NEXUS

Essential infrastructure services

Building Bright Futures

Annual report and financial statements 2019

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Welcome to the Nexus Infrastructure plc Annual report 2019

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 charging infrastructure, battery storage and specialised distribution network services.

NEXUS
Essential infrastructure services

TAMDOWN
TRICONNEX
eSmart networks

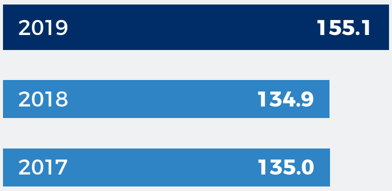
Find out more online at
www.nexus-infrastructure.com

Our highlights

Nexus has continued to make progress through 2019.

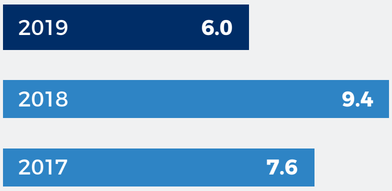
Financial highlights

Revenue (£m)



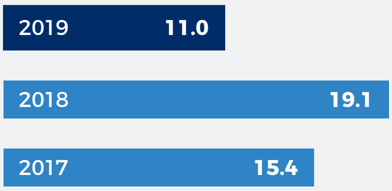
£155.1m +14.9%

Operating profit (£m)



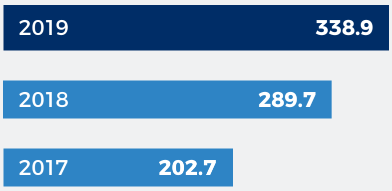
£6.0m -36.5%

Earnings per share (“EPS”) (p)



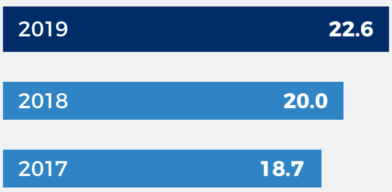
11.0p -42.4%

Order book (£m)



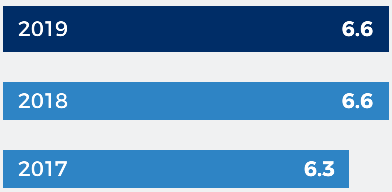
£338.9m +17.0%

Net cash[1] (£m)



£22.6m +13.0%

Dividend (p)



6.6p +0.0%

Operational highlights

Strong revenue growth in FY19, with good future visibility of earnings

- All businesses recorded revenue growth, with Group revenue increasing by 14.9% to £155.1m (2018: £134.9m)
- Tamdown operational review complete to address industry-driven delays
- Order book up 17% at year end to £338.9m (2018: £289.7m)

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
- Over 40 new customers in the year across the Group
- Inorganic growth plans focused on disciplined approach to value-accretive, bolt-on acquisitions

Strong cash generative business model

- Cash and cash equivalents up 3.6% to £27.4m at year end (2018: £26.4m)
- Proposed full-year dividend of 6.6p per share in line with prior year
- Strong balance sheet underpins our growth and dividend

1 Net cash is calculated as cash and cash equivalents less borrowings.

At a glance

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

Our businesses

TAMDOWN

Tamdown provides a range of specialised infrastructure and engineering services to the UK housebuilding and commercial 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 the majority of the top ten largest UK housebuilders. Tamdown's operations are focused on the South East of England and London.

Read more on pages 14 to 17 >>

TRICONNEX

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

Working with developers and contractors, the business offers end-to-end solutions 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.

Read more on pages 18 to 21 >>

eSmart networks

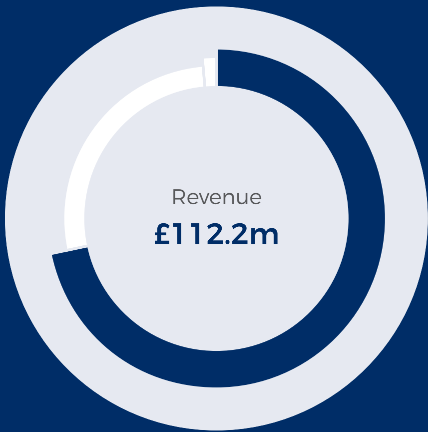
eSmart Networks provides electric vehicle charging infrastructure, battery storage and specialised network services.

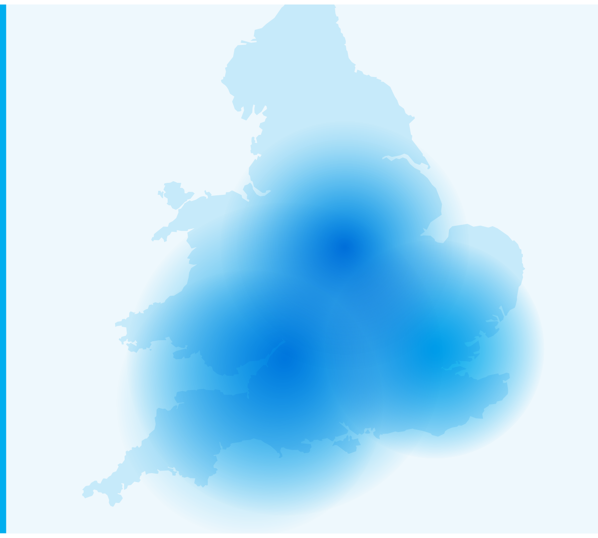
The business was created in late 2017 to respond to the UK's need for charging infrastructure as the transition from internal combustion engines to electric vehicles gathers pace.

Able to deliver both complex and simple schemes for customers, the business is well placed as the market acceleration continues, underpinned by Government initiatives such as 'Road to Zero'.

Read more on pages 22 to 25 >>

Where we operate





Chairman's statement

I am pleased to report the results for the year ended 30 September 2019.

Geoff French CBE
Non-Executive Chairman

Review of the year

- 15% growth in revenue
- 17% growth in the order book
- Operating profit of £6.0m
- Strong balance sheet with net cash increasing to £22.6m
- Dividend for the year maintained at 6.6p per share
- Well positioned to execute growth strategy

Overview of the year

The Nexus business model consists of Tamdown's well-established market position as a leading provider of essential infrastructure services to the UK's largest housebuilders, TriConnex's growing utilities connection business, and eSmart Networks, which is establishing itself as a market leader in the provision of electric vehicle charging infrastructure, battery storage and specialised network services.

The Group reported strong revenue growth for the year, with revenue growing 14.9% to a record £155.1m. As previously reported, revenue growth in Tamdown was limited to 9.5% by industry-driven delays and changes to customer build programmes, which affected resource planning, increased mobilisation costs and impacted efficiency on site. In addition, customer pricing pressure, along with cost inflation, have resulted in increased pressure on revenues and margin; however, the Group has taken mitigating actions to ensure the business is more resilient. TriConnex revenue growth of 29.8% reflects an overall increase in the number of projects secured and the acceleration of certain projects in the period, whilst eSmart Networks continues to successfully scale up and establish itself within the growing electric vehicle ("EV") market.

The Board is encouraged by the level of growth in the Group's order book which has been driven by growth in each division: Tamdown's order book is up by 6.5% to £151.6m, TriConnex's by 26.1% to £184.8m and eSmart Networks' up by £1.7m to £2.5m. The Group order book ended the year at £338.9m, a 17% year-on-year increase which provides Nexus with good visibility of earnings for the year ahead.

The industry-driven delays suffered by Tamdown adversely affected the Group's overall operating profit, which was partially mitigated by increased profits from TriConnex, resulting in the Group's operating profit decreasing by £3.4m to £6.0m (2018: £9.4m). The Group's financial results also include the investment in the year of £0.6m in eSmart Networks. We have continued to invest in eSmart Networks, as we have identified significant opportunities to provide electric vehicle charging infrastructure, battery storage and specialised network services. The UK's need for charging infrastructure is gathering pace with an accelerated transition from the internal combustion engine to electric vehicles.

eSmart Networks has made good progress in this new, rapidly evolving market and is now seen as a market leader within the electric vehicle infrastructure sector.

The profit for the year attributable to equity holders of the parent company decreased by 42.8% to £4.2m (2018: £7.3m) and the basic earnings per share decreased to 11.0p per share (2018: 19.1p per share).

The Group maintained strong cash discipline, which resulted in a continued high cash and cash equivalents balance of £27.4m (2018: £26.4m), resulting in net cash at year end of £22.6m[1] (2018: £20.0m).

Returns to shareholders

As a listed company, one of our primary objectives is to deliver value to shareholders. The Board remains confident in the strength of the Group and its position within its chosen markets. The Board is maintaining its progressive dividend policy and having already paid an interim dividend in the year, which was in line with the prior year, of 2.2p per share (2018: 2.2p per share), the Board is proposing a final dividend of 4.4p per share (2018: 4.4p per share) for the year ended 30 September 2019. If the dividend is approved at the Annual General Meeting ("AGM"), the dividend for the year will be in line with the prior year at 6.6p per share. The total dividend for the year of £2.5m (2018: £2.4m) has a dividend cover of 1.7 times the Group's profit after tax. The dividend will be paid on 25 March 2020 to shareholders on the register at close of business on 21 February 2020. The shares will go ex-dividend on 20 February 2020.

Looking forward, the Board anticipates the dividend cover to return over time to a cover of around 3.0 times, which will enable shareholders to benefit as the Group delivers on its performance targets, whilst continuing to invest in the growth plans of the business.

Board and governance

During the year, 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.

The Board now consists of six members, including four Non-Executive Directors and two Executive Directors. In line with the QCA Corporate Governance Code (the "QCA 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. 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 economic and political uncertainty, the fundamental market growth drivers for our business are positive. Provided that trading conditions remain stable, the Group's continued focus on the customer, an increased concentration on efficiency, a strong order book and a healthy balance sheet support the Board's confidence in the prospects for the Group in the coming years.

Geoff French

Non-Executive Chairman

10 December 2019

1 Net cash is calculated as cash and cash equivalents less borrowings.

Investment proposition

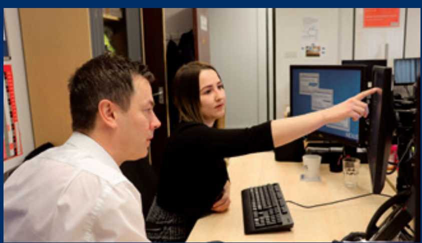
Attractive and growing addressable markets

Strong and high-quality customer base

Enviable forward order book

Well-established and robust customer relationships

Reputation for high-quality delivery of essential services



Track record of growth and cash generation

TriConnex is involved early on projects, often before land acquisition

Tamdown undertakes multi-phase projects with large customers

eSmart Networks positioned for market take-off

Executive review

Demand from customers has driven revenue growth, and the Group's order book continues to increase, providing strong visibility for the year ahead.


Mike Morris
Chief Executive Officer

Alan Martin
Chief Financial Officer

Overview

It is pleasing to report revenue growth across all of the Group's businesses for the full year. Following a challenging period of trading, which reflected industry-driven planning delays and changes to build programmes across a number of major projects, Tamdown's revenue has grown by 9.5% this year.

The strong revenue growth by TriConnex reflects the high level of projects secured during FY18 and FY19, which has increased the overall number of contracts now recognising revenue, along with a number of projects which have been accelerated by customers due to end customer demands. The revenue for eSmart Networks has increased by more than seven times as it establishes itself in these new and growing markets.

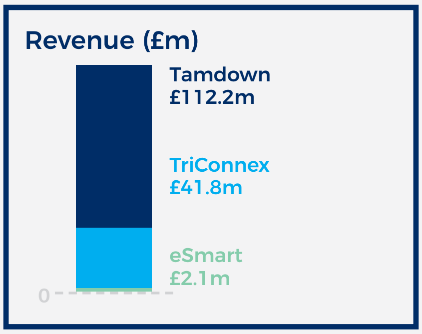
The profitability of the Group this year has been significantly impacted by the challenges experienced by Tamdown. A thorough review of Tamdown's delivery mechanisms has been undertaken, with changes implemented to resource management, procurement and refining our customer interactions, to ensure that profitability will improve in future periods.

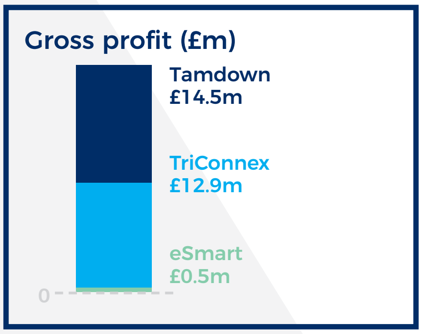
TriConnex continues to expand both geographically and through diversifying its customer base. As anticipated as this business matures, the margins have softened across the new customer base.

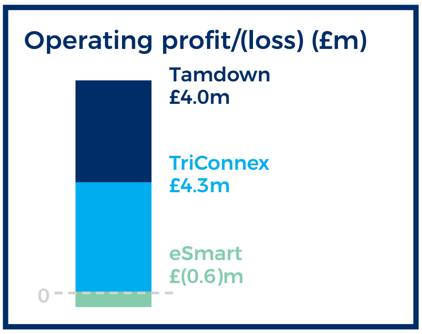
Investment in eSmart Networks has continued during the year with the division growing from nine to 24 employees to develop and service the growing customer base, which includes ChargePoint Services, Engenie, Ionity and Gridserve.

The continued growth of the Group's order book during the year is a testament to the focus on the customer and the value that is brought to projects by each of the divisions.

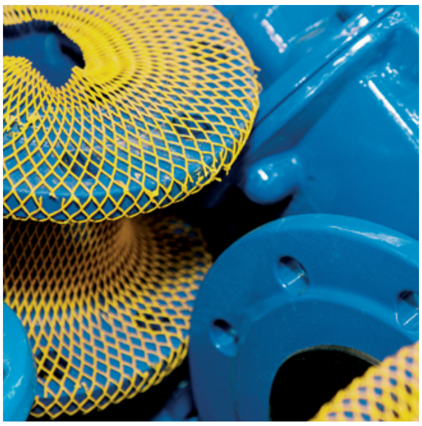
The Group's established divisions service the UK housing market, which is structurally undersupplied and supported by Government, meaning demand remains strong. eSmart Networks has significant opportunities within a diverse and growing sector, which includes charging for cars, transport and delivery vehicles, with the volumes of sales for all of these vehicles currently growing at over 80% year-on-year, further supported by the Government's 'Road to Zero' commitments.







Executive review continued



Growth strategy

The Group's mission is to be recognised as the leading provider of essential infrastructure services in the UK. The Group's strategic objectives are to deliver outstanding performance through a focus on innovation and customer service, which will lead to profitable growth; and to build on existing strong market positions both organically and through complementary earning enhancing acquisitions.

The Group's organic growth strategy is focused on four key drivers:

- increasing market share within our current geographies;
- expanding into new geographic markets;
- diversification into new growth sectors; and
- leveraging customer 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.

Financial performance

Revenue across all of the Group's divisions increased during the year, with the Group's full-year revenue increasing by 14.9% to £155.1m (2018: £134.9m). Tamdown's revenue increased by 9.5% to £112.2m (2018: £102.5m). TriConnex recorded strong revenue growth of 29.8%, with revenue increasing by £9.6m to £41.8m (2018: £32.2m) and eSmart Networks' revenue increased £1.8m to £2.1m as it starts to build a customer base and becomes a leader in this new EV sector.

Gross profit for the year marginally increased to £27.9m (2018: £27.6m) with the overall gross margin at 18.0% (2018: 20.5%). The delays and build programme changes experienced by Tamdown impacted efficiency, which along with customer pricing pressure and higher than expected cost inflation decreased the gross margin to 13.0% (2018: 16.8%).

The gross margin achieved by TriConnex in the year was 30.8% (2018: 32.4%) with the decrease due to successful expansion into new regions and a broadening of the customer base, which tend to record lower margins initially. The margin for eSmart Networks continued to improve, with a gross margin for the year of 23.4% (2018: negative 14.5%) as efficiencies continue to be identified and implemented.

Administrative expenses for the Group increased in the year, with additional expenditure on people-related costs and depreciation, to a total of £21.9m (2018: £18.2m). The Group's operating profit for the year, which includes the investment in eSmart Networks of £0.6m, totalled £6.0m (2018: £9.4m). The Group operating margin for the year was 3.9% (2018: 7.0%). The Group operating margin before the investment in eSmart Networks was 4.3% (2018: 7.5%).

Profit for the year attributable to equity holders of the parent company was £4.2m (2018: £7.3m).

Other financial information

Order book

Demand from customers for the Group's services has continued during the year and each division has significantly increased their order books: Tamdown's order book is up by 6.5% to £151.6m, TriConnex's by 26.1% to £184.8m and eSmart Networks has achieved £2.5m. The Group order book at 30 September 2019 is at a record level of £338.9m, with the year-on-year increase of a further 17.0%. We believe that this reflects Nexus Infrastructure's reputation for quality service and delivery.

Net finance costs

The net finance charge for the year totalled £0.28m (2018: £0.22m). Interest received on bank deposits totalled £0.06m (2018: £0.03m) and interest payable totalled £0.34m (2018: £0.25m). Interest payable constitutes interest on bank borrowings of £0.20m (2018: £0.21m) and interest on lease liabilities, which have increased to £0.14m (2018: £0.04m), with £0.07m due to the implementation of IFRS 16: Leases.

Tax

The tax charge for the year was £1.5m (2018: £1.9m), representing an effective tax rate of 26.4% (2018: 20.8%). 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.
Going forward we expect our tax rate to be broadly in line with the prevailing corporation tax rate.

Earnings per share

Basic earnings per share reduced to 11.0p, compared to 19.1p in 2018, with the decrease due to the decreased profitability of Tamdown, the margin impact from the growth of TriConnex and the continued investment in eSmart Networks.
The impact of the exceptional tax adjustment was to reduce the earnings per share by 1.0p.
The diluted earnings per share were 10.6p (2018: 18.9p).

Dividends

As noted in the Chairman's statement, the Board has recommended a final dividend of 4.4p per share (2018: 4.4p per share), giving a total dividend for the year in line with the prior year of 6.6p per share (2018: 6.6p per share). The total dividend results in the dividend cover of 1.7 times, which is ahead of the Group's guidance on dividend cover of 3.0 times. It is anticipated that the dividend cover will revert to the guided level over time as profitability improves. The total cost of the dividend payments, including the interim dividend, will be £2.5m.

Statement of financial position

The Group continues to maintain a strong balance sheet with shareholders' funds increasing during the year to 30 September 2019 by £1.5m to £23.3m (2018: £21.8m); the movement included the payment of dividends totalling £2.5m, which was mitigated by the trading performance of the Group companies.

The Group has invested £3.9m in new plant and motor vehicles during the year, recorded as right of use assets, including 60 excavators to refresh and expand the plant fleet to more efficient and reliable machinery.

Non-current assets increased over the year by £4.9m to £14.2m (2018: £9.3m), with the increase principally due to the inclusion of £4.8m of right of use assets, which were included for the first time this financial year following the adoption of IFRS 16: Leases from 1 October 2018.
The right of use assets include the new lease additions of plant and motor vehicles totalling £3.9m.
Current assets increased by £8.5m to £80.7m (2018: £72.2m) with inventories increasing by £0.3m, trade and other receivables increasing by £5.9m, contract assets by £1.3m and cash balances increasing by £1.0m to £27.4m (2018: £26.4m).

Total liabilities increased by £12.0m to £71.6m (2018: £59.6m), with trade and other payables increasing by £5.9m, contract liabilities increasing by £3.9m, lease liabilities increasing by £4.0m due to the implementation of IFRS 16: Leases, and borrowings decreasing by £1.7m with the repayment of the term loan.

Cash flow

The Group generated £1.0m (2018: utilised £0.7m) of cash in the year, resulting in a cash and cash equivalents balance at 30 September 2019 of £27.4m (2018: £26.4m).

Operating cash flows before working capital movements generated £8.7m (2018: £10.6m). Working capital decreased during the year by £1.5m (2018: investment £4.1m), with an increase in payables only partly mitigated by the increase in debtors, resulting in cash generated from operating activities of £10.2m (2018: £6.5m). Tax and interest payments amounted to £2.0m (2018: £1.8m). Cash utilised in investing activities totalled £1.3m (2018: £0.2m), with £2.1m used to acquire fixed assets. Net cash outflows from financing activities totalled £5.9m (2018: £5.1m), including £2.5m (2018: £2.4m) 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.

Summary and outlook

We have continued to grow Group revenues and the order book growth provides good visibility for the future. The mitigating actions we have undertaken within Tamdown should ensure that the business is more resilient. Confidence in maximising future opportunities is further enhanced by the high year-end net cash balance, achieved through tightly controlling working capital, and the availability of the new revolving credit facility, along with the record order book.

We believe that the structural demand for housing in the UK, the low interest rate environment and Government-supported incentives in the sector from all major political parties all play well to Nexus' strengths as a trusted supplier.
On the basis that trading conditions remain stable, the Group is well placed to maximise opportunities within its chosen markets and deliver future value for shareholders.

Mike Morris
Chief Executive Officer

Alan Martin
Chief Financial Officer
10 December 2019

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 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 customer 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

Underpinned by our culture

NEXUS
Building Bright Futures

We work hard to ensure that working for any of the companies within the Nexus Infrastructure Group is a rewarding place for our people. Employees spend a lot of time at work and we know the importance of spending that time working towards a common purpose; for us, that purpose is 'Building Bright Futures' and to support this our team adheres to our Group values.

Our culture defines how we work together. We work hard to create a resilient culture that will inspire everyone, existing staff and new recruits alike, whatever their position within the business.

Together we:

- Challenge assumptions
- Find a better way
- Support each other to be our best

Stakeholder 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.

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.

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

Our people understand that:

- We won't assume we know the answer, we'll find out
- We listen to what our customers say – what can we learn?
- We encourage colleagues to seek new ideas and make improvements
- When we need help, we ask for it and make time to help others
- We overcome challenges as a team
- We deliver on the promises we make to each other and our customers
- We celebrate our differences and the contribution everyone makes

Make it happen

Keep our word

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	Progress during the year
Increase market share within existing geographies The Group aims to drive customer penetration by leveraging existing customer relationships. Within the geography in which the Group operates a number of existing customers 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 these existing customers. In addition, TriConnex continues to engage with medium and smaller housebuilders within the geographies it currently operates in. eSmart Networks was intended to be a national business from commencement in 2017.	The Group's current customer penetration is estimated to be 35% for Tamdown and 33% for TriConnex, compared to 31% for both companies in the prior year. Both businesses have increased the number of customer regions that they work with during the year. In addition, Tamdown has secured ten new customers through relationship development and recommendations. TriConnex gained 27 new customers in the year, with market share being gained in the South East with 20 new customers. More than 80% of new customers are either medium and small housebuilders, or affordable or social housing. eSmart Networks has successfully designed and installed electric vehicle charge points in all nations of Great Britain during the year.
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 customers who also operate in these neighbouring regions, as well as new customers. 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.	Tamdown's geographic focus is the South East of England and during the year it has secured contracts in areas outside of its normal market reach, such as Buckinghamshire and the eastern parts of Kent. TriConnex continues to expand its geographic reach within the South West and Midlands regions, with revenues from these regions increasing 25% in 2019. As the market for electric vehicle charge points continues to develop, eSmart Networks has secured and completed contracts in all parts of Great Britain and continues to engage with customers in all parts of the UK.
Diversification into new growth sectors The majority of Group revenue is from the private development residential sector through its housebuilding customers. 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 customers. Establishing eSmart Networks within the Group opens a new and evolving sector offering further diversification.	During the 2019 financial year, the percentage of revenue derived from affordable residential and commercial schemes increased from 15% to 28%. 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. The electric vehicle charging sector is relatively new and continues to evolve. During 2019 eSmart Networks has successfully designed and installed a wide variety of charging units for a diverse set of customers.
Optimise cross-selling opportunities within the Group Each member of the Group engages with customers that are likely to require the services of at least one, if not both, of the services provided by the other Group members.	As Nexus operates an integrated business development strategy, the Group is able to share customer intelligence with each business. An example of successful cross-selling is the customers of TriConnex that are taking up the electric vehicle charging for housebuilders offering, which is being fulfilled by eSmart Networks.
Accretive acquisitions The Group's acquisition strategy will primarily focus on bolt-on acquisitions within areas linked or closely associated to TriConnex or eSmart Networks 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) £155.1m 14.9%	• Revenue and revenue growth track our performance against our strategic aim to grow the business	2019 155.1; 2018 134.9; 2017 135.0
Operating profit (£m) £6.0m -36.5%	• Tracking operating profit ensures that the focus remains on delivering profitable outcomes on our contracts	2019 6.0; 2018 9.4; 2017 7.6
Earnings per share ("EPS") (p) 11.0p -42.4%	• Tracking the after-tax earnings relative to the average number of shares in issue provides a monitor on the increase in shareholder value	2019 11.0; 2018 19.1; 2017 15.4
Total dividend per share (p) 6.6p 0.0%	• Tracking the total dividend per share declared for each financial year provides a monitor on the return achieved for shareholders	2019 6.6; 2018 6.6; 2017 6.3
Cash and cash equivalents (£m) £27.4m 3.6%	• Tracking the cash balance monitors the conversion of profits into cash, ensuring that cash is available for reinvestment or distribution to shareholders	2019 27.4; 2018 26.4; 2017 27.1
Order book (£m) £338.9m 17.0%	• The tracking of the order book provides visibility on expected future revenue against the strategic aim to grow the business	2019 338.9; 2018 289.7; 2017 202.7
Net assets (£m) £23.3m 6.8%	• The tracking of the Group's net assets monitors the Group's financial strength and stability	2019 23.3; 2018 21.8; 2017 17.0
Accident Incident Rate 231 -10.5%	• The Group takes health and safety matters very seriously as the Group's businesses work in sectors which carry significant health and safety risks	2019 231 (Industry average 366); 2018 258 (Industry average 359)

Operational review

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

Rob Kendal
Managing Director of Tamdown

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.

Tamdown provides a range of specialised infrastructure and engineering services to the UK housebuilding sectors. These services include earthworks, highways, substructures and basements, drainage systems and reinforced concrete frames.

Financial and operating performance

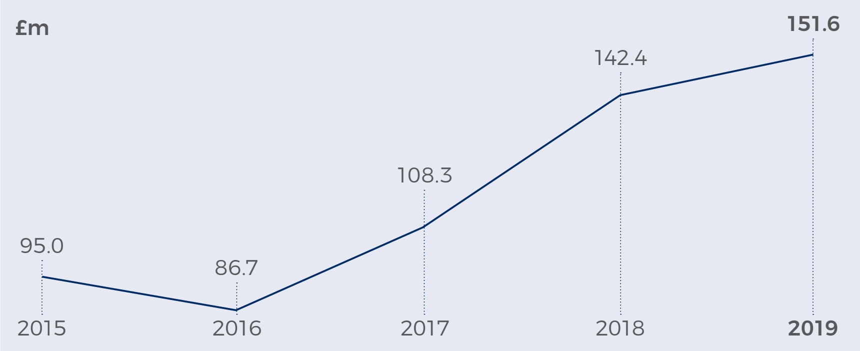
Revenue for Tamdown increased by 9.5% to £112.2m (2018: £102.5m). The increase follows on from an increase in the number of contracts won in the latter part of the previous financial year, which resulted in a strong order book balance at the commencement of the year. The work winning continued into the current year, with contract awards from both repeat customers as well as contract awards from ten new customers during the year. As previously reported, Tamdown has seen delays and changes to customer build programmes that has postponed activity on the affected sites, which has delayed the associated revenue. The delays and changes to build programmes affected Tamdown's resource planning, increased mobilisation costs and so impacted efficiency. In addition, customer pricing pressure and higher than expected cost inflation have resulted in reduced revenue and additional costs. Accordingly, Tamdown's gross profit for the year was £14.5m (2018: £17.2m), which equated to a gross margin of 13.0% (2018: 16.8%). Mitigating actions have been taken to ensure that the gross margin has been stabilised.

Administrative expenses totalled £10.5m (2018: £9.2m), with cost increases in line with revenue growth and depreciation increasing by £0.7m due to fleet expansion. During the year, Tamdown invested £3.9m in 60 excavators, ten dump trucks and various motor vehicles in order to refresh and expand the fleet and drive further operational efficiencies.

Operating profit totalled £4.0m (2018: £8.0m) and achieved an operating margin of 3.6% (2018: 7.8%). The margin deterioration is due to revenue growth being limited, project costs increasing and an increase in administrative expenses.

The Tamdown order book continued to grow over the year, with the order book at 30 September 2019 up 6.5% year-on-year to £151.6m (2018: £142.4m). This growth was due to a number of factors, including current customers placing both new follow-on phases and new projects with Tamdown as it continues to deliver quality service, along with winning work from new customers and an increase in the average contract size won. The size and the quality of the order book provides confidence for our future growth plans.

Order book



Operational review continued

Our markets

Tamdown customers 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. The London market has cooled during 2019, with fewer projects commencing. Accordingly, Tamdown is focusing on the projects which are becoming available, being residential schemes in the surrounding areas in the South East. Tamdown works with the majority of the quoted housebuilders, who account for approximately 50% of total private new build volumes. This dominance is expected to continue as these customers work through their land bank and develop larger schemes.

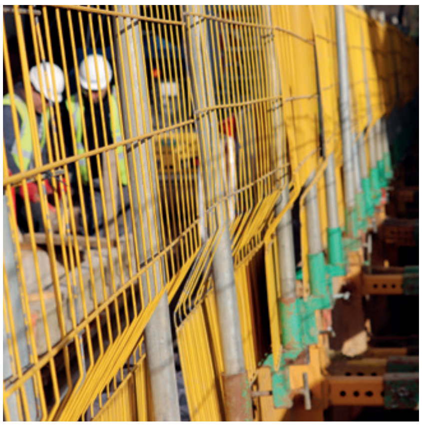
Tamdown also works with a number of housing associations that deliver mixed tenure developments and are focused on the affordable homes segment of the housing market who offer variety and strength to its customer base.

In June 2018 the Ministry of Housing, Communities and Local Government issued their Single Departmental Plan which set out its objectives and how they would be achieved.

The first objective was to 'Deliver the Homes the Country Needs', which was to be achieved by fulfilling matters such as progressing the Housing white paper reforms to reduce the obstacles to housebuilding and help local authorities, developers and small to medium-sized housebuilders meet housing needs.

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.

Despite the current political uncertainty, there is general acceptance that there is a deficit in housing supply and so with Tamdown's established market position as one of the leading providers of infrastructure and engineering services to major UK housebuilders, we are well placed to benefit from the Government's current and future stimulus.



Growth strategy

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

Margin enhancement:

Tamdown has a strong reputation for delivering quality projects for customers; however, the delays and changes to build programmes that Tamdown experienced during this financial year highlighted the need to review and enhance the effective delivery of projects.

There will be an ongoing focus on how Tamdown plans and procures the resources required on projects, the mobilisation process and the interaction with customers before and during projects, to ensure that projects are delivered safely, on time, to a high quality and profitably.

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 customer base and long-standing reputation for great customer service with the leading housebuilders and housing associations, the Company is well placed to be awarded multi-phase projects.

Market penetration:

Tamdown has strong relationships with many regional businesses of blue-chip customers. Within the geographies where Tamdown operates, a number of existing customers have regional businesses to which Tamdown does not currently provide services. Accordingly, there is an opportunity to increase market share by winning projects with these regional businesses. This is likely to be achieved through the provision of excellent customer service to current customers, which will lead to recommendations to other regions. Tamdown has been successful during the year in deepening its market penetration by gaining ten new customers, seven of which were regional businesses of current customers.

Customer diversification:

The majority of Tamdown's customers are large residential housebuilders. Tamdown is developing relationships with customers 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 customers.

Geographic expansion:

Tamdown has strong relationships with blue-chip customers in the South East of England and London. Tamdown intends to continue to use these relationships to drive customer penetration within the regions in which Tamdown currently operates. This strategy has resulted in seven new regional customers during the year. The division also looks to expand geographically via recommendations and referrals from existing customers who also operate in neighbouring regions, whilst also developing relationships with new customers.

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 customers will continue to demand our services and our business is well positioned to grow.

Operational review continued

TRICONNEX

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

David Topping
Managing Director of TriConnex

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

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

TriConnex designs, installs and connects gas, electricity, water and fibre networks on new residential and commercial developments. TriConnex's current areas of operation are the South East, South West and the Midlands of England as well as South Wales.

Financial and operating performance

Revenue for TriConnex increased by 29.8% to £41.8m (2018: £32.2m). The high level of growth was achieved following an increased volume and value of projects being secured during FY18 and FY19, which has increased the overall number of contracts now generating revenue, along with a number of projects which have been accelerated by customers due to end customer demands. TriConnex is engaged at the very early stage of developments with its customers, and often secures contracts prior to land acquisition. The increase in the order book illustrates that customers continue to be active. However, primarily due to the level of pre-commencement conditions set by the local authorities slowing the preparation of sites prior to construction commencing, the time between accepting orders and being able to take revenue from a project is still lengthy.

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 gross margin decreased during the year to 30.8% (2018: 32.4%) as TriConnex has expanded both geographically and by diversifying its customer base, with margin levels with new customers being lower than with established customers.

As TriConnex provides a full concept to connection service with a significant amount of desktop planning, research and technical design, the majority of TriConnex's staff are office based. During the year, TriConnex has achieved revenue growth of 29.8%, which, in order to maintain TriConnex's reputation for high level of service, has required additional resources. Accordingly, headcount and resources have been added during the year in an efficient manner. Although overheads were increased to £8.6m (2018: £6.7m) this was less than the revenue growth achieved during the period.

Operating profit increased by 15.4% to £4.3m (2018: £3.7m) with an operating margin of 10.3% (2018: 11.6%).

The order book grew by 26.1% over the year to £184.8m (2018: £146.5m). The growth is due to a number of factors, including: continued repeat business from customers that have benefited from TriConnex's focus on customer service; new small and mid-sized housebuilder customers; an increased number of customers operating in the affordable sector; and growth within both the South West and Midlands regions.

Order book

Operational review continued

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, fibre connections in 2016 and domestic electric vehicle charging in 2019. 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 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 customer 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.

TriConnex's core customer 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, recent regulatory changes have supported both its fibre and water proposition. In fibre, the recent increase in tier 1 Internet Service Providers providing services across independent fibre networks provides developer customers with a more extensive, viable choice in network. In water, Ofwat has mandated that all water companies publish their charging regime as well as shortening the application process for independent water adopters.

In addition, a new asset adoption code is under development by Ofwat to simplify the water adoption process. All these changes should support greater levels of competition in the fibre and water connections markets, in which TriConnex is well placed to benefit.

The UK Government passed legislation in June 2019 requiring the UK to bring all greenhouse gas emissions to net zero by 2050. On the basis that new homes built now and in the next five to ten years will exist in 2050, these homes should be future proofed with low carbon heating and world-leading levels of energy efficiency.

The approach has been set out in the Future Homes Standard which proposes a ban on fossil fuel heating systems in new homes by 2025 and includes views on how building regulations can reduce the carbon footprint of new homes. These changes would significantly change the utility requirements for new housing projects, with gas potentially eliminated as a core utility, but with enhanced electricity requirements.

TriConnex is working with its customers on how these changes will impact current and proposed projects and identifying the right solutions to support this.

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:

Market penetration:

TriConnex has expanded from its original base in the South East into the South West and most recently into the Midlands, with a Leicester office opening in late 2018. Within these regions TriConnex has strong relationships with many regional businesses of existing blue-chip customers, however there are also regional businesses in these areas to whom TriConnex does not currently provide services. These businesses present a continued growth opportunity for TriConnex.

Customer diversification:

TriConnex's customer 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. The business has also recently started to engage the main contractor segment of the market as a means of accessing larger private rented and affordable schemes.

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 independent providers is expected to continue to increase. TriConnex has already built a strong reputation of providing 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 well positioned to deliver further growth.

Operational review continued

eSmart networks

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

Simon Gallagher
Managing Director
of eSmart Networks

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

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

eSmart Networks provides electric vehicle 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.

The highly technical skills and specialised electrical accreditations allow eSmart Networks to offer customers a complete package of services which spans grid constraint solutions, grid connections and the onsite specialised civil and electrical installations. Of particular value to customers is eSmart Networks' capacity to control the grid connection process – effectively removing the monopoly Distribution Network Operator ("DNO") from the process, greatly reducing timescales.

Financial and operating performance

In its first full year of trading, eSmart Networks has completed a variety of installations, including single charging units at destination sites such as supermarkets and petrol station forecourts, ultra-high-powered 'charging stations' and complex multi-point fleet charging with integrated battery storage.

Revenue for the year totalled £2.1m (2018: £0.3m), as the business continues to scale up in parallel to the growing pace of the EV charging infrastructure sector.

As the business has continued to grow through the year, project efficiencies are being achieved, with gross margins for the year being recorded at 23.4% (2018: negative 14.5%), with gross profits totalling £0.5m (2018: loss £0.04m).

Our investment in the sector has been measured with a tight control on expenditure, with administrative expenses growing by £0.3m to £1.1m (2018: £0.8m), with the headcount increasing to 24 by the year end (2018: headcount nine), although eSmart Networks utilises skilled resources from across the Group in addition to the direct headcount. The operating loss for the year was £0.6m (2018: loss £0.7m).

The order book at 30 September 2019 has increased £1.7m year-on-year to £2.5m (2018: £0.8m).

Operational review continued

Our markets

The UK, through the 2008 Climate Change Act, has a long-term, legally binding commitment to tackling climate change. In June 2019 the UK became the first major economy to write into law a commitment to bring all greenhouse gas emissions to net zero by 2050, compared to the previous target of at least 80% reduction from 1990 levels. Transport generates approximately a quarter of all the UK's greenhouse gas emissions; therefore, to achieve the legally binding reduction target for the UK, emissions generated from transport need to be extensively 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.

In September 2019, the Government announced details of the initial £70m (from a total £400m fund) to install 3,000 rapid charge points by 2024.

Recent studies suggest that the UK will require more than 22.2m electric vehicle charging points by 2050 in order for the UK to achieve the net zero emission target, with 2.6m in public places with the balance as private charging points for houses with off-street parking at an overall estimated installation cost of £50bn.

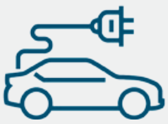
eSmart Networks has been created by Nexus to support the UK's transition to a lower-carbon transportation system.

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 relatively short period, eSmart Networks has already created a leading reputation for delivering infrastructure solutions across a number of key market segments.

Government target of net zero carbon emissions by 2050, with the switch of light duty vehicles to ultra-low emissions a key enabler.

Delivering the EV revolution.

EV charge point operators



Destination charging

Commercial vehicle charging

Workplace charging

En-route EV charging

Battery storage

Growth strategy

eSmart Networks' growth ambitions are to build the business in a significant and sustainable manner. The growth drivers include:

Product and service expansion:
To date, eSmart Networks has designed and installed charging units at destination sites, such as supermarkets and pubs, en-route charging points at or near petrol forecourts and complex multi-point fleet charging solutions with integrated battery storage. Utilising this experience, the business will expand the service offering to businesses with fleets of vehicles, workplace charging and continue to expand the diversity of destination sites.

In conjunction with the design and installation of electric vehicle charge points, the business is building its capabilities as an Independent Connections Provider for the Industrial and Commercial sector, with a particular focus on renewable energy sources and energy storage.

Geographic expansion:
eSmart Networks was set up in 2017 to be a national business and during 2019 eSmart Networks has successfully designed and installed charging units, from single charge points to ultra-high-powered charging stations, in each of the nations of Great Britain. The business is well placed to take advantage of the significant investment in charging infrastructure throughout the UK that is being made by private funds, car manufacturers and Government.

Outlook

There is a substantial need to deliver the charging infrastructure to underpin the UK's transition to an electrified fleet. 2018/2019 has seen both large Government stimulus (such as the £400m 'Charging Infrastructure Fund') as well as private capital deployed without Government subsidy to roll out large-scale infrastructure projects. eSmart Networks has been selected by customers such as Ionity (a private partnership between BMW, Ford, Daimler and VW Group) who are rolling out pan-national high-powered charging solutions, requiring extensive electrical and civil engineering infrastructure.

The Board believes that the macro-environmental factors (legal net zero target, large Government finance commitment, growing awareness of carbon emissions and reducing ownership cost of EVs) will drive significant transformation to an electrified transport system. In parallel to this, a significant reduction in the use of natural gas will be required, requiring large and complex investments in the national electricity networks. eSmart Networks is perfectly positioned to provide the critical grid connection and installation services for the EV transition and support the wider electrification of the transport networks.

Corporate social responsibility report

Nexus aims to have a positive impact on society, with measures in place to support individuals, local communities and the environment in which we live.

Health & safety

Our people

Communities

Sustainability and the environment

Overview

The Group has identified its purpose as 'Building Bright Futures'. This statement captures how Nexus will conduct its business to ensure that both individuals and society will benefit as an integral element of the Group's strategy. Not only has this been 'the right thing to do' to match our core values – but the atmosphere and culture that has developed as a result has brought an added advantage of improvements to business performance.

'Building Bright Futures' touches on many different aspects of operations across Nexus, such as:

- offering exciting opportunities to those interested in joining the Group – irrespective of age, gender, race, disability or religion;
- developing and supporting our teams and individual employees so that they are able to develop and flourish;
- caring for and protecting not only our own employees – but also anyone working with or for us at our various sites, offices and facilities;
- encouraging our supply chain and making full use of local businesses wherever possible;
- being aware of our environmental impact – and doing whatever we can to leave a positive legacy for future generations; and
- reaching out to schools, hospitals and charities to offer support through volunteering and fund-raising in a variety of different ways.

Approach

The Board is committed to establishing high ethical standards of behaviour and corporate governance and the Group has policies in place, including, but not limited to: health & 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.

Nexus expects its employees to conduct themselves in a manner which reflects the highest ethical standards and comply with all applicable laws and regulations.

Health & safety

The Group has a zero-tolerance policy towards any form of bribery or corruption and has training and appropriate procedures in place whereby any concerns in relation to malpractice can be raised in an appropriate forum.

The health, safety and wellbeing of our staff is paramount, and every precaution is taken to protect them and other 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.

- Occupational health screening is offered to Nexus employees; this enables early intervention as well as identifying any underlying health problem
- Mental health issues have been highlighted as a concern within the construction industry. Nexus launched a 'Mates in Mind' campaign to provide support and resources to any employee that might feel worried about their mental health. This programme of events was aimed at raising awareness of mental health issues as well as training employees to act as 'mental health first aiders'

Health & safety ("H&S") is led from the top. It is given the highest priority at the very heart of our operations. Directors and senior management are actively involved in site visits to continually emphasise the critical importance of H&S. Leading indicators and feedback loops are used to gauge the level of workforce engagement and to identify any areas where early attention may be required. Hazards and near misses are immediately acted upon – with any longer-term trends captured and used for broader intervention activities. If there is an accident, no matter what the size/severity, the individual is treated/cared for, lessons learned are put in place and communicated widely and the incident is recorded and included in the reported statistics.

Competency of individuals is assured through training and development programmes – both internally run and through external agencies.

Each week, dedicated safety teams undertake site audits to confirm that procedures are being followed. Our management systems for safety, quality, environment and energy are under regular review by external bodies to ensure they fully comply with the relevant national and international standards.

Tamdown's performance in health & safety was recognised in 2019 by the RoSPA (Royal Society for the Prevention of Accidents) President's Award for ten consecutive annual Gold Medal awards.

The Accident Incident Rate ("AIR") for the Group was 231 (2018: 258). The Health and Safety Executive's figures, published in October 2019, state the average AIR for the construction industry in 2018/19 was 366.

Corporate social responsibility report continued

Our people

Investing in the workforce

Nexus believes in success through its employees, with a dedicated in-house People team providing structured learning, advancement and development opportunities. ‘My Bright Future’ is our means of supporting performance and creating future career paths for our people.

Development initiatives include the Aspire Programme for graduates and rising stars, Apprenticeship and Degree Apprenticeship 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 and succession planning. Progress is reviewed on a regular basis through a formalised assessment which measures both personal performance and alignment to Group values.

Communication

The Group has communication policies and procedures in place to ensure all subsidiaries adopt a consistent framework, which is used to inform the development and maintenance of detailed plans for both internal and external communication activity.

Strong internal communication is vital to the success of any organisation as well as to the morale, performance and empowerment of staff. We regularly share information with employees and follow a set of principles of communication to ensure timeliness, inclusivity, honesty, consistency and accessibility.

A variety of tailored channels are utilised to provide the most effective communication possible with our people, both on site and in our various office locations.

The demonstration and communication of our Group purpose ‘Building Bright Futures’ is an ongoing focus for the business and its leaders, including sharing success stories from our people and key messaging around our values.

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 are market tested along with add-on benefits. Options are reviewed and considered on a regular basis.

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.

We are taking proactive measures to help recruit and attract more women, including our ‘Women in Construction’ campaign among schools and colleges to raise the profile of careers within our industry and our Company.

Disabled employees

The Directors give special attention to the health & 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.

During 2018, Nexus Community Trust partnered with 'Mates In Mind' to promote mental health within the Group. During the last 12 months the Nexus Wellbeing Champions have been developed, with more than 50 Champions now in place across the business in office and site locations. Counselling support is available to all employees, funded by the Trust.

Other activities in the year have included a function in support of MacMillan Cancer, staff competing in the Swim Serpentine for Teenage Cancer Trust and supporting the Harvey's Wish Charity Ball for an individual suffering from Quadriplegic Spastic Cerebral Palsy.

The Group provided sponsorship to the Alec Hunter Academy, allowing its students to compete in a STEM-orientated project 'Race for the Line' to design and build a model rocket car which was subsequently entered into a UK-wide competition.

Nexus offers a volunteering scheme to employees, supported by the Company. Employees can take up to five working days of paid time per year for community volunteering. This year, activities ranged from supporting foodbanks within our community to carrying out gardening and maintenance work for a local hospice.

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. The Government has set a target for the UK to have net zero carbon emissions by 2050.
As transportation generates approximately a quarter of all of the UK's greenhouse gas emissions, the switch of vehicles to ultra-low emissions is a key enabler to achieving this target. eSmart Networks has been created to support the transition to a low carbon transportation system as electric vehicles, and their associated infrastructure, are at the heart of this change.

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.

The Group has the ISO 50001 accreditation to ensure Energy Saving Opportunity Scheme ("ESOS") compliance. This aids our approach to reducing 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 customers 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.

2019
RoSPA
President's Award

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	Description	Mitigation
• The Group's success is dependent on the general economic climate and fluctuations in the UK property market	• 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	• Diversification of the Group's customer base, services and geography • Regular review of tenders • Regular contact with customers • A cautious approach to debt finance
• The Group would be impacted by a lack of growth in the electric vehicle market	• A lack of new cars being introduced to the market to provide more choice to consumers would slow the growth in the market • The use of alternative power sources to electric could reduce the contracts available to eSmart Networks • A change in Government policy may impact the funding available for infrastructure and the move towards lower emission vehicles. This would impact on the Group's revenues	• New opportunities being available through diversification of the service provided and the customer base • Regular review of supply chain and resources

UK exit from the EU ("Brexit")

Risk	Description	Mitigation
• Brexit could have a significant impact on the Group's success	• 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 customers and thus the Group's businesses, financial position and operations	• 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

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's 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 customer expectations is reduced due to poor quality or service, it may reduce the level of repeat work from customers	• 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 customer and contract criteria that are designed to ensure the Group only takes on customers 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 and eSmart Networks both operate in regulated environments. Regulators may conduct investigations on companies or carry out industry-wide investigations. 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 customers • The regulatory environment may change build and environment standards of future new homes, reducing revenue streams	• 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 • Regular evaluation of proposed regulations and standards • Consideration of the strategy to address future new markets

Principal risks and uncertainties continued

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 customers' 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 & safety

Risk	Description	Mitigation
• The Group operates in sectors that carry significant health and safety risks	• The construction and utilities sectors carry 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

IT systems and cyber security

Risk	Description	Mitigation
• The failure of the Group's IT systems to ensure smooth flow and retention of information	• The Group uses a range of computer systems. Outages and interruptions could affect the day-to-day operations of the business, resulting in loss of sales and delays to cash flows • Key systems could be breached, causing financial or data loss, disruption or damage • Any theft or misuse of data held within the Group's systems could have both reputational and financial implications for the Group	• The Group's IT strategies are reviewed regularly to ensure they remain appropriate for the business • Business continuity and disaster recovery tests are regularly carried out • The internal IT support team works with external providers to ensure that regular updates to technology, infrastructure, communications and application systems occur as required • Centralised hardware and software security is in place to ensure the protection of commercial and sensitive data

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 33 has been approved by the Board of Directors and is signed on its behalf by

Mike Morris
Chief Executive Officer
10 December 2019

Chairman's introduction

Corporate governance is an important consideration 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 customers. 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 Corporate Governance Code (the "QCA Code") in line with the London Stock Exchange's AIM Rules requiring all AIM-listed companies to adopt a recognised corporate governance code.

Geoff French
Non-Executive Chairman
10 December 2019

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 38 to 47.

Applying the QCA Code

The Board of Nexus Infrastructure plc (the "Group") is responsible for the Group's corporate governance and recognises the importance of high standards of corporate governance and integrity. In 2019 Nexus Infrastructure formally adopted the QCA Code. The statement below sets out how Nexus Infrastructure complies with the ten principles of the QCA Code.

The Corporate governance section explains the key features of the Company's governance structure and describes how Nexus Infrastructure applies the Code principles.

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders.

See Executive review, Business model, Operational reviews, Strategy and performance of the annual report.

Principle 2:

Seek to understand and meet shareholder needs and expectations.

Feedback from investors is obtained through direct interaction between the Chief Executive Officer and the Chief Financial Officer at meetings following its full-year and half-year results, and certain other ad-hoc meetings that take place throughout the year. The Chairman is also available for shareholder consultation.

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Group's business model identifies the key resources and relationships on which the business relies, including our people, markets, financial position, customers, community and suppliers.

Principle 4:

Embed effective risk management, considering both opportunities and threats throughout the organisation.

See Strategy and Principal risks and uncertainties section of the annual report.

Principle 5:

Maintaining the board as a well-functioning, balanced team led by the Chair.

The Board has carried out a review of the independence of the Non-Executive Directors and considers all to be independent. Directors are expected to devote such time as is necessary for the proper performance of their duties, including attendance at Board and Committee meetings, the Annual General Meeting ("AGM"), meetings with shareholders and other meetings to review strategy, development and risk analysis.

Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The details of the Directors' experience, skills and capabilities are set out on pages 36 and 37 of the annual report.

Principle 7:

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Board carries out an internal annual Board performance evaluation. The evaluation considers matters such as composition, effectiveness, balance, transparency, consideration of stakeholders' feedback and regulatory understanding. Also, see the Nomination Committee report.

Principle 8:

Promote a culture that is based on ethical values or behaviours.

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 & safety, anti-bribery, environmental protection, equal opportunities, equality and diversity, training and development, whistleblowing and modern slavery, to support our approach to conducting business in an open and transparent manner that is in line with the core values.

Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making.

See roles and responsibilities of the Chairman and Chief Executive, the Audit, Remuneration and Nomination Committee reports and Corporate governance.

Principle 10:

Communicate how the company is governed and is performing by maintaining dialogue with stakeholders.

The Board achieves this through shareholder meetings with the Chief Executive Officer and Chief Financial Officer, the AGM, RNS and RNS Reach announcements and the wide range of corporate information on the Group's website.

Board of Directors

Geoff French CBE

Independent Non-Executive Chairman

Appointed to Board: 2016

Core strengths and experience

- Over 50 years' experience in the civil engineering industry
- Former CEO and Chairman of Scott Wilson
- Former President of the Institution of Civil Engineers

Background

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.

External appointments

Non-Executive Chairman of HR Wallingford Group Limited
Non-Executive Director of Aecom Pension Trustee Limited
Non-Executive Chairman of the joint venture Align JV
Chair of the Trustees of RedR UK

Mike Morris

Chief Executive Officer

Appointed to Board: 2006

Core strengths and experience

- 30 years' experience in the infrastructure and utility industry
- Experienced leader with a strong track record
- Angel investor

Background

Mike has led the Group through a period of significant growth since the management buy-out with 3i in 1999. Mike is an entrepreneur and business leader and those talents have seen Nexus Infrastructure organically start up TriConnex (multi-utility) and eSmart Networks (electrification). The catalyst and driving force behind the continued success of the business, Mike is passionate about continuous improvement at a business and personal level.

External appointments

None

Alan Martin

Chief Financial Officer

Appointed to Board: 2015

Core strengths and experience

- Over ten years' experience in the construction industry
- Chartered Accountant with M&A experience

Background

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, Alan has a BSc Honours degree in Accountancy and Law.

External appointments

None

A Audit Committee R Remuneration Committee N Nomination Committee * Chair

Richard Kilner

Independent Non-Executive Director

Appointed to Board: 2016

Core strengths and experience

- Significant M&A experience following 20 years' experience with private equity companies
- Over 20 years' experience within the civil engineering and construction sectors
- Qualified civil engineer

Background

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. Richard 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.

External appointments

Non-Executive Director of Procam Television Holdings Limited
Non-Executive Director of Great Bowery Investments Limited (US registered company)
Director of Glebe Meadows Developments Limited
Director of Deltex Consulting Limited

Alex Wiseman

Independent Non-Executive Director

Appointed to Board: 2016

Core strengths and experience

- Over 20 years' experience in utility regulation and strategy
- Qualified management accountant

Background

Alex has significant experience within the utility sector, specialising in regulation and strategy. He is currently Non-Executive Director at Bristol Holdings (which owns an energy, housing and waste company) 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.

External appointments

Non-Executive Director of Bristol Holdings Limited
Board member of Northern Ireland Authority for Utility Regulation

Ffion Griffith

Independent Non-Executive Director

Appointed to Board: 2018

Core strengths and experience

- Over 25 years' experience in senior human resources roles
- Significant experience in professional services, technology and private equity sectors

Background

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 is HR Director at the global procurement consultancy firm, Efficio. Prior to this she held interim roles in a private equity house and in a PE-backed steel trading business. She spent ten years as Global Director of Human Resources at the law firm Olswang LLP, seven years as Director of Human Resources at SJ Berwin LLP and, earlier in her career, held senior roles at Vedaris, Pearson Professional and The Royal College of General Practitioners. Ffion has previous Non-Executive Director experience in a large Academies Trust and a Business Improvement District. She holds a BA (Hons) in English Literature and an MA in Human Resource Management.

External appointments

None

Corporate governance

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

Board and sub-committee structure

The Board		
Audit Committee	**Nomination Committee**	**Remuneration 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.

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

At the date of this report, the Board comprised four Non-Executive Directors, including the Chairman, and two Executive Directors. Biographies of the Directors can be found on pages 36 and 37. Ffion Griffith was appointed as a Non-Executive Director on 1 November 2018. All the other Directors served throughout the year to 30 September 2019.

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.

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.

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.

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.

Key actions of the Board

The Board is responsible to shareholders for the success of the Group. Its role is to set the strategic and financial framework within which the Group operates, to monitor and review the performance of each of the divisions and to ensure that the risks faced by the Group are effectively managed. To facilitate this, the Board and its Committees are provided with relevant and timely information in advance of all meetings and when otherwise required.

Due to the size and structure of the Group, all significant decisions are taken at Board level. 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 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 40 to 45.

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	6
Geoff French	6
Richard Kilner	6
Alex Wiseman	6
Ffion Griffith[1]	5
Mike Morris	6
Alan Martin	6

1 Ffion Griffith was appointed on 1 November 2018 and so was only eligible to attend five meetings.

Board evaluation

During the year, under the leadership of the Chairman, the Board undertook an evaluation of its own performance. This was based on the completion of a detailed questionnaire by the Directors. Richard Kilner, as the Senior Independent Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues and with input from the Executive Directors. The outcome and conclusions reached from the conduct of these evaluations were discussed by the Board at its meeting in May 2019. It was concluded that the Board, its Committees and the Chairman continued to perform effectively.

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 meeting; 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.

The Board also welcomes the interest of private investors and believes that, in addition to the annual report and the Company's website, the AGM is an ideal forum at which to communicate with investors and encourage their participation. At the AGM, the Chairman, together with the chairmen of the Audit, Remuneration, Disclosure and Nomination Committees, will be available to answer any relevant questions.

AGM

The Company's AGM will be held on 18 March 2020 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 reviewed the Group's operational, commercial and financial 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.

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.

Committee meetings

The Audit Committee comprises 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 attended during the year.

	Audit Committee
Number of scheduled meetings	5
Alex Wiseman (Chairman)	5
Geoff French	5
Richard Kilner	5
Ffion Griffith[1]	4
Mike Morris[2]	5
Alan Martin[2]	5

1 Ffion Griffith was appointed on 1 November 2018 and so was only eligible to attend four meetings.

2 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.

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 tax services and selected a new tax adviser; and
- reviewed and agreed the external auditor's plan in advance of their audit for the financial year ended 30 September 2019.

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 regularly at risk review meetings.

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 requests 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:

- revenue recognition, specifically the implementation of IFRS 15: Revenue from Contracts with Customers, which became effective for the Group in the financial year;
- accounting for leases, specifically the implementation of IFRS 16: Leases, which the Group adopted early, resulting in implementation in the financial year; and
- accounting for financial instruments, specifically the implementation of IFRS 9: Financial Instruments, which became effective for the Group in the financial year.

External auditor

The independence of the external auditor is essential to ensure the integrity of the Group's published financial information. The Group's external auditor is PricewaterhouseCoopers LLP. 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, independence 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 7 to the financial statements.

Alex Wiseman

Alex Wiseman

Chairman of the Audit Committee

10 December 2019

Nomination Committee report

The Committee's focus during the year has been reviewing the composition of the Board 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 the composition of the Board is correct for the Group with the right balance of skills and knowledge in place.

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.

Committee meetings

The Committee met three times during the year to discuss the composition of the Board for the Company and its subsidiaries.

The Nomination Committee comprises the Non-Executive Directors of the Company and 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 attended during the year.

	Nomination Committee
Number of scheduled meetings	3
Geoff French	3
Richard Kilner	3
Alex Wiseman	3
Ffion Griffith[1]	1
Mike Morris[2]	3
Alan Martin[2]	3

1 Ffion Griffith was only eligible to attend two Committee meetings following her appointment. Ffion was not able to attend one of the meetings that she was eligible for, due to obligations arranged prior to her appointment.

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.

Activities of the Committee

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

- the recommendation to the Board of the appointment of Ffion Griffith as a Non-Executive Director of the Company;
- reviewing the composition of the Board of the Company and of the subsidiaries, including the balance of skills, knowledge and experience;
- the recommendation to the Board of appointments to and resignations from subsidiary boards;
- recommended that the appointments of Geoff French, Richard Kilner and Alex Wiseman all be extended for a second term; and
- reviewed the Committee's terms of reference.

Geoff French
Chairman of the Nomination Committee
10 December 2019

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 2019.

As an AIM-listed company, Nexus Infrastructure plc is not required to fully apply the Listing Rules of the Financial Conduct Authority or the BIS Directors' Remuneration Reporting Regulations and so is not required to present a Board report on remuneration in accordance with those rules. Nevertheless, the Board considers it appropriate for the Company to provide shareholders with information that follows the essence of the regulations and so includes some details of the remuneration policy and executive remuneration. The content of this report is unaudited unless stated otherwise.

Roles and responsibilities

The Committee's main responsibilities are to:

- determine and agree with the Board the framework and broad policy for the remuneration of the Chairman, Executive Directors and other senior executives in order to retain, attract and motivate high-quality executives capable of achieving the Company's objectives. No Director participates in any discussion regarding their own remuneration;
- consider, when determining such a policy, the relevant legal and regulatory requirements and guidance;
- within the terms of the agreed policy, determine the remuneration, including pension arrangements, of the Executive Directors;
- determine the level of fees for the Chairman of the Board;
- monitor and make recommendations in respect of the remuneration of the subsidiary directors;
- review the design of share incentive plans for approval by the Board and shareholders, and for such plans, determine the level of award and performance conditions; and
- select and appoint the external advisers to the Committee.

Committee meetings

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

	Remuneration Committee
Number of scheduled meetings	4
Richard Kilner (Chairman)	4
Geoff French	4
Alex Wiseman	4
Ffion Griffith[1]	3
Mike Morris[2]	4
Alan Martin[2]	4

1 Ffion Griffith attended all Committee meetings following her appointment to the Board and the Remuneration Committee.

2 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.

Remuneration Committee report continued

Activities of the Committee

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

- considered and approved the long-term incentive plan awards to Executive Directors and senior management;
- reviewed and approved the short-term incentive plans;
- reviewed and approved the strategy for the year-end salary reviews;
- reviewed and approved Executive Directors' and senior management salaries for 2019;
- reviewed and approved the level of fees for the Chairman for 2019;
- reviewed the Group's pension arrangements;
- agreed the terms of senior management appointments and exits; and
- reviewed 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 is 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.

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 Chief Executive Officer, Chief Financial Officer and the Director of People, 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

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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Executive Directors										
Mike Morris[1]	**219**	167	**–**	–	**18**	25	**52**	28	**289**	220
Alan Martin	**240**	229	**–**	–	**21**	21	**37**	35	**298**	285
Non-Executive Directors										
Geoff French	**64**	62	**–**	–	**–**	–	**–**	–	**64**	62
Richard Kilner	**38**	37	**–**	–	**–**	–	**–**	–	**38**	37
Alex Wiseman	**35**	34	**–**	–	**–**	–	**–**	–	**35**	34
Ffion Griffith	**32**	–	**–**	–	**–**	–	**–**	–	**32**	–
Total	**628**	529	**–**	–	**39**	46	**89**	63	**756**	638

1 Mike Morris voluntarily forfeited his salary for the period 1 June 2019 to 30 September 2019.

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

	Options at 1 October 2018	Awarded in year	Options exercised	Options lapsed	**Options at 30 September 2019**	Date of grant
Mike Morris	192,850	–	–	–	**192,850**	15 June 2017
Mike Morris	137,846	–	–	–	**137,846**	20 February 2018
Mike Morris	–	175,312	–	–	**175,312**	14 January 2019
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
Alan Martin	–	124,667	–	–	**124,667**	14 January 2019
Alan Martin	–	75,000	–	–	**75,000**	1 April 2019

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 February 2018 and January 2019 related to the average annual compound earnings per share growth and total shareholder return relative to a comparator group. There were no performance conditions for the options granted in April 2019. 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 2019, 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	92,730
Richard Kilner	34,000
Alex Wiseman	53,000
Ffion Griffith	5,000

1 Including the shares held by connected persons.

Richard Kilner
Chairman of the Remuneration Committee
10 December 2019

Directors' report

The Directors present their report and the financial statements for the year ended 30 September 2019.

The corporate governance disclosures on pages 34 to 45 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 2019 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 1 to 33.

Results and dividends

The results are set out in the consolidated statement of comprehensive income on page 53.

An interim dividend of 2.2p per share was paid to shareholders on 12 July 2019 (2018: 2.2p per share). The Board recommends, subject to shareholder approval at the AGM, a final dividend of 4.4p per share (2018: 4.4p per share) in respect of the 2019 financial year is paid on 25 March 2020 to shareholders on the register at the close of business on 21 February 2020. On this basis, the total dividend for the year will be 6.6p per share (2018: 6.6p 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 pages 36 and 37. There have been no changes to Directors of the Company during the year.

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 2019 are disclosed in the Remuneration Committee report on page 45. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 45 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 2019, 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 10 December 2019, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 10 December 2019, Link IRG Trustees Limited held 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%
Ruffer	6,912,615	18.13%
Keith Breen (Tamdown employee)[1]	6,573,050	17.24%
Close Brothers Asset Management	1,515,643	3.98%
NR Holdings	1,457,504	3.82%

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

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 10 December 2019.

D R Hillman

Dawn Hillman
Company Secretary
10 December 2019

Directors' responsibilities

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 the Company financial statements in accordance with 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
10 December 2019

Independent auditors' 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 2019 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 2019 (the "Annual Report"), which comprise: the consolidated and company statement of financial position as at 30 September 2019; the consolidated statement of comprehensive income, the consolidated and company statement 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

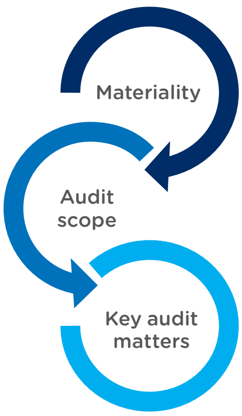
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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: £775,000 (2018: £460,000), based on 0.5% of revenue (2018: 5% of profit before tax).
- Overall company materiality: £274,000 (2018: £240,000), based on 1% of total assets.

Audit scope

- Full scope audits were performed over the financial information of all entities other than Nexus Park Limited (on which specific audit procedures were performed) and our testing was fully substantive in nature.
- This approach provided 100% coverage of the Group's revenues and total assets.

Key audit matters

- Revenue recognition and long-term contract accounting in respect of infrastructure contracts.

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 auditors’ 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 auditors’ 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 and long-term contract accounting in respect of infrastructure contracts The Group recognised revenue of £155.1m in the financial year. The principal revenue streams relate to the provision of infrastructure services to the UK housebuilding and commercial sector. Refer to Revenue Recognition within note 1 to the Financial Statements and Profitability of Contracts within note 3 to the Financial Statements. 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 profit margin. These estimates drive the 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 statement of financial position. In addition, the new standard on revenue recognition, IFRS 15, was adopted from 1 October 2018. On adoption, Nexus has applied the modified retrospective method.	We evaluated the new IFRS accounting policies for revenue recognition to test that this is being consistently applied to the various contracts in place with customers. We attended a sample of meetings between company finance personnel with the commercial and operations teams relating to the status of projects at each month end (Tamdown & Triconnex). At these meetings, we assessed the level of challenge being made around the costs to complete projects, project profit margins and project retentions. We also assessed the level of detailed discussion and follow up on points identified at previous meetings. We tested revenue transactions in the year to supporting documentation, including underlying contracts and variation orders, and tested associated statement of financial position accounts such as accounts receivable, paying particular attention to individual material contracts where we reviewed the contractual terms and considered the revenue recognition treatment applied by management for reasonableness. We performed detailed testing of revenue transactions, focusing on auditing the significant estimates and judgements, focused on the areas we considered to be of greatest risk which lie in the estimates around the costs to complete projects and the estimate of the percentage of completion of the contract. We have challenged management estimates around the costs to complete projects and have also substantively tested costs to complete of the projects by examining a sample of costs underlying the estimates to supporting documentation. Where costs forming part of the estimate are uncommitted, we have performed a sensitivity analysis on these and considered the resulting impact on revenue recognised in the year. Further, we also ensured that revenue was only recognised on variations where customers had signed those variations by testing variations to the signed original documentation. We tested a sample of accounts receivables to post year end receipts. If customers had not paid yet, then we agreed the year end positions to invoices or vouched these account receivables balances by agreeing them to valuations applied for at year end. We reviewed the status of the work at year end in relation to the underlying contracts, including the effects of any variation orders, and performed a detailed margin analysis on the populations of contracts which are still in progress at year end for the purpose of identifying contracts that are loss making or are potentially loss making. No significant issues arose from our work.

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.

We conducted full scope audits of the complete financial information of all the group companies, other than Nexus Park Limited, as they were individually financially significant.

These individually financially significant components accounted for 100% of the Group’s revenue. We also performed specified audit procedures over fixed assets, accruals and borrowings in Nexus Park Limited. The Group engagement team performed all audit procedures.

Taken together, the Group companies over which we performed our audit procedures accounted for 100% of revenue and 100% of 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	£775,000 (2018: £460,000).	£274,000 (2018: £240,000).
How we determined it	0.5% of Revenue (2018: 5% of profit before tax)	1% of Total assets
Rationale for benchmark applied	We used revenue as a basis for materiality in the current year audit as the Group's profit margins are low, consistent with the industry as a whole, and therefore revenue is used by the Group as a key performance indicator. As such, we changed our benchmark from profit to revenue. Based on this, we have determined a materiality of £775,000 is reasonable, based on the size and nature of the Group.	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 £42,000 and £697,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £38,750 (Group audit) (2018: £23,030) and £13,700 (Company audit) (2018: £12,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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 twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' 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 below.

Independent auditors' report continued

to the members of Nexus Infrastructure plc

Report on the audit of the financial statements continued

Reporting on other information continued

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 2019 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.

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.

Auditors' 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 auditors' 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 auditors' 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
Uxbridge

10 December 2019

Consolidated statement of comprehensive income
for the year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Revenue	5	**155,103**	134,938
Cost of sales		**(127,178)**	(107,296)
Gross profit		**27,925**	27,642
Administrative expenses		**(21,940)**	(18,210)
Operating profit	7	**5,985**	9,432
Finance income	9	**59**	29
Finance expense	9	**(339)**	(249)
Profit before tax		**5,705**	9,212
Taxation	10	**(1,530)**	(1,918)
Profit and total comprehensive income for the year attributable to equity holders of the parent		**4,175**	7,294
Earnings per share (p per share)			
Basic	12	**10.95**	19.14
Diluted	12	**10.63**	18.85

The notes on pages 58 to 80 form part of the financial statements and accounting policies.

Consolidated and Company statement of financial position

as at 30 September 2019

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Non-current assets					
Property, plant and equipment	13	6,992	6,853	5	3,351
Right of use assets	14	4,845	–	–	–
Goodwill	15	2,361	2,361	–	–
Investments in subsidiaries	16	–	–	22,545	20,545
Other investments	17	43	47	43	47
Deferred tax asset	22	–	7	–	–
Total non-current assets		14,241	9,268	22,593	23,943
Current assets					
Inventories	18	378	29	–	–
Trade and other receivables	19	40,922	35,002	4,157	364
Contract assets	5	11,986	10,712	–	–
Cash and cash equivalents		27,366	26,414	728	318
Total current assets		80,652	72,157	4,885	682
Total assets		94,893	81,425	27,478	24,625
Current liabilities					
Borrowings	20	2,000	2,000	2,000	2,000
Trade and other payables	21	39,392	33,524	9,851	7,681
Contract liabilities	5	22,572	18,643	–	–
Lease liabilities	14	1,461	430	–	–
Corporation tax		164	461	–	–
Total current liabilities		65,589	55,058	11,851	9,681
Non-current liabilities					
Borrowings	20	2,745	4,400	2,400	4,400
Lease liabilities	14	3,136	156	–	–
Deferred tax liabilities	22	152	–	–	–
Total non-current liabilities		6,033	4,556	2,400	4,400
Total liabilities		71,622	59,614	14,251	14,081
Net assets		23,271	21,811	13,227	10,544
Equity attributable to equity holders of the Company					
Share capital	23	762	762	762	762
Retained earnings		22,509	21,049	12,465	9,782
Total equity		23,271	21,811	13,227	10,544

Retained earnings of the Company

The profit of the Company in the financial year amounted to £4,611,000 (2018: £4,772,000).

The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2019.

Mike Morris
Director

Alan Martin
Director

The notes on pages 58 to 80 form part of the financial statements and accounting policies.

Consolidated statement of changes in equity

for the year ended 30 September 2019

	Note	Share capital £'000	Retained earnings £'000	Total £'000
Equity as at 1 October 2017		762	16,251	17,013
Transactions with owners				
Dividend paid	11	—	(2,439)	(2,439)
Share-based payments	26	—	(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
Opening IFRS 15 adjustment	2	—	(787)	(787)
Revised equity as at 30 September 2018		762	20,262	21,024
Transactions with owners				
Dividend paid	11	**—**	**(2,515)**	**(2,515)**
Share-based payments	26	**—**	**587**	**587**
		—	**(1,928)**	**(1,928)**
Total comprehensive income				
Profit and total comprehensive income for the year		**—**	**4,175**	**4,175**
		—	**4,175**	**4,175**
Equity as at 30 September 2019		**762**	**22,509**	**23,271**

The notes on pages 58 to 80 form part of the financial statements and accounting policies.

Company statement of changes in equity

for the year ended 30 September 2019

	Note	Share capital £'000	Retained earnings £'000	Total £'000
Equity as at 1 October 2017		762	7,506	8,268
Transactions with owners				
Dividend paid	11	–	(2,439)	(2,439)
Share-based payments	26	–	(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
Transactions with owners				
Dividend paid	11	**–**	**(2,515)**	**(2,515)**
Share-based payments	26	**–**	**587**	**587**
		–	**(1,928)**	**(1,928)**
Total comprehensive income				
Profit and total comprehensive income for the year		**–**	**4,611**	**4,611**
		–	**4,611**	**4,611**
Equity as at 30 September 2019		**762**	**12,465**	**13,227**

The notes on pages 58 to 80 form part of the financial statements and accounting policies.

Consolidated and Company statement of cash flows

for the year ended 30 September 2019

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flow from operating activities					
Profit before tax		**5,705**	9,212	**4,611**	4,772
Adjusted by:					
Profit on disposal of property, plant and equipment – owned		**(40)**	(119)	**–**	–
Loss on disposal of property, plant and equipment – right of use		**6**	–	**–**	–
Share-based payments	26	**587**	(57)	**587**	(57)
Finance expense (net)	9	**280**	220	**169**	213
Depreciation of property, plant and equipment – owned	13	**686**	1,336	**1**	–
Depreciation of property, plant and equipment – right of use	14	**1,504**	–	**–**	–
Operating profit before working capital changes		**8,728**	10,592	**5,368**	4,928
Working capital adjustments:					
Increase in trade and other receivables	19	**(8,111)**	(4,779)	**(3,793)**	(108)
Increase in inventories	18	**(349)**	(2,393)	**–**	–
Increase in trade and other payables	21	**9,927**	3,107	**2,170**	392
Cash generated from operating activities		**10,195**	6,527	**3,745**	5,212
Interest paid	9	**(339)**	(249)	**(172)**	(213)
Taxation paid		**(1,667)**	(1,564)	**–**	–
Net cash flows generated from operating activities		**8,189**	4,714	**3,573**	4,999
Cash flow from investing activities					
Purchase of property, plant and equipment – owned	13	**(2,071)**	(815)	**(6)**	(406)
Proceeds from disposal of property, plant and equipment – owned	13	**665**	540	**3,351**	–
Proceeds from disposal of property, plant and equipment – right of use	14	**50**	–	**–**	–
Proceeds from disposal of assets measured at FVOCI		**4**	8	**4**	8
Interest received	9	**59**	29	**3**	–
Net cash (used in)/generated from investing activities		**(1,293)**	(238)	**3,352**	(398)
Cash flow from financing activities					
Dividend payment	11	**(2,515)**	(2,439)	**(2,515)**	(2,439)
Drawdown of term loan		**345**	–	**–**	–
Repayment of loans		**(2,000)**	(2,000)	**(2,000)**	(2,000)
Principal elements of lease repayments		**(1,774)**	(689)	**–**	–
Purchase of additional share capital in subsidiary		**–**	–	**(2,000)**	–
Net cash used in financing activities		**(5,944)**	(5,128)	**(6,515)**	(4,439)
Net change in cash and cash equivalents		**952**	(652)	**410**	162
Cash and cash equivalents at the beginning of the year		**26,414**	27,066	**318**	156
Cash and cash equivalents at the end of the year		**27,366**	26,414	**728**	318
Net cash/(debt) reconciliation					
Cash and cash equivalents		**27,366**	26,414	**728**	318
Borrowings		**(4,745)**	(6,400)	**(4,400)**	(6,400)
Lease liabilities		**(4,597)**	(586)	**–**	–
Net cash/(debt)		**18,024**	19,428	**(3,672)**	(6,082)
Cash and cash equivalents		**27,366**	26,414	**728**	318
Gross debt at fixed interest rates		**(9,342)**	(6,986)	**(4,400)**	(6,400)
Net cash/(debt)		**18,024**	19,428	**(3,672)**	(6,082)

Cash and cash equivalents comprise cash and short-term deposits held.

The notes on pages 58 to 80 form part of the financial statements and accounting policies.

Notes to the financial statements

for the year ended 30 September 2019

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 2019. 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 3.

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 £4,611,000 (2018: £4,772,000).

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 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.

New and amended standards adopted by the Group

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

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

The Group has changed its accounting policies and made certain retrospective adjustments following the adoption of the above standards. This is disclosed in note 2. For policies that applied previously, please refer to the financial statements for 2018 that have been delivered to the Registrar of Companies.

Standards, interpretations and amendments in issue but not yet effective

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

- annual improvements to IFRSs (2015-2017 Cycles) (effective 1 January 2019);
- IFRIC 23: Uncertainty over Income Tax Treatments (effective 1 January 2019);
- amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019);
- amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2019);
- amendments to IFRS 3: Business Combinations – Definition of a Business (effective 1 January 2020); and
- definition of material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020).

Revenue recognition

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

- contract revenue from construction contracts;
- 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 standard's principle-based 'five step' model to the Group's 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 where they are extensions to the original contracts. 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.
Payment of the transaction price is typically due up to a maximum of 45 days after the valuation is submitted.

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 where they are extensions to the original contracts. 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.
Payment of the transaction price is typically due in a number of stage payments throughout the contract.

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 where they are extensions to the original contracts. 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.
Payment of the transaction price is typically due in a number of stage payments throughout the contract.

Transversal policies applicable to all three of the above companies

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 when incurred. When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

'Contract assets' (as discussed in IFRS 15.107) are recognised when the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. This asset is assessed for impairment in accordance with IFRS 9.

'Contract liabilities' (as discussed in IFRS 15.106) are recognised if a customer pays consideration before the entity transfers a good or service.

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:

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 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 comprehensive income as exceptional items.

1. Accounting policies continued

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	2-4 years straight-line
Leasehold improvements	over the life of the lease

Right of use assets

The Group recognises 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 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 rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate the Group 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 comprehensive income.

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

Financial instruments

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

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 ("FVOCI").

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.

Financial instruments – impairment

The Group assesses the expected credit losses associated with its financial assets measured at amortised cost on a forward-looking basis; the Group applies the simplified approach as permitted by IFRS 9.

Investments

Subsidiaries

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

Unlisted investments

The Group's investment in unlisted shares are categorised as fair value through other comprehensive income, which the Group has irrevocably elected at initial recognition. 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.

Tax

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

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 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 in 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.

Notes to the financial statements continued
for the year ended 30 September 2019

2. Changes in accounting policies

The impact of adoption of the new accounting policies as detailed in note 1 on the results for the year to 30 September 2019 is outlined below:

	As reported at 30 September 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	**155,103**	75	—	155,028
Cost of sales	**(127,178)**	—	—	(127,178)
Gross profit	**27,925**	75	—	27,850
Administrative expenses	**(21,940)**	—	106	(22,046)
Operating profit	**5,985**	75	106	5,804
Finance income	**59**	—	—	59
Finance expense	**(339)**	—	(74)	(265)
Profit before tax	**5,705**	75	32	5,598
Taxation	**(1,530)**	(14)	(6)	(1,510)
Profit and total comprehensive income for the year attributable to equity holders of the parent	**4,175**	61	26	4,088
Earnings per share (p per share)				
Basic	**10.95**	0.16	0.07	10.72
Diluted	**10.63**	0.16	0.07	10.40

	As reported at 30 September 2019 £'000	Opening transition adjustment in respect of IFRS 15 £'000	Opening transition adjustment in respect of IFRS 16 £'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	6,992	—	(623)	—	—	7,615
Right of use assets	4,845	—	2,514	—	2,331	—
Goodwill	2,361	—	—	—	—	2,361
Other investments	43	—	—	—	—	43
Deferred tax asset	—	—	—	—	—	—
Total non-current assets	14,241	—	1,891	—	2,331	10,019
Current assets						
Inventories	378	—	—	—	—	378
Trade and other receivables	40,922	—	—	—	—	40,922
Contract assets	11,986	(915)	—	(105)	—	13,006
Cash and cash equivalents	27,366	—	—	—	—	27,366
Total current assets	80,652	(915)	—	(105)	—	81,672
Total assets	94,893	(915)	1,891	(105)	2,331	91,691
Current liabilities						
Borrowings	2,000	—	—	—	—	2,000
Trade and other payables	39,392	—	—	—	—	39,392
Contract liabilities	22,572	(128)	—	(180)	—	22,880
Lease liabilities	1,461	—	563	—	792	106
Corporation tax	164	—	—	—	—	164
Total current liabilities	65,589	(128)	563	(180)	792	64,542
Non-current liabilities						
Borrowings	2,745	—	—	—	—	2,745
Lease liabilities	3,136	—	1,328	—	1,507	301
Deferred tax liabilities	152	—	—	14	6	132
Total non-current liabilities	6,033	—	1,328	14	1,513	3,178
Total liabilities	71,622	(128)	1,891	(166)	2,305	67,720
Net assets	23,271	(787)	—	61	26	23,971
Equity attributable to equity holders of the Company						
Share capital	762	—	—	—	—	762
Retained earnings	22,509	(787)	—	61	26	23,209
Total equity	23,271	(787)	—	61	26	23,971

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 adoption of IFRS 9 resulted in changes in the accounting policies. The new accounting policies are set out in note 1.

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 assets 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.

Notes to the financial statements continued

for the year ended 30 September 2019

2. Changes in accounting policies continued

IFRS 9: Financial Instruments continued

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.

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. The adoption of IFRS 15 resulted in changes in accounting policies. The new accounting policies are set out in note 1.

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 £787,000 of earnings being recognised earlier than allowed under IFRS 15. An opening statement of financial position adjustment on 1 October 2018 has decreased retained earnings by £787,000, decreased assets by £915,000 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 this reassessment is that revenue on these contracts will be recognised over time as this will better depict the terms of the underlying agreement.

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 now be accounted for on the statement of financial position. 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 early adopted IFRS 16 on 1 October 2018 in line with IFRS 15 using the retrospective with the cumulative effect transition approach. Comparatives have not been restated, as permitted under the specific transitional provisions in the standard. The adoption of IFRS 16 resulted in changes in accounting policies. The new accounting policies are set out in note 1.

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 2019 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.

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 comprehensive income on a straight-line basis over the period of the lease. From 1 October 2018, 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 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.

3. 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 19 for further details;
- 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; and
- impairment of goodwill – the Group tests goodwill annually for impairment, based on discounted future cash flows. These calculations require the use of estimates, as detailed in note 15.

4. Capital management

The Group's capital is made up of share capital and retained earnings totalling £23,271,000 (2018: £21,811,000).

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.

Note 26 to the financial statements provides details of how the Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

Notes to the financial statements continued

for the year ended 30 September 2019

5. Revenue

On 1 October 2018, the Group adopted IFRS 15: Revenue from Contracts with Customers as described in note 2. Comparatives have not been restated as permitted in the standard. Details of prior year revenue can be found in note 6.

Revenues from external customers 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. Revenue is recognised over time in the following operating divisions:

	2019 Tamdown £'000	2019 TriConnex £'000	2019 eSmart Networks £'000	2019 Total £'000
Segment revenue	112,228	41,798	2,108	156,134
Inter-segment revenue	(1,031)	–	–	(1,031)
Revenue from external customers	111,197	41,798	2,108	155,103
Timing of revenue recognition				
Over time	111,197	41,798	2,108	155,103
Customer type				
Residential	110,615	41,798	–	152,413
Non-residential	582	–	2,108	2,690
	111,197	41,798	2,108	155,103

Inter-segment revenues are earned on an arm's length basis.

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 £'000	2018 £'000
Contract assets		
Accrued income	11,986	10,712
Total	11,986	10,712

	2019 £'000	2018 £'000
Contract liabilities		
Deferred income	21,330	17,790
Contract cost accruals	1,242	853
Total	22,572	18,643

Management expects that 37.5% (£127,186,000) of the transaction price allocated to unsatisfied performance obligations as at 30 September 2019 will be recognised within one year, 51.1% (£173,326,000) within two to five years and 11.4% (£38,542,000) over five years.

The Group has not recognised any assets in relation to costs to fulfil a contract.

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

	2019 £'000	2018 £'000
Tamdown		
Customer 1	17,048	18,419
Customer 2	19,714	17,026
Customer 3[1]	18,535	–

1 An existing customer is now responsible for over 10% of revenue in the current year.

6. 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 United Kingdom.

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

	2019 £'000	2018 £'000
Revenue		
Tamdown	112,228	102,452
TriConnex	41,798	32,211
eSmart Networks	2,108	275
Inter-company trading	(1,031)	—
Total revenue	155,103	134,938
Gross profit		
Tamdown	14,547	17,239
TriConnex	12,885	10,443
eSmart Networks	493	(40)
Total gross profit	27,925	27,642
Operating profit		
Tamdown	4,033	8,018
TriConnex	4,319	3,742
eSmart Networks	(621)	(723)
Group administrative expenses	(1,746)	(1,605)
Total operating profit	5,985	9,432
Net finance cost	(280)	(220)
Profit before tax	5,705	9,212
Taxation	(1,530)	(1,918)
Profit and total comprehensive income for the year	4,175	7,294

Balance sheet analysis of operating segments:

	2019 Assets £'000	2019 Liabilities £'000	2019 Net assets/ (liabilities) £'000
Tamdown	38,931	35,674	3,257
TriConnex	20,576	29,849	(9,273)
eSmart Networks	828	542	286
Group	7,609	5,974	1,635
Cash and cash equivalents	27,366	—	27,366
	95,310	72,039	23,271

	2018 Assets £'000	2018 Liabilities £'000	2018 Net assets/ (liabilities) £'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)
Cash and cash equivalents	26,414	—	26,414
	81,425	59,614	21,811

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 2019

7. Operating profit
The operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation:		
Depreciation of property, plant and equipment	686	682
Depreciation of right of use assets	1,504	654
Profit on disposal of assets	(34)	(119)
Audit and non-audit services:		
Fees payable to the Company's auditors for the audit of the Company and consolidated financial statements	21	9
Fees payable to the Company's auditors for the audit of the Company's subsidiaries pursuant to legislation	83	81
Tax advisory services	8	—

There are no other amounts other than those listed above included in the operating profit in respect of non-audit remuneration.

8. Staff costs

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Wages and salaries	36,387	34,541	2,263	812
Share-based payments	587	(57)	587	(57)
Social security costs	3,700	3,723	258	116
Other pension costs	640	424	109	64
	41,314	38,631	3,217	935

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

	2019 Number	2018 Number
Tamdown	546	644
TriConnex	223	242
eSmart Networks	8	4
Group	33	7
	810	897

The average number of people employed by the Company (including Directors) during the year was 33 (2018: 7).

The Directors of the Group are considered by the Board to be the key management of the Group, for which remuneration in the year ended 30 September 2019 totalled £948,000 (2018: £622,000), comprising: short-term employee benefits £39,000 (2018: £46,000); employer pension contributions £89,000 (2018: £63,000); and share-based payment charge £192,000 (2018: credit £16,000). Further details of the Directors' remuneration are provided in the audited section of the Remuneration Committee report on pages 43 to 45.

9. Finance income and expense

	2019 £'000	2018 £'000
Finance income		
Interest on bank deposits	59	29
Finance expense		
Interest on bank loan	(199)	(213)
Interest on lease liabilities	(140)	(36)
	(339)	(249)
Finance expense (net)	(280)	(220)

10. Taxation

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax on profits for the year	**1,004**	1,898
Adjustment in respect of prior periods	**(56)**	89
Exceptional adjustment in respect of prior periods	**422**	–
Total current tax	**1,370**	1,987
Deferred tax:		
Origination and reversal of timing differences	**297**	(54)
Adjustment in respect of prior periods	**(137)**	(15)
Total tax charge	**1,530**	1,918

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:

	2019 £'000	2018 £'000
Profit before tax	**5,705**	9,212
Profit before tax multiplied by the respective standard rate of corporation tax applicable in the UK (19.0%) (2018: 19.0%)	**1,084**	1,750
Effects of:		
Fixed asset differences	**626**	27
Non-deductible expenses	**168**	61
Income not taxable for tax purposes	**(150)**	–
Other tax adjustments, reliefs and transfers	**(560)**	–
Adjustment in respect of prior periods – current tax	**(56)**	89
Exceptional adjustment in respect of prior periods	**422**	–
Adjustment in respect of prior periods – deferred tax	**(138)**	(15)
Deferred tax – other	**134**	6
Total tax charge	**1,530**	1,918

There was no income tax (charged)/credited directly to equity in the year (2018: nil).

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.

11. Dividends

Group and Company	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 September 2019 of 2.2p per share (2018: 2.2p per share)	**838**	838
Final dividend for the year ended 30 September 2018 of 4.4p per share (2017: 4.2p per share)	**1,677**	1,601
	2,515	2,439

The proposed final dividend for the year ended 30 September 2019 of 4.4p per share (2018: 4.4p per share) makes a total dividend for the year of 6.6p per share (2018: 6.6p per share). 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.

Notes to the financial statements continued

for the year ended 30 September 2019

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:

	2019 £'000	2018 £'000
Profit for the year attributable to equity shareholders	**4,175**	7,294
Weighted average number of shares in issue for the year	**38,117,850**	38,117,850
Effect of dilutive potential ordinary shares:		
Share options	**1,170,294**	576,617
Weighted average number of shares for the purpose of diluted earnings per share	**39,288,144**	38,694,467
Basic earnings (p per share)	**10.95**	19.14
Diluted earnings (p per share)	**10.63**	18.85

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 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
Impact of IFRS 16	—	—	(931)	—	—	(931)
Revised at 30 September 2018	3,978	657	3,950	1,200	609	10,394
Additions	1,460	—	51	386	174	2,071
Disposals	—	—	(1,616)	(407)	(170)	(2,193)
Asset reclassification	—	—	(227)	227	—	—
At 30 September 2019	**5,438**	**657**	**2,158**	**1,406**	**613**	**10,272**
Accumulated depreciation						
At 1 October 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
Impact of IFRS 16	—	—	(309)	—	—	(309)
Revised at 30 September 2018	271	515	2,511	501	365	4,163
Charge for the year	16	99	211	183	177	686
Disposals	—	—	(1,081)	(318)	(170)	(1,569)
Asset reclassification	—	—	(270)	270	—	—
At 30 September 2019	**287**	**614**	**1,371**	**636**	**372**	**3,280**
Net book value						
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
At 30 September 2019	**5,151**	**43**	**787**	**770**	**241**	**6,992**

The fair value of the building is not materially different to the carrying value included above.

The net book value of assets held under hire purchase contracts (included above) is as follows:

	2019 £'000	2018 £'000
Plant and machinery	**—**	1,763

From 1 October 2018, leased assets are presented as a separate line on the balance sheet, see note 14.

Of the £1,763,000 held under hire purchase contracts, £623,000 was transferred to right of use assets. The balance remained in property, plant and equipment as the hire purchase contracts have ended and the Group now owns the assets.

Company	Freehold land and buildings in construction £'000
Cost	
At 1 October 2017	2,945
Additions	406
Disposals	—
At 30 September 2018	3,351
Additions	6
Disposals	(3,351)
At 30 September 2019	**6**
Accumulated depreciation	
At 1 October 2017	—
Charge for the year	—
Disposals	—
At 30 September 2018	—
Charge for the year	1
Disposals	—
At 30 September 2019	**1**
Net book value	
At 30 September 2017	2,945
At 30 September 2018	3,351
At 30 September 2019	**5**

During the year the Company transferred land and buildings in construction to the wholly owned subsidiary Nexus Park Limited.

14. Right of use assets and lease liabilities

The balance sheet shows the following information relating to leases:

	2019 £'000	2018 £'000
Right of use assets		
Freehold property	829	–
Plant and machinery	3,157	–
Motor vehicles	792	–
Fixtures and fittings	67	–
	4,845	–
Lease liabilities		
Current	1,461	–
Non-current	3,136	–
	4,597	–

Additions to the right of use assets during the year comprising transitional adjustments and new leases capitalised amounted to £6,349,000. Disposals of £56,000 were also recorded.

The statement of comprehensive income shows the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation		
Freehold property	188	–
Plant and machinery	903	–
Motor vehicles	398	–
Fixtures and fittings	15	–
	1,504	–
Interest expense	140	–
Expenses relating to short-term leases	143	–
Expenses relating to low-value leases that are not shown above as short-term leases	2	–

The total cash outflow for leases during the year was £1,638,000.

The present value of lease liabilities is as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Within one year	1,600	450	–	–
Two to five years	3,315	163	–	–
Over five years	47	–	–	–
Future finance charge on lease liabilities	(365)	(27)	–	–
Present value of lease liabilities	4,597	586	–	–

15. Goodwill

	2019 £'000	2018 £'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 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 2022 extended to 30 September 2024 using a conservative estimated growth rate of 2.5%. The growth rate beyond 2024 remains at 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 relate 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.

The following table sets out the key assumptions for Tamdown Group Limited, which has goodwill attached to it:

	2020 £'000	2021 £'000	2022 £'000	2023+ £'000
Revenue (% annual growth rate)	7.7%	7.1%	5.1%	2.5%
Gross margin	14.0%	15.0%	16.0%	16.0%
Operating margin	5.0%	6.0%	6.0%	6.0%

16. Investments in subsidiaries

	2019 £'000	2018 £'000
Investments in subsidiary companies	**22,545**	20,545

During the year the Group invested a further £2,000,000 in eSmart Networks Limited.

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
Nexus Park Limited	Development of building projects

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.

Notes to the financial statements continued
for the year ended 30 September 2019

17. Other investments

The Group held investments that are measured at fair value through other comprehensive income where the Group has no control over the strategic or financial activity of the investment, as shown below:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Unlisted investments				
At 1 October	**47**	55	**47**	55
Addition	**—**	—	**—**	—
Disposal	**(4)**	(8)	**(4)**	(8)
Write off	**—**	—	**—**	—
At 30 September	**43**	47	**43**	47

18. Inventories

	2019 £'000	2018 £'000
Raw materials	**378**	29
	378	29

The value of raw materials purchased as inventory and later recognised as an expense in the year ended 30 September 2019 amounted to £2,052,000 (2018: £919,000). These were included in cost of sales.

There were no write-downs of raw materials during the year.

19. Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables from contracts with customers	**37,278**	32,954	**—**	—
Other receivables	**2,785**	1,291	**55**	5
Prepayments	**859**	757	**322**	108
Amounts owed by Group undertakings	**—**	—	**3,780**	251
	40,922	35,002	**4,157**	364

Overdue trade receivables	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
By less than three months	**4,730**	5,082	**—**	—
Over three but less than six months	**2,136**	596	**—**	—
Over six months but less than one year	**1,104**	1,252	**—**	—
Over one year	**1,331**	1,196	**—**	—
	9,301	8,126	**—**	—

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

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 October	**1,301**	2,492	**—**	—
Additions	**—**	—	**—**	—
Written back to the statement of comprehensive income	**(187)**	(1,191)	**—**	—
Written off as impaired	**—**	—	**—**	—
At 30 September	**1,114**	1,301	**—**	—

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

Amounts owed by Group undertakings are unsecured, repayable on demand and interest free. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. No allowance for expected credit losses is deemed necessary.

20. Borrowings

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current	**2,000**	2,000	**2,000**	2000
Non-current	**2,745**	4,400	**2,400**	4,400

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% and is repayable in instalments of £2.0m per annum with a termination payment in October 2020.

The Company entered into a £10.0m ten-year term facility and a £5.0m five-year revolving credit facility with an accordion facility extension of £5.0m with Allied Irish Bank in August 2019. 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 up to 2.20% and is repayable in instalments of £750,000 per annum.

21. Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	**35,266**	30,664	**305**	48
Other payables	**838**	608	**5**	1
Payments on account	**—**	461	**—**	—
Accruals	**2,003**	459	**156**	9
Social security and other tax payable	**1,285**	1,332	**65**	32
Amounts owed to Group undertakings	**—**	—	**9,320**	7,591
Current	**39,392**	33,524	**9,851**	7,681

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

22. Deferred income tax

Accelerated capital allowances	2019 £'000	2018 £'000
Brought forward	**(7)**	62
(Credit)/charge for the year	**159**	(69)
	152	(7)

23. Share capital

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

Group and Company	2019 £'000	2018 £'000
38,117,850 ordinary shares of £0.02 each (authorised and in issue)	**762**	762
	762	762

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for the year ended 30 September 2019

24. Financial instruments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Non-current assets				
Investments	43	47	43	47
	43	47	43	47
Current assets				
Trade receivables	37,695	32,954	–	–
Contract assets	10,123	7,424	–	–
Other receivables	632	434	1	1
Amounts owed by Group undertakings	–	–	3,780	251
	48,450	40,812	3,781	252
Cash and cash equivalents	27,366	26,414	728	318
Total loans and receivables	75,859	67,273	4,552	617
Non-current liabilities				
Borrowings	2,745	4,400	2,400	4,400
Lease liabilities	3,136	156	–	–
	5,881	4,556	2,400	4,400
Current liabilities				
Borrowings	2,000	2,000	2,000	2,000
Trade payables	35,683	30,664	305	48
Accruals	5,449	2,582	156	9
Other payables	2,123	1,940	70	33
Lease liabilities	1,461	430	–	–
Amounts owed to Group undertakings	–	–	9,320	7,591
	46,716	37,616	11,851	9,681
Total at amortised cost	52,597	42,172	14,251	14,081

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; they have assessed the exposure, policies and market conditions and consider there to be no change to the policies 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, trade and other receivables and contract assets:

	2019 £'000	2018 £'000
Group		
Trade and other receivables	40,922	35,002
Contract assets	11,986	10,712
Cash and cash equivalents	27,366	26,414
Company		
Trade and other receivables	4,157	364
Contract assets	–	–
Cash and cash equivalents	728	318

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.

Management consider default to be when companies do not make payment when due; this would further be considered as impaired when it becomes clear that no payment will be made. Historically and for the year to date, no impairments to receivables have been made and therefore the expected credit loss is zero.

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

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:

2019	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	**2,442**	**2,400**	–
Lease liabilities	**1,600**	**3,315**	**47**
Trade payables	**35,683**	–	–
Accruals and payments on account	**24,575**	–	–
Other payables	**2,123**	–	–

2018	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	2,167	6,675	–
Lease liabilities	450	163	–
Trade payables	30,664	–	–
Accruals and payments on account	19,564	–	–
Other payables	1,940	–	–

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:

2019	Within one year £'000	Two to five years £'000	Over five years £'000
Borrowings	**2,097**	**2,400**	–
Trade payables	**305**	–	–
Amounts owed to Group undertakings	**9,320**	–	–
Accruals and payments on account	**156**	–	–
Other payables	**70**	–	–

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	–	–

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for the year ended 30 September 2019

25. Financial risk management continued

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 has no significant exposure to currency risk. The Group is exposed to interest rate risk and the borrowings carry interest at LIBOR plus up to 2.25% as per note 20.

26. Share-based payments

During the year to 30 September 2019, the Group had the following 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 (Pre-IPO)	Three years	For the Executive Directors the award lapsed on the third anniversary of the grant date as the performance conditions were not met. The performance conditions included an EPS growth target for the three financial years from 1 October 2015 to 30 September 2018.
Share options (Pre-IPO)	Three years	For the Executive Directors the award will vest on the third anniversary of the grant date if performance conditions have been met. The performance conditions include an EPS growth target.
Share options	Three years	For the Executive Directors the award will vest on the third anniversary of the grant date if performance conditions have been met. The performance conditions include an EPS growth target and a total shareholder return ("TSR") target.
Share options (April 2019)	Three years	For an Executive Director the award will vest on the third anniversary of the grant date.

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

The fair value per option has been calculated using either the Binomial or Monte Carlo valuation option pricing models. The inputs into the models were as follows:

Date of grant	16/08/2016	15/06/2017	20/02/2018	04/10/2018	14/01/2019	01/04/2019
Stock price at grant date	£1.69	£1.48	£1.48	£2.48	£1.94	£2.07
Weighted average exercise price	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02
Expected life	Three years	Three years	Three years	Three years	Three years	Three years
Expiry date	16/08/2026	15/06/2027	15/06/2019	20/02/2028	14/01/2029	01/04/2029
Expected volatility	40%	43%	43%	35%	35%	35%
Risk-free interest rate	0.12%	0.20%	0.20%	0.85%	0.83%	0.66%
Dividend yield	4.40%	4.25%	4.25%	3.40%	3.40%	3.20%
Fair value of one option (EPS)	£1.46	£1.29	£1.26	£2.22	£1.74	£0.00
Fair value of one option (TSR)	£0.00	£0.00	£0.00	£1.81	£1.27	£0.00
Fair value of one option	£0.00	£0.00	£0.00	£0.00	£0.00	£1.86
Performance condition period	01/10/2015 – 30/09/2018	01/10/2016 – 30/09/2019	01/10/2017 – 30/09/2020	01/10/2017 – 30/09/2020	01/10/2018 – 30/09/2021	N/A

Expected volatility has been calculated based on historical share price movements of comparable companies.

Further details of the option plans are as follows:

Date of grant	16/08/2016 No. of shares	15/06/2017 No. of shares	20/02/2018 No. of shares	04/10/2018 No. of shares	14/01/2019 No. of shares	01/04/2019 No. of shares
Outstanding at 1 October 2018	593,700	1,020,800	808,213	—	—	—
Granted in the year	—	—	—	95,000	1,066,011	75,000
Lapsed	520,550	—	—	—	—	—
Forfeited	73,150	91,250	75,404	—	50,423	—
Outstanding at 30 September 2019	—	929,550	732,809	95,000	1,015,588	75,000
Remaining contractual life	—	9 months	17 months	25 months	28 months	31 months

None of the options are currently exercisable.

The total share-based payments charged to the statement of comprehensive income was a charge of £587,000 (2018: credit of £57,000).

Notes to the financial statements continued

for the year ended 30 September 2019

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 pages 43 to 45.

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Dividend received from other Group companies	–	–	**6,553**	6,591
Amounts sold to the Nexus Community Trust	**2**	4	–	–
Donations made to the Nexus Community Trust	**5**	8	–	–
Transactions with Keith Breen for the supply of construction services	–	3	–	–

Keith Breen was an 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 2019 was £nil (2018: £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 2019, the bank debt covered by this guarantee amounted to £4,745,000 (2018: £6,400,000).

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 2019, the Group had capital commitments of £2,798,000 (2018: £2,436,000) relating to buildings in construction and plant and equipment respectively. The Company had no capital commitments (2018: £nil).

30. Events after the reporting year

Group and Company

There are no events after the reporting year 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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London EC3A 8AB

Nomad and Broker
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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
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Financial PR
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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
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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 18 March 2020 at Radisson Blu Hotel, Waltham Close, London Stansted Airport, Essex CM24 1PP.

Final dividend
The final dividend will be paid on 25 March 2020 to shareholders on the register at close of business on 21 February 2020. The shares will go ex-dividend on 20 February 2020.

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Essential infrastructure services

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Nexus Infrastructure plc Annual report and financial statements 2019