optimisation, highway works, remediation and drainage solutions, are all services that can also be extended to non-residential clients.

Geographic expansion:

Tamdown has strong relationships with blue-chip clients in the South East of England and London. Tamdown intends to continue to use these relationships to drive client penetration within the regions that Tamdown currently operates, as well as geographically expand through recommendations and referrals from existing clients who also operate in neighbouring regions, whilst also developing relationships with new clients.

Outlook

Tamdown has an established market position, providing quality services to UK housebuilders and is developing key relationships with the Build to Rent and affordable housing sector developers. The backdrop of Government stimulus to counter the housing supply deficit along with our strong order book, provides us with confidence that our existing and new clients will continue to demand our services and our business is well positioned to grow.

Executive review continued

TriConnex was established in 2011 to take advantage of deregulation in the utilities market.

Engaged at the very early stage of developments with clients, and often secure contracts prior to land acquisition.

Established reputation of a high level of customer service alongside cost effective, efficient connections.

Financial and operating performance

Revenue for TriConnex increased by 9.3% to £32.2m (2017: £29.5m). Despite the order book's significant increase during the year from £94.4m to £146.5m, revenue growth was limited as the conversion of orders into revenue took longer than in previous years. TriConnex is engaged at the very early stage of developments with its clients, and often secures contracts prior to land acquisition. The increase in the order book illustrates that clients continue to be active, however, as described above, schemes are taking longer to get to start on site, primarily due to the increase in pre-commencement conditions set by the local authorities slowing the preparation of sites prior to construction commencing.

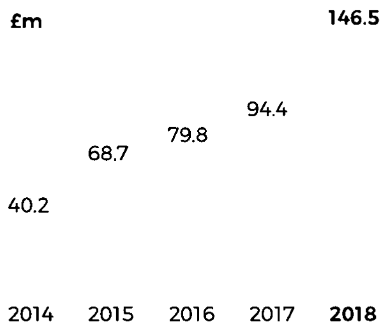
As described earlier, the Government has recently updated the National Planning Policy Framework and associated planning legislation, which local authorities are required to adhere to from October 2018. The Board believes that these changes in legislation should ultimately have a positive impact on its business.

TriConnex is a high gross margin business, principally due to the more technical, office based, added value nature of the services it provides, resulting in a higher proportion of overhead costs. The high gross margin was broadly maintained in the year at 32.4% (2017: 33.8%), with the reduction against the prior year due to initial lower margins in new regions and expansion of the client base.

As TriConnex provides a concept to connection service with a significant amount of desktop planning and research, the majority of TriConnex's staff are office based. During the year, when it became clear that revenue growth would be impacted by a slower conversion of orders to revenue due to planning issues, the investment in increased levels of staff was tightly managed to ensure resources growth was not greater than revenue growth. Accordingly, the overheads increase in the year has been limited to £0.2m, totalling £6.7m (2017: £6.5m).

Operating profit increased by 7.2% to £3.7m (2017: £3.5m) with an operating margin of 11.6% (2017: 11.8%).

Order book



The order book grew by 55% over the year to £146.5m (2017: £94.4m) The growth is due to a number of factors including, continued repeat business from clients that have benefited from TriConnex's focus on customer service, new small and mid-sized housebuilder clients, growth of both the South West and Midlands regions and the greater take up of water and fibre services. The slowdown in order book conversion rates has also contributed to the increased closing order book position.

Our markets

The utility connections market consists of three regulated utilities; electricity, gas and water, and one unregulated utility, fibre. Following the opening of the connections market to competition, TriConnex entered the market in 2011 to offer electricity and gas connections, expanding to offer water connections in 2014 and fibre connections in 2016.
Today approximately 60% of gas and approximately 30% of electricity connections in the UK are undertaken by independent connection providers and expectations are that these levels will continue to grow.

TriConnex's core client base consists of a mix of large and mid-sized residential developers, who are offered a full multi-utility service. Building on its strong position in the gas and electricity connections market, regulatory changes in the last year have supported both its fibre and water proposition. In fibre, the introduction of Passive Infrastructure Access ("PIA") by Ofcom allows independent providers use of the existing duct, chamber and exchange network already in place in the UK. In water Ofwat have mandated that all water companies publish their charging regime as well as shortening the application process for independent water adopters. Both these changes are expected to create greater levels of competition in the fibre and water connections markets, in which TriConnex is well placed to benefit.

TriConnex continues to differentiate itself in the market through its provision of a full multi-utility connection offer, coupled with a deep focus on outstanding customer service. Historically, utility connections have been a challenge for many developers, however TriConnex's core aim is to apply its client understanding to provide an enhanced experience and deliver connections on time, every time. With the stated Government aim of delivering 300,000 homes a year by the mid 2020s, TriConnex can play a major role in supporting developers achieve this target.

Growth strategy

TriConnex's growth ambitions are to build the business in a significant and sustainable manner, with the focus of the business continuing to be customer service. The growth drivers include:

Geographic expansion:

TriConnex has expanded from its original base in the South East into the South West and the Midlands. Further geographic expansion is anticipated within the Midlands following the opening of the office in Leicester in October 2018, and then into Northern England. TriConnex will continue to drive client penetration in the regions it currently operates in by leveraging existing client relationships.

Client diversification:

TriConnex's client base is currently residential housebuilders. The focus had previously been the larger residential housebuilders, and TriConnex is now developing relationships with small and mid-sized private development residential housebuilders as well as providers of affordable housing.

Service innovation:

TriConnex began in 2011 offering the design, installation and connection of gas and electricity networks. The installation of water networks was introduced in 2014 and fibre in 2016. Service enhancements currently being introduced include extending the number of fibre network providers housebuilders can connect to and the incorporation of electric vehicle charging units within housing developments.

Outlook

The proportion of regulated utility connections to be made by independents is expected to continue to increase. TriConnex has already built a reputation of a high level of customer service alongside cost effective, efficient connections. The fundamental market growth drivers for our business are positive, which, with our continuing strong order book, means that our business is positioned to deliver further growth.

Executive review continued

eSmart Networks provides electric vehicle charging infrastructure, battery storage and specialised network services.

Requirement identified to meet the growing needs for electric vehicle infrastructure across the UK.

eSmart Networks

eSmart Networks provides electric vehicle ("EV") charging infrastructure, battery storage and specialised network services. The business was created in late 2017 to respond to the UK's need for charging infrastructure as the transition from internal combustion engines to electric vehicles gathers pace. Existing skills and capabilities within the Group allow us to provide turnkey EV charging solutions for clients, with our ability to control the timescale and grid connection process making for an accelerated charging point installation for clients.

Financial and operating performance

The establishment of EV charging infrastructure is gathering pace, although is still in its early stages. Large-scale investment is being committed by both the public and private sector and the number of public charging post installations is increasing, although larger-scale projects take time to reach the installation stage. In its first year of trading, eSmart Networks generated revenue of £0.3m demonstrating positive progress as the business continues to scale up.

Our investment in the sector has been measured and initially resulted in installation and connection charges delivering a break-even performance ahead of overhead costs. However, as the volume and scale of the business has started to grow during 2018, we saw the business deliver profits at the gross profit level.

Administrative expenses totalled £0.7m for the period. As anticipated, the business recorded an operating loss in the year of £0.7m.

The business continues to scale up as is reflected in the order book which grew to £0.8m at 30 September 2018.

Road to Zero strategy places EV at the heart of the future low emission transportation system.

Government has ambition for at least 50% of new car sales to be ultra-low emission by 2030.

Our markets

The UK, through the 2008 Climate Change Act, has a long-term, legally binding commitment to tackling climate change. As a member of the United Nations Framework Convention on Climate Change ("UNFCCC"), the UK has also made significant commitments to reduce carbon emissions having agreed to a minimum 40% reduction compared to 1990 levels. Transport generates approximately a quarter of all the UK's greenhouse gas emissions, therefore, to achieve the legally binding reduction targets for the UK, emissions generated from transport need to be reduced.

In July 2018, the UK Government published the Road to Zero Strategy. This places electric vehicles at the heart of the transition to a lower emission transportation system as well as recognising the need for large-scale infrastructure investment to support this transition, the Government launched a £400m Charging Infrastructure Investment Fund at the same time.

eSmart Networks has been created by Nexus to support the UK's transition to a lower-carbon transportation system. A new and valuable market is rapidly emerging, and by applying the electrical expertise within TriConnex, coupled with the civil engineering capability in Tamdown, eSmart Networks is perfectly placed to design and install the electric vehicle charging infrastructure required in the UK. Whilst only operating for a short period, eSmart Networks has already created a leading reputation for delivering infrastructure solutions across a number of key market segments.

Outlook

The UK's need for EV charging infrastructure is significant and eSmart Networks has been created to respond to this need. The support from the UK Government, along with consumer demand for charging points to fulfil the needs for the increasing number of electric vehicles, is expected to result in the creation of a valuable growth market that eSmart Networks is well placed to address.

The Board believes that significant transformation will need to take place within the UK's charging infrastructure and electrified transport system. The tipping point for mass acceleration of this transformation will be driven by a combination of factors including the availability and affordability of EVs, Government investment commitments, private funding availability, and grid network capacity availability. With eSmart Networks developing its ability to deliver both complex and simple schemes for clients, the business is well placed when the market acceleration arrives.

Smart grids – we have it covered.

EV charge point operators

Workplace charging

Destination charging

En-route EV charging

Commercial vehicle charging

Battery storage

Executive review continued

Other financial information

Exceptional items

There are no exceptional items recorded this year. In 2017, the Group incurred exceptional costs in relation to the IPO totalling £1.7m and comprised £0.6m in relation to transaction costs and £1.1m in relation to settling share-based management incentive arrangements (non-cash) that were triggered on completion of the IPO.

Net finance costs

The net finance charge for the year totalled £0.22m (2017: £0.23m). Interest received on bank deposits totalled £0.03m (2017: £0.07m), with interest payable on bank borrowings of £0.21m (2017: £0.26m) and interest on finance lease and hire purchase facilities totalling £0.04m (2017: £0.04m).

Tax

The tax charge for the year was £1.9m (2017: £1.6m), representing an effective tax rate of 20.8% (2017: 21.0%).

Earnings per share

Basic earnings per share were 19.1p (2017: 15.4p). The diluted earnings per share were 18.9p (2017: 15.0p).

Dividends

As noted in the Chairman's statement, the Board has recommended a final dividend of 4.4p per share (2017: 4.2p per share), giving a total dividend for the year of 6.6p per share (2017: 6.3p per share), an increase of 4.8%. The total dividend results in the dividend cover of 2.9 times, which is ahead of the Group's guidance on dividend cover of 3.0 times. The total cost of the dividend, including the interim dividend, will be £2.5m.

Statement of financial position

During the year to 30 September 2018, shareholders' funds increased by £4.8m to £21.8m (2017: £17.0m), the movement included the payment of dividends totalling £2.4m, which was mitigated by the trading performance of the Group companies.

Non-current assets decreased over the year by £0.9m to £9.3m (2017: £10.2m), with the decrease including the disposal of plant and equipment. Current assets increased by £6.3m to £72.2m (2017: £65.8m) with inventories increasing by £2.4m, trade and other receivables increasing by £4.6m and cash balances decreasing by £0.7m to £26.4m (2017: £27.1m).

Total liabilities increased by £0.6m to £59.6m (2017: £59.0m), with borrowings decreasing by £2.0m with the repayment of the term loan.

Cash flow

The Group utilised £0.7m (2017: utilised £6.9m) of cash in the year, resulting in a cash and cash equivalent balance at 30 September 2018 of £26.4m (2017: £27.1m).

Operating cash flows before working capital movements, generated £10.6m (2017: £10.3m). Investment in working capital totalled £4.1m (2017: £5.0m), with the main increase in debtors, resulting in cash generated from operating activities of £6.5m (2017: £5.3m). Tax and interest payments amounted to £1.8m (2017: £2.7m). Cash utilised in investing activities totalled £0.2m (2017: £3.4m), with £0.8m used to acquire fixed assets. Net cash outflows from financing activities totalled £5.1m (2017: £6.2m), including £2.4m (2017: £3.5m) on dividend payments.

Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved consistent with retaining liquidity for the Group's operations. The Group deposits funds only with financial institutions which have a minimum credit rating of A. As the Group operates wholly within the UK, there is no requirement for currency risk management.

Mike Morris
Chief Executive Officer

Alan Martin
Chief Financial Officer
7 December 2018

Business model

Resources and relationships

The resources and relationships we need to run our business:

Our people

Highly skilled, motivated and loyal workforce.

Experienced senior management team and Board.

Markets

Attractive and growing addressable markets further supported in coming years by Government housing and environmental strategies.

Financials

Attractive cash flow characteristics with a high cash balance, resulting in a strong balance sheet.

How we do it

1

Business development

Early client engagement

Solution innovation

Design and estimating

Value engineering

2

Planning

Programme and logistics

Procurement and resources

Legal compliance

Project collaboration

3

Execution

Performance monitoring

Flexible delivery

Team approach

Safe working

Customer focus

Nexus ensures customer focus during design, procurement and delivery stages. As well as meeting and exceeding our customers' needs, this means ensuring the expectations of residents and users of new homes and facilities are satisfied as well.

Underpinned by our culture

We are building bright futures for our people, our customers and the communities we serve.

Nexus' success is built on its people. We believe that everyone matters, because if we want to go further, we go together and that's why we support each other to be our best. We seek continuous improvement, rather than pursuing perfection and that applies as much to our people as it does to our process.

How we create value

Delivering value for all our stakeholders:

Customers

Long-term relationships and partnerships to understand our customers and their individual challenges and needs.

Shareholders

Track record of delivering growth, profits and cash generation, enabling a progressive dividend policy.

Employees

Group purpose and values with a strong focus on staff development and learning across the Group as well as health, safety and wellbeing.

The Group has a very strong base of blue-chip clients which includes nine of the top ten largest housebuilders in the UK. In addition, the Group's diverse client base includes affordable housing providers and many of the top 25 housebuilders.

Talented people will always challenge assumptions, find a better way of doing things and then work together to make it happen. We're clear and straightforward. We're trusted because we keep our word.

Mike Morris, CEO

Strategy

Nexus' mission is to be recognised as the leading provider of essential infrastructure services in the UK, by delivering outstanding performance through a focus on innovation and customer service.

Strategic priority

Increase market share within existing geographies

The Group aims to drive client penetration by leveraging existing client relationships. Within the geography in which the Group operates a number of existing clients have regional businesses to which the Group does not currently provide services.

Accordingly, there is an opportunity for the Group to increase its market share by winning contracts with the regional businesses of existing clients for which it currently does not work. This is likely to be achieved through the provision of excellent customer service to current clients, which will lead to recommendations to other regions.

Progress during the year

The Group's current client penetration is estimated to be 31% for both Tamdown and TriConnex, compared to 32% and 35% respectively in the prior year. Both businesses have increased the number of client regions that they work with during the year. However, both businesses, but particularly TriConnex with the opening of the Midlands office in Leicester, have expanded their geographic markets during the year, resulting in an additional number of client regional businesses being included in the calculation, which depresses the penetration percentage.

Expansion into new geographic markets

There are several regions outside the South East of England and London into which Tamdown can expand in order to increase its market reach. This is likely to be achieved through recommendations and referrals from existing clients who also operate in these neighbouring regions, as well as new clients.

The ultimate goal for TriConnex is national coverage and to be recognised as the UK's leading independent provider of utility connections to new developments. TriConnex is able to expand geographically more rapidly than Tamdown as the nature of its work is fundamentally asset-light.

eSmart Networks, much like TriConnex, aspires to be a national business.

In recent months Tamdown's geography has been expanded with contracts being secured in Buckinghamshire and Surrey, which previously had been beyond its standard market reach.

TriConnex continues to expand its geographic reach within the South West region, managed from the Bristol office which accounts for 15% of TriConnex's revenue. The Midlands has been the area of focus for TriConnex in 2018, with a building order book and the regional office opening in October 2018.

Diversification into new growth sectors

In 2017, the Group generated 89% of its revenue from the private development residential sector through its housebuilding clients. The Group's strategy is to diversify its end markets into affordable residential and non-residential sectors, which will enable it to grow sustainably through the economic cycle.

TriConnex has also diversified its business by offering water connections in 2014 and fibre connections in 2016. This enables TriConnex to offer all four utility connections to clients.

Establishing eSmart Networks within the Group opens a new and evolving sector offering further diversification.

During the 2018 financial year, the percentage of revenue derived from affordable residential and commercial schemes increased from 11% to 15%.

The Directors believe that the benefits of UK utilities deregulation will continue, specifically for water connections via self-lay and for the broadband market, which is very attractive given that it is regarded as an "essential service" with the Government supporting the roll-out of fibre across the UK.

Leverage TriConnex to optimise cross-selling opportunities for Tamdown

TriConnex is typically engaged early in the development process to advise clients on the utility network considerations for their site. As such, TriConnex gets a unique opportunity to see future developments months in advance of the usual sales cycle experienced by Tamdown.

As Nexus operates an integrated business development strategy, the Group is able to share customer intelligence with Tamdown, which can then benefit by targeting clients more selectively and in advance of typical tender windows.

Accretive acquisitions

The Group's acquisition strategy will primarily focus on bolt-on acquisitions within areas linked or closely associated to TriConnex to enhance its geographic reach and service offering.

Current areas that the Group is exploring include businesses within existing residential utility markets (such as regulated energy utilities) and new markets such as fibre services and non-residential utilities (for example utility connections and services for commercial or industrial operations). Any acquisition will be subject to detailed due diligence and is anticipated to be required to have a clear strategic rationale and to be earnings enhancing.

Key performance indicators

The Board uses key performance indicators to measure its progress against the Group's strategic objectives.

KPI	Description	Performance	
Revenue (£m) **£134.9m** **0.0%**	Revenue and revenue growth track our performance against our strategic aim to grow the business	2018	134.9
		2017	135.0
		2016	135.7
		2015	130.9
Adjusted operating profit[1] (£m) **£9.4m** **1.1%**	Tracking operating profit ensures that the focus remains on delivering profitable outcomes on our contracts	2018	9.4
		2017	9.3
		2016	10.4
		2015	8.1
Earnings per share ("EPS") (p) **19.1p** **24.3%**	Tracking the after-tax earnings relative to the average number of shares in issue provides a monitor on the increase in shareholder value	2018	19.1
		2017	15.4
		2016	22.3
		2015	16.2
Cash and cash equivalents (£m) **£26.4m** **-2.4%**	Tracking the cash balance monitors the conversion of profits into cash ensuring that cash is available for reinvestment or distribution to shareholders	2018	26.4
		2017	27.1
		2016	34.0
		2015	27.7
Order book (£m) **£289.7m** **42.9%**	The tracking of the order book provides visibility on expected future revenue against the strategic aim to grow the business	2018	289.7
		2017	202.7
		2016	161.7
		2015	163.7

1 Operating profit before exceptional items.

Corporate social responsibility report

The Group wishes to operate as a safe and sustainable business with a clear purpose and core values.

Approach

The Board recognises its responsibility for establishing high ethical standards of behaviour and corporate governance and the Group has policies in place, including, but not limited to: health and safety; anti-bribery; environmental protection; equal opportunities; equality and diversity; training and development; whistleblowing and modern slavery, to support our approach of conducting business in an open and transparent manner and which are in line with our core values.

The Company expects its employees to conduct themselves in a manner which reflects the highest ethical standards and comply with all applicable laws and regulations. The Company has a zero-tolerance policy towards any form of bribery or corruption and has training and an appropriate procedure in place whereby any concerns in relation to malpractice can be raised in an appropriate forum.

Health and safety

The health, safety and wellbeing of our staff is paramount, and every precaution is taken to protect them and fellow contractors on site, as well as the general public. It is our duty and priority to ensure the safety of our employees whilst at work. Our dedicated safety team undertakes regular internal audits of our procedures to ensure they are as comprehensive as possible, highlighting any areas for improvement. In addition, our systems are under constant review by external bodies promoting best practice. Our policies, procedures and practices are accredited with ISO 9001 Quality Standard, ISO 14001 Environment Standard, OHSAS 18001 Health and Safety Standard.

We work towards the Health and Safety Executive's key aim of improving involvement of the workforce in identifying hazards and finding sensible and workable solutions that will benefit everyone. We have adopted and encourage a very proactive approach to hazard and near-miss reporting and this approach has improved awareness and helped prevent accidents on our sites and for other contractors working alongside us.

The year-on-year importance of health and safety within the Group is illustrated by Tamdown winning its ninth consecutive Gold Medal from RoSPA ("The Royal Society for the Prevention of Accidents"). Gold Medal Awards are only awarded to those companies who have achieved Gold Awards for over five consecutive years or more.

People

Investing in the workforce

Nexus believes in success through its employees with a dedicated in-house HR and Organisational Learning and Development team providing structured learning, advancement and development opportunities.

Development programmes include the Aspire Programme for graduates and rising stars, Apprentices Programme, Site Engineers and Managers Programme and Future Talent Programme for A-Level students.

Nexus also encourages leadership and management development with executive coaching, management coaching, ILM Level 3 and 5 accreditation, succession planning and psychometrics. The Group also has a development programme including a Site Bursary, technical development and development for IT, HR and Finance. Performance is reviewed on a regular basis through a formalised assessment. During 2018, the Group has introduced the "Building Bright Futures" scheme which will link personal performance to the Company business plans and Group values.

Tamdown is accredited by "Investors in People". The HR Team were finalists in the National HR excellence awards in 2018 under the category "Best HR Team" and attended the ceremony awards in London.

Communication

The Group regularly shares information with its employees and follows a set of principles of communication to ensure timeliness, inclusivity, honesty and accessibility. We communicate with employees by a number of mechanisms including weekly emails, quarterly newsletters, site noticeboards, updates on our internal website and engage with our employees via site and manager cascade briefings. We consult with our employees in order to ensure that their views can be taken into account when making decisions.

Recruitment and retention

We endeavour to provide good terms of employment with the provision of benefits that employees want, as well as promoting health and wellbeing and ensuring we have a happy and safe work environment. We are keen that employees should share in the growth of the Group and an Employee Share Incentive Plan is in place whereby employees can acquire shares in the Company in a tax effective manner. Salaries and benefits are market tested, at least annually, and low cost/high value benefits are regularly being sought and introduced.

Corporate social responsibility report continued

People continued

Diversity and equality

We are committed to ensuring that all employees, potential recruits and other stakeholders are treated fairly and equitably. The principles of equality and diversity are important to us and advancement is based upon individual skills and aptitude irrespective of race, gender, sexual orientation, disability, age, religion or beliefs. Full consideration is given to the diverse needs of our employees and potential recruits and we are fully compliant with all current legislation. The Group is committed to upholding basic human rights within its business.

Disabled employees

The Directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible recruitment, training, career development and promotion of disabled persons is the same as for other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

Communities

The Nexus Community Trust is a charitable trust that was established in 2011 to support and help those charities which have been involved with, and affect the lives of, the staff of Nexus and its subsidiary companies. The charities which benefit from the Trust are nominated on an annual basis by the staff.

Funds are raised by employees, their families and friends, client and business contacts through sponsorship and support for social and sporting events such as charity balls, summer BBQs and challenges. During 2018, employees took park in the Yorkshire Three Peaks Challenge, over 300 suppliers and employees supported the second bi-annual Summer FUNdraiser BBQ and a team participated in the Housebuilder Mountain Marathon. Since inception the Trust has raised over £400,000.

During 2018, the focus has been on raising awareness of mental health. The Nexus Community Trust has partnered with Mates in Mind and carried out training across the business. Mates in Mind aims to raise awareness, address the stigma of poor mental health and improve positive mental wellbeing in the UK construction industry. Over 50 employees are now Mental Health First Aiders which is the first step in the development of Wellbeing Champions. Ultimately Wellbeing Champions will also be able to provide support across nutrition and lifestyle, stress and resilience, workplace incivility and giving back to the community.

Sustainability and the environment

We realise that climate change is a genuine problem that affects us all, therefore we are truly committed to doing everything within our power to implement solutions to this global challenge.

We recognise that our own operations influence the local, regional and global environment due to the nature of our business. Therefore, we continuously look to improve our own environmental performance and decrease our carbon footprint.

Through our ISO 14001 accreditation (which we are proud to have held since 2002) our Directors and managers participate in defining our environmental action plan by setting realistic objectives and targets for our business in both the short and long term. To date, our businesses have had no reportable environmental incidents.

In February 2016, the Group gained ISO 50001 accreditation to ensure Energy Saving Opportunity Scheme ("ESOS") compliance. This has aided our approach to reduce energy consumption across our sites and offices.

Our first aim is to reduce our environmental impact and reduce our carbon footprint. We see this as a journey for us alongside our clients and suppliers. The Group has invested in new machines to reduce carbon emissions alongside regular maintenance schedules to ensure they are working efficiently.
The Company car scheme is focused on hybrid and low emission vehicles.

Our newest subsidiary eSmart Networks will further support the Government goals for the UK's transition to a lower-carbon transportation system.

Principal risks and uncertainties

The Group has established and operates a system of internal control and risk management procedures, in order to identify, manage and mitigate risks.

In common with other organisations, the Group faces risks that may affect its performance. Identification, management and mitigation of such risks and uncertainties across the Group is an essential part of the ability to deliver the Group strategy.

The Board has identified those risks which are deemed principal to its business due to their potential severity and link to the Group's strategy, markets and operations.

The Group has established and operates a system of internal control and risk management procedures, in order to identify, manage and mitigate the risks at various levels within the organisation.

The principal risks and uncertainties identified by management and how they are being managed are set out below. These risks are not intended to be an exhaustive analysis of all risks that may arise in the ordinary course of business.

Market downturn

Risk

- The Group's success is dependent on the general economic climate and fluctuations in the UK property market

Description

- The Group's success is dependent, to a large extent, upon the state of the economy and in particular the UK's private residential market in the South East of England
- Economic weakness may result in decreased revenue, margins and earnings
- Adverse economic conditions may decrease customer confidence levels leading to a decrease in housebuilding or rates of development
- Mortgage availability may decrease and the cost associated with mortgage funding may increase, which would result in fewer house purchases and in turn the number of houses built

Mitigation

- Diversification of the Group's client base, services and geography
- Regular review of tenders
- Regular contact with clients
- A cautious approach to debt finance

UK exit from the EU

Risk

- The UK's exit from the EU ("Brexit") could have a significant impact on the Group's success

Description

- The UK is set to leave the EU in March 2019. It is currently unclear the extent to which Brexit will impact the UK, on matters such as the extent to which the UK will continue to apply EU laws and the macroeconomic effect on the UK economy. This may impact the Group's clients and thus the Group's businesses, financial position and operations

Mitigation

- Regular evaluation of future market performance, together with the strategy to address those markets
- Diversification of the Group's markets, both geographically and services provided
- Focus on recruitment, development and retention of a skilled labour force

Principal risks and uncertainties continued

Failure to procure contracts

Risk	Description	Mitigation
• The Group's success is dependent upon winning contracts on satisfactory terms in its existing and target markets	• The majority of the Group business, and so revenue, is generated by work won through tender submissions • The Group's profitability depends upon its ability to submit tenders at satisfactory margins. Should market conditions change on variables such as increased competition, increased costs, or reduced availability of skilled workforce, then the cost of carrying out works may increase, which may either reduce the profitability of the contracts or result in the contracts not being won • If the Group's ability to exceed client expectations is reduced due to poor quality or service, it may reduce the level of repeat work from clients	• Continually review the Group's current and target markets to ensure the opportunities they offer are understood • Structured bid review process is in operation with specific client and contract criteria that are designed to ensure the Group only takes on clients and contracts that are acceptable and understood • Ensuring we have high-quality people delivering and managing contracts

Regulatory requirements

Risk	Description	Mitigation
• Parts of the Group's business are subject to regulatory requirements with which it may be found to be non-compliant	• TriConnex operates in a regulated environment. Regulators may conduct investigations on companies or industry-wide. Non-compliance with laws, regulations or rules may result in adverse publicity, prosecution, disciplinary action, fines or revocation of licences, and would impact profitability and relationships with current and potential clients	• Regular internal review of processes and procedures to ensure compliance with obligations • Frequent external regulatory audits to confirm processes and procedures are compliant with obligations

Availability of materials and subcontractors

Risk	Description	Mitigation
• The Group could be adversely affected by the availability of materials and subcontractors	• The Group requires materials to be available at the time they are needed, at a reasonable price. Increased prices and delays could increase the costs of the project and so impact the Group's profitability • The Group is dependent on the availability, competence and consistency of subcontractors. Should subcontractors not be available at the time required, delays may occur, increasing costs and so reducing profitability. Incompetent or inconsistent workmanship may require remediation works which may impact profitability and short-term cash flows	• Multiple suppliers and subcontractors for materials and relevant trades in order to maintain continuity of supply and competitive pricing • Supply contracts negotiated on specific contracts for certainty of price and quantity

People

Risk	Description	Mitigation
• The Group could be adversely affected by the loss of, or an inability to recruit and retain, key personnel	• The Group's success is dependent on its ability to recruit, retain and motivate high-quality senior management and other personnel with extensive experience and knowledge of the construction industry. The availability of such personnel is sparse and competition to recruit them is intense. Failure to recruit, retain and motivate could adversely affect the Group's operations, financial conditions and prospects	• Focus on learning and development, including annual performance management, to encourage and support all employees to achieve their full potential • Attractive performance-based remuneration policy • Recruitment and development plans to attract site based, school leaver and graduate employees

Contract execution

Risk	Description	Mitigation
• Contracts may not perform as expected which may lead to contracts not being executed profitably	• The Group's profitability is dependent upon its ability to manage contracts to ensure that they are delivered on time, to budget and exceeding the clients' expectations. Failure to achieve these objectives could lead to contract losses, delays, reputational damage and reduced repeat work	• Detailed bid appraisal process to ensure all risks and requirements are understood • Applying rigorous policies and procedures to manage and monitor contract performance • Ensuring high-quality people are delivering the contracts

Health and safety

Risk	Description	Mitigation
• The Group operates in a sector that carries significant health and safety risks	• The construction sector carries significant health and safety risks, including serious injury and death to employees, third party contractors and members of the public. Successful claims may result in fines, damages and costs in excess of the Group's insurance cover, which may have a material adverse effect on the Group's business, financial condition and prospects	• A Board led commitment to achieve zero accidents • Management commitment to safety tours, safety audits and safety action groups • Comprehensive employee training programmes

The financial risk management of the Group, including the Group's exposure to credit risk and liquidity risk is set out in note 25: Financial risk management, of the financial statements.

Strategic report approval statement

The strategic report, contained in pages 1 to 25 has been approved by the Board of Directors and is signed on its behalf by

Mike Morris
Chief Executive Officer
7 December 2018

Chairman's introduction

Corporate governance is an important factor as the Group grows its operations.

Geoff French CBE
Non-Executive Chairman

Strong corporate governance has a key role in promoting the Group's success. The way the business is run therefore plays a significant part in meeting the Group's commitments to our clients. The Group has a long history of successful delivery and good corporate governance and the Board will ensure this continues.

As Chairman, I am responsible for the leadership of the Board and for ensuring that it fulfils its responsibilities to all of the Group's stakeholders. My role includes ensuring that the Board has open and transparent discussions, allowing each member to contribute effectively. I ensure that the Board is commercial and collaborative, but also appropriately challenging. This requires us to have a good understanding of the business and its markets. The Board also operates in a way that sets an example, in terms of our commitment to the principles of governance, risk, leadership, diversity and our culture.

The Group has appropriate governance structures in place and we will continue to develop them as the business evolves as a public company. The Directors recognise the importance of sound corporate governance and I am pleased to report that the Board has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code.

Geoff French
Non-Executive Chairman
7 December 2018

Governance

We have an effective Board structure, underpinned by solid operating principles, policies and controls and we continue to exercise our duties in compliance with all relevant legislation, regulation and guidance.

To find out more about governance please go to pages 28 to 37.

Board of Directors

Geoff French CBE
Independent Non-Executive Chairman
Appointed January 2016

Career and experience
Geoff has over 50 years' civil engineering experience. He started his career as a civil engineering graduate at Scott Wilson in 1968. He progressed through Scott Wilson and was Chairman from 2002 until 2010 during which time he oversaw the Group's successful flotation on the London Stock Exchange and its sale to URS. Geoff was Chairman of the Enterprise M3 LEP from 2011 until 2017. He was formerly President of the Institution of Civil Engineers (2013 to 2014), President of the International Federation of Consulting Engineers (2011 to 2013) and Chairman of the Association for Consultancy and Engineering in 2009.

Committees:
A R N *

Mike Morris
Chief Executive Officer
Appointed February 2006

Career and experience
Mike has led the Group through a period of significant growth since the management buy-out in 1999. Mike is an entrepreneur, business leader and keen start-up investor with 30 years' experience within the infrastructure services and utility industry. The catalyst and driving force behind the continued success of the business. Mike is passionate about continuous improvement at a business and personal level. He holds a BSc degree in Management.

Committee:
D

Alan Martin
Chief Financial Officer
Appointed September 2015

Career and experience
Alan has over 30 years' financial experience. He is a Chartered Accountant joining the Board in 2015 as Chief Financial Officer. Alan was previously Chief Financial Officer of housebuilder and strategic land specialist MJ Gleeson plc from 2009 to 2015, having joined in 2006 as Group Financial Controller, during which time he played an important role in the repositioning and revitalisation of the Group. Prior to this, he held senior roles at Psion plc and PwC. Educated at Cardiff University, he has a BSc Honours degree in Accountancy and Law.

Committee:
D *

Richard Kilner
Independent Non-Executive Director
Appointed January 2016

Career and experience
Richard is a chartered civil engineer and a member of the Institution of Civil Engineers. Educated in South Africa, he has a BSc degree in civil engineering. He has held a number of senior positions in construction and private equity and also has specific experience of property development, business process outsourcing and healthcare. He was a partner at 3i Group plc where he was involved in significant investments in Asia, the USA and Europe. Richard also spent five years (including a year as acting Chairman) as a Non-Executive Director of University Hospitals of Leicester NHS Trust.

Committees:
A R * N

Alex Wiseman
Independent Non-Executive Director
Appointed June 2017

Career and experience
Alex has significant experience within the utility sector specialising in regulation and strategy. He is currently Non-Executive Director at Bristol Energy as well as at the Northern Ireland Authority for Utility Regulation. Alex has previously held directorships across both public and private sector organisations, including Xoserve and the Central Manchester University Hospitals NHS Foundation Trust. Alex was previously Regulation Director at Northern Gas Networks and Head of Strategic Planning at United Utilities. Educated at Cambridge University, Alex holds an MA degree in Mathematics, an MBA and is a qualified management accountant.

Committees:
A * R N

Ffion Griffith
Independent Non-Executive Director
Appointed November 2018

Career and experience
Ffion is a Fellow of the Chartered Institute of Personnel and Development and has over 25 years' experience in senior roles across a range of sectors including professional services, technology and private equity. Ffion was Global Director of Human Resources at the law firm Olswang LLP from 2005 until 2015. Prior to this she was Director of Human Resources at SJ Berwin LLP and has held senior roles at Vedaris, Pearson Professional and The Royal College of General Practitioners. Ffion was until recently a Non-Executive Director of Burnt Mill Academies Trust. She holds a BA in English Literature and a MA in Human Resource Management.

Committees:
A R N

A Audit Committee R Remuneration Committee N Nomination Committee D Disclosure Committee * Chair

Corporate governance

We recognise the importance of establishing the right culture and communicating this message throughout the organisation.

Leadership and responsibilities

It is important that we as the Board provide strong and effective leadership, constructive challenge and accept collective accountability for the long-term sustainable success of the Group.

The Board

During the year, the Board comprised of three Non-Executive Directors, including the Chairman and two Executive Directors. All Directors served throughout the year to 30 September 2018. Following the year end, a further Non-Executive Director, Ffion Griffith was appointed to the Board, resulting in a Board of six members of which four are Independent Non-Executive Directors. Biographies of the Directors can be found on page 27.

The Board believes it has an appropriate balance of Executive and Independent Non-Executive Directors given the size and nature of the business. In addition, the Board considers that it has an appropriate balance of skills, experience and knowledge in order for it to discharge its duties and responsibilities effectively. This includes a combination of diverse backgrounds and experiences which enable it to function effectively and have dialogue that is both constructive and challenging.

On joining the Board, arrangements are made for all new Directors to meet their colleagues and other senior management and to visit Company offices and sites, to ensure an adequate induction to the Group.

The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information, including briefing papers distributed in advance of Board meetings.

There is a schedule of matters reserved to the Board for its decision. This includes:

- approving the Group's strategic aims and objectives;
- reviewing performance against the Group's strategic aims, objectives and business plans;
- providing oversight of the Group's operations;
- approving changes to the Group's capital, corporate, management or control structures;
- approving results announcements and the annual report and financial statements;
- approving the dividend policy;
- declaration of the interim dividend and recommendation of the final dividend and any special dividend;
- approving any significant changes in accounting policies and approval of the treasury policy;
- approval of the Group's risk appetite and principal risk statements;
- reviewing the effectiveness of the Group's risk and control processes;
- approval of major capital projects and material contracts or arrangements;
- approval of all circulars, prospectuses and admission documents;
- ensuring a satisfactory dialogue with shareholders;
- establishing the Board committees and approving their terms of reference;
- approving delegated levels of authority;
- approving changes to the Board and its committees;
- ensuring adequate succession planning for the Board and senior management;
- determining the remuneration policy for the Directors and other senior executives;
- providing a robust review of the Group's corporate governance arrangements;
- approving all Board mandated policies;
- approval of the appointment of the Group's principal advisers;
- approval of the overall levels of insurance; and
- any decision likely to have a material impact on the Group from any perspective.

Board and sub-committee structure

The Board

Audit Committee	Nomination Committee	Remuneration Committee	Disclosure Committee
Purpose: to ensure that the financial performance of the Group is properly reported and monitored, through the internal control systems and the external auditor.	**Purpose:** responsible for reviewing structure, size and composition of the Board, nominating candidates for Board vacancies and succession planning.	**Purpose:** to recommend to the Board an overall remuneration policy to retain, attract and motivate high-quality executives capable of achieving the Group's objectives.	**Purpose:** responsible for determining on a timely basis, the identification and disclosure treatment of information which is likely to be of concern to external investors.

All of the Directors have access to the advice and services of the Company Secretary and may, in furtherance of their duties, take independent advice, at the Company's expense. Training is arranged, as required to update and refresh their skills and knowledge.

All of the Directors will stand for re-election at the forthcoming AGM.

Board committees

The Board has Audit, Nomination, Remuneration and Disclosure Committees, which operate under written terms of reference. The reports of the Audit, Nomination and Remuneration Committees can be found on pages 30 to 35.

The Disclosure Committee has been set up by the Board to comply with the requirements of the Market Abuse Regulation. The members of the Disclosure Committee are the Chief Financial Officer (Chairman), Chief Executive Officer and the Company Secretary. Other Directors, executives and external advisers may attend by invitation, as appropriate.

The Disclosure Committee is required to:

- make timely and accurate disclosure of all information required to be disclosed to meet the legal and regulatory obligations and requirements arising from the admission of the Company's shares to trading on AIM;
- determine the disclosure treatment of information likely to be of concern to an external investor and assist in designing, implementing and evaluating the disclosure controls and procedures;
- identify any price sensitive information; and
- identify any inside information.

Attendance at meetings

The table below sets out the number of Board meetings attended by each Director during the period:

	Board
Number of scheduled meetings	5
Geoff French	5
Richard Kilner	5
Alex Wiseman	5
Mike Morris	5
Alan Martin	5

Board effectiveness

The Chairman and Chief Executive Officer have separate, clearly defined roles. The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The role includes ensuring that the Directors receive accurate, timely and clear information; facilitating the contribution of the Non-Executive Directors; and ensuring constructive relations between the Executive and Non-Executive Directors. The Chief Executive Officer is responsible for implementing the Group's strategy and its operational performance.

The Chairman is in regular contact with the Chief Executive Officer to discuss current matters and has visited Group operations outside the Board meeting calendar to meet divisional Directors and managers.

Internal controls

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the Group's size, complexity and risk profile.

The key features of the Group's internal control system include:

- the preparation of monthly management accounts and comparison to budget;
- clearly defined roles and responsibilities, with appropriate segregation of duties;
- clear authorisation and approval processes;
- regular preparation and review of cash forecasts;
- maintenance of a risk register, reviewed at each Audit Committee; and
- senior management review of material contracts and agreements.

Relations with shareholders

The Board recognises the importance of maintaining an open dialogue with shareholders, keeping them informed of the Group's strategy, progress and prospects. As part of this, the Board is committed to a high standard of corporate reporting. The Executive Directors meet leading shareholders after the release of the interim and full year results.

Annual General Meeting ("AGM")

The Company's AGM will be held on 27 February 2019 at Radisson Blu Hotel, Waltham Close, London Stansted Airport, Essex CM24 1PP. The Notice of Meeting, setting out the resolutions proposed, is contained in a separate document and is available on the Group's website, **www.nexus-infrastructure.com.**

Audit Committee report

During the year the Audit Committee focused on reviewing the Group's operational controls and risk management.

Alex Wiseman
Chairman of the Audit Committee

On behalf of the Audit Committee, I am pleased to present the Audit Committee report for Nexus Infrastructure plc.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and monitored, through the internal control systems and the external auditor.

During the year, the Committee focused on the identification and management of the risks of the Group and the internal audit process to give assurance over the Group's internal controls and processes.

Committee meetings

The Audit Committee comprises of the Non-Executive Directors of the Company. The Audit Committee is chaired by Alex Wiseman. Alex is a member of the Chartered Institute of Management Accountants.

The Committee is required to meet at least three times a year and the table below sets out the number of Committee meetings each member attended during the year.

	Audit Committee
Number of scheduled meetings	4
Geoff French	4
Richard Kilner	4
Alex Wiseman	4
Mike Morris	4
Alan Martin	4

As Executive Directors, Mike Morris and Alan Martin are not members of the Audit Committee but were invited to attend the meetings in order to assist with the matters for discussion.

Roles and responsibilities

The role of the Committee is to:

- monitor the integrity of the financial statements of the Company, including formal announcements relating to its financial performance, and any significant financial reporting judgements;
- review and monitor the effectiveness of the Company's internal controls and risk management systems;
- review the Company's procedures for detecting fraud and the systems and controls for the prevention of bribery;
- review and monitor the effectiveness of the Company's internal audit function including the approval of the annual internal audit plan;
- consider and review all internal audit reports; and
- make recommendations to the Board in relation to the appointment, independence, objectivity and the effectiveness of the external audit process.

Activities of the Committee

During the year, the Committee undertook the following:

- reviewed and discussed financial disclosures made in the annual results announcement, the annual report and financial statements and the half-yearly financial report, together with any related management letters, letters of representation and reports from the external auditor;
- reviewed reports from management covering various aspects of the Company's operations, controls and procedures and agreed actions for management to take from findings in the reports;
- reviewed the Group's risk management framework and the effectiveness of the internal controls;
- undertook a tender process for the Group's external audit services and selected a new external auditor for approval by shareholders; and
- reviewed and agreed the external auditor's plan in advance of their audit for the financial year ended 30 September 2018.

Risk management and internal controls

The Board has delegated responsibility for monitoring the financial reporting process and reviewing the effectiveness of the Group's internal controls to the Audit Committee. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives and the Board can only provide reasonable, and not absolute, assurance against material loss, errors or fraud. The Audit Committee reviews the risk register at each meeting and reports its findings to the Board. When analysing risk, we consider the likelihood and impact on the Group after taking into account appropriate mitigating controls. The risk registers for each business are used to update the Group risk register. The Executive Directors of each subsidiary review the risk register at each Board meeting.

Internal audit

Internal audit plays an important part in monitoring the effectiveness of internal controls. The internal audit function is carried out by Executive Directors of the subsidiaries and senior finance personnel, reporting to the Audit Committee. The Audit Committee request follow up reviews where control deficiencies are noted. During the year the Audit Committee approved the internal audit plan for the year.

Significant and other accounting matters

The significant issues considered by the Committee during the year were:

- gross profit recognition, specifically the timing of recognising profit and any movement during the contract term; and
- revenue recognition, specifically the implementation of IFRS 15: Revenue from Contracts with Customers, which becomes effective for the year ended 30 September 2019, considering the five steps within the Standard of, Identifying the contracts, identifying the performance obligations, determining the transaction price, allocating the transaction price and recognising the revenue.

Other matters considered by the Committee during the year included:

- accounting for leases, specifically the implementation of IFRS 16: Leases, considering the timing of implementation, initial measurement of assets and liabilities and disclosure requirements. The Committee decided to adopt this Standard early, resulting in implementation for the year ended 30 September 2019; and
- accounting for financial instruments, specifically IFRS 9: Financial Instruments, considering the implications and disclosure requirements.

External auditor

The independence of the external auditor is essential to ensure the integrity of the Group's published financial information. Following the completion of the audit for the year ended 30 September 2017, the Committee undertook a tendering process for the Group's external audit services, since the incumbent, Grant Thornton had been the Group's auditor since 2012 and the audit partner was due to rotate off the audit as he had been responsible for the audit for in excess of five years. Three firms were asked to tender and following a review of submissions and an interview process, PricewaterhouseCoopers LLP were selected, with shareholders approving the selection at the AGM in March 2018.

During the year, the Committee reviewed and approved the audit plan and considered it to be appropriate for the business. The auditor's assessment of materiality and financial reporting risk areas were discussed and challenged.

Non-audit services

The award of non-audit services to the external auditor is subject to controls agreed by the Audit Committee. The Audit Committee recognises that the auditor may be best placed to provide some non-audit services and these are subject to formal approval by the Audit Committee.

Details of the audit and non-audit fees incurred are disclosed in note 6 to the financial statements.

Alex Wiseman
Chairman of the Audit Committee
7 December 2018

Nomination Committee report

The Committee's focus during the year has been reviewing the succession planning within the Group.

Geoff French CBE
Chairman of the
Nomination Committee

On behalf of the Nomination Committee, I am pleased to present the Nomination Committee report for Nexus Infrastructure plc.

The Committee's focus during the year has been ensuring a succession plan is in place for the Group and the recruitment of several key positions within the Group, including the appointment of an additional Non-Executive Director.

Committee meetings

The Committee met twice during the year to discuss the succession planning for the Company and its subsidiaries.

The Nomination Committee comprises of the Non-Executive Directors of the Company. The Nomination Committee is chaired by Geoff French.

The Committee is required to meet at least once a year and the table below sets out the number of Committee meetings each member attended during the year.

	Nomination Committee
Number of scheduled meetings	2
Geoff French	2
Richard Kilner	2
Alex Wiseman	2
Mike Morris	2
Alan Martin	2

As Executive Directors, Mike Morris and Alan Martin are not members of the Nomination Committee but were invited to attend the meetings in order to assist with the matters for discussion.

Roles and responsibilities

The role of the Committee is to:

- review regularly the structure, size and composition (including skills, knowledge and experience) required of the Board;
- give full consideration to succession planning for Directors and other senior executives in the business;
- identify and nominate candidates for the approval of the Board to fill Board vacancies as and when they arise;
- evaluate the balance of skills, knowledge, experience and diversity of the Board; and
- make recommendations for the re-election of Directors retiring by rotation.

Activities of the Committee

The Committee's focus during 2018 has been reviewing the succession planning in place by the subsidiary companies. The plan has been reviewed and the approach broadened to develop a talent map within the subsidiaries to assist with retention and development of the staff.

The Committee has overseen the recruitment for key positions within the subsidiaries that have been completed including the Managing Director for TriConnex, following the retirement of Richard Harpley, and the Construction Director within Tamdown. The Committee has led the recruitment of an additional Non-Executive Director to the Board, which resulted in Ffion Griffith being appointed on 1 November 2018. Ffion brings significant Board level experience to the Group, with a wealth of knowledge across sectors in both HR and Non-Executive Director roles and we are delighted that she has decided to join the Board.

Geoff French
Chairman of the Nomination Committee
7 December 2018

Remuneration Committee report

The Remuneration Committee annually reviews the incentive and rewards packages for the Executive Directors and senior management.

Richard Kilner
Chairman of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee report for the year ended 30 September 2018.

As an AIM-listed company, Nexus Infrastructure plc is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The content of this report is unaudited unless stated otherwise.

Committee meetings

The Remuneration Committee comprises Richard Kilner (Chairman), Geoff French and Alex Wiseman. The Committee is required to meet at least once a year and the table below sets out the number of Committee meeting each member attended during the year.

	Remuneration Committee
Number of scheduled meetings	3
Geoff French	3
Richard Kilner	3
Alex Wiseman	3
Mike Morris	3
Alan Martin	3

As Executive Directors, Mike Morris and Alan Martin are not members of the Remuneration Committee but were invited to attend the appropriate elements of the meetings in order to assist with the matters for discussion.

Roles and responsibilities

The role of the Committee is to:

- make recommendations to the Board on an overall remuneration policy for Executive Directors and other senior executives in order to retain, attract and motivate high-quality executives capable of achieving the Company's objectives; and
- demonstrate to shareholders that the remuneration of the Executive Directors of the Company is set by a Committee whose members have no personal interest in the outcome of their decision, and who will have due regard to the interests of the shareholders.

Activities of the Committee

The main activities of the Committee during the year under review and up to the date of this report were:

- review the long-term incentive plans;
- review the short-term incentive plans;
- strategy for the year end salary reviews;
- review of the Group's pension arrangements;
- review of the Group's company car policy;
- agreeing terms of senior management appointments and exits; and
- review of the Committee's terms of reference.

Remuneration policy

The remuneration policy is designed to ensure that the remuneration of Executive Directors and the senior management team are appropriate to attract, retain and motivate management behaviours in support of the creation of shareholder value. The Committee will review the remuneration policy from time to time and take whatever action it considers necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group.

Remuneration Committee report continued

Advisers to the Remuneration Committee

The Committee is authorised to obtain outside professional advice and expertise and will also receive advice and support from the CEO, CFO and the Group HR Director, as necessary. No external advisers have provided significant services to the Committee in the year.

Executive Directors' remuneration

The details of individual components of the remuneration package are discussed below:

Salary

The base salaries of the Executive Directors are set at levels considered to be appropriate when they enter into service agreements with the Company. The base salaries are reviewed by the Remuneration Committee annually and any increases are awarded having regard to performance and salary levels in comparable organisations.

Benefits in kind

A range of taxable benefits are available to the Executive Directors. These benefits primarily comprise private healthcare, life assurance, the provision of a car or car allowance and fuel card.

Performance-related bonuses

It is the policy of the Company to operate bonus arrangements for the Executive Directors which are performance related, the primary measures being the achievement of financial targets and personal performance.

Long-Term Incentive Plan ("LTIP")

The Group operates a Long-Term Incentive Plan, under which certain Directors and senior management have been granted options to subscribe for ordinary shares. All options were equity settled. The options are subject to service and performance conditions.

Pension contributions

The Company makes contributions into personal pension schemes, or makes payments in lieu of contributions, of 15% of basic salary for the Executive Directors.

Remuneration of Non-Executive Directors

The remuneration of Non-Executive Directors is reviewed annually in December and becomes effective on 1 January. Their level of remuneration is based on outside advice and a review of current practices in other companies.

Executive Directors' contracts

Executive Directors are employed under service agreements, which are terminable on 12 months' notice by the Company and six months' notice by the Director.

Non-Executive Directors' contracts

The Chairman and the Non-Executive Directors each receive a fee for their services under appointment letters which are for an initial term of three years, save that either party may terminate on three months' notice. The fee is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. The Chairman and Non-Executive Directors are reimbursed for travelling and other minor expenses incurred.

Directors' emoluments (audited)

	Salary/fee		Bonus		Benefits		Pension benefit		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Executive Directors										
Mike Morris[1]	**167**	322	**–**	–	**25**	21	**28**	77	**220**	420
Alan Martin	**229**	218	**–**	30	**21**	19	**35**	33	**285**	300
Non-Executive Directors										
Geoff French	**62**	60	**–**	–	**–**	–	**–**	–	**62**	60
Richard Kilner	**37**	36	**–**	–	**–**	–	**–**	–	**37**	36
Alex Wiseman	**34**	33	**–**	–	**–**	–	**–**	–	**34**	33
Total	**529**	669	**–**	30	**46**	40	**63**	110	**638**	849

1 Mike Morris voluntarily forfeited his salary for the period 1 April 2018 to 30 September 2018.

Directors' interest in shares under the Long-Term Incentive Plan (audited)

	Options at 1 October 2017	Awarded in year	Options exercised	Options lapsed	Options at 30 September 2018	Date of grant
Mike Morris	192,850	–	–	–	**192,850**	15 June 2017
Mike Morris	–	137,846	–	–	**137,846**	20 February 2018
Alan Martin	124,400	–	–	–	**124,400**	16 August 2016
Alan Martin	130,600	–	–	–	**130,600**	15 June 2017
Alan Martin	–	93,357	–	–	**93,357**	20 February 2018

All options have an exercise price of £0.02. All options have a vesting period of three years. The performance conditions of the options granted in the year relate to the average annual compound earnings per share growth and total shareholder return relative to a comparator group. The performance conditions of the options granted in prior years related to the average annual compound earnings per share growth.

Directors' interest in the Company's shares

At 30 September 2018, the Directors had the following interests in the Company's shares:

Director	Number of shares
Geoff French	10,000
Mike Morris[1]	9,859,825
Alan Martin	81,220
Richard Kilner	22,000
Alex Wiseman	20,000

1 Including the shares held by connected persons.

Richard Kilner
Chairman of the Remuneration Committee
7 December 2018

Directors' report

The Directors present their report and the financial statements for the year ended 30 September 2018.

The corporate governance disclosures on pages 26 to 37 form part of this report.

Strategic report

In accordance with the requirements of the Companies Act 2006, we present a review of the business during the year to 30 September 2018 and of the position of the Group at the end of the financial year, key performance indicators, together with a description of the financial risk management and the principal risks and uncertainties faced by the Group on pages 26 to 37.

Results and dividends

The results are set out in the consolidated statement of total comprehensive income on page 43.

An interim dividend of 2.2p per share was paid to shareholders on 13 July 2018 (2017: 2.1p per share). The Board recommends, subject to shareholder approval at the AGM, a final dividend of 4.4p per share (2017: 4.2p per share) in respect of the 2018 financial year is paid on 5 March 2019 to shareholders on the register at the close of business on 8 February 2019. On this basis, the total dividend for the year will be 6.6p per share (2017: 6.3p per share).

Donations

The Group has made no political donations during any of the periods presented.

Directors

The Directors of the Company and their biographical details are shown on page 27. There have been no changes to Directors of the Company during the year. On 1 November 2018 Ffion Griffith was appointed to the Board as an Independent Non-Executive Director.

Details of any related party transactions with Directors of the Company are shown in note 27 to the financial statements.

The interests of the Directors and their connected persons in the shares of the Company at 30 September 2018 are disclosed in the Remuneration Committee report on page 35. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 35 within the same report.

Directors' indemnity provisions

Directors risk personal liability under civil and criminal law for many aspects of the Company's business decisions. The Company believes that it is in the best interests of the Company to protect the individuals concerned from the consequences of innocent error or omission. Therefore, the Company has provided qualifying third-party indemnity provisions in respect of Directors and senior officers who were in force during the year and at the date of this report. The Company has taken out Directors' indemnity insurance to cover any losses arising as a result of this indemnity.

Share capital structure

At 30 September 2018, the Company's issued share capital was £762,357, divided into 38,117,850 ordinary shares of £0.02 each. The holders of ordinary shares are entitled to one vote per share at the Company's general meetings.

Substantial shareholdings

At 7 December 2018, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 7 December 2018, Link IRG Trustees Limited hold 85,000 ordinary shares as trustees of the Employee Share Purchase Plan.

Name of shareholder	Number of shares	Proportion of total
Mike Morris (CEO)[1]	9,859,825	26.12%
Keith Breen (Tamdown employee)[1]	6,573,050	17.24%
Ruffer	5,793,047	15.20%
BlackRock	2,051,442	5.38%
Canaccord Genuity Wealth Management	1,483,846	3.89%
City Financial	1,263,700	3.32%
Livingbridge	1,160,000	3.04%
Close Brothers Asset Management	1,151,661	3.02%

1 Including the shares held by connected persons.

Disclosure of information to auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Committee carried out a tendering process for the Group's external audit services during the year with three firms invited to submit proposals. At the AGM in March 2018, the shareholders voted to appoint PricewaterhouseCoopers LLP as the Company's auditor.

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming AGM.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approval

This Directors' report was approved on behalf of the Board on 7 December 2018.

Dawn Hillman
Company Secretary
7 December 2018

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 have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and 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 of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Mike Morris
Chief Executive Officer

Alan Martin
Chief Financial Officer
7 December 2018

Independent auditor's report
to the members of Nexus Infrastructure plc

Report on the audit of the financial statements

Opinion

In our opinion, Nexus Infrastructure plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and financial statements (the "annual report"), which comprise: the consolidated and Company statements of financial position as at 30 September 2018; the consolidated statement of total comprehensive income, the consolidated and Company statements of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall Group materiality: £460,600 (2017: £454,850), based on 5% of profit before tax.
- Overall Company materiality: £240,000 (2017: £240,000), based on 1% of total assets.

Audit scope

- Full scope audit of six trading entities
- 100% coverage of the Group's revenue and total assets

Key audit matters

- Revenue recognition.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Independent auditor's report continued
to the members of Nexus Infrastructure plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group recognised revenue of £134.9m in the financial year. The principal revenue streams relate to the provision of infrastructure services to the UK housebuilding and commercial sector. Revenue is recognised using a contract accounting basis and therefore relies on a number of estimates, with the key estimates being the percentage of completion and forecast contract margin. These estimates drive the occurrence and cut-off of revenue recognised in the year. In conjunction with the billings raised to date and costs incurred to date on a contract, these estimates also drive the associated contract position on the balance sheet. In addition, ISAs (UK) presume there is a risk of fraud in revenue recognition for every audit because of the pressure management may feel to achieve the forecast results.	We obtained a detailed listing of all contracts where revenue has been recognised in the year. For a sample of contracts, focusing on those with higher values, we obtained a detailed summary of the contract status at the year end and agreed the information within the summary back to contracts, and where applicable, external valuations from the client's quantity surveyors. We performed a review of contract margins for a sample of contracts to assess management's forecasting accuracy by considering the forecast margins at the start of the year, at the year end and in the month immediately after year end to identify if there had been any significant changes which would warrant further investigation. For the work in progress balances on the balance sheet, we mathematically recalculated the expected balance sheet position using the information in the detailed project summaries. In the testing performed, we did not identify any material errors in the revenue recognised in respect of the Group's contracts, or their associated balance sheet items. We utilised data auditing techniques to identify transactions impacting revenue which did not impact the expected balance sheet accounts, for example trade receivables or contract assets. Only a small number of such items were noted and these were agreed to supporting information on a targeted basis with no exceptions noted.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group comprises six trading entities, organised into three segments and the parent company. These are: the parent company Nexus Infrastructure plc; Tamdown segment comprising Tamdown Group Limited, Tamdown Plant Hire Limited and Tamdown Services Limited; the TriConnex segment comprising TriConnex Limited; and the eSmart segment comprising eSmart Networks Limited. Full scope audits were performed over the financial information of these six entities and was fully substantive in nature. This approach provided 100% coverage of the Group's revenues and total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£460,600 (2017: £454,850).	£240,000 (2017: £240,000).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate benchmark as the Company is a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £70,000 and £420,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £23,030 (Group audit) (2017: £21,200) and £12,000 (Company audit) (2017: £12,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described on page 42.

Strategic report and Directors' report

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 year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Independent auditor's report continued
to the members of Nexus Infrastructure plc

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matthew Mullins
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

7 December 2018

Consolidated statement of total comprehensive income
for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Revenue	4	**134,938**	135,034
Cost of sales		**(107,296)**	(107,793)
Gross profit		**27,642**	27,241
Administrative expenses		**(18,210)**	(19,624)
Operating profit before exceptional items		**9,432**	9,331
Exceptional items	8	**–**	(1,714)
Operating profit	6	**9,432**	7,617
Finance income	9	**29**	70
Finance expense	9	**(249)**	(304)
Profit before tax		**9,212**	7,383
Taxation	10	**(1,918)**	(1,554)
Profit and total comprehensive income for the year attributable to equity holders of the parent		**7,294**	5,829
Earnings per share (p per share)			
Basic	12	**19.14**	15.40
Diluted	12	**18.85**	15.01

The notes on pages 48 to 64 form part of the financial statements and accounting policies.

Consolidated and Company statement of financial position
as at 30 September 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Non-current assets					
Property, plant and equipment	13	**6,853**	7,795	**3,351**	2,945
Goodwill	14	**2,361**	2,361	**–**	–
Investments in subsidiaries	15	**–**	–	**20,545**	20,545
Other investments	16	**47**	55	**47**	55
Deferred tax asset	21	**7**	–	**–**	–
Total non-current assets		**9,268**	10,211	**23,943**	23,545
Current assets					
Inventories	17	**3,317**	924	**–**	–
Trade and other receivables	18	**42,426**	37,841	**364**	256
Cash and cash equivalents		**26,414**	27,066	**318**	156
Total current assets		**72,157**	65,831	**682**	412
Total assets		**81,425**	76,042	**24,625**	23,957
Current liabilities					
Borrowings	19	**2,000**	2,000	**2,000**	2,000
Trade and other payables	20	**52,597**	49,909	**7,681**	7,289
Corporation tax		**461**	39	**–**	–
Total current liabilities		**55,058**	51,948	**9,681**	9,289
Non-current liabilities					
Borrowings	19	**4,400**	6,400	**4,400**	6,400
Trade and other payables	20	**156**	619	**–**	–
Deferred tax liabilities	21	**–**	62	**–**	–
Total non-current liabilities		**4,556**	7,081	**4,400**	6,400
Total liabilities		**59,614**	59,029	**14,081**	15,689
Net assets		**21,811**	17,013	**10,544**	8,268
Equity attributable to equity holders of the Company					
Share capital	22	**762**	762	**762**	762
Retained earnings		**21,049**	16,251	**9,782**	7,506
Total equity		**21,811**	17,013	**10,544**	8,268

Retained earnings of the Company

The profit of the Company in the financial year amounted to £4,772,000 (2017: £6,659,000).

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2018.

Mike Morris
Director

Alan Martin
Director

The notes on pages 48 to 64 form part of the financial statements and accounting policies.

Consolidated statement of changes in equity
for the year ended 30 September 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Equity as at 1 October 2016	755	12,621	13,376
Transactions with owners			
Dividend paid	–	(3,476)	(3,476)
Share-based payments	–	1,277	1,277
Issue of share capital	7	–	7
	7	(2,199)	(2,192)
Total comprehensive income			
Profit and total comprehensive income for the year	–	5,829	5,829
	–	5,829	5,829
Equity as at 30 September 2017	762	16,251	17,013
Transactions with owners			
Dividend paid	**–**	**(2,439)**	**(2,439)**
Share-based payments	**–**	**(57)**	**(57)**
		(2,496)	**(2,496)**
Total comprehensive income			
Profit and total comprehensive income for the year	**–**	**7,294**	**7,294**
	–	**7,294**	**7,294**
Equity as at 30 September 2018	**762**	**21,049**	**21,811**

The notes on pages 48 to 64 form part of the financial statements and accounting policies.

Company statement of changes in equity

for the year ended 30 September 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Equity as at 1 October 2016	755	3,046	3,801
Transactions with owners			
Dividend paid	–	(3,476)	(3,476)
Share-based payments	–	1,277	1,277
Issue of share capital	7	–	7
	7	(2,199)	(2,192)
Total comprehensive income			
Profit and total comprehensive income for the year	–	6,659	6,659
	–	6,659	6,659
Equity as at 30 September 2017	762	7,506	8,268
Transactions with owners			
Dividend paid	–	**(2,439)**	**(2,439)**
Share-based payments	–	**(57)**	**(57)**
	–	**(2,496)**	**(2,496)**
Total comprehensive income			
Profit and total comprehensive income for the year	–	**4,772**	**4,772**
	–	**4,772**	**4,772**
Equity as at 30 September 2018	**762**	**9,782**	**10,544**

The notes on pages 48 to 64 form part of the financial statements and accounting policies.

Consolidated and Company statement of cash flows
for the year ended 30 September 2018

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flow from operating activities					
Profit before tax		**9,212**	7,383	**4,772**	6,659
Adjusted by:					
(Profit)/loss on disposal of plant and equipment		**(119)**	20	**–**	–
Share-based payments	26	**(57)**	1,277	**(57)**	1,277
Loss on disposal of investments	15	**–**	5	**–**	5
Finance expense (net)	9	**220**	234	**213**	258
Depreciation of property, plant and equipment	13	**1,336**	1,400	**–**	–
Operating profit before working capital changes		**10,592**	10,319	**4,928**	8,199
Working capital adjustments:					
Increase in trade and other receivables	18	**(4,779)**	(4,428)	**(108)**	(140)
Increase in inventories	17	**(2,393)**	(497)	**–**	–
Increase/(decrease) in trade and other payables	20	**3,107**	(63)	**392**	769
Cash generated from operating activities		**6,527**	5,331	**5,212**	8,828
Interest paid	9	**(249)**	(304)	**(213)**	(260)
Taxation paid		**(1,564)**	(2,363)	**–**	–
Net cash flows generated from operating activities		**4,714**	2,664	**4,999**	8,568
Investing activities					
Purchase of property, plant and equipment	13	**(815)**	(4,061)	**(406)**	(2,945)
Proceeds from disposal of plant and equipment		**540**	629	**–**	–
Proceeds from disposal of available for sale investments		**8**	–	**8**	–
Interest received	9	**29**	70	**–**	2
Net cash used in investing activities		**(238)**	(3,362)	**(398)**	(2,943)
Cash flow from financing activities					
Dividend payment	11	**(2,439)**	(3,476)	**(2,439)**	(3,476)
Repayment of loans		**(2,000)**	(2,000)	**(2,000)**	(2,000)
Repayment of finance leases/ hire purchase agreements		**(689)**	(759)	**–**	–
Issue of share capital	22	**–**	7	**–**	7
Net cash used in financing activities		**(5,128)**	(6,228)	**(4,439)**	(5,469)
Net change in cash and cash equivalents		**(652)**	(6,926)	**162**	156
Cash and cash equivalents at the beginning of the year		**27,066**	33,992	**156**	–
Cash and cash equivalents at the end of the year		**26,414**	27,066	**318**	156

The notes on pages 48 to 64 form part of the financial statements and accounting policies.

Notes to the financial statements
for the year ended 30 September 2018

1. Accounting policies

General information

The principal activity of Nexus Infrastructure plc ("the Company") and its subsidiaries (together "the Group") is the provision of essential infrastructure services to the UK housebuilding and commercial sectors.

Those services comprise:

- specialised infrastructure services;
- design, installation and connection of utility networks; and
- electric vehicle and smart grid infrastructure.

The principal trading subsidiaries are Tamdown Group Limited, TriConnex Limited, eSmart Networks Limited, Tamdown Services Limited and Tamdown Plant Hire Limited.

The Company is a public limited company which is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 1 Tamdown Way, Braintree, Essex, CM7 2QL.

The registered number of the Company is 05635505.

Basis of preparation

The consolidated and Company financial statements are for the year ended 30 September 2018. They have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated and Company financial statements have been prepared under the historical cost convention and are presented in sterling rounded to the nearest thousand except where indicated otherwise.

The preparation of the consolidated and Company financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and Company financial statements, are disclosed in note 2.

Company results

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act and has not presented its own statement of comprehensive income. The Group profit for the year includes a profit for the Company of £4,772,000 (2017: £6,659,000).

Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of over one half of the voting rights.

The consolidated financial statements present the results of the Company and its subsidiaries as if they form a single entity. Intercompany transactions and balances are therefore eliminated in full. The results of acquired operations are included in the consolidated statement of total comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Going concern

The Directors have undertaken a future cash flow analysis and as a result have a reasonable expectation that the Group has adequate resources to meet its liabilities as they arise for at least 12 months from the approval of these financial statements and, consequently, the Directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Standards in issue but not yet effective

There are a number of standards issued by the International Accounting Standards Board ("IASB") that are effective for financial statements after this reporting period. The following have not yet been adopted by the Group in preparing accounts for the year ended 30 September 2018.

Standard	IASB effective date
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2018
IFRS 16: Leases	1 January 2019

IFRS 9: Financial Instruments, addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard includes requirement for recognition, measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018 and the Group will adopt on 1 October 2018. The Directors have assessed the potential impacts of IFRS 9 and concluded that there will be no material impact on the financial statements.

IFRS 15: Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This happens in a way that reflects the pattern in which goods or services are transferred to customers and ensures an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The standard replaces IAS 18: Revenue, and IAS 11: Construction Contracts, and related interpretations. IFRS 15 is effective for accounting periods on or after 1 January 2018 and the Group will adopt IFRS 15 on 1 October 2018 using the modified retrospective transition approach. The Directors have reviewed the potential impacts of IFRS 15 the review has identified a small number of TriConnex contracts which under IAS 11 allowed the revenue to be recognised in a number of distinct phases. The impact of such recognition resulted in £789,000 of earnings being recognised earlier than allowed under IFRS 15. Under IFRS 15 such profits will be recognised in future periods. Accordingly, an opening balance sheet adjustment on 1 October 2018 will be to decrease retained earnings by £789,000.

IFRS 16: Leases, addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. This standard replaces IAS 17: Leases, and related interpretations. IFRS 16 is effective for accounting periods on or after 1 January 2019. Earlier adoption is permitted subject to EU endorsement and the entity adopting IFRS 15: Revenue from Contracts with Customers, at the same time. The Group will adopt IFRS 16 on 1 October 2018 in line with IFRS 15 using the modified retrospective transition approach. The Directors have assessed the potential impacts of IFRS 16 and estimate the opening balance sheet adjustment at 1 October 2018 to be an increase in both assets and liabilities by £1,839,000, the net impact will be nil.

Enhanced disclosures will be required, and these will be included in the financial statements of which the standards are effective.

Revenue recognition

Revenue, which excludes intra-group revenue and value added tax, comprises:

- value of work executed during the year on construction contracts based on monthly valuations;
- contract revenue from the design, installation and connection of utility networks; and
- contract revenue from electric vehicle and smart grid infrastructure.

Construction contracts – Tamdown

Contract revenue includes the initial amount agreed in the fixed-price contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in a flow of future economic benefit to the Group and can be measured reliably. Contract revenue and expenses are recognised in accordance with the stage of completion of the contract. The stage of completion is determined by surveys of work performed. Contract costs incurred that relate to future activities are deferred and recognised as work in progress. When it is probable that the total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately. To the extent that progress billings exceed costs incurred plus recognised profits (less recognised losses) they are recognised as trade receivables.

Margin on construction contracts is recognised by reference to the stage of completion and the final estimated margin, provided that the final outcome can be assessed with reasonable certainty. Contract costs are recognised as expenses in the period in which they are incurred, subject to the margin adjustments discussed below.

Where the actual profit margin to date is lower than the final forecast profit margin, this variance is classified as a work in progress asset on the statement of financial position. Where the actual to date profit margin is higher than the final forecast profit margin, this variance is classified as an accrual within liabilities. When it is probable that the total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

The gross amounts due from clients for contract work (including retentions) are shown as a receivable for all contracts in progress for which costs incurred plus recognised profits less recognised losses exceed progress billings. The gross amounts due to clients for contract work is shown as a liability for all contracts in progress for which the project billings exceed costs incurred plus recognised profits. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the client. Retentions are amounts of progress billings which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. Retentions are received upon acceptance by the client of the work performed and are included as an asset.

Design, installation and connection of utility networks – TriConnex

Contract revenue generated from the design, installation and connection of utility networks is recognised when the outcome of a construction contract can be reliably measured and when it is probable that the contract will be profitable.

Revenue is recognised over the period of the contract by reference to the stage of completion. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Notes to the financial statements continued
for the year ended 30 September 2018

1. Accounting policies continued

Design, installation and connection of utility networks – TriConnex continued

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Payments on account are shown as a liability and are recognised where the client has been billed in advance of services being supplied. The gross amounts due from clients for contract work is shown as a receivable for all contracts in progress for which costs incurred plus recognised profits less recognised losses and progress billings. The gross amounts due to clients for contract work is shown as a liability for all contracts in progress for which the project billings exceed costs incurred plus recognised profits. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the client.

Electric vehicle and smart grid infrastructure – eSmart Networks

Contract revenue generated from the electric vehicle and smart grid infrastructure is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided under contracts, net of VAT and trade discounts.

Revenue and contract costs are recognised at a point in time at the end of a contract once the performance obligation has been satisfied. Where a contract has only been partially completed at the date of the statement of financial position, revenue and contract cost are not recognised.

Payments on account are shown as a liability in the statement of financial position and are recorded where the client has been billed in advance of services being supplied. Contract costs are shown as an asset in the statement of financial position and are recorded as work in progress.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with other Group companies. All operating segments' operating results are regularly reviewed by the Executive Board, who are identified as the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance.

Inventory

Inventory is stated at the lower of costs and net realisable value. Cost of inventory is determined as follows:

Work in progress and finished goods	Costs of direct materials and labour plus attributable overheads based on normal level of activity
Raw materials	First in, first out method

Net realisable value is based on an estimated selling price less any further costs expected to be incurred for completion and disposal.

Retirement benefits: defined contribution schemes

Obligations for contributions to the defined contribution scheme are charged to the consolidated statement of total comprehensive income in the year to which they relate.

Exceptional items

Items that are unusual or infrequent in nature are presented in the statement of total comprehensive income as exceptional items.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. Land and buildings in construction are not depreciated. Other assets are depreciated at the following rates:

Freehold buildings	2.5% straight line
Plant and machinery	25% reducing balance
Motor vehicles	25% reducing balance
Fixtures and fittings	two to four years straight line
Leasehold improvements	over the life of the lease

Intangible assets – goodwill

Goodwill is the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. It is capitalised as an intangible asset and allocated to cash generating units (with separately identifiable cash flows) and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired.

Intangible assets – impairment

Intangible assets with indefinite lives are subject to impairment tests annually at the financial year end. The carrying values of non-financial assets with finite lives are reviewed for impairment when there is an indication that assets might be impaired. When the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.

When it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included in the consolidated statement of total comprehensive income, except to the extent they reverse previous gains recognised in the consolidated statement of total comprehensive income. An impairment loss recognised for goodwill is not reversed.

Financial assets
The Group classifies its financial assets into the category discussed below, based upon the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to clients (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables comprise trade and other receivables included within the statement of financial position.

Cash and cash equivalents include cash held at bank and short-term investments within three months of maturity and with insignificant likelihood of fluctuations in value.

Bank overdrafts are shown within loans and borrowings in current liabilities in the consolidated statement of financial position. For the purposes of the cash flow statement they are included in cash.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For the trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of total comprehensive income.

On confirmation that the trade receivables will not be collectable the gross carrying value of the asset is written off against the associated provision.

Financial liabilities
The Group classifies its financial liabilities as financial liabilities at amortised cost which include the following:

- bank loans which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate; and
- trade payables, obligations under finance leases/hire purchase agreements and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Investments
Subsidiaries

The Group has investments in subsidiaries which are carried at historical cost.

Unlisted investments

The Group's investment in unlisted shares are 'available for sale' and carried at fair value, unless this is not able to be determined when they will be carried at cost. The Group has no control over the strategic or financial activity of the companies it has invested in.

Share capital and retained earnings
Ordinary shares are classified as equity. Incremental costs attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings are classified as equity.

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability which is a contractual obligation to deliver cash or similar to another entity or a potentially unfavourable exchange of financial assets or liabilities with another entity.

Dividends
Final equity dividends to the shareholders of Nexus Infrastructure plc are recognised in the period that they are approved by shareholders. Interim equity dividends are recognised in the period that they are paid.

Dividends receivable are recognised when the Company's right to receive payment is established.

Leased assets
Where the risks and rewards of ownership of an asset are transferred to the Group as lessee, the lease is treated as a finance lease. Other leases are treated as operating leases. Future minimum lease payments payable under finance leases net of finance charges are included in creditors with the corresponding asset values recorded in property, plant and equipment and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the statement of total comprehensive income as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Payments under operating leases are charged to the consolidated statement of total comprehensive income on a straight line basis over the lease term.

Tax
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of total comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements continued
for the year ended 30 September 2018

1. Accounting policies continued

Tax continued

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries are jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Share-based payments

The share option scheme allows employees to acquire shares in the capital of the Company. The fair value of these share options is recognised as an employee expense in the statement of total comprehensive income, together with a corresponding credit to retained earnings in equity. The fair value is measured at grant date and spread over the period which the employees become unconditionally entitled to the options. The fair value of the share options granted is measured using generally accepted option pricing models, taking into account the terms and conditions upon which the share options were granted. This expense is recognised on a straight line basis based on the Group's estimate of the number of shares that will vest.

2. Critical accounting estimates and judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements:

- recoverability of debt – as part of the process of gaining new business it is necessary to carry out checks on the organisations for which the Group will carry out work. The value of individual contracts is substantial and the risk of default is always present so the estimate of the non-recoverability of the debt made by the Directors is critical. See note 18 for further details; and
- profitability of contracts – individual contracts are negotiated so as to provide a reasonable return to the Group. The calculation of the margin to be achieved and the pricing set by the Directors is of paramount importance to the success of the Group. The Directors make an accounting estimate which is an assessment on the profitability and margin of contracts.

3. Capital management

The Group's capital is made up of share capital and retained earnings totalling £21,811,000 (2017: £17,013,000).

The Group's objectives when maintaining capital are:

- to safeguard the entity'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 services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

4. Revenue

All revenues are generated from the supply of services relating to construction contracts, design, installation and connection of utility networks and electric vehicle and smart grid infrastructure.

5. Segmental analysis

The Group is organised into the following three operating divisions under the control of the Executive Board, which is identified as the Chief Operating Decision Maker as defined under IFRS 8: Operating Segments:

- Tamdown;
- TriConnex; and
- eSmart Networks.

All of the Group's operations are carried out entirely within the UK.

Segment information about the Group's operations is presented below:

	2018 £'000	2017 £'000
Revenue		
Tamdown	**102,452**	105,565
TriConnex	**32,211**	29,469
eSmart Networks	**275**	—
Total revenue	**134,938**	135,034
Gross profit		
Tamdown	**17,239**	17,282
TriConnex	**10,443**	9,959
eSmart Networks	**(40)**	—
Total gross profit	**27,642**	27,241
Operating profit		
Tamdown	**8,018**	7,210
TriConnex	**3,742**	3,490
eSmart Networks	**(723)**	—
Group administrative expenses	**(1,605)**	(3,083)
Operating profit before exceptional items	**9,432**	9,331
Exceptional items	**—**	(1,714)
Total operating profit	**9,432**	7,617
Net finance cost	**(220)**	(234)
Profit before tax	**9,212**	7,383
Taxation	**(1,918)**	(1,554)
Total comprehensive income for the year	**7,294**	5,829

Balance sheet analysis of operating segments:

	2018 Assets £'000	2018 Liabilities £'000	2018 Net assets £'000
Tamdown	**31,697**	**28,303**	**3,394**
TriConnex	**17,409**	**24,764**	**(7,355)**
eSmart Networks	**25**	**50**	**(25)**
Group	**5,880**	**6,497**	**(617)**
Net cash	**26,414**	**—**	**26,414**
	81,425	**59,614**	**21,811**

	2017 Assets £'000	2017 Liabilities £'000	2017 Net assets £'000
Tamdown	28,255	29,817	(1,562)
TriConnex	15,125	20,193	(5,068)
eSmart Networks	—	—	—
Group	5,596	9,019	(3,423)
Net cash	27,066	—	27,066
	76,042	59,029	17,013

Group represents head office expenses. Assets principally comprise goodwill and land. Liabilities principally comprise borrowings and creditors.

Notes to the financial statements continued

for the year ended 30 September 2018

5. Segmental analysis continued

More than one client is responsible for over 10% of revenue and is presented below:

	2018 £'000	2017 £'000
Tamdown		
Client 1[1]	–	13,496
Client 2	**18,419**	24,009
Client 3[2]	**17,026**	–

1 Client is no longer responsible for over 10% of revenue.
2 New client in the year.

6. Operating profit

The operating profit is stated after charging/crediting:

	2018 £'000	2017 £'000
Depreciation and amortisation:		
Owned		
Depreciation of property, plant and equipment	**682**	681
Depreciation of assets held under hire purchase contracts	**654**	719
Lease payments on land and buildings held under operating leases	**230**	222
(Profit)/loss on disposal of assets	**(119)**	20
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	**9**	9
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**81**	67
Services relating to corporate finance transactions	–	140
Reward advisory services	–	54
Tax advisory services	–	1
For tax compliance services	–	15

7. Staff cost

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Wages and salaries	**34,541**	31,265	**812**	663
Share-based payments	**(57)**	1,277	**(57)**	1,277
Social security costs	**3,723**	3,573	**116**	118
Other pension costs	**424**	343	**64**	71
	38,631	36,458	**935**	2,129

The average monthly number of employees (including Directors) during the year was:

	2018 Number	2017 Number
Tamdown	**644**	630
TriConnex	**242**	186
eSmart Networks	**4**	–
Group	**7**	7
	897	823

The average number of people employed by the Company (including Directors) during the year was seven (2017: seven).

Full details of the Directors' remuneration is provided in the audited part of the Remuneration Committee report on pages 34 to 35.

8. Exceptional items

	2018 £'000	2017 £'000
IPO transaction costs	–	611
Settlement of share-based management incentive arrangements	–	1,103
	–	1,714

The transaction costs relate to the admission of the Company to the Alternative Investment Market ("AIM") of the London Stock Exchange on 11 July 2017. The admission to AIM triggered the settlement of management incentive arrangements, with shares being transferred to members of management. The amount relates to the fair value of shares transferred.

9. Finance income and expense

	2018 £'000	2017 £'000
Finance income		
Interest on bank deposits	**29**	70
Finance expense		
Interest on bank loan	**(213)**	(260)
Interest on hire purchase agreements	**(36)**	(44)
	(249)	(304)
Finance expense (net)	**(220)**	(234)

10. Taxation

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on profits for the year	**1,898**	1,606
Adjustment in respect of prior periods	**89**	–
Total current tax	**1,987**	1,606
Deferred tax:		
Origination and reversal of timing differences	**(54)**	(52)
Adjustment in respect of prior periods	**(15)**	–
Effect of tax rate change on opening balance	–	–
Total tax charge	**1,918**	1,554

The tax assessed for the year is different from the standard rate of corporation tax as applied in the UK. The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	**9,212**	7,383
Profit before tax multiplied by the respective standard rate of corporation tax applicable in the UK (19.0%) (2017: 19.5%)	**1,750**	1,421
Effects of:		
Fixed asset differences	**27**	–
Non-deductible expenses	**61**	425
Adjustment in respect of prior periods	**89**	–
Adjustment in respect of prior periods – deferred tax	**(15)**	–
Deduction in respect of share options exercised	–	(311)
Deferred tax	**6**	19
Total tax charge	**1,918**	1,554

There was no income tax (charged)/credited directly to equity in the year (2017: nil).

Notes to the financial statements continued
for the year ended 30 September 2018

11. Dividends

Group and Company	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 September 2018 of 2.2p (2017: 2.1p) per share	**838**	799
Final dividend for the year ended 30 September 2017 of 4.2p (2016: 7.1p) per share	**1,601**	2,677
	2,439	3,476

The proposed final dividend for the year ended 30 September 2018 of 4.4p per share (2017: 4.2p per share) makes a total dividend for the year of 6.6p (2017: 6.3p). The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The total estimated final dividend to be paid is £1,677,000.

12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of shares in issue for the year. Diluted earnings per share is calculated by adjusting the weighted average numbers of shares in issue for the year to assume conversion of all dilutive potential shares.

The calculation of the basic and diluted earnings per share is based on the following data:

	2018 £'000	2017 £'000
Profit for the year attributable to equity shareholders	**7,294**	5,829
Weighted average number of shares in issue for the year	**38,117,850**	37,844,645
Effect of dilutive potential ordinary shares:		
Share options	**576,617**	999,124
Weighted average number of shares for the purpose of diluted earnings per share	**38,694,467**	38,843,769
Basic earnings (p per share)	**19.14**	15.40
Diluted earnings (p per share)	**18.85**	15.01

13. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 October 2016	627	657	6,632	1,473	518	9,907
Additions	2,945	–	1,517	207	401	5,070
Disposals	–	–	(1,922)	(355)	(397)	(2,674)
At 30 September 2017	3,572	657	6,227	1,325	522	12,303
Additions	406	–	130	192	87	815
Disposals	–	–	(1,476)	(317)	–	(1,793)
At 30 September 2018	**3,978**	**657**	**4,881**	**1,200**	**609**	**11,325**
Accumulated depreciation						
At 1 October 2016	239	213	3,658	585	438	5,133
Charge for the year	16	151	885	251	97	1,400
Disposals	–	–	(1,374)	(274)	(377)	(2,025)
At 30 September 2017	255	364	3,169	562	158	4,508
Charge for the year	16	151	781	181	207	1,336
Disposals	–	–	(1,130)	(242)	–	(1,372)
At 30 September 2018	**271**	**515**	**2,820**	**501**	**365**	**4,472**
Net book value						
At 30 September 2016	388	444	2,974	888	80	4,774
At 30 September 2017	3,317	293	3,058	763	364	7,795
At 30 September 2018	**3,707**	**142**	**2,061**	**699**	**244**	**6,853**

The net book value of assets held under finance leases or hire purchase contracts (included above) are as follows:

	2018 £'000	2017 £'000
Plant and machinery	**1,763**	2,817

Company	Freehold land and buildings in construction £'000
Cost	
At 1 October 2016	–
Additions	2,945
Disposals	–
At 30 September 2017	2,945
Additions	406
Disposals	–
At 30 September 2018	**3,351**
Accumulated depreciation	
At 1 October 2016	–
Charge for the year	–
Disposals	–
At 30 September 2017	–
Charge for the year	–
Disposals	–
At 30 September 2018	**–**
Net book value	
At 30 September 2016	–
At 30 September 2017	2,945
At 30 September 2018	**3,351**

14. Goodwill

	2018 £'000	2017 £'000
Carrying value	**2,361**	2,361

Impairment testing

The Group tests goodwill annually for impairment. During the year, impairment tests were undertaken over the goodwill of Tamdown Group Limited (£2,361,000). There are considered to be the three cash generating units ("CGUs") in the Group which will provide the future economic benefit to the Group comprising Tamdown Group Limited, TriConnex Limited and eSmart Networks Limited. No goodwill is attached to TriConnex Limited or eSmart Networks Limited.

The recoverable amount was determined using a value-in-use calculation based upon management forecasts for the trading results for the three years ending 30 September 2021 extended to 30 September 2023 using a conservative estimated growth rate of 2.5%.

A discount rate of 10% has been used in this calculation, which is based upon the capital structure of the Group. Changes to the capital structure may impact upon the Group's discount rate in future periods. The key assumptions utilised within the forecast model relates to the level of future sales, which have been estimated based upon the Directors' expectations, current trading and recent actual trading performance. The value-in-use calculation indicates that Tamdown Group Limited has a recoverable amount which is greater than the carrying amount of assets allocated to them. The Directors have undertaken sensitivity analysis and do not feel that a reasonable change in assumption will give rise to an impairment.

Notes to the financial statements continued
for the year ended 30 September 2018

15. Investments in subsidiaries

	2018 £'000	2017 £'000
Investments in subsidiary companies	**20,545**	20,545

The following are subsidiaries of Nexus Infrastructure plc, which owns 100% of the ordinary share capital, all of which are registered in England and Wales:

	Activity
Tamdown Group Limited	Construction services
Tamdown Regeneration Limited[1]	Dormant
Tamdown Services Limited[1]	Supply of labour to the construction industry
Tamdown Plant Hire Limited[1]	Engineering plant hire
TriConnex Limited	Utilities contractor
eSmart Networks Limited	Electric vehicle and smart grid infrastructure

1 Held by Tamdown Group Limited.

The registered address of all subsidiaries apart from TriConnex Limited is 1 Tamdown Way, Braintree, Essex, CM7 2QL. The registered address of TriConnex Limited is 4 Tamdown Way, Braintree, Essex, CM7 2QL.

Investments in Group undertakings are recorded at cost.

16. Other investments

The Group held investments that are 'available for sale' where the Group has no control over the strategic or financial activity of the investment, as shown below:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Unlisted investments				
At 1 October	**55**	60	**55**	60
Addition	**–**	–	**–**	–
Disposal	**(8)**	–	**(8)**	–
Write off	**–**	(5)	**–**	(5)
At 30 September	**47**	55	**47**	55

17. Inventories

	2018 £'000	2017 £'000
Work in progress	**3,287**	924
Raw materials	**30**	–
	3,317	924

18. Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade receivables	**32,954**	27,733	**–**	–
Other receivables	**1,291**	1,231	**5**	24
Prepayments	**757**	645	**108**	211
Accrued income	**7,424**	8,232	**–**	–
Amounts owed by Group undertakings	**–**	–	**251**	21
	42,426	37,841	**364**	256

Overdue trade receivables	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
By less than three months	**5,082**	5,002	**–**	–
Over three but less than six months	**596**	962	**–**	–
Over six months but less than one year	**1,252**	1,482	**–**	–
Over one year	**1,196**	883	**–**	–
	8,126	8,329	**–**	–

The carrying value of trade and other receivables is stated after the following allowance for doubtful debts:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 October	**2,492**	3,241	**–**	–
Additions	**–**	–	**–**	–
Written back to the statement of total comprehensive income	**(1,191)**	(749)	**–**	–
Written off as impaired	**–**	–	**–**	–
At 30 September	**1,301**	2,492	**–**	–

During the year, a detailed review of trade receivable balances was carried out, which resulted in allowances that were no longer required being written back to the statement of total comprehensive income.

Amounts owed by Group undertakings are unsecured and repayable on demand.

19. Borrowings

Group and Company	2018 £'000	2017 £'000
Current	**2,000**	2,000
Non-current	**4,400**	6,400

The Company entered into a £12.0m five-year term facility with Allied Irish Bank in December 2015. The loan is secured over the whole of the Company's undertaking and assets and by way of cross guarantee from other Group undertakings. The loan carries interest at LIBOR plus 2.25%.

20. Trade and other payables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade payables	**30,664**	28,214	**48**	436
Other payables	**608**	801	**1**	–
Payments on account	**16,982**	13,195	**–**	–
Obligations under finance leases/hire purchase agreements	**430**	656	**–**	–
Accruals	**2,581**	5,875	**9**	197
Social security and other tax payable	**1,332**	1,168	**32**	44
Amounts owed to Group undertakings	**–**	–	**7,591**	6,612
Current	**52,597**	49,909	**7,681**	7,289
Obligations under finance leases/hire purchase agreements	**156**	619	**–**	–
Non-current	**156**	619	**–**	–
	52,753	50,528	**7,681**	7,289

Notes to the financial statements continued
for the year ended 30 September 2018

20. Trade and other payables continued

The present value of finance lease/hire purchase liabilities is as follows:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Within one year	**450**	690	**–**	–
Two to five years	**163**	649	**–**	–
Over five years	**–**	–	**–**	–
Future finance charge on finance lease/ hire purchase liabilities	**(27)**	(64)	**–**	–
Present value of finance lease/hire purchase liabilities	**586**	1,275	**–**	–

Amounts owed to Group undertakings are unsecured and repayable on demand.

21. Deferred income tax

Accelerated capital allowances	2018 £'000	2017 £'000
Brought forward	**62**	102
Credit for the year	**(69)**	(40)
	(7)	62

22. Share capital

On 5 July 2017, the Company passed resolutions to issue 7,200 non-voting shares of £1.00 each in the capital of the Company. 1,700 of these shares were issued to the Trustee of the Share Incentive Plan, with the balance of 5,500 issued to Garbol Warehousing Limited to be held as nominee for certain members of the Group's management team.

On 5 July 2017, the Group passed resolutions, conditional upon admission and to take effect immediately prior to admission, to restructure the Company's capital to reclassify all shares as ordinary voting shares and to subdivide and redesignate the shares as ordinary shares of £0.02 each.

Shares are fully paid at par and the rights attached to the ordinary shares are disclosed within the articles of association.

Group and Company	2018 £'000	2017 £'000
38,117,850 ordinary shares of £0.02 each	**762**	762
	762	762

23. Financial instruments

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Non-current assets				
Investments – assets held for sale	**47**	55	**47**	55
	47	55	**47**	55
Current assets				
Trade receivables	**32,954**	27,733	**–**	–
Accrued income	**7,424**	8,232	**–**	–
Other receivables	**434**	246	**1**	–
Amounts owed by Group undertakings	**–**	–	**251**	21
	40,812	36,211	**252**	21
Cash and cash equivalents	**26,414**	27,066	**318**	156
Total loans and receivables	**67,273**	63,332	**617**	232

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Non-current liabilities				
Borrowings	**4,400**	6,400	**4,400**	6,400
Obligations under finance leases/ hire purchase agreements	**156**	619	**–**	–
	4,556	7,019	**4,400**	6,400
Current liabilities				
Borrowings	**2,000**	2,000	**2,000**	2,000
Trade payables	**30,664**	28,214	**48**	436
Accruals	**2,581**	5,875	**9**	197
Other payables	**1,940**	1,967	**33**	44
Obligations under finance leases/ hire purchase agreements	**430**	656	**–**	–
Amounts owed to Group undertakings	**–**	–	**7,591**	6,612
	37,615	38,712	**9,681**	9,289
Total at amortised cost	**42,171**	45,731	**14,081**	15,689

24. Operating leases

The following payments are due to be made on operating lease commitments which are all leases on office accommodation:

Group	2018 £'000	2017 £'000
Within one year	**240**	191
Two to five years	**630**	111
	870	302

25. Financial risk management

The Group and Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, capital risk and market risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Board and their policies are outlined below.

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored.

The maximum exposure to credit risk is the value of the outstanding amount of cash balances and trade and other receivables:

	2018 £'000	2017 £'000
Group		
Trade and other receivables	**42,426**	37,841
Cash and cash equivalents	**26,414**	27,066
Company		
Trade and other receivables	**364**	256
Cash and cash equivalents	**318**	156

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Provision of services by members of the Group results in trade receivables which the management consider to be of low risk. The management do not consider that there is any concentration of risk within either trade or other receivables.

Notes to the financial statements continued
for the year ended 30 September 2018

25. Financial risk management continued

b) Liquidity risk

Group

The Group currently holds cash balances in sterling to provide funding for normal trading activity. Trade and other payables are monitored as part of normal management routine. The Group's financial liabilities have contractual maturities as summarised below:

2018	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	**2,167**	**6,675**	**–**
Net obligations under finance leases/hire purchase agreements	**450**	**163**	**–**
Trade payables	**30,664**	**–**	**–**
Accruals and payments on account	**19,563**	**–**	**–**
Other payables	**1,940**	**–**	**–**

2017	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	2,191	6,821	–
Net obligations under finance leases/hire purchase agreements	690	649	–
Trade payables	28,214	–	–
Accruals and payments on account	19,070	–	–
Other payables	1,967	–	–

The bank loans and overdrafts are secured by cross guarantees from other Group undertakings.

Company

The Company holds minimum cash balances. Trade and other payables are monitored as part of normal management routine. Liabilities are disclosed as follows:

2018	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	**2,167**	**6,675**	**–**
Trade payables	**48**	**–**	**–**
Amounts owed to Group undertakings	**7,591**	**–**	**–**
Accruals and payments on account	**9**	**–**	**–**
Other payables	**33**	**–**	**–**

2017	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	2,191	6,821	–
Trade payables	436	–	–
Amounts owed to Group undertakings	6,612	–	–
Accruals and payments on account	197	–	–
Other payables	44	–	–

c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure which optimises the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board.

d) Market risk

The Group is exposed to interest rate risk and the borrowings carry interest at LIBOR plus 2.25% as per note 19.

26. Share-based payments

During the year to 30 September 2018, the Group had five share-based payment arrangements, all of which are equity settled.

A summary of the arrangements is shown below:

Arrangement	Contractual life	Vesting conditions
Share incentive plan	Rolling scheme	All employees who were employed by the Group on 11 July 2017 were awarded 100 free shares that are subject to a three-year holding period. These will be forfeited if the employee leaves before the end of the holding period. Employees can also purchase partnership shares that are immediately exercisable. The Group matches partnership shares on a one for three basis. The Group matching shares are only exercisable after three years.
Share options (2016)	Three years	For the Executive Directors the award will vest on the third anniversary of the grant date of 16 August 2019 if performance conditions have been met. The performance conditions include an EPS growth target for the three financial years from 1 October 2015 to 30 September 2018.
Share options (2017)	Three years	For the Executive Directors the award will vest on the third anniversary of the grant date of 15 June 2020 if performance conditions have been met. The performance conditions include an EPS growth target for the three financial years from 1 October 2016 to 30 September 2019.
IPO share incentive arrangements	Two years	For members of senior management of the Group, the award vested immediately upon admission to the Alternative Investment Market of the London Stock Exchange.
Share options (2018)	Three years	For the Executive Directors the award will vest on the third anniversary of the grant date of 20 February 2021 if performance conditions have been met. The performance conditions include an EPS growth target and a total shareholder return ("TSR") target for the three financial years from 1 October 2017 to 30 September 2020.

Fair value is used to measure the value of outstanding options.

Share incentive plan

The fair value of each share granted in the share incentive plan is equal to the share price at the date of the grant. Shares are granted on a monthly basis.

Share options

On 5 July 2017, the Group passed resolutions to restructure its capital to be subdivided and redesignated as ordinary shares of £0.02 each.

Transfer of shares on IPO

The fair value of each share granted is equal to the share price at the date of the grant less a usual pre-IPO discount.

The fair value per option has been calculated using generally accepted option pricing models. The inputs into the models were as follows:

Date of grant	16/08/2016	15/06/2017	15/06/2017	20/02/2018
Stock price at grant date	£1.69	£1.48	£1.48	£2.48
Exercise price	£0.02	£0.02	£0.00	£0.02
Expected life	Three years	Three years	Three years	Three years
Expiry date	16/08/2026	15/06/2027	15/06/2019	20/02/2028
Expected volatility	40%	43%	43%	35%
Risk-free interest rate	0.12%	0.20%	0.20%	0.85%
Dividend yield	4.40%	4.25%	4.25%	3.40%
Fair value of one option (EPS)	£1.46	£1.29	£1.26	£2.22
Fair value of one option (TSR)	£0.00	£0.00	£0.00	£1.81

Further details of the option plans are as follows:

	2018 Number
Outstanding at 1 October 2017	**1,751,200**
Granted in the year	**816,343**
Forfeited	**144,830**
Outstanding at 30 September 2018	**2,422,713**

The total share-based payments charged to the statement of total comprehensive income was a credit of £57,000 (2017: charge of £1,277,000).

Notes to the financial statements continued

for the year ended 30 September 2018

27. Related party transactions

The Group's key management personnel are the Executive and Non-Executive Directors, as identified in the Remuneration Committee report on page 34.

	Group 2018 £'000	Group 2017 £'000	**Company 2018 £'000**	Company 2017 £'000
Dividend received from other Group companies	**–**	–	**6,591**	10
Amounts sold to the Nexus Community Trust	**4**	–	**–**	–
Donations made to the Nexus Community Trust	**8**	–	**–**	–
Transactions with Keith Breen for the supply of construction services	**3**	37	**–**	–

Keith Breen is a employee of Tamdown Group Limited and was a Director of the Company until his resignation on 14 March 2016. Keith Breen and connected persons own 6,573,050 shares in the Company.

In the year, the Group transacted with the Nexus Community Trust, of which Mike Morris is a trustee. The Nexus Community Trust is a charitable trust established to support and help those charities which have been involved with, and affect the lives of, the staff of Nexus and its subsidiary companies. The terms were at normal market rates and payment terms. The amount owed to the Nexus Community Trust at 30 September 2018 was nil (2017: nil).

28. Contingent liabilities

Group and Company

Under a Group registration the Company is jointly liable for Value Added Tax by other Group companies.

The Group's bank debt is guaranteed jointly and severally with other Group companies. At 30 September 2018, the bank debt covered by this guarantee amounted to £6,400,000 (2017: £8,400,000).

These debts are also secured by a fixed and floating charge over the assets of the Company.

29. Capital commitments

Group and Company

At 30 September 2018, the Group had capital commitments of £2,436,000 (2017: £nil) relating to plant and equipment. The Company had no capital commitments (2017: £nil).

30. Events after the reporting period

Group and Company

There are no events after the reporting period to disclose.

Further information

Registered office
1 Tamdown Way
Braintree
Essex CM7 2QL

Registered number
05635505
Registered in England and Wales

Company Secretary
Dawn Hillman

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1 Undershaft
London EC3A 8AB

Nomad and Broker
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The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Auditor
PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St. Johns Innovation Park
Cowley Road
Cambridge CB4 0DS

Solicitors
Mills & Reeve
Botanic House
100 Hills Road
Cambridge CB2 1PH

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial PR
Camarco
107 Cheapside
London EC2V 6DN

Shareholder information

Shareholder enquiries
Any shareholder with enquiries should, in the first instance, contact our Registrar using the address provided above.

Share price information
London Stock Exchange
Symbol: NEXS.

Investor relations
Nexus International plc
1 Tamdown Way
Braintree
Essex CM7 2QL

Email:
investors@nexus-infrastructure.com

Tel: 01376 320 856

Financial calendar

Annual General Meeting ("AGM")
The Company's AGM will be held on 27 February 2019 at Radisson Blu Hotel, Waltham Close, London Stansted Airport, Essex CM24 1PP.

Final dividend
The final dividend will be paid on 5 March 2019 to shareholders on the register at close of business on 8 February 2019. The shares will go ex-dividend on 7 February 2019.

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