Date: 21 May 2019

Nexus Infrastructure plc ("Nexus")
Interim results for the six months ended 31 March 2019

Future growth trajectory underpinned by strong Group order book

Nexus, a leading provider of essential infrastructure services to the UK housebuilding and commercial sectors, today announces its interim results for the six months ended 31 March 2019.

Mike Morris, Chief Executive of Nexus, commented:

"We have taken immediate action to review and improve Tamdown's operational efficiency, addressing resource planning issues arising from changes to build programmes and cost pressures. TriConnex has performed strongly and growth is anticipated to continue in line with management expectations. eSmart Networks is scaling up and is delivering against our clearly defined growth plans.

"Our £311m order book across all divisions is seeing substantial growth, up 66% since IPO, and gives us visibility of future revenues. This, coupled with our strong cash generation, gives us confidence for the future and is reflected in our decision to maintain the interim dividend."

Key Group financial highlights:

- Group revenue increased by 12.9% to £71.0m (H1 2018: £62.9m)
- Group operating profit of £2.9m (H1 2018: £3.5m)
- Group order book remains strong, increasing by 32.6% to £311m (H1 2018: £234.6m)

Strong balance sheet & cash generation:

- 16.7% growth in net assets to £21.3m at 31 March 2019 (31 March 2018: £18.3m)
- Net cash up to £12.4m (31 March 2018: £7.4m)
- Interim dividend of 2.2p per share (H1 2018: 2.2p per share) in line with prior year

Strategic progress:

- Tamdown's management team is undertaking a detailed operational review of the business in order to address resource planning issues arising from changes to build programmes and cost pressures. This review is well advanced and focuses on optimising efficiency across the labour force, contract costs and how Tamdown interacts with its customers.
- TriConnex continues to grow by attracting new customers and leveraging its differentiation in terms of multi-utility connection services.
- eSmart Networks continues to scale up and position itself as a quality end-to-end solution of design, installation and connection of rapid electric vehicle charging infrastructure, battery storage and smart grid infrastructure.

Divisional performances:

- Tamdown:
    - Revenues up 6.1% to £50.8m (H1 2018: £47.9m)
    - Operating profit of £1.8m (H1 2018: £2.5m)
    - Order book up 22.5% to £145.0m (H1 2018: £118.4m)

- TriConnex:
    - Revenues up 29.6% to £19.5m (H1 2018 £15.0m)
    - Operating profit up 17.4% to £2.3m (H1 2018: £1.9m)
    - Order book up 40.9% to £163.0m (H1 2018: £115.7m)

- eSmart Networks:
    - Revenues of £0.7m (H1 2018: £Nil)
    - Operating loss of £0.4m (H1 2018: £0.2m)
    - Order book of £3.0m (H1 2018: £0.5m)

Enquiries:

Nexus Infrastructure plc Tel: 01376 320856
Michael Morris, Chief Executive Officer
Alan Martin, Chief Financial Officer

Numis Securities Limited Tel: 0207 260 1200
(Nominated Adviser & Broker)
Oliver Hardy (Nomad)
Heraclis Economides
Ben Stoop

Camarco Tel: 0203 757 4992
(Financial Public Relations)
Ginny Pulbrook
Tom Huddart
Oliver Head

Notes to Editors:

Nexus is a leading provider of essential infrastructure services to the UK housebuilding and commercial sectors. The Group comprises: 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 focuses on electric vehicle charging and smart grid infrastructure.

Tamdown has a well-established market position having been in operation for over 40 years and currently counts amongst its customers the majority of the top ten largest UK housebuilders. TriConnex was 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. eSmart Networks was set up in 2018 to respond to the UK's need for charging infrastructure as the transition from internal combustion engine vehicles to electric vehicles gathers pace.

Business and Financial Review

The Group has recorded revenue ahead of the performance in H1 2018 and has continued to successfully secure work, with the order book standing at £311m, an increase of 32% year on year.

Group revenue increased 12.9% to £71.0m (H1 2018: £62.9m), with Group operating profit decreasing by 16.7% to £2.9m (H1 2018: £3.5m), reflecting the previously announced industry driven delays and changes to customer build programmes within Tamdown.

The Group's balance sheet remains strong with net assets of £21.3m at 31 March 2019 compared to £18.3m at 31 March 2018. Included within the net assets balance is cash and cash equivalents of £17.8m (31 March 2018: £14.8m) and net cash at 31 March 2019 was £12.4m (31 March 2018: £7.4m).

Tamdown

Tamdown provides a range of specialised infrastructure and engineering services to the UK housebuilding sectors, with operations focused on the South East of England and London. Tamdown has an established market leading position, with a reputation for providing quality services to a broad range of the top UK housebuilders. The structural undersupply of the housing market continues, which provides confidence that our customers will continue to demand our services.

Revenue for Tamdown increased by 6.1% to £50.8m (H1 2018: £47.9m).

As previously announced, the impact of the industry-driven delays and current trading conditions, which are caused in part by the uncertain political backdrop, is that gross margin for the period decreased to 13.3% (H1 2018: 16.3%). The delays and changes to customer build programmes are affecting resource planning, increasing mobilisation costs and so impacting efficiency. Also, customer pricing pressure and higher than expected cost inflation have resulted in increased pressure on revenues and margins. As a result of current trading conditions and although on-site activity within Tamdown is picking up, management expect gross margins to continue at this level for the remainder of the year. Operating profit for the period totalled £1.8m (H1 2018: £2.5m).

Against this difficult market backdrop, the Tamdown team is undertaking an operational review to address the resource planning and cost management issues arising from the change in timings of customer build programmes and cost pressures. This includes an assessment of how to optimise efficiency across the labour force, including varying options for our skilled workforce in order to best manage changes to build programmes and delays to the commencement of on-site works. The review is also considering all costs in the delivery of contracts and how Tamdown best interacts with its customers.

We are pleased to report that Tamdown continues to be active and competitive, winning work from its extensive client base with whom we continue to have strong relationships. Tamdown has continued to build on its strong market position with the order book increasing 22.5% year on year to £145.0m (H1 2018: £118.4m) and a 1.8% increase in the first half of the financial year. We believe that the UK housing market fundamentals remain strong despite the short-term headwinds we are experiencing.

TriConnex

TriConnex designs, installs and connects gas, electricity, water and fibre networks on new residential and commercial developments, with operations in the South East, Midlands and South West of England.

Revenue for TriConnex increased by 29.6% to £19.5m (H1 2018: £15.0m). Gross profit increased by 17.9% to £6.0m (H1 2018: £5.1m) with gross margins for the period at 31.0% (H1 2018: 34.1%).

Operating profit increased by 17.4% to £2.3m (H1 2018: £1.8m).

TriConnex continues to differentiate itself in the market through its provision of a full multi-utility connection offering, coupled with a deep focus on outstanding customer service. The business continues to be successful in securing orders, with the order book increasing by 40.9% year on year to £163.0m (H1 2018: £115.7m) and a 11.3% increase in the first half of the financial year. The increase in the order book illustrates that customers continue to be active and the increased order book provides good long-term visibility.

The fundamental market growth drivers for the business are positive, which with the increase in order book, means that our business is well positioned to deliver further growth.

eSmart Networks

eSmart Networks was created to respond to the UK's need for charging infrastructure as the transition from internal combustion engine to electric vehicles gathers pace. eSmart Networks provides a quality end to end solution of design, installation and connection of rapid electric vehicle charging infrastructure, battery storage and smart grid infrastructure, for a variety of customers such as charge point network operators, local authorities, vehicles OEMs, direct B2B and direct B2C. The skills and capabilities within the business allow us to provide turnkey EV charging solutions for customers, with our ability to control the timescale and grid connection process making for an accelerated installation for customers.

Revenue for the period totalled £0.7m (H1 2018: Nil). Gross margin in the period was 22.0% with gross profit of £0.2m. The business has continued to scale up during the period, which has required additional resources and investment. The operating loss for the period was £0.4m (H1 2018: £0.2m).

eSmart Networks has been successful in securing contracts for installation of rapid charging units with the order book growing 500% year on year to £3.0m (H1 2018: £0.5m).

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

Dividend and Dividend timetable

In the light of these results and our confidence in the future, the Board is declaring an interim dividend of 2.2 pence per share, in line with the prior year (H1 2018: 2.2 pence per share).

The interim dividend will be paid on 12 July 2019 to shareholders on the register at close of business on 14 June 2019. The shares will go ex-dividend on 13 June 2019.

Financial Overview

The interim report has been prepared on the basis of the accounting policies as set out in the Report and Accounts for the year ended 30 September 2018, with the exception of the adoption of the following standards; IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers, and IFRS 16: Leases, as outlined in notes 1b and 1c.

Income statement

Group revenue increased 12.9% to £71.0m (H1 2018: £62.9m), with revenue growth across all businesses.

Group gross profit was broadly in line with the prior year at £13.0m (H1 2018: £12.9m), with an overall gross margin of 18.3% (H1 2018: 20.6%).

The Group's operating profit totalled £2.9m (H1 2018: £3.5m). Net finance costs totalled £0.1m (H1 2018: £0.1m) resulting in profit before tax of £2.8m (H1 2018: £3.4m).

The tax charge for the period was £1.1m (H1 2018: £0.7m), with the charge including a prior year item of £0.4m which has been recorded as an exceptional item. The underlying tax rate for the period, excluding the exceptional item, was 22.9% (H1 2018: 19.6%).

The profit after tax for the period totalled £1.7m (H1 2018: £2.7m).

Basic earnings per share for the period was 4.56p, including the impact of the exceptional tax charge (H1 2018: 7.20p). The underlying basic earnings per share, adjusting for the exceptional tax charge, was 5.67p (H1 2018: 7.20p).

Balance Sheet and Cash Flow

The Group's balance sheet remains strong with net assets standing at £21.3m at 31 March 2019 compared to £18.3m at 31 March 2018. Working capital decreased by £2.2m since 31 March 2018, with inventories increasing £3.1m, receivables increasing £7.5m and payables increasing £12.8m. Included within the net assets balance is cash and cash equivalents of £17.8m (31 March 2018: £14.8m), with net cash, adjusting for borrowings, totalling £12.4m (31 March 2018: £7.4m).

In line with the prior year, cash was utilised in the first half of the year, with operating activities utilising £4.3m (H1 2018: £8.5m). The Board expects that working capital will reduce in H2 2019, as occurred in H2 2018, resulting in operating cash flows in H2 2019 being positive. Dividends and other financing activities consumed £3.5m in the first half (H1 2018: £2.9m).

Risks and Uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to identify, monitor and control these risks. The Directors consider that the principal risks and uncertainties facing the Group are those outlined on pages 23 to 25 of the Report and Accounts for the year ended 30 September 2018.

<u>Summary and Outlook</u>

The Nexus team has taken immediate action to review and improve Tamdown's operational efficiency, addressing resource planning issues arising from changes to build programmes and cost pressures. TriConnex has performed strongly and growth is anticipated to continue in line with management expectations. eSmart Networks is scaling up and is delivering against our clearly defined growth plans.

Our £311m order book across all divisions is seeing substantial growth, up 66% since IPO, and gives us visibility of future revenues. This, coupled with our strong cash generation, gives us confidence for the future and is reflected in our decision to maintain the interim dividend.

Mike Morris
Chief Executive Officer

Condensed consolidated statement of total comprehensive income
For the six months to 31 March 2019

	Note	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Revenue		71,022	62,920	134,938
Cost of sales		(58,035)	(49,985)	(107,296)
Gross profit		12,987	12,935	27,642
Administrative expenses		(10,053)	(9,413)	(18,210)
Operating profit		2,934	3,522	9,432
Finance income		26	17	29
Finance expense		(159)	(125)	(249)
Profit before tax		2,801	3,414	9,212
Taxation	3	(1,061)	(670)	(1,918)
Profit and total comprehensive income for the period attributable to equity holders of the parent		**1,740**	**2,744**	**7,294**
Earnings per share (p per share)				
Basic	5	4.56	7.20	19.14
Diluted	5	4.35	6.86	18.85

Condensed consolidated statement of financial position
at 31 March 2019

	Note	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Non-current assets				
Property, plant and equipment		9,417	7,263	6,853
Right of use assets		1,724	-	-
Goodwill		2,361	2,361	2,361
Other investments		43	55	47
Deferred tax asset		7	-	7
Total non-current assets		13,552	9,679	9,268
Current assets				
Inventories		5,648	2,501	3,317
Trade and other receivables		46,502	39,046	42,426
Cash and cash equivalents		17,836	14,818	26,414
Total current assets		69,986	56,365	72,157
Total assets		83,538	66,044	81,425
Current liabilities				
Borrowings	6	2,000	2,000	2,000
Trade and other payables		52,550	39,753	52,597
Corporation tax		702	181	461
Total current liabilities		55,252	41,934	55,058
Non-current liabilities				
Borrowings	6	3,400	5,400	4,400
Trade and other payables		3,539	358	156
Deferred tax liabilities		-	62	-
Total non-current liabilities		6,939	5,820	4,556
Total liabilities		62,191	47,754	59,614
Net assets		**21,347**	**18,290**	**21,811**
Equity attributable to equity holders of the Company				
Share capital		762	762	762
Retained earnings		20,585	17,528	21,049
Total equity		**21,347**	**18,290**	**21,811**

Condensed consolidated statement of changes in equity
For the six months to 31 March 2019

	Share capital	Retained earnings	Total
	£'000	**£'000**	**£'000**
Equity at 1 October 2017 (Audited)	762	16,251	17,013
Transactions with owners			
Dividend paid	-	(1,601)	(1,601)
Share-based payments		134	134
	-	(1,467)	(1,467)
Total comprehensive income			
Profit and total comprehensive income for the period	-	2,744	2,744
	-	2,744	2,744
Equity at 31 March 2018 (Unaudited)	762	17,528	18,290
Transaction with owners			
Dividend paid	-	(838)	(838)
Share-based payments	-	(191)	(191)
	-	(1,029)	(1,029)
Total comprehensive income			
Profit and total comprehensive income for the period	-	4,550	4,550
	-	4,550	4,550
Equity at 30 September 2018 (Audited)	762	21,049	21,811
Transaction with owners			
Dividend paid	-	(1,677)	(1,677)
Share-based payments	-	261	261
	-	(1,416)	(1,416)
Total comprehensive income			
Profit and total comprehensive income for the period	-	1,740	1,740
Opening IFRS 15 adjustment	-	(788)	(788)
	-	952	952
Equity at 31 March 2019 (Unaudited)	762	20,585	21,347

Condensed consolidated statement of cash flows
For the six months to 31 March 2019

	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Cash flow from operating activities			
Profit before tax	2,801	3,414	9,212
Adjusted by:			
Profit on disposal of plant and equipment	(62)	(2)	(119)
Share-based payments	261	134	(57)
Finance expense (net)	133	108	220
Depreciation of property, plant and equipment	986	672	1,336
Operating profit before working capital charges	4,119	4,326	10,592
Working capital adjustments:			
Increase in trade and other receivables	(4,992)	(1,205)	(4,779)
Increase in inventories	(2,331)	(1,577)	(2,393)
Increase/(decrease) in trade and other payables	(1,115)	(10,090)	3,107
Cash generated from operating activities	(4,319)	(8,546)	6,527
Interest paid	(159)	(125)	(249)
Taxation paid	(819)	(527)	(1,564)
Net cash flows generated from operating activities	(5,297)	(9,198)	4,714
Investing activities			
Purchase of property, plant and equipment	(562)	(245)	(815)
Proceeds from disposal of plant and equipment	702	107	540
Proceeds from the disposal of available for sale investments	4	-	8
Interest received	26	17	29
Net cash used in investing activities	170	(121)	(238)
Cash flow from financing activities			
Dividend payment	(1,677)	(1,601)	(2,439)
Repayment of loans	(1,000)	(1,000)	(2,000)
Principle elements of lease repayments	(774)	(328)	(689)
Net cash used in financing activities	(3,451)	(2,929)	(5,128)
Net change in cash and cash equivalents	(8,578)	(12,248)	(652)
Cash and cash equivalents at the beginning of the period	26,414	27,066	27,066
Cash and cash equivalents at the end of the period	**17,836**	**14,818**	**26,414**

Notes to the condensed consolidated financial statements
For the six months to 31 March 2019

1a. Basis of preparation and accounting policies

The interim report of the Group for the six months ended 31 March 2019 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union ("EU") and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

The interim report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and is neither audited nor reviewed. It should be read in conjunction with the Report and Accounts for the year ended 30 September 2018, which is available on request from the Group's registered office, 1 Tamdown Way, Braintree, Essex, CM7 2QL, or can be downloaded from the website www.nexus-infrastructure.com.

The comparative information for the financial year ended 30 September 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention by the way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The interim report has been prepared on the basis of the accounting policies as set out in the Report and Accounts for the year ended 30 September 2018, except as outlined in note 1b.

In determining the appropriate basis of preparation of the interim report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim report.

1b. Change of accounting policies

The following standards have been adopted by the Group during the current reporting period:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

IFRS 9: Financial Instruments
IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 became effective for accounting periods beginning on or after 1 January 2018 and the Group adopted IFRS 9 on 1 October 2018.

The most significant area of change which could potentially impact the Group's reported results is the introduction of an "expected credit loss" model. This model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses, as is the case under IAS 39. The Group's trade receivables are the main asset that are subject to IFRS 9's expected credit loss model and based on an assessment of historic credit losses on the Group's financial assets and the likelihood of the occurrence of future credit losses, the Directors consider there to be no significant change to the way the Group accounts for impairments. There has been no impact on the financial statements from the implementation of IFRS 9.

The classification and measurement of financial liabilities remains unchanged from IAS 39. Under IFRS 9, a financial asset is now classified on initial recognition as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Applying this classification to the Group's financial assets does not result in changes to the accounting previously applied.

As a result of adopting IFRS 9, the accounting policy for financial instruments at 30 September 2018 is replaced with the following with effect from 1 October 2018:

Financial Instruments
The Group classifies its financial assets in the following three measurement categories based on the way the asset is managed and its contractual cash flow characteristics:

Notes to the condensed consolidated financial statements
For the six months to 31 March 2019

1b. Change of accounting policies (continued)

Amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

Fair value through other comprehensive income
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest are measured at fair value through other comprehensive income.

Fair value through profit or loss
Assets that do not meet the criteria of amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing borrowings. Based on the way these financial instruments are being managed, and their contractual cash flow characteristics, all the Group's financial instruments are measured at amortised cost.

Expected credit losses on contracts with customers are expected to be nil, contract values are agreed with customers in advance and write offs on trade receivable accounts are not significant.

IFRS 15: Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This standard replaces IAS 18: Revenue, IAS 11: Construction Contracts and related interpretations. IFRS 15 became effective for accounting periods beginning on or after 1 January 2018 and the Group adopted IFRS 15 on 1 October 2018 using the modified retrospective transition approach. Comparatives have not been restated, as permitted under the specific transitional provisions in the standard.

A small number of TriConnex contracts were identified which, under IAS 11, allowed the revenue to be recognised in a number of distinct phases. This has resulted in £789,000 of earnings being recognised earlier than allowed under IFRS 15. An opening balance sheet adjustment on 1 October 2018 has decreased retained earnings by £789,000, decreased assets by £917,000 and increased liabilities by £128,000. Under IFRS 15 such profits will be recognised in future periods.

As a result of changes to the size and type of contract being secured by eSmart Networks Limited, the Group has reviewed its position in relation to IFRS 15 and the revenue to be recognised on contracts relating to electric vehicle and smart grid infrastructure. The effect of the reassessment is that revenue on these contracts will be recognised over time as this will better depict the terms of the underlying agreement.

As a result of adopting IFRS 15, the accounting policy for construction contracts, design, installation and connection of utility networks and electric vehicle and smart grid infrastructure at 30 September 2018 is replaced with the following with effect from 1 October 2018:

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.

In line with IFRS 15 the Group recognises revenue based on the application of the standards principle-based 'five step' model to the Groups contracts with customers.

Construction contracts - Tamdown
The performance obligations and transaction price are determined within contracts between the customer and the Company. Each contract has one performance obligation, the provision of specific construction activities for both residential and commercial developments. Contract modifications are added to existing contracts as they are extensions to the original contract. There are no variable consideration elements attached to any of the contracts. The revenue is recognised over time as the Company's performance of its obligations creates or enhances an asset that the customer controls.

1b. Change of accounting policies (continued)

Contract revenue and expenses are recognised over time in accordance with the stage of completion of the contract. The stage of completion is determined by surveys of work performed. 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 customers 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 customers 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 customer. 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 customer of the work performed and are included as an asset.

Design, installation and connection of utility networks – TriConnex

The performance obligations and transaction price are determined within contracts between the customer and the Company. Each contract has one performance obligation, the provision of utility connections. Contract modifications are added to existing contracts as they are extensions to the original contract. There are no variable consideration elements attached to any of the contracts. The revenue is recognised over time as the Company's performance of its obligations creates or enhances an asset that the customer controls.

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.

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 customers 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 customers 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 customer.

Electric vehicle and smart grid infrastructure – eSmart Networks

The performance obligations and transaction price are determined within contracts between the customer and the Company. Each contract has one performance obligation, the provision of charging infrastructure. Contract modifications are added to existing contracts as they are extensions to the original contract. There are no variable consideration elements attached to any of the contracts. The revenue is recognised over time as the Company's performance of its obligations creates or enhances an asset that the customer controls.

Contract revenue and expenses are recognised over time in accordance with the stage of completion of the contract. When it is probable that the total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately. The Company has an enforceable right to payment for works completed to date.

Notes to the condensed consolidated financial statements
For the six months to 31 March 2019

1b. Change of accounting policies (continued)

Margin on 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.

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.

A summary of the impact of the adoption of IFRS 15 on the financial statements is outlined in note 1c.

IFRS 16: Leases
IFRS 16 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 beginning on or after 1 January 2019, earlier adoption is permitted subject to EU endorsement and the entity adopting IFRS 15, at the same time. The Group adopted IFRS 16 on October 2018 in line with IFRS 15 using the modified retrospective transition approach. Comparatives have not been restated, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group recognised right of use assets and lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. The liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate in cases where the interest rate implicit in the lease cannot be determined. An opening balance adjustment on 1 October 2018 has increased both assets and liabilities by £1,892,000, the net impact is nil.

The opening balance adjustment was calculated as shown below:

	£'000
Lease commitments relating to:	
Office accommodation	1,063
Motor vehicles	1,284
Office equipment	83
Discounted using the lessee's incremental borrowing rate at the date of initial application	2,247
(Less): short-term leases recognised on a straight-line basis as expense	339
(Less): low-value leases recognised on a straight-line basis as expense	16
Lease liability recognised at 1 October 2018	**1,892**
Of which are:	
Current lease liabilities	564
Non-current lease liabilities	1,328
	1,892

In applying IFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with similar characteristics;
- not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease;
- the accounting of operating leases with a remaining lease term of less than 12 months as at 1 October 2018 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right of use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group leases various offices, land, office equipment and motor vehicles. Rental periods are typically made for fixed periods but may have extension options. The lease agreements do not impose any covenants.

Notes to the condensed consolidated financial statements
For the six months to 31 March 2019

1b. Change of accounting policies (continued)

Up until 30 September 2018, the leases mentioned above were classified as operating leases. Payments made under operating leases were charged to the consolidated statement of total comprehensive income on a straight-line basis over the period of the lease. From 1 October 2019, leases are recognised as a right of use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of total comprehensive income over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments and penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of total comprehensive income.

The recognised right of use assets relates to the following type of assets:

	31 March 2018 £'000	**1 October 2018 £'000**
Land and buildings	865	163
Motor vehicles	772	1,663
Office equipment	87	66
	1,724	1,892

A summary of the impact of the adoption of IFRS 16 on the financial statements is outlined in note 1c.

Notes to the condensed consolidated financial statements
For the six months to 31 March 2019

1c. Impact of changes in accounting policies

The impact of adoption of the new accounting policies as detailed in note 1b on the results for the period to 31 March 2019 is outlined below:

	As reported at 31 March 2019 £'000	Adjustments in respect of IFRS 15 £'000	Adjustments in respect of IFRS 16 £'000	Results before adjustments for the adoption of new accounting policies £'000
Revenue	71,022	77	-	70,945
Cost of sales	(58,035)	-	-	(58,035)
Gross profit	12,987	77	-	12,910
Administrative expenses	(10,053)	-	73	(10,126)
Operating profit	2,934	77	73	2,784
Finance income	26	-	-	26
Finance expense	(159)	-	(34)	(125)
Profit before tax	2,801	77	39	2,685
Taxation	(1,061)	(15)	(7)	(1,039)
Profit and total comprehensive income for the period attributable to equity holders of the parent	**1,740**	**62**	**32**	**1,646**
Earnings per share (p per share)				
Basic	4.56	0.16	0.08	4.32
Diluted	4.35	0.15	0.08	4.12

Notes to the condensed consolidated financial statements
For the six months to 31 March 2019

1c. Impact of changes in accounting policies (continued)

	As reported at 31 March 2019 £'000	Transition adjustment £'000	Adjustments in respect of IFRS 15 £'000	Adjustments in respect of IFRS 16 £'000	Results before adjustments for the adoption of new accounting policies £'000
Non-current assets					
Property, plant and equipment	9,417	-	-	-	9,417
Right of use asset	1,724	1,892	-	(168)	-
Goodwill	2,361	-	-	-	2,361
Other investments	43	-	-	-	43
Deferred tax asset	7	-	-	-	7
Total non-current assets	13,552	1,892	-	(168)	11,828
Current assets					
Inventories	5,648	-	-	-	5,648
Trade and other receivables	46,502	(917)	77	-	47,342
Cash and cash equivalents	17,836	-	-	-	17,836
Total current assets	69,986	(917)	77	-	70,826
Total assets	83,538	975	77	(168)	82,654
Current liabilities					
Borrowings	2,000	-	-	-	2,000
Trade and other payables	52,550	435	-	26	52,089
Corporation tax	702	-	15	7	680
Total current liabilities	55,252	435	15	33	54,769
Non-current liabilities					
Borrowings	3,400	-	-	-	3,400
Trade and other payables	3,539	1,328	-	(233)	2,444
Deferred tax liabilities	-	-	-	-	-
Total non-current liabilities	6,939	1,328	-	(233)	5,844
Total liabilities	62,191	1,763	15	(200)	60,613
Net assets	**21,347**	**(788)**	**62**	**32**	**22,041**
Equity attributable to equity holders of the Company					
Share capital	762	-	-	-	762
Retained earnings	20,585	(788)	62	32	21,279
Total equity	**21,347**	**(788)**	**62**	**32**	**22,041**

Notes to the condensed consolidated financial statements (continued)
For the six months to 31 March 2019

2. 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 Groups operations are carried out entirely within the UK.

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

	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Revenue			
Tamdown	50,783	47,880	102,452
TriConnex	19,494	15,040	32,211
eSmart Networks	745	-	275
Total revenue	71,022	62,920	134,938
Gross profit			
Tamdown	6,778	7,809	17,239
TriConnex	6,045	5,126	10,443
eSmart Networks	164	-	(40)
Total gross profit	12,987	12,935	27,642
Operating profit			
Tamdown	1,840	2,505	8,018
TriConnex	2,280	1,942	3,742
eSmart Networks	(364)	(211)	(723)
Group administrative expenses	(822)	(714)	(1,605)
Total operating profit	2,934	3,522	9,432
Net finance cost	(133)	(108)	(220)
Profit before tax	2,801	3,414	9,212
Taxation	(1,061)	(670)	(1,918)
Profit and total comprehensive income for the period	**1,740**	**2,744**	**7,294**

Notes to the condensed consolidated financial statements (continued)
For the six months to 31 March 2019

2. Segmental analysis (continued)

Balance sheet analysis of business segments:

	Unaudited 31 March 2019		
	Assets £,000	**Liabilities £'000**	**Net Assets £'000**
Tamdown	38,458	27,475	10,983
TriConnex	20,833	28,740	(7,907)
eSmart Networks	37	43	(6)
Group	6,374	5,933	441
Net Cash	17,836	-	17,836
	83,538	62,191	21,347

	Unaudited 31 March 2018		
	Assets £,000	**Liabilities £'000**	**Net Assets £'000**
Tamdown	30,631	21,912	8,719
TriConnex	15,014	18,124	(3,110)
eSmart Networks	-	-	-
Group	5,581	7,718	(2,137)
Net Cash	14,818	-	14,818
	66,044	47,754	18,290

	Audited 30 September 2018		
	Assets £,000	**Liabilities £'000**	**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

3. Taxation

The tax charge for the period included an exceptional adjustment in respect of prior periods. The exceptional item has been recorded as the tax charge relating to 2016 and previous years has been found to be understated. The understatement is not material in any year to which it relates or in total but has been considered exceptional due to its nature. The underlying effective tax rate, adjusting for the exceptional tax charge was 22.9% and the overall effective tax rate is 37.9%.

	£'000
UK corporation tax on profits for the period	641
Exceptional adjustment in respect of prior periods	420
Total tax charge	**1,061**

Notes to the condensed consolidated financial statements (continued)
For the six months to 31 March 2019

4. Dividends

	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Amounts recognised as distributions to equity holders:			
Final dividend for the year ended 30 September 2017 of 4.2p per share	-	1,601	1,601
Interim dividend for the year ended 30 September 2018 of 2.2p per share	-	-	838
Final dividend for the year ended 30 September 2018 of 4.4p per share	1,677	-	-
	1,677	**1,601**	**2,439**

5. Earnings per share

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

	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Profit for the period attributable to equity shareholders	1,740	2,744	7,294
Weighted average number of shares in issue for the year	38,117,850	38,117,850	38,117,850
Effect of dilutive potential ordinary shares:			
Share options	1,923,418	1,898,036	576,617
Weighted average number of shares for the purpose of diluted earnings per share	40,041,268	40,015,886	38,694,467
Basic earnings per share (p per share)	4.56	7.20	19.14
Diluted earnings per share (p per share)	4.35	6.86	18.85

6. Borrowings

	Unaudited Six months to 31 March 2019 £'000	Unaudited Six months to 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Current	2,000	2,000	2,000
Non-current	3,400	5,400	4,400

The Company entered into a £12.0m five-year 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%.

7. Related party transactions

There have been no significant changes in the nature and amount of related party transactions since the last Report and Accounts as at, and for the year ended 30 September 2018.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in full on consolidation.

Statement of Directors' responsibilities

The Directors confirm that, to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union; and
- the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual Report and Accounts that could do so.

Signed on 21 May 2019 on behalf of the Board

Mike Morris	Alan Martin
Chief Executive Officer	Chief Financial Officer