

Fulcrum Infrastructure Services Limited
Annual report and financial statements
for the period ended 31 March 2008

Registered number 6006363

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Fulcrum Infrastructure Services Limited

Annual report and financial statements for the period ended 31 March 2008

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Fulcrum Infrastructure Services Limited

Directors' report for the period ended 31 March 2008

The directors present their annual report and the audited financial statements of the Company for the period ended 31 March 2008. The company was incorporated on 22 November 2006, but did not commence trading until 1 April 2007.

Principal activities

The principal activity of the Company is the provision of utility infrastructure and connections services to external customers.

Business review and future developments

The company was incorporated in England and Wales on 22 November 2006 as a private limited company with the name Fulcrum Infrastructure Services Limited with authorised share capital of £100 divided into 100 ordinary shares of £1 each of which one subscriber share was issued to Waterlow Nominees Limited as subscriber to the company's Memorandum of Association. That shareholding was transferred to Fulcrum Group Holdings Limited (formerly Fulcrum Connections Limited) on the same day.

It was resolved on 27 November 2006 that 100,000 shares of £1 each will be allotted as fully paid to Fulcrum Group Holdings Limited upon their written application therefore and payment of the consideration of £100,000. This application has yet to be made.

On 27 November 2006, it was resolved that the first accounting reference period of the company be from 22 November 2006 to 31 March 2008 (being a period not exceeding 18 months from the date of incorporation of the company).

On 27 November 2006, the company passed a resolution to increase its authorised share capital from £100 to £10,000,000 by the creation of 9,999,900 ordinary shares of £1 each ranking *pari passu* in all respects with the existing ordinary shares in the capital of the company.

On 1 April 2007, the company acquired from Fulcrum Group Holdings Limited the trade and assets of its external utility infrastructure and connections services business. See additional disclosures in note 19.

The company is continuing its growth in the competitive market, directly contracting with gas shippers, developers and other housing authorities and associations offering utility infrastructure and connections services. It is anticipated that the company's growth in this market will continue, throughout the forthcoming year as it has during this year, albeit this growth will be tempered by reduced levels of new housing construction following the impact of the deteriorating economic climate.

The loss for the financial period is £7.5 million.

Fulcrum Infrastructure Services Limited

Directors' report for the period ended 31 March 2008 (continued)

Key performance indicators

The emphasis of Fulcrum Infrastructure Services Limited's (the company's) operations continues to be on safety, the environment and customer service. Fulcrum Infrastructure Services Limited has achieved accreditations during the year in Gas Industry Registration Scheme (GIRS), Water Industry Registration Scheme (WIRS), National Electricity Registration Scheme (NERS) and is working towards achieving Multi-Utility Registration Scheme (MURS) during 2008/09.

Key Performance Indicators are used extensively across the Fulcrum Group of companies being

There was 1 work related accident in the year that resulted in a Fulcrum employee being away from work compared to 1 in 2006/07. For comparative purposes, this equates to 0.09 per 100,000 man hours (used as an approximation to an employee's working life).

There has also been an increase in the number of contractor lost time injuries rising from 6 in 2007/08 compared to 2 in 2006/07 (0.88 per 100,000 man hours for 2007/08).

The company has adopted the same standards of service as used for Fulcrum Gas Services Limited in the regulatory arena. These include producing quotes, receiving customer acceptances, providing plan dates and meeting substantial completion dates. These levels of service are monitored internally against the same targets as in the regulatory arena. Customer service is geared toward individual customer requirements which is monitored via the Customer Care department (a dedicated team) for the company and key customers have dedicated Key Account Managers.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The risks affecting the company are economic, regulatory and competitive.

The key economic risk is the reaction of the housing development market given the current economic climate and the uncertainty around the growth of the new housing market affecting the company's own market share in this market. The company is working with developers to secure work on new housing sites.

The key regulatory risk is around the changes to the legislation for the Traffic Management Act. The company has introduced new systems for the Traffic Management Act and will continue to amend its systems dependant on changes to the Act with regard to permits.

The competitive risk refers to competition from other service providers in the market, the company must continue to price competitively in the non-regulated market to increase its market share.

The Directors have identified the need to manage the company's material financial risks, including liquidity and cash flow risk. These risks are monitored through the National Grid Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for the National Grid Group. National Grid Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

Fulcrum Infrastructure Services Limited

Directors' report for the period ended 31 March 2008 (continued)

Principal risks and uncertainties (continued)

Work undertaken by Fulcrum Infrastructure Services Limited is predominantly on a prepaid basis, for work billed on account there are standard payment terms and key customers are managed through the Key Account Managers. The company has also implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual company is subject to a limit, and assessed on an on-going basis. No material exposure is considered to exist in respect of inter company loans.

The Directors have prepared the accounts on the going concern basis, based on the confirmation of financial support received from National Grid plc (see note 1).

Results and dividend

The loss for the period ended 31 March 2008 is set out in the profit and loss account on page 8. No dividend has been declared or proposed.

Directors

The Directors of the company during the period and subsequently were

BH Popplestone (appointed 22 November 2006)

PFG Whittaker (appointed 22 November 2006)

Policy and practice on payment of creditors

All payments to creditors are dealt with by the parent company Fulcrum Group Holdings Limited.

Directors' indemnities and insurance

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the Group'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 Group business.

Employees

All employee contracts are held and owned by Fulcrum Group Holdings Limited.

Fulcrum Infrastructure Services Limited

Directors' report for the period ended 31 March 2008 (continued)

Transactions with directors

None of the Directors had a material interest in any contract of significance to which the Company was a party or made any transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985, during the period

Ultimate parent company

The ultimate parent company is National Grid plc, which is registered in England and consolidates the accounts of the Company. Copies of the consolidated accounts of National Grid may be obtained from 1-3 Strand, London WC2N 5EH

Political and charitable donations

The Company made charitable donations of £480 during the period (2006/07 £Nil). No political contributions were made (2006/07 £Nil).

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

Fulcrum Infrastructure Services Limited

Directors' report for the period ended 31 March 2008 (continued)

Statement of disclosure of information to auditors

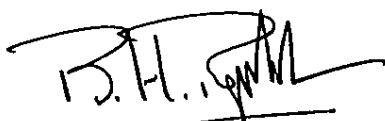
In the case of each of the person who is a director at the time when the report is approved, the following applies

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors of the Company and to remain in office until the next annual general meeting of the Company at which accounts are laid

For the Board

A handwritten signature in black ink, appearing to read 'B.H. Popplestone', with a horizontal line drawn underneath it.

BH Popplestone
Director
19 September 2008

Independent auditors' report to the members of Fulcrum Infrastructure Services Limited

We have audited the financial statements of Fulcrum Infrastructure Services Limited for the period ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if, in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Fulcrum Infrastructure Services Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
19 September 2008

Fulcrum Infrastructure Services Limited

Profit and loss account for the period ended 31 March 2008

	Notes	2008 £000
Turnover	1	19,658
Cost of sales		(12,732)
Gross profit		6,926
Administrative expenses		(17,629)
Loss on ordinary activities before taxation	2	(10,703)
Tax credit on loss on ordinary activities	6	3,211
Loss for the financial period	15	(7,492)

The movement on reserves is shown in note 15 to the financial statements

The notes on pages 10 to 16 form part of these financial statements

There is no difference between the loss on ordinary activities before tax and the loss for the period stated above and their historical cost equivalents

All activities relate to continuing operations

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

Fulcrum Infrastructure Services Limited

Balance sheet as at 31 March 2008

	Notes	2008 £000
Fixed assets		
Tangible assets	8	-
Current assets		
Stocks	9	732
Debtors amounts falling due within one year	10	8,024
Cash at bank and in hand	11	-
Total current assets		8,756
Current liabilities		
Creditors amounts falling due within one year	12	(16,248)
Net current liabilities		(7,492)
Net liabilities		(7,492)
Capital and reserves		
Called up share capital	14	-
Profit and loss account	15	(7,492)
Total shareholders' deficit	16	(7,492)

The Board of Directors approved the financial statements on pages 8 to 16 on 19 September 2008 and they were signed on its behalf by



BH Popplestone
Director

The accompanying notes on pages 10 to 16 form part of these financial statements

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom under the historical cost convention and the Companies Act 1985. A summary of the principal accounting policies that have been consistently applied are set out below.

Going concern

The Directors have prepared the accounts on the going concern basis. The Directors have received confirmation from National Grid Holdings One plc, 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.

Turnover

Turnover is recognised at the date of completion of services and comprises the value of sales of goods and services, excluding VAT and other indirect taxes, in the normal course of business. An accrual is made for sales in respect of completed work after the last invoice production date, but before the financial year-end.

Deferred tax

A full provision for deferred tax is recognised on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax balances have not been discounted.

Cash flow statement

A cash flow statement has not been presented as the Company's ultimate parent undertaking has included a consolidated cash flow statement in accordance with Financial Reporting Standard 1 (Revised 1996) in its Annual Report.

Stock and Work in Progress

Work in progress balances reflect direct works costs and accruals relating to jobs classed as incomplete and therefore not able to be invoiced. Work in progress is valued at the lower of cost and net realisable value.

New Roads and Streetworks Act (NRSWA) Accrual

Fulcrum's policy on the NRSWA accrual is based on the Local Authority invoices received and the potential liability for infringements identified from Fulcrum's operational systems but for which an invoice has yet to be received.

Related party transactions

As the company is a wholly owned subsidiary, the company has taken advantage of the exemption contained in FRS 8 "Related Party Transactions" and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of National Grid Plc, within which this company is included, can be obtained from the address given in note 20.

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

2 Loss on ordinary activities

Loss on ordinary activities is stated after charging/(crediting)	2008
	£000
Wages and salaries	5,016
Social security costs	438
Pension costs (see note 4)	1,152
Employee costs	6,606
Audit fees – statutory audit	10
Fulcrum Group Holdings Shared Services recharge (see note 3)	8,641

3 Shared Services recharge

Shared services costs are allocated and recharged to each subsidiary owned by Fulcrum Group Holdings Limited on the basis of the costs incurred by Fulcrum Group Holdings Limited excluding insurance costs plus a 5% uplift. These costs include Managing Director costs, Procurement, Human Resources, Finance, Training, Facilities, Communications, Information Systems, Accreditations, Management and Change Reporting and Health and Safety Departmental costs as well as Fulcrum Executive costs. These costs are then allocated across the subsidiaries based on the relevant cost drivers and rationale provided by each Cost Centre Manager.

4 Pensions

Pension costs are charged to each subsidiary owned by Fulcrum Group Holdings Limited based on those employee costs directly attributable to each subsidiary. Disclosure concerning this scheme is included in the accounts of Fulcrum Group Holdings Limited.

5 Employee information

Employees have employment contracts with the company's parent company, Fulcrum Group Holdings Limited. Where employees work on activities related to the Company these staff costs are recharged to the Company through intergroup recharges for shared services. Note 2 also discloses employee costs for staff that are wholly attributed to the Company's activities.

The average monthly number of persons employed by the Company during the period was therefore nil, although additional disclosures are shown in the financial statements of Fulcrum Group Holdings Limited.

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

6 Tax credit on loss on ordinary activities

	2008
	£000
Current tax	
UK corporation tax credit at 30% (2007 30%)	(3,211)
Total current tax	(3,211)
Deferred tax	
Origination and reversal of timing differences	-
Total deferred tax	-
Tax credit on loss on ordinary activities	(3,211)

The proposed reduction in the rate of UK Corporation tax from 30% to 28% as per the 2007 budget was substantively enacted on 26 June 2007. As a result deferred tax reversing after 1 April 2008 will be recognised at the rate of 28%.

The tax assessed for the period is equal to the standard rate of corporation tax in the UK (30%) as shown below

	2008
	£000
Loss on ordinary activities before taxation	(10,703)
Loss of ordinary activities multiplied by the standard rate in the UK 30%	(3,211)
Current tax credit per the accounts	(3,211)

7 Directors' emoluments

B H Popplestone's emoluments have been charged to Fulcrum Group Holdings Limited and is included in the shared services allocation charge to each of its subsidiaries (£177,000 of emoluments included in shared services allocation)

P F G Whittaker's emoluments have been charged to the ultimate parent company's financial statements, National Grid Plc and was remunerated for his services to the Group as a whole

The aggregate value of company contributions paid for pension scheme in respect of directors' qualifying services is included in the total emoluments above

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

8 Tangible assets

There are no tangible assets owned by Fulcrum Infrastructure Services Limited

9 Stocks

	2008
	£000
Work in Progress	732

10 Debtors

	2008
Amounts falling due within one year	£000
Trade debtors	816
Amounts owed by group undertakings	3,211
Other debtors	247
Prepayments and accrued income	3,750
	8,024

Amounts owed by Group undertakings are interest free and have no fixed date of repayment

Prepayments and accrued income relates to prepaid work not completed

11 Cash at bank and in hand

	2008
	£000
Cash at bank and in hand	-

All external cash balances are held in Fulcrum Group Holdings Limited following a daily sweep of cash balances

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

12 Creditors

	2008
	£000
Amounts falling due within one year	
Amounts owed to group undertakings	3,643
Payments on account	12,605
	16,248

Amounts owed to Group undertakings are interest free and have no fixed date of repayment

External contracts with suppliers and contractors are held in Fulcrum Group Holdings Limited and costs are recharged through the intercompany account

13 Deferred tax

	2008
	£000
Accelerated capital allowances	-
Short term timing differences	-
	-
Asset at the start of the period	-
Deferred tax charge	-
Closing deferred tax balance	-

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

14 Called up share capital

	2008
	£000
Authorised	
10,000,000 ordinary shares of £1 each	10,000
Issued, allotted and fully paid	
1 ordinary shares of £1 each	-

The company was incorporated on 22 November 2006 with authorised share capital of £100 divided into 100 ordinary shares of £1 each of which one subscriber share was issued to Waterlow Nominees Limited as subscriber to the company's Memorandum of Association. That shareholding was transferred to Fulcrum Group Holdings Limited (formerly Fulcrum Connections Limited) on the same day.

It was resolved on 27 November 2006 that 100,000 shares of £1 each will be allotted as fully paid to Fulcrum Group Holdings Limited upon their written application therefore and payment of the consideration of £100,000. This application has yet to be made.

On 27 November 2006, the company passed a resolution to increase its authorised share capital from £100 to £10,000,000 by the creation of 9,999,900 ordinary shares of £1 each ranking pari passu in all respects with the existing ordinary shares in the capital of the company.

15 Profit and loss account

	2008
	£000
At the beginning of the period	-
Loss for the financial period	(7,492)
At the end of the period	(7,492)

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the period ended 31 March 2008 (continued)

16 Reconciliation of movements in total shareholders' deficit

	2008
	£000
Loss for the financial period	(7,492)
Net decrease in total shareholders' deficit	(7,492)
Shares issued during the current period	-
Opening total shareholders' deficit	-
Closing total shareholders' deficit	(7,492)

17 Operating lease commitments

At 31 March 2008 the company had no commitments in respect of operating leases. All external Fulcrum leases are held by Fulcrum Group Holdings Limited and recharges made under the shared services recharge arrangements (see note 3).

18 Contingent liabilities

At 31 March 2008 the company had no contingent liabilities.

19 Acquisition of trade and assets from Fulcrum Group Holdings Limited

On 1 April 2007, the company acquired from Fulcrum Group Holdings Limited the trade and assets of its external utility infrastructure and connections services business. The assets were acquired at book value which also represented fair value and included work in progress of £87,261, trade debtors of £873,504 and payments on account of £3,697,457. The company received £2,736,692 by an intercompany balance assuming the net liabilities of the same value.

20 Ultimate parent company and controlling party

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Holdings One plc. The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc and National Grid Holdings One plc respectively. Both of these companies are registered in England and Wales.

Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid, 1-3 Strand, London WC2N 5EH.