

Nexus Infrastructure plc (formerly Garbol Limited)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

Nexus Infrastructure plc (formerly Garbol Limited)

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Nexus Infrastructure plc (formerly Garbol Limited)

Directors, officers and advisers

Directors	M T Morris A Martin G French (Appointed 1 st January 2016) R Kilner (Appointed 1 st January 2016) A Wiseman (Appointed 24 th June 2016)
Company secretary	D R Hillman
Registered number	05635505
Registered office	1 Tamdown Way Braintree Essex CM7 2QL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 80 Compair Crescent Ipswich Suffolk IP2 0EH

Nexus Infrastructure plc (formerly Garbol Limited)

Group Strategic Report

For the year ended 30 September 2016

Group Businesses

The Group is a leading provider of essential infrastructure services to the UK housebuilding and commercial sectors. The Group comprises two separately managed and operated businesses: Tamdown, a provider of specialised infrastructure services; and TriConnex, which designs, installs and connects utility networks to properties on new residential and commercial developments.

Tamdown provides a range of specialised infrastructure and engineering services to the UK housebuilding and commercial sectors. Services include carrying out earthworks, remedial work, 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 40 years and currently counts among its customers a number of blue-chip companies including nine of the top ten largest UK housebuilders. Tamdown's operations are focused on the South East of England and London.

TriConnex designs, installs and connects gas, electricity and water networks and, since March 2016, fibre connections, on new residential and commercial developments. TriConnex was established in 2011 to take advantage of deregulation in the utilities market with the goal of being recognised as the UK's leading independent provider of utility connections to new developments. TriConnex's current areas of operation include the South East and South West of England.

Strategic Priorities

Nexus' mission statement is to outperform the competition through innovation and by delivering excellent service to customers. The Group's strategy is to focus on organic growth bolstered by opportunistic and complementary acquisitions in the medium term.

The strategic priorities of the Group's businesses are set out below:

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. This creates a significant opportunity for the Group to increase its market share by winning contracts with the regional businesses of existing customers for whom it currently does not work. This is likely to be done through customer recommendations and specific customer targeting.

Expansion into new geographic markets

There are a number of regions outside the South East of England 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. TriConnex's Bristol office opened in 2015 and a third office in the Midlands is being planned, with market sounding exercises already underway.

Diversification into new growth sectors

The Group currently derives the majority of its revenue from the residential sector through its housebuilding customers. This weighting towards the residential sector is a result of the Group aligning itself with the major housebuilders who over recent years have increased development activity with larger multi-phase schemes, especially in the South East and South West of England where the Group operates. One of the Group's key strengths is its ability to work for both the residential and non-residential sectors. The Group has significant experience in sectors such as commercial, schools and affordable homes. The Group is actively diversifying its end markets into non-residential sectors such as commercial, schools and affordable housing, which will enable it to grow sustainably through the economic cycle, through engagement with previous and new customers.

Nexus Infrastructure plc (formerly Garbol Limited)

Group Strategic Report (continued)

For the year ended 30 September 2016

The Group has a number of previous customers within the commercial sector and has a track record of applying its skill-set in this area across a variety of projects. TriConnex is also diversifying its business by offering fibre utility connections for the first time in 2016. This enables TriConnex to offer all four utility connections to customers. It is the only independent utility operator to be able to do this, conferring a distinct commercial advantage as the majority of the customers prefer to deal with just one provider for all of its utilities.

Leverage TriConnex to maximise opportunities for Tamdown

TriConnex is typically engaged early in the development process to advise customers on the utility network considerations for their site. As such, TriConnex has a unique opportunity to see future developments months in advance of the usual sales cycle experienced by Tamdown. As Nexus operates an integrated business development strategy, the Group is able to share this customer intelligence with Tamdown, which can then benefit by targeting customers more selectively and in advance of typical tender windows.

Accretive acquisitions

To date the Group has grown organically and the Directors will continue to focus on organic growth. This organic growth will be supplemented by any opportunistic and complementary acquisitions that may be identified by management, on an opportunistic basis. The Group's acquisition strategy will primarily focus on bolt-on acquisitions for TriConnex to enhance its geographic reach and service offering. The secondary focus will be on the acquisition of established infrastructure service companies that operate in regulated industries, enabling Nexus to become a full service integrated infrastructure business. Any acquisition is likely to take place in the medium term.

Market Context

The majority of the Group's current customers are UK housebuilders and, as such, the UK housebuilding market is key for Nexus. 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 and the current estimates from the DCLG expect this deficit to continue for the foreseeable future. The prevalence of this deficit has attracted significant amounts of government stimulus to the sector such as Help to Buy and Starter Homes. The Group predominately operates within the more economically resilient area of the South East of England, where the Directors believe that the undersupply of housing is more acute in this region compared to the rest of the UK.

The listed UK housebuilders, the majority of whom are customers of the Group, have all reported that the Brexit vote has had little to no effect on demand for new homes. Many of them also comment that they are taking a cautious approach to land acquisition and starting new sites, an approach which, if continued for a substantial period, could impact on the Group's future prospects. The Group is addressing this situation by continually engaging with customers, many of whom the Group has worked with for years, to reiterate the quality, service and financial stability of the Group.

Business Performance

Tamdown

Revenue for Tamdown remained broadly in line with the prior year at £112.4m (2015: £112.0m). The limited revenue growth was due to many customers taking a cautious approach to starting new developments whilst there was market uncertainty both before and after the EU referendum.

The gross margin improved by 330 basis points to 16.5% (2015: 13.2%) following the completion in the year of a number of lower margin contracts. The gross profit increased by 25.8% to £18.5m (2015: £14.7m) due to the margin improvement.

Administration costs continued to be controlled at 8.1% of revenue (2015: 7.9%), resulting in the majority of the gross profit improvement being recorded as increased operating profit.

The operating profit for the year increased 60.2% to £9.5m (2015: £5.9m), with an operating margin of 8.4% (2015: 5.3%).

Nexus Infrastructure plc (formerly Garbol Limited)

Group Strategic Report (continued)

For the year ended 30 September 2016

The cautious approach adopted by customers to placing orders on new developments due to the EU referendum, not only caused revenue growth to be limited, but resulted in utilisation of the order book as the placing of orders have been deferred into the next financial year. At 30 September 2016 the order book stood at £86.7m (2015: £95.0m).

TriConnex

Revenue for TriConnex grew by 23.3% to £23.3m (2015: £18.9m). The growth was a combination of geographic, product and customer growth. The Bristol office opened in June 2015 to service contracts being won in the South West of England, with further customers and contracts won during the financial year. The services available to customers increased during the year with self-lay water starting to be delivered on contracts and the launching of a fibre connection to properties service in April 2016. In addition, TriConnex continued to add new customers in the South East of England.

The gross margin improved by 230 basis points to 33.4% (2015: 31.1%) with the majority of the increase due to a one off contract settlement. The gross margin would have been broadly neutral if the settlement were excluded. The gross profit increased by 32.4% to £7.8m (2015: £5.9m) due to the revenue growth and the one off contract settlement.

As anticipated, administration costs increased to 21.3% of revenue (2015: 17.3%), in order to provide the appropriate level of resources to ensure service levels to clients are maintained and the revenue growth is sustainable.

The operating profit for the year increased 8.1% to £2.8m (2015: £2.6m), with an operating margin of 12.1% (2015: 13.7%).

A number of TriConnex customers adopted a cautious approach to placing orders on new developments due to the EU referendum. The effect of these deferred contracts was mitigated by the addition of new customers in both the South East and South West of England. At 30 September 2016 the order book stood at £75.0m (2015: £68.7m).

Market recognition

In October 2016, the Group was recognised on the Sunday Times Grant Thornton Top Track 250 league table, ranking Britain's 250 mid-market growth private companies. In addition, Group companies have achieved the following:

Employer of the Year 2016 – Construction News - Tamdown
Top 100 Companies for Graduates – The Job Crowd – Tamdown ranked 39th
ROSPA Gold Award – 7th consecutive year – Tamdown
ROSPA Gold Award – 1st year - TriConnex

Key Performance Indicators (KPIs)

Our financial key performance indicators are:

Revenue measure – The strength of revenue is an important measure of the success of the business plan.

- Revenue £135.7m (2015: £130.9m) – a 3.7% increase in the year.

Profit measures – The Group's gross profit margin and operating profit are important measures of the implementation of the business plan.

- Gross profit margin 19.4% (2015: 15.7%) – an increase of 370 basis points following the completion of a number of lower margin contracts and a one off contract settlement.
- Operating profit £10.4m (2015: £8.1m) – an increase of 28.4% due to improved profitability on contracts, an increased volume of work and tight control of overheads.

Cash measure – The net cash balance (Cash and cash equivalents less Borrowings) is a measure of the strength of the balance sheet and to confirm that the Group has the funds necessary to fulfil its growth strategy.

- Net cash balance £23.6m (2015: £26.7m) – a decrease of only £3.1m in the year despite borrowings increasing by £9.4m and a special dividend of £11.0m being paid to shareholders.

Nexus Infrastructure plc (formerly Garbol Limited)

Group Strategic Report (continued)

For the year ended 30 September 2016

Forward sales measure – The strength of the Group's forward sales is an important measure of the Group's expected future success.

- Order book £161.7m (2015: £163.7m) – a decrease of £2.0m, due to a number of customers deferring decisions to commence new developments until the new financial year.

Our non-financial key performance indicators are:

Environmental - Our on-going environmental objectives for the Group are to educate our workforce, reduce waste, to increase recycling of materials, to reduce emissions and to reduce energy consumption.

- No incidents or prosecutions for this period (2015: Nil) alongside external audits from the Environment Agency and BSI show that the Group remains compliant and competent.

Health and Safety - Health and Safety is at the forefront of our business and there is an on-going commitment to continuous improvement across the business by raising awareness and improvements through a programme of Behavioural Safety (Worksmart) including Worker Engagement.

- No incidents or prosecutions for this period (2015: Nil) alongside external audits from Clients and BSI show that the Group remains compliant and competent.
- Our AIR incident rate of 122.0 (2015: 565.9) is significantly below industry average of 735.6.

Financial review

Consolidated Statement of Comprehensive Income

Group revenues totaled £135.7m, an increase of 3.7% (2015: £130.9m). The revenue for Tamdown increased by £0.4m to £112.4m (2015: £112.0m). The revenue for TriConnex increased by 23.3% to £23.3m (2015: £18.9m) due to additional customers in both the South East of England and also the South West of England following the opening of the Bristol office in June 2015, along with offering customers additional services of self-lay water and fibre.

Gross profit increased by £5.7m to £26.3m (2015: £20.6m) with gross margin improving to 19.4% (2015: 15.7%) with the 370 basis point increase due to the completion of a number of lower margin contracts and a one off contract settlement.

Administration expenses increased by 27.1% to £15.9m (2015: £12.5m) following investment for growth within both Tamdown and TriConnex.

The Group operating profit increased by 28.6% to £10.4m (2015: £8.1m).

Other Income of £0.4m (2015: nil) related to the profit on sale of shares in a number of listed companies. The Group no longer holds shares in listed entities.

Finance income of £0.1m (2015: £0.1m) relates to interest earned on cash deposits. Finance expenses of £0.4m (2015: £0.1m) consist of interest payable on bank loans and hire purchase agreements and bank charges.

A tax charge of £2.1m (2015: £1.7m) reflecting the increase in taxable profits for the year.

Reported basic earnings per share increased by 33.2% to £11.14 (2015: £8.39).

Dividend

Based upon the financial strength of the Company and mindful that dividend payments had been relatively low for a number of years, the Board agreed to pay a special dividend of £11.0m in December 2015.

Nexus Infrastructure plc (formerly Garbol Limited)

Group Strategic Report (continued)

For the year ended 30 September 2016

Reflecting the continuing strong performance of the Group and its financial strength, as well as the confidence in the short term outlook, the Board has proposed final dividend of £3.545 per share (2015: nil), which, if approved, will total a payment of £2.68m. The Board aims to maintain dividend cover of three times for the foreseeable future.

Statement of financial position

During the year to 30 September 2016, shareholders' funds decreased by £2.9m to £13.4m (2015: £16.3m), the movement included the payment of a special dividend totaling £11.0m in December 2015, which was mitigated by the strong trading performance of the Group companies.

Non-current assets increased over year by £0.1m to £7.2m (2015: £7.1m). Current assets increased by £17.2m to £67.8m (2015: £50.6m) with inventories decreasing by £0.3m, trade and other receivables increasing by £11.3m and cash balances increasing by £6.3m.

Total liabilities increased by £20.3m to £61.7m (2015: £41.4m), with borrowings increasing by £9.4m, trade and other payables increasing by £10.6m and finance lease liabilities increasing by £0.3m.

Cash flow

The Group generated £6.3m (2015: £7.3m) of cash in the year, resulting in a cash and cash equivalent balance at 30 September 2016 of £34.0m (2015: £27.7m).

Operating cash flows before working capital movements, generated £11.7m (2015: £9.3m). Investment in working capital of £0.2m (2015: £3.3m decrease) resulted in cash generated from operating activities of £11.5m (2015: £12.7m). Tax and interest payments amounted to £2.4m (2015: £1.6m). Cash utilised in investing activities totalled £0.2m (2015: £0.3m). Net cash out-flows from financing activities totalled £2.5m (2015: £3.4m), including £11.0m (2015: nil) on dividend payments and the drawdown of a term loan to £12.0m.

Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved consistent with retaining sufficient 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.

Bank facilities

The Group entered into a new £12.0m five year term facility with Allied Irish Bank plc in December 2015. The facility was fully drawn upon completion, with repayments commencing in December 2015.

Principal risks and uncertainties

The principal risks of the business comprise:

Credit Risk - Group policies are aimed at minimising exposure to bad debt by reviewing the credit rating of existing customers on a regular basis and having a very robust selection process on all tenders with new customers.

Competitive Risk - The Group operates in a competitive sector; the infrastructure and engineering services industry and the installation and connectivity of utility networks industry are both highly competitive markets and the Group faces strong competition from companies with both established delivery capabilities and new market entrants

Dependence on general economic climate - The Group's operating results are dependent, to a large extent, upon the state of the economy. Economic weakness and uncertainty may result, in the future, in decreased revenue, gross margin, and earnings or growth rates.

Nexus Infrastructure plc (formerly Garbol Limited)

Group Strategic Report (continued)

For the year ended 30 September 2016

The Group's business is exposed to fluctuations in the UK's property market - The Group's business is largely focused in the residential sector. There are a number of factors beyond the Group's control that could adversely affect the residential construction market and the number of homes being built.

Availability of materials, subcontractors and suppliers - The Group's business is dependent upon the availability of materials and the availability, competence and consistency of subcontractors and skilled labour. An increase in the cost of materials could adversely affect the Group's margins, while a decrease in availability could lead to projects being delayed or, at the worst case, frustrated. At the same time, such changes could affect the Group's ability to submit appropriate tenders at the appropriate price level.

The ability to recruit and retain, key personnel - The Group's success depends on its ability to recruit, retain and motivate high-quality senior management and other personnel with extensive experience and knowledge of the construction industry.

Contractual Risk - The business works under a number of contract forms subject to sector and client. The contracts may be very complex, have effect over a long period of time and be subject to terms which we regard as onerous. We therefore assess each contract prior to commencement to agree content and mitigate risk. Our long term relationships and familiarity with most contract types are significant factors in managing this risk.

This report was approved by the board and signed on its behalf.



A Martin
Director

Date: 14/12/16

Nexus Infrastructure plc (formerly Garbol Limited)

Directors' Report

For the year ended 30 September 2016

The Directors present their report and the financial statements for the year ended 30 September 2016.

Results and dividends

The Group profit for the year, after taxation, amounted to £8,411,000 (2015: £6,338,000).

The Directors recommended and the shareholders approved a special dividend of £11,000,000 (2015: nil), which was paid to shareholders on 3 December 2016. The Directors recommend the payment of a final dividend of £2,677,000, subject to the approval of shareholders.

Donations

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

Events after the reporting date

On 1 October 2016, the Tamdown Group Limited paid a dividend in specie to the Company of the shares in TriConnex.

Directors

The directors who served during the year were:

M T Morris

A C Martin

D R Hillman (Resigned 14 March 2016)

K J Breen (Resigned 14 March 2016)

G French (Appointed 1 January 2016)

R Kilner (Appointed 1 January 2016)

A Wiseman (Appointed 24 June 2016)

Capital Reduction

On 1 December 2015, the Company cancelled its Capital Redemption Reserve account of £4,734,027. This reduction led to a corresponding increase in retained earnings.

Change of name and legal form

On 21 June 2016, the Company changed its name from Garbol Limited to Nexus Infrastructure Limited.

On 22 April 2016, the Company re-registered as a public limited company.

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 twelve 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.

Employee involvement

Our people are the foundation of our business and this year has seen a continued growth in new talent entering the business to bolster our strategy of growth and succession.

Our graduate programme continued into its fifth year, with the employment of a further four graduates. This is alongside our site apprentice scheme which is working well. The apprenticeship scheme covers site and office and at 30 September 2016 we employed 16 apprentices.

We continue to hold the Investor in People accreditation and continuously invest in our employees' personal development. We have an annual performance and development review with our staff. Investment is at all levels with directors also involved in the Vistage Group (an executive coaching forum).

Nexus Infrastructure plc (formerly Garbol Limited)

Directors' Report (continued)

For the year ended 30 September 2016

The Tamdown degree, which is run in association with Anglia Ruskin University, provides the opportunity for employees to study for a 3 year business degree. The employees have the opportunity to incorporate theoretical aspects of the course into their day-to-day work alongside the flexibility to study at a time to suit them.

Our Group wide gold award scheme recognises and rewards outstanding innovation, customer service and efficiency. Bi-annual conferences for the staff incorporate a guest speaker and the Board gives a strategic and operational update. In addition, twice yearly conferences with site staff enable ideas on cost control and customer service to be exchanged across the business, as well as providing an update to the wider group of employees.

Disabled employees

The directors give special attention to the health and safety of their employees and endeavor 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.

Equality and diversity

The directors consider the principles of equality and diversity to be extremely important. All applications for employment are considered fully based on the skills to carry out the job, irrespective of sex, sexual orientation, race, colour, age, disability, nationality or marital/civil partnership status. Full consideration is given to the diverse needs of our employees and potential recruits.

Corporate social responsibility

Giving things back to our local and wider communities remains a core value for our business. Our CSR covers our relationships with education, wildlife, charities (including our own Tamdown Foundation), our employee's quality of life and their environment. We carry out, attend and support numerous events throughout the year and intend to continue and improve on this as the business grows.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report and Directors' 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nexus Infrastructure plc (formerly Garbol Limited)

Directors' Report (continued)

For the year ended 30 September 2016

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14/12/16 and signed on its behalf.



A Martin
Director

Nexus Infrastructure plc (formerly Garbol Limited)

Independent auditor's report to the members of Nexus Infrastructure plc (formerly Garbol Limited)

We have audited the financial statements of Nexus Infrastructure plc (formerly Garbol Limited) for the year ended 30 September 2016 which comprise the consolidated statement of total comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

James Brown

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants

Ipswich

Date:

19 December 2016

Nexus Infrastructure plc (formerly Garbol Limited)

Consolidated statement of total comprehensive income

For the year ending 30 September 2016

	Note	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Revenue	4	135,720	130,863
Cost of sales		(109,399)	(110,251)
Gross profit		<u>26,321</u>	<u>20,612</u>
Expenses			
Administrative expenses		(15,941)	(12,513)
Operating profit	6	<u>10,380</u>	<u>8,099</u>
Other income	8	380	40
Finance income	9	107	59
Finance expense	9	(352)	(90)
Profit before tax		<u>10,515</u>	<u>8,108</u>
Taxation	10	(2,104)	(1,770)
Profit		<u>8,411</u>	<u>6,338</u>
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Available for sale investments		(379)	192
Total comprehensive income for the year attributable to equity holders of the parent		<u>8,032</u>	<u>6,530</u>
Basic and diluted earnings per share (£ per share)	11	£11.14	£8.39

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Consolidated statement of financial position

For the year ended 30 September 2016

Company number: 05635505

	Note	30 September 2016 £'000	30 September 2015 £'000
Non-current assets			
Property, plant and equipment	12	4,774	4,192
Goodwill	13	2,361	2,361
Investments	14	60	524
Total non-current assets		7,195	7,077
Current assets			
Inventories	15	427	739
Trade and other receivables	16	33,412	22,129
Cash and cash equivalents		33,992	27,724
Total current assets		67,831	50,592
Total assets		75,026	57,669
Current liabilities			
Borrowings	17	2,000	1,000
Trade and other payables	18	49,908	39,318
Corporation tax		807	716
Total current liabilities		52,715	41,034
Non-current liabilities			
Borrowings	17	8,400	-
Finance lease liabilities		433	160
Deferred tax liabilities	19	102	165
Total non-current liabilities		8,935	325
Total liabilities		61,650	41,359
Net assets		13,376	16,310
Equity attributable to equity holders of the company			
Share capital	20	755	755
Capital redemption reserve	21	-	4,734
Retained earnings		12,621	10,821
Total equity		13,376	16,310

The financial statements were approved by the Board of Directors and authorised for issue on 14/12/16



A Martin
Director

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Company statement of statement of financial position

For the year ended 30 September 2016

Company number: 05635505

	Note	30 September 2016 £'000	30 September 2015 £'000
Non-current assets			
Investments	14	20,605	20,605
Total non-current assets		20,605	20,605
Current assets			
Trade and other receivables	16	116	32
Total current assets		116	32
Total assets		20,721	20,637
Current liabilities			
Borrowings	17	2,000	1,000
Trade and other payables	18	6,520	13,685
Total current liabilities		8,520	14,685
Non-current liabilities			
Borrowings	17	8,400	-
Total non-current liabilities		8,400	-
Total liabilities		16,920	14,685
Net assets		3,801	5,952
Equity attributable to equity holders of the company			
Share capital	20	755	755
Capital redemption reserve	21	-	4,734
Retained earnings		3,046	463
Total equity		3,801	5,952

The financial statements were approved by the Board of Directors and authorised for issue on 14/12/16



A Martin
Director

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Consolidated statement of changes in equity

For the year ended 30 September 2016

	Share capital	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
Equity as at 1 October 2014	3,122	2,367	6,658	12,147
Transactions with owners				
Redemption of redeemable preference shares	-	-	(2,367)	(2,367)
Transfer from share capital on redemption of preference shares	(2,367)	2,367	-	-
	(2,367)	2,367	(2,367)	(2,367)
Total comprehensive income				
Profit for the year	-	-	6,338	6,338
Other comprehensive income	-	-	192	192
	-	-	6,530	6,530
Equity as at 30 September 2015	755	4,734	10,821	16,310
Transactions with owners				
Dividend paid	-	-	(11,000)	(11,000)
Share-based payment charge	-	-	34	34
Transfer from capital redemption reserve to retained earnings	-	(4,734)	4,734	-
	-	(4,734)	(6,232)	(10,966)
Total comprehensive income				
Profit for the year	-	-	8,411	8,411
Other comprehensive income	-	-	(379)	(379)
	-	-	8,032	8,032
Equity as at 30 September 2016	755	-	12,621	13,376

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Company statement of changes in equity

For the year ended 30 September 2016

	Share capital	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
Equity as at 1 October 2014	3,122	2,367	3,245	8,734
Transactions with owners				
Redemption of redeemable preference shares	-	-	(2,367)	(2,367)
Transfer from share capital on redemption of preference shares	(2,367)	2,367	-	-
	(2,367)	2,367	(2,367)	(2,367)
Total comprehensive income				
Loss for the year	-	-	(415)	(415)
Equity as at 30 September 2015	755	4,734	463	5,952
Transactions with owners				
Dividend paid	-	-	(11,000)	(11,000)
Share-based payment charge	-	-	34	34
Transfer of capital redemption reserve to retained earnings	-	(4,734)	4,734	-
	-	(4,734)	(6,232)	(10,966)
Total comprehensive income				
Profit for the year	-	-	8,815	8,815
Equity as at 30 September 2016	755	-	3,046	3,801

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Consolidated statement of cash flows

For the year ended 30 September 2016

	Year ended 30 September 2016	Year ended 30 September 2015
	£'000	£'000
Cash flow from operating activities		
Profit before tax	10,515	8,108
Adjusted by:		
Profit on disposal	3	(4)
Share-based payment charge	34	-
Profit on sale of investment	(372)	-
Finance cost (net)	245	31
Depreciation of property, plant and equipment	1,261	1,206
Operating profit before working capital changes	11,686	9,341
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables	(11,273)	2,686
(Increase)/Decrease in inventories	312	(203)
Increase/(Decrease) in trade and other payables	10,753	834
Cash generated from operations	11,478	12,658
Interest paid	(355)	(88)
Taxation paid	(2,076)	(1,601)
Net cash flows from operating activities	9,047	10,969
Investing activities		
Purchase of property, plant and equipment	(1,050)	(570)
Sale of plant and equipment	244	213
Sale of available for sale investment	456	-
Interest received	107	59
Net cash used in investing activities	(243)	(298)
Cash flow from financing activities		
Dividend payment	(11,000)	-
Draw down of term loan	12,000	-
Repayment of loans	(2,600)	(1,047)
Repayment of finance leases/hire purchase agreements	(936)	-
Redemption of preference shares	-	(2,367)
Net cash used in financing activities	(2,536)	(3,414)
Net change in cash and cash equivalents	6,268	7,257
Cash and cash equivalents at the beginning of the year	27,724	20,467
Cash and cash equivalents at the end of the year	33,992	27,724

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Company statement of cash flows

For the year ended 30 September 2016

	Year ended 30 September 2016	Year ended 30 September 2015
	£'000	£'000
Cash flow from operating activities		
(Loss)/profit before tax	8,815	(415)
Adjusted by:		
Share-based payment charge	34	-
Finance cost (net)	296	48
Operating profit before working capital changes	9,145	(367)
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables	(84)	4,993
Increase/(Decrease) in trade and other payables	(7,162)	(1,164)
Cash generated from operations	1,899	3,462
Interest paid	(299)	(48)
Net cash flows from operating activities	1,600	3,414
Investing activities		
Purchase of property, plant and equipment	-	-
Investment	-	-
Interest received	-	-
Net cash used in investing activities	-	-
Cash flow from financing activities		
Dividend paid	(11,000)	-
Draw down of term loan	12,000	-
Repayment of loans	(2,600)	(1,047)
Redemption of preference shares	-	(2,367)
Net cash used in financing activities	(1,600)	(3,414)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at closing	-	-

The notes on pages 20 to 39 form part of the financial statements

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements

1. Accounting policies

General information

The principal activity of Nexus Infrastructure plc (formerly Garbol Limited) ("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.

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

The company is a public limited company 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 2016. They have been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 30 September 2016. 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.

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 company during the year of £8,815,000 (2015: loss of £415,000).

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 twelve months from the approval of these financial statements and, consequently, the Directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Standards in issue but not yet effective

There are a number of standards issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not yet been adopted by the Group in preparing accounts for the year ended 30 September 2016.

Standard	ISAB effective date
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Accounting policies (continued)

The application of these standards is not expected to have a material impact on the Group's reported financial performance or position.

Revenue recognition

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

- Value of work executed during the year on construction contracts based on monthly valuations; and
- Sales of developments and land which are recorded upon legal completion.

Construction contracts

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

Deferred revenue

Where advances are made by customers and cash is received the recognition of the appropriate revenue for the period requires a deferral of a proportion of the cash receipt to future periods for the purposes of recognition in the income statement. The deferred income is shown as a liability on the statement of financial position.

Accrued revenue

Contract revenue is accrued where the client has been billed in advance of services being supplied. This accrued income is shown as an asset on the statement of financial position.

Inventory

Inventory is stated at the lower of costs incurred in bringing each product to its present location and condition compared to net realisable value. Cost of inventory is determined as follows:

Work in progress and finished goods	costs of direct materials and labour plus attributable overheads based on a normal level of activity
-------------------------------------	--

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

The Group operates a defined contribution pension scheme. Contributions to the defined contribution scheme are charged to the consolidated statement of comprehensive income in the year to which they relate.

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. It is provided at the following rates:

- Freehold property - 2.5% straight line
- Plant and machinery - 25% reducing balance
- Motor vehicles - 25% reducing balance
- Fixtures and fittings - 15-25% reducing balance
- Leasehold improvements - over the life of the lease

Intangible assets - Goodwill

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

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Accounting policies (continued)

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.

Where 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 income statement, 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 assets

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

Loans and receivables

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

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

Cash and cash equivalents include cash held at bank and short term investments within 3 months of maturity and with insignificant likelihood of fluctuations in value.

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

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

- Bank loans which are initially recognised at fair value net any of transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost ensuring the interest element of the borrowing is expensed over the repayment period at a constant rate.
- Trade payables, other borrowings and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Investments

Subsidiaries

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

Securities

The Group's investment in listed shares is 'available for sale' and carried at fair value being the published price of the individual share holdings at the reporting date. Movements in fair value are taken to the other comprehensive income until the investment is sold when it is reclassified to profit or loss. These are measured fair value level 1, as they are derived from quoted prices in an active market for identical assets.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Accounting policies (continued)

Equity

- Share capital - the nominal value of equity shares.
- Capital redemption reserve - the nominal value of shares which have been bought back by the company.
- Retained earnings – profits which have been retained within the business

Share capital

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

Dividends

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

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

Leased assets

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

Payments under operating leases are charged to profit or loss on a straight line basis over the lease term.

Deferred taxation

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 and 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.

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 options

During the year to 30 September 2016, the Group implemented a share options scheme. The share option scheme allows certain employees to acquire shares in the capital of the company. The fair value of these share options is determined using the Binomial model. The share-based payment is recognised as an expense in the income statement, together with a corresponding credit to retained earnings in equity. This expense is recognised on a straight line basis based on the Group's estimate of the number of shares that will vest.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

2. Critical accounting estimates and judgements

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

- Recoverability of debt - as part of the process of gaining new business it is necessary to carry out checks on the organisations for which the Group will carry out work. The value of individual contracts is substantial and the risk of default is always present so the estimate of the non-recoverability of the debt made by the Directors is critical. See note 16 for future 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 judgement which is an assessment on the profitability and margin of contracts.

3. Capital management

The Group's capital is made up of share capital, capital redemption reserve and retained earnings totalling £13,376,000 (2015: £16,310,000).

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 and the drawdown of £12.0m five year term facility in the year.

4. Revenue

All revenues are generated from the supply of services.

5. Segmental analysis

The Directors identify operating segments based upon the information which is regularly reviewed by the chief operating decision maker. The Group considers that the chief operating decision makers are the executive members of the Board of Directors. The Group has identified two reportable operating segments, being that of the provision of construction services (Tamdown) and that of utilities installation (TriConnex). The Group operates in the UK.

	2016	2015
	£'000	£'000
Revenue		
Tamdown	112,390	111,955
TriConnex	23,330	18,908
Total Group revenue	<u>135,720</u>	<u>130,863</u>
Operating profit		
Tamdown	9,451	5,905
TriConnex	2,819	2,608
Central overhead	(1,889)	(415)
Other income	380	39
Net finance cost	(246)	(31)
Profit before tax	<u>10,515</u>	<u>8,108</u>
Income tax expense	(2,104)	(1,770)
Total comprehensive income for the period	<u>8,411</u>	<u>6,338</u>

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Segmental analysis (continued)

Balance sheet analysis of business segments:

	2016	2016	2016
	Assets	Liabilities	Net Assets
	£'000	£'000	£'000
Tamdown	37,412	35,820	1,592
TriConnex	13,049	20,932	(7,883)
Head Office	20,721	16,920	3,801
Net Cash	33,992	-	33,992
Elimination adjustments	(30,148)	(12,022)	(18,126)
	<u>75,026</u>	<u>61,650</u>	<u>13,376</u>

	2015	2015	2015
	Assets	Liabilities	Net Assets
	£'000	£'000	£'000
Tamdown	35,397	26,711	8,686
TriConnex	5,786	13,712	(7,926)
Head Office	20,637	14,685	5,952
Net Cash	27,724	-	27,724
Elimination adjustments	(31,875)	(13,749)	(18,126)
	<u>57,669</u>	<u>41,359</u>	<u>16,310</u>

One customer is responsible for over 10% of total revenue.

6. Operating profit

The operating profit is stated after charging:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Depreciation and amortisation:		
Owned		
Depreciation of property, plant and equipment	610	604
Depreciation of assets held under hire purchase contracts	651	602
Lease payments on land and buildings held under operating leases	145	120
Profit on sales of assets	3	(4)
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts	60	70
Services relating to corporate finance transactions	190	-
Tax advisory services	120	24
For tax compliance services	20	14

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

7. Staff cost

Group

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Wages and salaries	26,094	22,447
Social security cost	2,639	2,255
Pension cost	185	155
	28,918	24,857
Directors remuneration (included in staff costs above)		
Remuneration	572	694
Pension costs	34	38
	606	732
Highest paid Director		
Remuneration	284	259
Pension costs	26	19
	310	278

The average monthly number of employees during the period was as follows:

	Year ended 30 September 2016 Headcount	Year ended 30 September 2015 Headcount
Site workers	536	492
Administrative	172	132
	708	624

The number of Directors with pension contributions amounted to 2 (2015: 2).

8. Other income

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Sale of available for sale investments	380	-

9. Finance income and expense

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Finance income		
Other interest	107	59
Finance expense		
Interest	352	90

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

10. Taxation

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current Tax:		
UK corporation tax on profits for the year	2,248	1,787
Adjustments in respect of prior periods	(81)	1
Total current tax	2,167	1,788
Deferred Tax:		
Origination and reversal of timing differences	(37)	(18)
Prior period adjustment	(1)	-
Effect of tax rate change on opening balance	(25)	-
Taxation	2,104	1,770

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:

Profit before tax	10,515	8,108
Profit before tax multiplied by the respective standard rate of corporation tax applicable in the UK (20.0%) (2015: 20.5%)	2,027	1,662
Effects of:		
Non-deductible expenses	176	107
Prior period adjustment	(81)	1
Deferred tax	(18)	-
Taxation	2,104	1,770

11. Earnings per share

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit for the year attributable to equity shareholders	8,411	6,338
Basic and diluted earnings per share (£ per share)	£11.14	£8.39
Weighted average number of shares in issue for the year	755,157	755,157

Performance-based share options are treated as contingently issuable shares because their issue is contingent upon satisfying performance conditions in addition to the passage of time, leading to their being no dilutive impact.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

12. Property, plant and equipment

Group	Freehold Property	Leasehold Improvements	Plant & Machinery	Motor Vehicles	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2014	627	258	5,928	1,383	622	8,818
Additions	-	-	195	363	12	570
Disposals	-	-	(399)	(281)	(20)	(700)
At 30 September 2015	627	258	5,724	1,465	614	8,688
Additions	-	399	1,469	201	21	2,090
Disposals	-	-	(561)	(193)	(117)	(871)
At 30 September 2016	627	657	6,632	1,473	518	9,907
Depreciation						
At 1 October 2014	209	52	2,537	462	520	3,780
Charge for the year	15	51	886	232	22	1,206
Disposals	-	-	(271)	(205)	(14)	(490)
At 30 September 2015	224	103	3,152	489	528	4,496
Charge for the year	15	110	894	215	27	1,261
Disposals	-	-	(388)	(119)	(117)	(624)
At 30 September 2016	239	213	3,658	585	438	5,133
Net book value						
At 30 September 2014	418	206	3,391	921	102	5,038
At 30 September 2015	403	155	2,572	976	86	4,192
At 30 September 2016	388	444	2,974	888	80	4,774

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

	30 September 2016 £'000	30 September 2015 £'000
Plant & Machinery	2,437	1,810

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

13. Goodwill

Group	30 September	30 September
	2016	2015
	£'000	£'000
Carrying value	2,361	2,361

Impairment testing

The Group tests goodwill annually for impairment. During the year, impairment tests were undertaken over the goodwill of Tamdown Group Limited (£2,361,000). There are considered to be the two Cash Generating Units (CGUs) in the Group which will provide the future economic benefit to the Group comprising Tamdown Group Limited and TriConnex. No goodwill is attached to TriConnex.

The recoverable amount was determined using a value in use calculation based upon management forecasts for the trading results for the two years ending 30 September 2019 extended to 30 June 2021 with long term average growth of 2.5%.

A discount rate of 10% has been calculated for this exercise. The key assumptions utilised within the forecast model relates to the level of future sales, which have been estimated based upon the Directors expectations, current trading and recent actual trading performance. The value in use calculation indicates that Tamdown Group Limited has a recoverable amount which is £15.5 million greater than the carrying amount of the 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.

14. Investments

Company	30 September	30 September
	2016	2015
	£'000	£'000
Investments in subsidiary companies	20,605	20,605

Companies consolidated in these accounts

	Class of shares	Holding	Activity
Tamdown Group Limited	Ordinary	100%	Construction services
Tamdown Regeneration Limited*	Ordinary	100%	Remediation
Tamdown Services Limited*	Ordinary	100%	Supply of labour to the construction industry
Tamdown Plant Hire Limited*	Ordinary	100%	Engineering plant hire
Triconnex Limited*	Ordinary	100%	Utilities contractor

*Held by Tamdown Group Limited

All Group companies are incorporated in England & Wales.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Investments (continued)

Group

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

	30 September 2016 £'000	30 September 2015 £'000
Unlisted investments	60	60
	30 September 2016 £'000	30 September 2015 £'000
Listed investments		
At 1 October	464	272
Addition	-	-
Disposal	(464)	-
Fair value change through other comprehensive income	-	192
At 30 September	-	464
Total	60	524

15. Inventories

Group	30 September 2016 £'000	30 September 2015 £'000
Work in progress	427	739
	427	739

16. Trade and other receivables

Group	30 September 2016 £'000	30 September 2015 £'000
Trade receivables	21,323	14,754
Other receivables	5,027	4,121
Prepayments and accrued income	7,062	3,254
	33,412	22,129

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Trade and other receivables (continued)

Overdue receivables	30 September	30 September
	2016	2015
	£'000	£'000
By less than 3 months	7,369	4,394
Over 3 but less than 6 months	490	1,482
Over 6 months but less than 1 year	490	508
Over 1 year	541	768
	8,890	7,152

Allowance account for receivables	30 September	30 September
	2016	2015
	£'000	£'000
At 1 October	3,502	2,755
Additions	(33)	864
Written back to the income statement	(228)	(117)
Written off as impaired	-	-
At 30 September	3,241	3,502

Company	30 September	30 September
	2016	2015
	£'000	£'000
Other receivables	10	24
Amounts owed by Group undertaking	-	8
Prepayments and accrued income	106	-
	116	32

The company has no receivables which are overdue or impaired.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

17. Borrowings

Group	30 September	30 September
	2016	2015
	£'000	£'000
Current	2,000	1,000
Non-current	8,400	-
Company	30 September	30 September
	2016	2015
	£'000	£'000
Current	2,000	1,000
Non-current	8,400	-

The Group entered into a new £12.0m five year term facility with Allied Irish Bank plc in December 2015. The bank loans are secured by cross guarantees from other Group undertakings and carries interest at LIBOR plus 2.5% to December 2016 and LIBOR plus 2.25% from January 2017 onwards.

18. Trade and other payables

Group	30 September	30 September
	2016	2015
	£'000	£'000
Trade payables	23,586	20,943
Other payables	548	2,397
Payments on account	16,369	9,792
Finance lease liabilities	591	672
Accruals and deferred income	7,797	4,798
Social security and other tax payable	1,017	716
	49,908	39,318
Company	30 September	30 September
	2016	2015
	£'000	£'000
Trade payables	46	-
Amounts owed to Group undertaking	6,099	13,681
Other payables	-	4
Accruals and deferred income	375	-
	6,520	13,685

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

19. Deferred income tax

Group	30 September	30 September
	2016	2015
Accelerated capital allowances	£'000	£'000
Brought forward	165	183
(Credit)/Charge for the year	(63)	(18)
	<u>102</u>	<u>165</u>

20. Share capital

Group and Company	30 September	30 September
	2016	2015
	£'000	£'000
386,715 ordinary A share of £1 each	387	387
257,807 ordinary B shares of £1 each	258	258
63,346 ordinary C shares of £1 each	63	63
47,289 non-voting ordinary shares of £1 each	47	47
	<u>755</u>	<u>755</u>

21. Capital reduction

On the 1st December 2015, the Company cancelled its Capital Redemption Reserve account of £4,734,027. This reduction lead to a corresponding increase in retained earnings.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

22. Financial instruments

Group	30 September	30 September
	2016	2015
	£'000	£'000
Non- current assets		
Investments – assets held for sale	60	524
	60	524
Current assets		
Trade receivables – loans and receivables	21,323	14,754
Other receivables – loans and receivables	5,027	4,121
Non-financial receivables	7,062	3,254
	33,412	22,129
Cash and cash equivalents	33,992	27,724
	60,342	46,599
Non-current liabilities		
Borrowings – at amortised cost	8,400	-
Finance lease liabilities – at amortised cost	433	160
Non-financial payables	102	165
	8,935	325
Current		
Borrowings – at amortised cost	2,000	1,000
Trade payables – at amortised cost	23,586	20,943
Other payables – at amortised cost	548	2,397
Payments on account – at amortised cost	16,369	9,792
Finance lease liabilities – at amortised cost	591	672
Accruals – at amortised cost	7,797	4,798
Non-financial payables	1,017	716
	51,908	40,318
	59,725	39,762
Total at amortised cost	59,725	39,762

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Financial instruments (continued)

Company	30 September 2016 £'000	30 September 2015 £'000
Non- current assets		
Investments – assets held for sale	60	-
	60	-
Current assets		
Other receivables – loans and receivables	10	24
Amounts owed by Group undertakings – loans and receivables	-	8
Total loans and receivables	10	32
Non-current liabilities		
Borrowings – at amortised cost	8,400	-
	8,400	-
Current		
Borrowings – at amortised cost	2,000	1,000
Trade payables – at amortised cost	46	-
Amounts owed to Group undertakings – at amortised cost	6,099	13,681
Accruals – at amortised cost	375	4
Total at amortised cost	16,920	14,685

23. Operating leases

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

Group	30 September 2016 £'000	30 September 2015 £'000
Within one year	190	70
Two to five years	281	140
	471	210

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

24. Financial risk management

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

a) Credit risk

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

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

	2016 £'000	2015 £'000
Group	67,404	49,853
Company	116	24

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

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

b) Liquidity risk

Group

The Group currently holds cash balances in sterling to provide funding for normal trading activity. The Group also has access to additional equity funding and, for short term flexibility, overdraft facilities would be arranged with the Group's bankers. Trade and other payables are monitored as part of normal management routine. Liabilities are disclosed as follows:

2016	Within 1 year £'000	Two to five years £'000	Over five years £'000
Borrowings	2,000	8,400	-
Finance lease liabilities	591	433	-
Trade payables	23,586	-	-
Accruals and deferred income	7,797	-	-
Other payables	548	-	-
Payments on account	16,369	-	-

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Financial risk management (continued)

Liquidity risk (continued)

2015	Within 1 year £'000	Two to five years £'000	Over five years £'000
Borrowings	1,000	-	-
Finance lease liabilities	672	160	-
Trade payables	20,943	-	-
Accruals and deferred income	4,798	-	-
Other payables	2,397	-	-
Payments on account	9,792	-	-

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

Company

The company holds no cash balances. The company has access to additional equity funding and, for short term flexibility, overdraft facilities would be arranged with the Group's bankers. Trade and other payables are monitored as part of normal management routine. Liabilities are disclosed as follows:

2016	Within 1 year £'000	Two to five years £'000	Over five years £'000
Borrowings	2,000	8,400	-
Trade payables	46	-	-
Accruals and deferred income	375	-	-
Amounts owed to Group undertakings	6,099	-	-

2015	Within 1 year £'000	Two to five years £'000	Over five years £'000
Borrowings	1,000	-	-
Accruals and deferred income	4	-	-
Amounts owed to Group undertakings	13,681	-	-

c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in a volatile and tight credit economy.

The Group will also seek to minimise the cost of capital and attempt to optimise the capital structure, which currently means maintaining equity funding and managing fixed term loan and finance lease agreements. Share capital amounts to £755,000 (2015: £755,000).

Capital for further development of the Group's activities will, where possible, be achieved by share issues and not by increasing debt levels.

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

25. Share-based payments

During the year to 30 September 2016, the Group implemented a share-based payment arrangement.

A summary of the arrangement is shown below:

Arrangement	Contractual life	Vesting conditions
Share options	3 years	For the executive Directors the award will vest on the third anniversary of the grant date of 16 August 2019 if performance conditions have been met. The performance conditions include an EPS growth target for the three financial years from 1 October 2015 to 30 September 2018.

The fair value per option has been calculated using the Binomial model. The inputs into the model were as follows:

Date of grant	16/08/2016
Stock price at grant date	£84.42
Exercise price	£1.00
Expected life	3 years
Expiry date	16/08/2016
Expected volatility	40%
Risk free interest rate	0.12%
Dividend yield	4.40%
Fair value of one option	£73.20

Further details of the option plans are as follows:

Outstanding at 1 October 2015	-
Granted in the year	13,895
Outstanding at 30 September 2016	13,895

The total share-based payment cost charged to the statement of comprehensive income was £34,000 (2015: nil).

26. Related party transactions

Compensation of key management personnel (comprising only Directors):

Group and Company	30 September	30 September
	2016	2015
	£'000	£'000
Short term employee benefits	648	790
Post employment benefits	34	38
Share-based payment charge	34	-
	<u>716</u>	<u>828</u>

Nexus Infrastructure plc (formerly Garbol Limited)

Notes to the financial statements (continued)

Group	30 September 2016 £'000	30 September 2015 £'000
Amounts owed by companies with common Directors		
Garbol Warehousing	-	11
Amounts sold to/(purchased from) companies with common Directors		
Tamdown Foundation	7	6
Donations made to companies with common Directors		
Tamdown Foundation	16	14
Transactions with K Breen for the supply of construction services.	271	-
Company	30 September 2016 £'000	30 September 2015 £'000
Dividend received from other group companies.	11,000	-

27. Ultimate control

At 30 September 2016, the company's ultimate controlling party was Michael Morris by virtue of his shareholding in the company.

28. Events after the reporting date

On 1 October 2016, the Company received a dividend in specie from Tamdown Group Ltd of the shares in TriConnex Ltd.

29. Capital commitments

Group and Company

At 30 September 2016 neither the Group nor the company had any capital commitments (2015: £nil).