Fulcrum Infrastructure Services Limited

Annual report and financial statements

for the year ended 31 March 2016

Registered number: 06006363

Fulcrum Infrastructure Services Limited

Annual Report and Financial Statements for the year ended 31 March 2016

Fulcrum Infrastructure Services Limited

Strategic Report
for the year ended 31 March 2016

The directors present their report and the audited financial statements of Fulcrum Infrastructure Services Limited ("the Company") for the year ended 31 March 2016.

Principal activities

The principal activity of the Company is the provision of utility infrastructure and unregulated connections services in the UK.

The company designs and project manages utility connections for customers seeking either new connections or the alteration or refurbishment of existing connections. These connections range from simple, single-site alterations to large, complex multi-utility, multi-site new connections. For all projects, the Group's team of skilled design and engineering staff are required to design the connections to detailed specifications and to ensure the connections are appropriate and comply with extensive health and safety requirements.

Business review and future developments

In FY 2016, the Company successfully delivered on the objectives to drive customer service excellence, improve operational efficiency to reduce costs and grow our pipeline estate. This hard work has delivered a record underlying EBITDA at £4.1 million (2015: £2.8 million).

The Company achieved an 7.9% improvement in gross profit margin at 34.4% (2015: 26.1%) in the period. Further to the move to the direct delivery model from 1 April 2015, we have made efficiency improvements in the way our contracts are set up and run. In addition, continued progress has been made in reducing the cost base of the business to ensure that our competitive rates can be sustained in the long term. All costs are subject to rigorous reviews and efficiency savings are continually sought.

Safety is paramount in our organisation. Our goal remains for everyone who works with us to return home unharmed at the end of each day, including customers, contractors, employees and the general public. We have improved our recording and investigation of near-misses to ensure that learnings are shared - our employees and contractors are fully empowered to ensure that work is delivered safely.

Trading Update

In FY2016, year-on-year revenue increased by £0.6 million or 1.7% to £35.1 million. With the profitable operating platform now established, our focus turns to sales growth. During the period, we simplified our sales approach, combining the sales and design functions into dedicated teams to cover our routes to market: key accounts, major projects, housing and technical sales.

Key accounts

Fulcrum's sustained emphasis on customer service excellence and listening to what our customers require have improved our customers' satisfaction ratings and ensured that we have strong levels of repeat revenues. 64% of our business was generated from customers who have used Fulcrum previously. We have set up a dedicated team to support those customers that provide us with high volumes of repeat business. This team is working with our customers to provide tailored services that meet their specific needs.

In November 2015, we announced a 26 month extension to our framework contract with British Gas, a long standing and valuable client of the Group. The framework contract, to provide gas and now electricity connections and metering services to customers in England, Scotland and Wales, runs until January 2018. This underlines Fulcrum's reputation as a trusted utility services provider.

Strategic Report (continued)

Business review and future developments (continued)

Major projects

Our ability to deliver significant projects was endorsed with the award of a second prestigious contract with Scotland's whisky industry. The £4.0 million project to install a 13 kilometre pipeline to link four Speyside distilleries to Scotland's main gas network has delivered a sustainable, efficient and environmentally friendly energy supply for our clients. Despite the complexity of the project, our dedicated teams completed the work one month ahead of schedule.

Fulcrum has continued to win an array of major new gas, electricity and multi-utility contracts, which include:

- a £1.0 million electricity contract to install 4 kilometres of high voltage electricity cabling to a new hospital. The award of this contract follows on from the successful delivery of a £0.2 million contract to install the temporary electricity infrastructure into the hospital, on behalf of British Gas Business
- the Group's first contract to deliver infrastructure to a Short Term Operating Reserve (STOR) site. The £0.2 million project was quickly followed by another £0.3 million STOR site contract
- the Group's first biogas connection, the installation of a 1.3 kilometre pipeline to connect a £12.0 million biogas plant to the UK distribution network
- a £0.4 million gas infrastructure project for the new development at Royal Albert Dock for London's third business district
- a £0.2 million dual fuel contract to deliver gas and electricity infrastructure to a new energy centre in Glasgow.

We are confident that major projects present a significant opportunity to grow our sales. Therefore, over the past year, we have doubled the number of business development managers and created two new analyst support roles concentrating on the targeting of large opportunities, all designed to increase our work-winning capability.

Housing

Our activity in the housing market has been somewhat limited historically. To penetrate this attractive market, we have created a more cost-effective delivery model for housing and set up a new dedicated team, headed up by an experienced housing sector professional with multi-utility knowledge. We have already secured several significant, multi-utility housing schemes, including:

- a £0.3 million contract on behalf of Lend Lease to deliver the gas infrastructure to a new residential development in Deptford; and
- a £0.2 million gas, electricity and water project for a leading housing developer in the North West.

Technical sales

The multi-skilled technical sales team have the expertise to take sales leads from a myriad of sources and convert the opportunities into customer led projects, with their knowledgeable and joined up design and sales approach.

Within this route to market, our web initiated sales continue to gather momentum, increasing by 38% year-on-year to £5.9 million, now 17% of our total Group revenue. In early 2015, we launched FirstGas, a second, online brand, aimed at new and less technically experienced customers. Sales have proven to be positive and incremental to the existing offering. Therefore, in line with the Group's previously stated aim of growing its electricity and dual fuel offering, the Group launched its third online brand, FirstElectricity, in March 2016. Early enquiries and sales are encouraging.

Strategic Report (continued)

Business review and future developments (continued)

With our established customer base, clearly focused work-winning teams, trusted delivery and market opportunity, we have a robust platform from which to leverage sales growth.

Operations

The Group has benefited from the positive impact of an in-house operational delivery model following the transfer in of 99 employees under TUPE on 1 April 2015. We now have direct control of the full operational process from design through to installation across England and Wales. We have successfully transitioned to this branded direct delivery model which has underpinned notable operational efficiencies, benefitting both the customers' experience and our profitability. The introduction of tablet devices to all teams has enabled field engineers and operatives to maintain real-time project records and offer a more responsive delivery. Low cost mobile applications have been developed by Fulcrum's IT team to share work instructions and site surveys, as well as upload health and safety audits directly into the core system. After engaging with our teams and listening to their suggestions, several more tailored applications are planned in the months ahead.

We have also delivered on our strategy to build our multi-utility capability and we now have several in-house teams trained to deliver the recently won electric contracts. This end-to-end, fully branded operating model creates an agile and responsive platform to deliver continued growth through a multi-skilled workforce and customer-focused operation. This model is a key differentiator and further enhances our customer service led, national, broad offering.

The challenge to continuously improve the way we do things has reduced our cost base by an incremental £1.0 million year-on-year which, together with turnaround / transition activities completed in previous financial years, represents a combined cost reduction of £7.0 million over the past three years. In order to maintain competitive advantage, we will continually challenge existing working practices and resources to ensure that the business model is efficient and lean. Our cost of delivery across all functions (direct, indirect and support) will be rigorously and continually tested to drive improved levels of sales orders won and sustainable profitability.

People

The talent and dedication of our employees and cooperation with our customers are our key success factors. It is our people who win new contracts and are responsible for delivering on stakeholders' expectations. They are also the ones whose behaviour and actions demonstrate our values in practice.

Our enduring commitment to workforce development has been recognised at the prestigious Gas Industry Awards with our Operations Director, Ian Foster, winning Manager of the Year for the role he has played in Fulcrum's transformation. Training and development continue at pace across the Group – our field engineers have joined the "Leading The Way" leadership development programme; the senior team have received leadership training focused on driving superior performance; and teams are now trained to design electrical installations and install electric cable. Sustained investment will continue to be made to underpin employee engagement and continuous learning. We also actively review and manage our succession plans.

Outlook

Fulcrum continues to deliver on its strategy and has made excellent progress over the period. The talent of our people, together with the scalable and profitable operating platform that has been created, have enabled significant and diverse contract wins. We are now striving for sales growth across all of our routes to both the gas and electricity markets, and driving a continuous improvement ethos to deliver incremental operating efficiencies. This approach will combine to enhance long-term future profitability and cash generation. We continue to move forward at pace with confidence for the future as we remain on course to deliver value to all our stakeholders by being the UK's most trusted utility services partner.

Strategic Report (continued)

Business review and future developments (continued)

Key performance indicators

The emphasis of the Company's operations continue to be on customer service and health and safety..

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.

The Company 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.

In terms of health and safety, the Company monitors the incidence of work related accidents related to its own staff and that of its contractors. The Directors also consider revenue and profit on ordinary activities before taxation to be key performance indicators.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks which are set out below.

Growth and strategy execution

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 Company 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.

Dependence on key executives and personnel

In common with many smaller companies, the Company's future success is substantially dependent upon recruiting, retaining and motivating key executives with relevant industry experience. The Company has put in place suitable executive incentive schemes for successful delivery of our strategy. In addition, appropriate staff development programmes are in place to assess, manage and develop the leadership skills of all staff throughout the organisation.

Risks relating to operating in a competitive market

The business strategy relies fundamentally on the ability to increase revenues and ensuring that the cost base is kept under control. However, the markets in which the Company operates are competitive. The Company faces significant competition, including from organisations that may be larger and/or have greater capital resources. The Company cannot predict the pricing or promotional activities of its competitors or their effect on its ability to market and sell its services. In order to ensure that its services remain competitive, the Company may be required to reduce its prices as a result of price reductions by its competitors. This could adversely affect the Company's results.

There are no assurances that the strength of the Company's competitors will not improve or that the Company will win any additional market share from its competitors, or maintain its existing market share. Existing and/or increased competition could adversely affect the Company's market share and materially affect its business, financial condition and operating results.

Strategic Report (continued)

These risks are managed through the corporate planning and review processes as outlined in the growth and strategy execution section above

Risks relating to the gas connections market

Operating in the gas industry carries with it inherent risks, such as reliance on ageing 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. Losses could result from litigation or interruption of the Company's business should these risks materialise. There are also associated regulatory risks relating to the Company's reliance on a number of different licences which it requires in order to carry out the design and project management of connections to gas pipelines. In addition, Fulcrum Pipelines Limited is specifically licensed by Ofgem as an Independent Gas Transporter (IGT). This brings with it the risk that the regulatory environment could change, which may have a direct and significant impact on the Company's regulated activities.

The Company seeks to reduce the risk of losses arising from these circumstances through careful planning, robust operational guidelines, the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements.

Reliance on key customers

A relatively small number of long term commercial contracts exist between the Company and its customers. The relationship between the Company and many of its customers is not regulated by a contract. Instead, the majority of the Company's business with customers is based on purchase orders and an implied acceptance by customers of the Company's standard terms and conditions. There can therefore be no certainty that business will continue to flow from the Company's customers at historic levels.

Reliance on significant suppliers

The physical installation works required to install gas connections managed by the Company are carried out by sub-contractors on behalf of the Company. The Company is exposed to the risk that the financial performance of this supplier may fluctuate or deteriorate in the future and that this could have an adverse impact on the operational or financial performance of the Company.

In order to manage this risk, the Company continually reviews the performance of its framework sub-contractor against the requirements of the framework contract and a suite of defined key performance indicators (KPI's).

Continuity of financing facilities

During the prior year the business entered into an asset backed financing agreement with Lloyds Commercial Finance. At the year end, this facility was not utilised. Maintaining good working relationships with the Company's bankers will remain important in the future.

Changing mix of sales

A changing mix of new contract sales, moving away from payments in advance toward credit terms, may place a strain on working capital as the volume of credit sales increases. In granting commercial credit terms careful attention is paid to the timing of cash receipts and payments over the period of contract delivery. Where necessary a deposit is requested from customers prior to commencing work and invoicing milestones with customers are matched where possible to the invoicing patterns with contractors. Matching of credit terms through the supply chain will be necessary to ensure the working capital impact of this change in sales mix can be managed effectively.

Strategic Report (continued)

Change in balance of contract value

As the sales mix of the business changes and the relative mix of large and small contracts changes over the period of delivery, it is possible that revenue may fluctuate materially from one period to another. As a result, future revenue performance may prove more volatile than the past revenue performance of the business would indicate.

Going concern

As a matter of course the Directors regularly prepare financial forecasts for Fulcrum Utility Services limited ("the Group") 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 forecast and projections after taking account of sensitivity analysis of changes in trading performance and corresponding mitigating actions, show 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.

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.

M Harrison
Chief Financial Officer
21 December 2016

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 profit and loss account on page 10. 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 are held and owned by Fulcrum Group Holdings Limited.

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 Group. 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.

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.

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

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

M Harrison
Chief Financial Officer
21 December 2016

Independent auditor's 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 2016 set out on pages 10 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 Infrastructure Services 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	**35,052**	34,486
Cost of sales		**(22,983)**	(25,497)
Gross profit		**12,069**	8,989
Administrative expenses		**(7,955)**	(11,130)
Operating profit/(loss)	4	**4,114**	(2,141)
Analysed as:			
EBITDA before share based payments and exceptional items		**4,135**	2,760
Exceptional items	3	**-**	(619)
Depreciation and amortisation	8	**(21)**	-
		4,114	(2,141)
Profit/(loss) before taxation		**4,114**	(2,141)
Taxation	7	**(321)**	1,714
Profit/(loss) for the period attributable to equity holders of the parent and other comprehensive income/(expenditure)		**3,793**	(427)

Fulcrum Infrastructure Services Limited

Statement of changes in equity
for the year ended 31 March 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	-	(24,628)	(24,628)
Profit for the year	-	(427)	(427)
Balance at 31 March 2015	**-**	**(25,055)**	**(25,055)**
Profit for the year	-	**3,793**	**4,397**
Balance at 31 March 2016	**-**	**(21,262)**	**(20,658)**

Fulcrum Infrastructure Services Limited

Balance sheet
as at 31 March 2016

	Notes	**31 March 2016**	31 March 2015
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	**26**	-
Deferred tax assets	7	**2,535**	2,252
		2,561	2,252
Current assets			
Inventories	9	**1,403**	1,289
Trade and other receivables	10	**6,059**	3,352
Cash and cash equivalents	11	**1,944**	903
		9,406	5,544
Total assets		**11,967**	7,796
Current liabilities			
Trade and other payables	12	**(33,229)**	(32,833)
Provisions	13	**-**	(18)
		(33,229)	(32,851)
Total liabilities		**(33,229)**	(32,851)
Net liabilities		**(21,262)**	(25,055)
Equity			
Share capital	15	**-**	-
Retained earnings	16	**(21,262)**	(25,055)
Total equity		**(21,262)**	(25,055)

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

M Harrison
Chief Financial Officer
21 December 2016

Notes to the consolidated financial statements

1. Accounting policies

Fulcrum Infrastructure Services 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.

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;
- 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.

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:

Revenue recognition

For longer projects the stage of completion of the works is assessed when considering recognition of revenue. Use of this percentage completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

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.

1. **Accounting policies (continued)**

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

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

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 Company'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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

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 costs to complete and variable selling expenses.

1. **Accounting policies (continued)**

Employee benefits

Pension plans

The Company 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 Company 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.

Provisions

A provision is recognised in the balance sheet when the Company 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

Utility infrastructure and gas connection activities are recognised as "services revenue". The majority of projects are completed in a short timeframe and, as such, revenue is recognised on project completion. For longer projects, where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contracts costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are recognised only to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised as an expense immediately. Services revenue is recognised excluding VAT and other indirect taxes. An accrual is made for services revenue in respect of work completed where invoices are yet to be generated. When payment is received in advance of the provision of services, these receipts are recorded as deferred income.

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:

- 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
- 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.

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.

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 utility infrastructure and unregulated connections services. All activities occur in the United Kingdom.

3. Exceptional items

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Restructuring costs and provisions	-	619

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

4. Operating profit

Included in operating profit are the following charges:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Depreciation of property, plant and equipment: owned	21	-
Fulcrum Group Holdings Shares Services Recharge	2,828	5,701
Amounts receivable by the auditors, KPMG LLP, and their associates in respect of:		
Auditors' remuneration:	-	12
Amounts receivable by auditors and their associates in respect of:		
– Taxation compliance services	-	4

The audit fee is met by another group company.

5. Staff numbers and costs

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Wages and salaries	7,426	3,402
Social security costs	664	342
Other pension costs	232	245
	8,322	3,989

Employees have employment contracts with the Company's associate, Fulcrum Group Holdings Limited. Where employees work on activities wholly attributed to the Company's activities these staff costs are charged directly to the Company without a mark-up. The above costs are those re-charged from Fulcrum Group Holdings Limited and the average monthly number of persons employed by the Company during the financial year was therefore nil (2015: nil).

6. Directors emoluments

All the directors of the Company were remunerated through Fulcrum Group Holdings Limited and their emoluments are disclosed in the financial statements of that Company. The amount of their emoluments recharged to Fulcrum Infrastructure Services Limited was as follows:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Total emoluments recharged	506	444

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. These costs include legal and professional fees, insurance, and other executive costs. These costs are then allocated across the subsidiaries based on an appropriate allocation basis.

Fulcrum Infrastructure Services Limited

7. Taxation

	Year ended 31 March 2016	Year ended 31 March 2015
	£'000	£'000
Current tax	**-**	-
Deferred tax	**(321)**	1,714
Total tax (charge)/credit	**(321)**	1,714

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	Year ended 31 March 2015
	£'000	£'000
Profit before taxation	**4,114**	(2,141)
Tax using the UK corporation tax rate of 20% (2015: 21%)	**(823)**	(450)
Non-deductible expenses	**1**	1
Effect of change in rate of corporation tax	**118**	-
Recognition of tax effect of previously unrecognised tax losses	**385**	449
Total tax charge	**(321)**	-

Movement in deferred tax balances

Deferred tax assets	31 March 2016	31 March 2015
	£'000	£'000
At 1 April 2015	**2,252**	538
Recognised in profit or loss		
Tax losses carried forward	**400**	1,714
Effect of change in rate of corporation tax	**(118)**	-
At 31 March 2016	**2,535**	2,252

8. Property, plant and equipment

	Fixtures and fittings £'000
Cost	
At 1 April 2014	-
At 31 March 2015	-
Additions	47
At 31 March 2016	**47**
Accumulated depreciation	
At 1 April 2014	-
At 31 March 2015	-
Depreciation charge for the period	(21)
At 31 March 2016	**(21)**
Net book value	
At 31 March 2016	**26**
At 31 March 2015	-
At 1 April 2014	-

9. Inventories

	31 March 2016 £'000	31 March 2015 £'000
Work in progress	**1,403**	1,289

Work in progress balances reflect direct works costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. Inventories recognised as cost of sales in the period amounted to £17.0 million (2015: £22.8 million). There have been no write-downs in the year (2015: nil).

10. Trade and other receivables

	31 March 2016 £'000	31 March 2015 £'000
Trade receivables	**3,642**	2,066
Other receivables	**1**	191
Prepayments and accrued income	**2,416**	1,095
	6,059	3,352

Trade and other receivables are non-interest bearing. The credit risk associated with this receivable is managed through the Group's standard credit processes. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

Ageing trade receivables	31 March 2016		31 March 2015	
	Gross	**Impairment**	Gross	Impairment
	£'000	**£'000**	£'000	£'000
Not past due	**2,828**	-	1,144	-
Past due less than one month	**314**	-	401	-
Past due one to two months	**167**	-	197	(5)
More than two months past due	**439**	**(106)**	487	(158)
	3,748	**(106)**	2,229	(163)

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

	31 March 2016	31 March 2015
	£'000	£'000
At 1 April 2015	**163**	8
Impairment loss (charged)/recognised	**(26)**	155
Impairment loss reversed	**(31)**	-
At 31 March 2016	**106**	163

11. Cash and cash equivalents

	31 March 2016	31 March 2015
	£'000	£'000
Cash at bank and on hand	**1,944**	903

12. Trade and other payables

	31 March 2016	31 March 2015
	£'000	£'000
Trade payables	**1,895**	757
Amounts owed to group undertakings	**8,098**	11,027
Accruals and deferred income	**20,096**	18,713
Other payables	**3,140**	2,336
	33,229	32,833

Of the £20.1 million accruals and deferred income, £13.7 million (2015: £12.6 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

13. Provisions

Restructuring provisions	**31 March 2016**	31 March 2015
	£'000	£'000
At 1 April 2015	**18**	330
Utilised during the period	**(18)**	(931)
Provision created during the period	-	619
At 31 March 2016	-	18

14. Pension benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £232,000 (2015: £245,000).

15. Share capital

	31 March 2016 £'000	31 March 2015 £'000
Allotted, issued and fully paid		
1 ordinary shares of £1 each	-	-

16. Financial risk management

The Company's principal financial instruments are cash, trade receivables and payables. The Company 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 9, 10 and 11) 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 Company's customers. Over half of the Company's customers pay in advance of works commencing, with the remaining profile consisting of established listed businesses. 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 Company, 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.

Liquidity risk

Liquidity risk is the risk that the Company 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 Company and does so by monitoring cash flow forecast and budgets. The Company'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.

17. Operating leases

At 31 March 2016 the Company had no commitments in respect of operating leases (2015: £nil). All external leases are held by Fulcrum Group Holdings Limited and recharges are made under the shared services recharge arrangements (note 4).

18. 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.