

Fulcrum Group Holdings Limited

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Annual report and financial statements

for the year ended 31 March 2016

Registered number: 03705715



Fulcrum Group Holdings Limited

Annual report and financial statements for the year ended 31 March 2016

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Fulcrum Group Holdings Limited

Strategic Report for the year ended 31 March 2016

The directors present their annual report and the audited financial statements of Fulcrum Group Holdings Limited ("the Company") for the year ended 31 March 2016

Principal Activities

The Company is the shared service provider of commercial and administration services to its ultimate parent undertaking Fulcrum Utility Services Limited and its subsidiaries, together "the Group" or "Fulcrum". These companies are involved in gas connections, utility infrastructure services and gas transportation.

Business Review and Future Developments

Where costs initially incurred by the Company can be wholly attributed to other group companies, they are recharged directly to the relevant company. The residual costs incurred by the Company relate to the shared services of the Group that are not attributable to particular subsidiary companies. These include legal and professional fees and insurance, as well as company executive costs. These costs are allocated across the subsidiaries by an appropriate allocation basis. The re-charge of these costs to the subsidiaries are uplifted by 5%.

It is possible that the growth of the business could take longer than expected or that the anticipated improvements in financial performance may not be realised in full. To mitigate this risk, the Group operates comprehensive annual strategic planning and budgeting processes together with detailed monthly reporting and analysis of actual performance against the business plan so that corrective actions can be taken if necessary.

Key performance Indicators (KPI's)

As an internal service provider the Company does not operate any KPI's specific to the provision of these services.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. As a shared services provider, the risks affecting the Company are financial and administrative.

The Company is a subsidiary of an AIM listed company, Fulcrum Utility Services Limited and therefore its liquidity and cash flow risks are managed within this group.

The Company's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

The Company's activities expose it to liquidity risk and capital management risk. These risks are managed by the Chief Financial Officer under policies approved by the Board which are summarised below.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company. The Company forecasts on a regular basis the expected cash flows that will occur on a daily, weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term.

The carrying amount of all non-derivative financial liabilities shown in the balance sheet at 31 March 2016 is the same as the contractual cash flows. All contractual cash flows are due within one year.

Fulcrum Group Holdings Limited

Strategic report (continued) for the year ended 31 March 2016

Principal Risks and Uncertainties (continued)

Capital risk

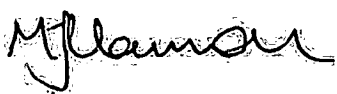
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its investment plans.

Going Concern

As a matter of course the Directors regularly prepare financial forecasts for the business and these are reviewed and adopted by the Board. These forecasts are subject to 'stress testing' with appropriate sensitivity analysis and scenario planning to ensure that any adverse impact can be managed and mitigated such that the business can continue to operate within its existing financing facilities.

The Group's forecasts and projections, after taking account of sensitivity analysis of changes in trading performance and corresponding mitigating actions, show that the Group has adequate cash resources for the foreseeable future.

Therefore after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.



Martin Harrison

Chief Financial Officer
21 December 2016

Fulcrum Group Holdings Limited

Directors' Report for the year ended 31 March 2016

Results and Dividends

The profit for the year ended 31 March 2016 is set out in the statement of comprehensive income on page 6. No dividend has been declared or proposed (2015: £nil).

Directors

The directors of the Company during the financial year and up to the date of signing the financial statements were:

M Donnachie

M Harrison

Directors' Indemnities and Insurance

The Company indemnifies its officers against liabilities arising from the conduct of the Company's business, to the extent permitted by law, by the placing of directors' and officers' insurance. The insurance indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with the Company's business.

Employees

All employee contracts of the Group's employees are held and owned by the Company. The Company's management regularly delivers company-wide briefings on the Group's strategy and performance. These briefings contain details of the Group's financial performance where appropriate. In addition, monthly "Team Talk" briefs are distributed, containing detailed information on the Group's operational performance and updates on customer activity.

The Company remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Group takes a positive approach to equality and diversity. The Company promotes equality in the application of reward policies, employment and development opportunities, and aims to support employees in balancing work and personal lifestyles.

Immediate Parent and Ultimate Parent Company

The immediate parent company is Fulcrum Utility Investments Limited, which is registered in the Cayman Islands.

The ultimate parent company is Fulcrum Utility Services Limited, which is registered in the Cayman Islands and consolidates the financial statements of the Company. The consolidated financial statements of Fulcrum Utility Services Limited are available on its website at www.fulcrumutilityserviceslimited.co.uk.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic report, the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Fulcrum Group Holdings Limited

Directors' Report for the year ended 31 March 2016 (continued)

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 Company and of the profit or loss of the Company 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



Martin Harrison

Chief Financial Officer

21 December 2016

Fulcrum Group Holdings Limited

Independent Auditor's Report to the Members of Fulcrum Group Holdings Limited

We have audited the financial statements of Fulcrum Group Holdings Limited for the year ended 31 March 2016 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 3, 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 company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

21 December 2016

Fulcrum Group Holdings Limited

Statement of comprehensive income for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Revenue	2	3,162	6,234
Gross profit		3,162	6,234
Administrative expenses		(3,098)	(3,103)
Operating profit	4	64	3,131
Analysed as:			
EBITDA before share based payments and exceptional items		883	3,863
Equity-settled share based payment charges	17	(314)	(74)
Exceptional items	3	(4)	119
Depreciation and amortisation	8,9	(501)	(777)
		64	3,131
Finance income		17	3
Finance expense		(8)	(49)
Profit before taxation		73	3,085
Taxation	7	466	113
Profit for the period attributable to equity holders of the parent and other comprehensive income		539	3,198


Fulcrum Group Holdings Limited
Statement of changes in equity
for the year ended 31 March 2016

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014		10,000	8,012	18,012
Profit for the year		-	3,198	3,198
Transactions with equity shareholders				
Equity-settled share based payments	17	-	74	74
Balance at 31 March 2015		10,000	11,284	21,284
Profit for the year		-	539	539
Transactions with equity shareholders				
Equity-settled share based payments	17	-	314	314
Balance at 31 March 2016		10,000	12,137	22,137

Fulcrum Group Holdings Limited
Balance sheet as at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Property, plant and equipment	8	35	229
Intangible assets	9	372	612
Deferred tax assets	7	233	113
		640	954
Current assets			
Trade and other receivables	10	17,499	19,102
Cash and cash equivalents	11,14	4,548	2,029
		22,047	21,131
Total assets		22,687	22,085
Current liabilities			
Trade and other payables	12	(452)	(416)
Borrowings	13	-	(168)
Provisions	15	(98)	(217)
		(550)	(801)
Total liabilities		(550)	(801)
Net assets		22,137	21,284
Equity			
Share capital	18	10,000	10,000
Retained earnings	19	12,137	11,284
Total equity		22,137	21,284

The financial statements were approved by the Board of Directors on 21 December 2016 and were signed on its behalf by:



Martin Harrison
Chief Financial Officer
21 December 2016

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements

1. Accounting policies

Fulcrum Group Holdings Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 April 2014.

The Company's ultimate parent undertaking, Fulcrum Utility Services Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Fulcrum Utility Services Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 2 Europa View, Sheffield Business Park, Sheffield, S9 1XH.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Fulcrum Utility Services Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

IFRS 2 Share Based Payments in respect of group settled share based payments

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Measurement convention

The financial statements have been prepared on the historical cost basis.

Going concern

As a matter of course the Directors regularly prepare financial forecasts for the business and these are reviewed and adopted by the Board. These forecasts are subject to 'stress testing' with appropriate sensitivity analysis and scenario planning to ensure that any adverse impact can be managed and mitigated such that the business can continue to operate within its existing financing facilities.

The Company's forecasts and projections, after taking account of sensitivity analysis of changes in trading performance and corresponding mitigating actions, show that the Company has adequate cash resources for the foreseeable future.

Therefore, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The directors have prepared the financial statements on the going concern basis. The directors have received confirmation from Fulcrum Utility Services Limited, of its intention to financially support the Company such that the Company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following areas:

- Share based payments
- Valuation of share based payments.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives are as follows:

Fixtures and fittings	2 and 5 years
Computer equipment	3 and 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of software is recognised in the income statement on a straight-line basis over the estimated useful life of five years.

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Employee benefits

Pension plans

The Group operates a defined contribution pension plan for the benefit of its employees under which the company pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions are recognised in the income statement as they become payable in accordance with the rules of the scheme.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payment transactions

Share based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

No cash-settled share based payment awards have been granted to employees.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue

The Company's turnover represents the charges made to other entities in the Fulcrum Group for their use of shared services provided by the Company. Revenue is based on costs incurred and for certain costs these include a 5% mark-up.

Exceptional items

Exceptional items are those that in management's judgement need to be disclosed separately by virtue of their size or incidence in order to provide greater visibility of the underlying results of the business and which management believes provide additional meaningful information in relation to ongoing operational performance.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Changes in accounting policy and disclosures

New standards, amendments and interpretations that are in issue but not yet effective

The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- IFRS 9: Financial Instruments (effective date 1 January 2018)
- IFRS 14: Regulatory Deferral Accounts (effective date 1 January 2016)
- IFRS 15: Revenue from Contract with Customers (effective date 1 January 2017)
- IFRS 16: Leases (effective date 1 January 2019)
- Annual Improvements to IFRSs – 2012–2014 Cycle: (effective date 1 January 2016)

The adoption of IFRS 15 and IFRS 16 may have an impact on the financial statements when introduced, however, a detailed analysis of the effect is not yet possible. The adoption of other standards is not expected to have a material effect on the financial statements

2. Revenue

The Company's activities consist solely of the provision of commercial and administration services to its ultimate parent undertaking Fulcrum Utility Services Limited and its fellow group entities. All activities occur in the United Kingdom.

3. Exceptional items

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Relocation and property costs	(122)	(119)
Restructuring costs and provisions	126	-
	4	(119)

Relocation and property costs arose as a result of a reassessment of dilapidation costs associated with moving the Group's head office from Rotherham to Sheffield in 2011.

Restructuring costs relate to employee and other costs associated with changing the operating model.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

4. Operating profit

Included in operating profit are the following charges:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Amortisation of intangible assets: owned	299	464
Amortisation of intangible assets: leased	-	58
Depreciation of property, plant and equipment: owned	202	69
Depreciation of property, plant and equipment: leased	-	186
Operating leases – plant and machinery	689	250
Operating leases – land and buildings	208	173
(Profit) / loss on disposal of property, plant and equipment	(1)	9
<i>Amounts receivable by the auditors, KPMG LLP in respect of:</i>		
Auditors' remuneration:	60	12
<i>Amounts receivable by auditors and their associates in respect of:</i>		
– Taxation compliance services	10	4
– Other tax advisory services	8	-

In the current year the company has paid the audit fee costs of the group, this is included in the shared services recharge.

5. Staff numbers and costs

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Wages and salaries	8,766	4,627
Social security costs	840	531
Other pension costs	269	304
Share based payments	314	74
	10,189	5,536

The average monthly number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

Number of employees	2016	2015
Operational	99	12
Support	97	117
	196	129

Shared services costs are allocated and recharged to each subsidiary owned by Fulcrum Utility Services Limited on the basis of the costs incurred by Fulcrum Group Holdings Limited. Certain of these costs include a 5% uplift. Costs recharged include legal and professional fees, insurance, and other executive costs. The current year recharge includes certain costs that were incurred in prior periods.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

6. Directors emoluments

	2016	2015
	£'000	£'000
Aggregate emoluments	562	493

Included in the total emoluments above is the aggregate value of company contributions made to the pension scheme of 2 (2015: 2) directors in respect of directors' qualifying services. These costs are included in the shares services recharge.

Highest paid director:

	2016	2015
	£'000	£'000
Emoluments	271	242
Contributions to a defined contribution scheme	14	16
	285	258

7. Taxation

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Current tax	-	-
Deferred tax	466	113
Total tax credit	466	113

Deferred tax has been recognised in respect of tax losses carried forward that are expected to be utilised against future taxable profits. Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax assets at balance sheet date has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. The impact of the change in rate in 2020 does not have a significant impact on the deferred tax balance due to the planned utilisation of the tax losses.

Reconciliation of effective tax rate

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Profit before taxation	73	3,085
Tax using the UK corporation tax rate of 20% (2015: 21%)	(14)	648
Non-deductible expenses	(73)	3
Depreciation in excess of capital allowances	-	26
Utilisation of tax losses	-	(677)
Recognition of tax effect of previously unrecognised tax losses	553	113
Total tax credit	466	113

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

Movement in deferred tax balances

Deferred tax assets	31 March 2016 £'000	31 March 2015 £'000
At 1 April 2015	113	-
Recognised in profit or loss		
Tax losses carried forward	120	113
At 31 March 2016	233	113

8. Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2014	318	7,289	7,607
Additions	-	32	32
Disposals	-	(6,569)	(6,569)
At 31 March 2015	318	752	1,070
Additions	3	6	9
Disposals	-	(2)	(2)
At 31 March 2016	321	756	1,077
Accumulated depreciation			
At 1 April 2014	(250)	(6,896)	(7,146)
Depreciation charge for the period	(40)	(215)	(255)
Disposals	-	6,560	6,560
At 31 March 2015	(290)	(551)	(841)
Depreciation charge for the period	(22)	(180)	(202)
Disposals	-	1	1
At 31 March 2016	(312)	(730)	(1,042)
Net book value			
At 31 March 2016	9	26	35
At 31 March 2015	28	201	229
At 1 April 2014	68	393	461

At 31 March 2016 the net book value of leased plant and equipment was £nil (2015: £181,000).

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

9. Intangible assets

	Software £'000
Cost	
At 1 April 2014	2,388
Disposals	(94)
At 31 March 2015	2,294
Additions	59
At 31 March 2016	2,353
Accumulated amortisation and impairment	
At 1 April 2014	(1,254)
Amortisation for the period	(522)
Disposals	94
At 31 March 2015	(1,682)
Amortisation for the period	(299)
At 31 March 2016	(1,981)
Net book value	
At 31 March 2016	372
At 31 March 2015	612
At 1 April 2014	1,134

10. Trade and other receivables

	31 March 2016 £'000	31 March 2015 £'000
Trade receivables	1,918	1,486
Amounts owed by group undertakings	15,349	17,468
Other receivables	11	136
Prepayments and accrued income	221	12
	17,499	19,102

11. Cash and cash equivalents

	31 March 2016 £'000	31 March 2015 £'000
Cash at bank and on hand	4,548	2,029

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

12. Trade and other payables

	31 March 2016 £'000	31 March 2015 £'000
Trade payables	15	13
Accruals and deferred income	369	368
Other payables	68	35
	452	416

13. Borrowings

The Company repaid its obligations under finance lease in August 2015 (2015: £168,000) and had no borrowings at 31 March 2016 (2015: £nil). In November 2015, the Group secured a £4.0 million revolving credit facility (£1.0 million plus an accordion option of £3.0 million) which remains undrawn. This replaces the previous £4.0 million (unused) invoice discounting facility.

14. Provisions

	31 March 2016 £'000	31 March 2015 £'000
Restructuring provisions		
At 1 April 2015	217	1,024
Utilised during the period	(123)	(688)
Provision created / (released) during the period	4	(119)
At 31 March 2016	98	217

The restructuring provision relates to the costs of vacated Group properties and dilapidations. It is classified as current as it is expected to be fully utilised within 12 months of the balance sheet date.

15. Pension benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £38,000 (2015: £43,000).

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

16. Share based payments

Details of the existing and schemes granted in the year and the inputs that were entered into the Monte Carlo valuation model are provided below:

Existing option plans

	EMI 2014 option plan	EMI 2015 option plan	EMI 2015 option plan	ESS 2015 option plan
Grant date	12 February 2014	19 January 2015	27 March 2015	27 March 2015
Number of options	*11,550,000	5,006,335	946,430	9,513,845
Exercise price	7.00p	7.75p	10.88p	14.00p
Vesting criteria	Average share price of 12.0p over 20 consecutive working days	Average share price of 12.75p over 20 consecutive working days	Average share price of 15.88p over 20 consecutive working days	Average share prices of 24.0p over 20 consecutive working days
Volatility	40.80%	30.00%	29.30%	29.30%
Dividend yield	nil	nil	nil	nil
Option life	3 years	3 years	3 years	3 years
Annual risk free rate	1.12%	0.74%	0.41%	0.41%
Outstanding at the beginning of the year	**6,850,000	5,006,335	946,430	9,513,845
Exercised during the year	(1,074,000)	(601,335)	-	(260,000)
Outstanding at the end of the year	5,776,000	4,405,000	946,430	9,253,845
Exercisable at the end of the year	5,776,000	4,405,000	946,430	9,253,845

* Includes 428,586 unapproved options held by Martin Donnachie. **4,700,000 options lapsed in the prior year.

The fair value of the options granted, was 1.7 pence per option. The Management Participation scheme lapsed in the year.

Option plans granted in the year

	GSS 2016 option plan	EMI 2016 option plan	SAYE 2016 option plan
Grant date	7 March 2016	7 March 2016	3 February 2016
Number of options	3,913,000	3,243,149	2,678,416
Exercise price	28.125p	28.125p	22.1p
Vesting criteria	Average share price of 40.0p over 20 consecutive working days	Average share price of 40.0p over 20 consecutive working days	Maturity date of 1 March 2019
Volatility	56.60%	56.60%	56.60%
Dividend yield	2.49%	2.49%	2.49%
Expected life	1 year*	1 year*	3 years
Annual risk free rate	0.45%	0.45%	0.45%
Outstanding at the beginning of the year	-	-	-
Granted during the year	3,913,000	3,243,149	2,678,416
Outstanding at the end of the year	3,913,000	3,243,149	2,678,416
Exercisable at the end of the year	-	-	-

* The life of the EMI and GSS schemes issued in the year is 3 years. Management have assessed the expected life of these options to be 1 year.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

17. Share based payments (continued)

The fair value of the options granted was 2.8 pence per option.

No cash-settled share based payment awards have been granted to employees.

The volatility was determined by calculating the historic volatility of the Group's share price since the Group's listing on AIM in July 2010.

The expected useful life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In the year, the Group recognised total expense before tax of £314,000 (2015: £74,000) in relation to equity-settled share based payment transactions in the statement of comprehensive income. These options have been credited against retained earnings reserve.

17. Share capital

	31 March 2016 £'000	31 March 2015 £'000
Allotted, issued and fully paid		
1,000,000,000,000 ordinary shares of £0.00001 each	10,000	10,000
9,513,845 (2015: 9,513,845) B ordinary shares of £0.00001 each	-	-
3,913,000 (2015: 0) C ordinary shares of £0.00001 each	-	-
	10,000	10,000

On 26 March 2015 the company's shares were sub-divided from 10,000,000 £1 ordinary shares to 1,000,000,000,000 £0.00001 ordinary shares. On 27 March 2015 9,513,845 0.00001 B ordinary shares were issued at nominal value. On 7 March 2016 3,913,000 £0.00001 C ordinary shares were issued at nominal value. The new share issues both contain options to purchase shares in the ultimate parent company, Fulcrum Utility Services Limited.

18. Financial risk management

The Group's principal financial instruments are cash, trade receivables and payables. The Group does not have any financial instruments that are measured at fair value on a recurring basis. The fair values of all financial instruments are equal to their book values (see notes 10, 11 and 12) and there is no difference between the carrying amount and contracted cash flows. All contracted cash flows are due within one year.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers.. The credit worthiness of new customers is assessed by taking into account their financial position, past experience and other factors. It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group, other than one customer, for which the risk of failure is considered to be minimal based on current market conditions and performance.

The Group has a policy of ensuring cash on deposit are made with the primary objective of security of the principal. Deposits are held with Lloyds Bank plc, which is rated A+ by Fitch and A by Standards and Poor. These credit ratings are regularly monitored to ensure that they meet the required minimum criteria set by the Board through the treasury policy.

Fulcrum Group Holdings Limited

Notes to the consolidated financial statements (continued)

18. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due without incurring unacceptable losses or risking damage to the Group and does so by monitoring cash flow forecast and budgets. The Group's exposure to liquidity risk reflects its ability to readily access the funds to support its operations. The Group's policy is to maintain an undrawn revolving credit facility in order to provide the flexibility required in the management of the Group's liquidity. The Group's liquidity requirements are continually reviewed and additional facilities put in place as appropriate.

Liquidity forecasts are produced on a regular basis and include the expected cash flows that will occur on a daily, weekly, monthly and quarterly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. The Group holds a combination of short and medium-term deposits and a £4.0 million revolving credit facility committed to November 2018. These committed facilities are deemed to be sufficient to meet projected liquidity requirements.

Capital risk

The Group defines capital as total equity. 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.

19. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other operating leases	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Less than one year	229	246	529	85
Between one and five years	901	64	688	141
	1,130	310	1,217	226

Operating lease rentals relate to property rents and short-term vehicle and plant hire.

20. Immediate parent and ultimate parent undertaking and controlling party

The immediate parent company is Fulcrum Utility Investments Limited, which is registered in the Cayman Islands.

The ultimate parent and controlling company is Fulcrum Utility Services Limited. The largest and smallest group of companies which include the company and for which consolidated financial statements were prepared are headed by Fulcrum Utility Services Limited. The consolidated financial statements of Fulcrum Utility Services Limited are available on its website at www.fulcrumutilityserviceslimited.co.uk.