

Fulcrum Infrastructure Services Limited
Annual report and financial statements
for the year ended 31 March 2010

Registered number 6006363



Fulcrum Infrastructure Services Limited

Annual report and financial statements for the year ended 31 March 2010

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Fulcrum Infrastructure Services Limited

Directors' report for the year ended 31 March 2010

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2010

Principal activities

The principal activity of the company is the provision of utility infrastructure and unregulated connections services (mainly gas connections), to external customers

Business review and future developments

The company continues to strive to increase its market share in the market place, directly contracting with gas shippers, developers and other housing authorities and associations offering utility infrastructure and connections services. However, the company's activities in the year were limited by the reduced level of construction activity due to the poor economic climate. As a result turnover declined to £31.7 million from £39.9 million last year. The loss for the financial year was £6.2 million (2009: £0.7 million).

Key performance indicators

The emphasis of Fulcrum Infrastructure Services Limited's ("the company's") operations continue to be on health & safety and customer service.

Recognising this emphasis, Fulcrum Infrastructure Services Limited continues to operate in accordance with the Gas Industry Registration Scheme (GIRS), Water Industry Registration Scheme (WIRS), National Electricity Registration Scheme (NERS), Multi-Utility Registration Scheme (MURS), ISO14001 and ISO9001 during 2009/10.

In terms of health and safety the group monitors the incidence of work related accidents related to its own staff and that of its contractors. There were no work related accidents in the year that resulted in the company's own employees being away from work, (2009: 2). There has also been a decrease in the number of contractor injuries, falling to 3 in the year (2009: 7).

In terms of customer service, the company closely monitors its performance against targets for producing quotes, receiving customer acceptances, providing plan dates and meeting substantial completion dates. These levels of service are monitored internally. Customer service is geared toward individual customer requirements which are monitored via the Customer Care department (a dedicated team) 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, gas industry related, financial and customer related.

Fulcrum Infrastructure Services Limited

Directors' report for the year ended 31 March 2010 (continued)

Principal risks and uncertainties (continued)

The key economic risk is the reaction of the construction industry to the economic climate. The company strives to manage these risks by working closely with developers and construction companies and by continuing to challenge its own cost base in line with the business available.

Regulatory risks refer to the Group's reliance on a number of different licences which it requires in order to carry out the design and project management of utility connections. Licences are maintained by rigorous training, operating procedures and regular audits.

Operating primarily in the gas industry, carries with it inherent risks, such as reliance on aging infrastructure, potential injury to or loss of human life or equipment, as well as the risk of downtime or low productivity caused by weather interruptions or equipment failures. The Group seeks to reduce the risk of losses arising from such circumstances through careful planning, robust operational guidelines, the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements.

During the year, the company's material financial risks, including liquidity and cash flow risk were monitored through the National Grid Group Treasury function. As explained below, the group became a subsidiary of an AIM listed company, Fulcrum Utility Services Limited, on 8 July 2010 and therefore its liquidity and cash flow risks were from this date onwards, managed within this new group.

In terms of managing customer risks, approximately 76% of Fulcrum Infrastructure's business is undertaken on a prepaid basis, which limits this risk. For work which is not pre-paid, the group 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.

The directors have prepared the accounts on the going concern basis, based on the confirmation of financial support received from Fulcrum Utility Services Limited (see note 1).

Results and dividends

The loss for the year ended 31 March 2010 is set out in the profit and loss account on page 7. No dividend has been declared or proposed (2009: £nil).

Directors

The Directors of the company during the year and up to the date of signing the financial statements were:

BH Popplestone (resigned on 28 February 2010)
PFG Whittaker (resigned on 8 July 2010)

The following directors were appointed after the year-end:

JA Spellman (appointed on 8 July 2010)
MIJ Watts (appointed on 8 July 2010)
PL Clarke (appointed 24 August 2010)
SJ Murray (appointed on 1 April 2010, resigned on 8 July 2010)

Fulcrum Infrastructure Services Limited

Directors' report for the year ended 31 March 2010 (continued)

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

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 are held and owned by Fulcrum Group Holdings Limited

Ultimate parent company

The ultimate parent company at 31 March 2010 was National Grid plc, which is registered in England and consolidates the accounts of the company. Copies of the consolidated accounts of National Grid plc may be obtained from 1-3 Strand, London WC2N 5EH.

Subsequent events

On 17 June 2010 Marwyn Capital Investments I Limited, a subsidiary of an AIM listed company, Fulcrum Utility Services Limited (formerly known as Marwyn Capital I Limited), entered into an acquisition agreement for the purposes of acquiring the entire issued share capital of Fulcrum Group Holdings Limited for a nominal consideration and a post-completion working capital adjustment expected to be in favour of Fulcrum Group Holdings Limited to ensure adequate working capital for the enlarged group. Fulcrum Utility Services Limited also announced on 17 June 2010 that it had conditionally raised approximately £11.0 million (before expenses) by issuing 91,666,667 new shares used to fund the costs associated with the acquisition, the ongoing working capital requirements of the enlarged group and to finance the proposed turnaround strategy of the Fulcrum business. In view of the size of Fulcrum, the acquisition constituted a reverse takeover pursuant to Rule 14 of the AIM Rules for companies. The acquisition completed on 8 July 2010 with the new shares being listed on AIM, raising the £11.0 million mentioned above.

Political and charitable donations

The company made charitable donations of £nil during the year (2009: £480). No political contributions were made (2009: £nil).

Fulcrum Infrastructure Services Limited

Directors' report for the year ended 31 March 2010 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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.

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.

Statement of disclosure of information to auditors

As at the date this report was signed, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all 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 auditors are aware of that information.

On behalf of the Board



PL Clarke
Director
23 September 2010

Registered Office:
201 Bishopsgate
London
EC2M 3AF
Registered number: 6006363

Fulcrum Infrastructure Services Limited

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

We have audited the financial statements of Fulcrum Infrastructure Services Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Fulcrum Infrastructure Services Limited

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

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

Simon Evans

Simon Evans (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
23 September 2010

Fulcrum Infrastructure Services Limited

Profit and loss account for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Turnover	1	31,673	39,895
Cost of sales		(23,803)	(23,510)
Gross profit		7,870	16,385
Administrative expenses		(16,436)	(17,351)
Loss on ordinary activities before taxation	2	(8,566)	(966)
Tax on loss on ordinary activities	7	2,408	257
Loss for the financial year	15	(6,158)	(709)

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

The notes on pages 9 to 16 form part of these financial statements

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year 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 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	8	-	-
Current assets			
Stocks	9	2,366	1,758
Debtors	10	12,221	16,921
Cash at bank and in hand	11	-	-
		14,587	18,679
Creditors: amounts falling due within one year	12	(28,946)	(26,880)
Net current liabilities		(14,359)	(8,201)
Net liabilities		(14,359)	(8,201)
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	(14,359)	(8,201)
Total shareholders' deficit	16	(14,359)	(8,201)

The board of directors approved the financial statements on pages 7 to 16 on 23 September 2010 and they were signed on its behalf by



PL Clarke
Director

The accompanying notes on pages 9 to 16 form part of these financial statements

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010

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 2006. 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 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.

Turnover

Utility infrastructure and gas connection activities are recognised as "services revenue". The majority of projects are completed in a short time frame, and as such revenue is recognised on completion. For longer projects, the stage of completion of the works is assessed when considering recognition of revenue. Services revenue is recognised excluding VAT and other indirect taxes. An accrual is made for sales in respect of work completed after the last invoice production date, but before the financial year end. When payment is received in advance of the provision of services, these receipts are recorded as deferred income.

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 is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

1 Principal accounting policies (continued)

Stocks

Work in progress balances reflect direct works costs including direct labour, materials and other attributable variable costs relating to jobs classed as incomplete and which therefore cannot be taken to sales in the period. Work in progress is valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Related party transactions

The company is exempt under Financial Reporting Standard 8 from disclosing transactions with those companies within the National Grid plc group of companies ("the Group") where all of the voting rights are held within the Group. There were no related party transactions with companies where not all of the voting rights are held within the National Grid plc group of companies. The consolidated financial statements of National Grid Plc, within which this company is included, can be obtained from the address given in note 20. Following the disposal of Fulcrum Group Holdings Limited on 8 July 2010 National Grid plc is no longer a related party.

2 Loss on ordinary activities before taxation

Loss on ordinary activities is stated after charging	2010	2009
	£'000	£'000
Wages and salaries	4,428	4,934
Social security costs	382	431
Other pension costs (see note 4)	853	1,027
Employee costs	5,663	6,392
Audit fees – statutory audit	16	16
Fulcrum Group Holdings Shared Services recharge (see note 3)	8,013	8,333

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, health and safety and other executive costs. These costs are then allocated across the subsidiaries based on the relevant cost drivers and rationale provided by each cost centre manager.

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

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 year was therefore nil (2009: £nil), although additional disclosures are shown in the financial statements of Fulcrum Group Holdings Limited.

6 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. £240,886 (2009: £255,200) of emoluments were included in the shared services allocation to the company.

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.

Both directors have company pension arrangements and the aggregate value of company contributions paid for pension scheme in respect of directors' qualifying services is included in the total emoluments above. No payments were made to money purchase pension schemes in respect of directors' qualifying services.

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

7 Tax on loss on ordinary activities

	2010	2009
	£'000	£'000
Current tax		
UK corporation tax credit at 28% (2009 28%)	(2,399)	(257)
Adjustment in respect of prior years	(9)	-
Total current tax	(2,408)	(257)
Total deferred tax	-	-
Tax credit on loss on ordinary activities	(2,408)	(257)

The tax assessed for the year is lower than (2009 equal to) the standard rate of corporation tax in the UK (28%) as shown below

	2010	2009
	£'000	£'000
Loss on ordinary activities before taxation	(8,566)	(966)
Loss of ordinary activities multiplied by the standard rate in the UK 28% (2009 28%)	(2,399)	(257)
Adjustment in respect of prior years	(9)	-
Current tax credit for the year	(2,408)	(257)

A number of changes to the UK corporation tax system were announced in the 2010 Budget Report which have been enacted in the 2010 Finance Act. The impact of these changes is not considered to be material to the future tax charge in the UK. Further changes were announced in the Emergency Coalition Budget on 22 June 2010. These included a reduction in the main corporation tax rate from the current 28% to 24% comprising a 1% per annum reduction over the course of a four year period commencing from 1 April 2011. In addition the rate of capital allowances on assets in the main pool is expected to fall from 20% to 18% and long life assets from 10% to 8% from 1 April 2012.

8 Tangible assets

There are no tangible assets owned by Fulcrum Infrastructure Services Limited (2009 £nil)

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

9 Stocks

	2010	2009
	£'000	£'000
Work in progress	2,366	1,758

10 Debtors

	2010	2009
		Restated
Amounts falling due within one year	£'000	£'000
Trade debtors	3,431	2,233
Amounts owed by group undertakings	7,536	8,876
Other debtors	645	562
Prepayments and accrued income	609	5,250
	12,221	16,921

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

Prepayments and accrued income relates to work completed after the last invoice production date, but before the financial year end. External contracts with suppliers and contractors are held in Fulcrum Group Holdings Limited and costs are recharged to the company through the intercompany account. There is no security in place against the 'Amounts owed to group undertakings'

Amounts owed by group undertakings includes group relief of £2,408,000 (2009 £3,468,000). Group relief in the prior year has been reclassified from Other debtors.

11 Cash at bank and in hand

	2010	2009
	£'000	£'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 year ended 31 March 2010 (continued)

12 Creditors: Amounts falling due within one year

	2010	2009
	£'000	£'000
Amounts owed to group undertakings	19,027	12,830
Payments on account	9,919	14,050
	28,946	26,880

Amounts owed to group undertakings are unsecured 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

	2010	2009
	£'000	£'000
Accelerated capital allowances	-	-
Short term timing differences	-	-
	-	-
Asset at the start of the year	-	-
Deferred tax charge	-	-
Closing deferred tax balance	-	-

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

14 Called up share capital

	2010	2009
	£'000	£'000
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
Issued, allotted and fully paid		
1 ordinary share of £1 each	-	-

15 Profit and loss account

	2010
	£'000
At the beginning of the year	(8,201)
Loss for the financial year	(6,158)
At the end of the year	(14,359)

16 Reconciliation of movements in total shareholders' deficit

	2010	2009
	£'000	£'000
Net increase in total shareholders' deficit	(6,158)	(709)
Opening total shareholders' deficit	(8,201)	(7,492)
Closing total shareholders' deficit	(14,359)	(8,201)

17 Operating lease commitments

At 31 March 2010 the company had no commitments in respect of operating leases (2009 £nil) 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 2010 the company had no contingent liabilities (2009 £nil)

Fulcrum Infrastructure Services Limited

Notes to the financial statements for the year ended 31 March 2010 (continued)

19 Subsequent events

On 17 June 2010 Marwyn Capital Investments I Limited, a subsidiary of an AIM listed company, Fulcrum Utility Services Limited (formerly known as Marwyn Capital I Limited), entered into an acquisition agreement for the purposes of acquiring the entire issued share capital of Fulcrum Group Holdings Limited for a nominal consideration and a post-completion working capital adjustment expected to be in favour of Fulcrum Group Holdings Limited to ensure adequate working capital for the enlarged group. Fulcrum Utility Services Limited also announced on 17 June 2010 that it had conditionally raised approximately £11.0 million (before expenses) by issuing 91,666,667 new shares used to fund the costs associated with the acquisition, the ongoing working capital requirements of the enlarged group and to finance the proposed turnaround strategy of the Fulcrum business. In view of the size of Fulcrum, the acquisition constituted a reverse takeover pursuant to Rule 14 of the AIM Rules for companies. The acquisition completed on 8 July 2010 with the new shares being listed on AIM, raising the £11.0 million mentioned above.

20 Ultimate parent company and controlling party

The ultimate parent and controlling company for the year ended 31 March 2010 was National Grid plc and the immediate parent company was Fulcrum Group Holdings Ltd. The largest and smallest groups which include the company and for which consolidated financial statements were 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.

On 8 July 2010, the company's immediate parent company, Fulcrum Group Holdings Limited, was acquired by Marwyn Capital Investments I Limited, a subsidiary of Fulcrum Utility Services Limited (formerly known as Marwyn Capital I Limited). The company will be consolidated into the accounts of Fulcrum Utility Services Limited in future accounting periods. Copies of these consolidated financial statements can be obtained from the Company Secretary, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.