Fulcrum Infrastructure Services Limited

Annual report and financial statements

for the year ended 31 March 2020

Registered number: 06006363

Fulcrum Infrastructure Services Limited

Annual report and financial statements for the year ended 31 March 2020

Fulcrum Infrastructure Services Limited

Directors' Report

The Directors present their report and the audited financial statements of Fulcrum Infrastructure Services Limited ("the Company") for the year ended 31 March 2020.

Dividends

A dividend has not been declared or proposed (2019: £nil).

Directors

The Directors who held office during the year and to the date of this report were as follows:

M Harrison (resigned 30 September 2019)

H Griffiths (resigned 30 June 2019)

D Harris (appointed 24 June 2019)

T Dugdale (appointed 1 July 2019)

Registered Office

2 Europa View, Sheffield Business Park, Sheffield, S9 1XH

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 Company. The consolidated financial statements of Fulcrum Utility Services Limited are available on its website at www.fulcrumutilityserviceslimited.co.uk.

Fulcrum Infrastructure Services Limited

Directors' Report (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

On behalf of the board

DocuSigned by:

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D Harris
Chief Executive Officer
30 September 2020

Fulcrum Infrastructure Services Limited

Strategic Report
for the year ended 31 March 2020

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 Company'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 results

FY20 was a year of strategic refocusing as we developed our in-house capabilities, including the expansion of the Company's direct delivery model into South East England and London and the strengthening of its multi-utility operations. These have been delivered with a focus on operational excellence and improved efficiency to enhance our capacity and optimise future profitability. Additional focus on processes, systems and management information is still needed and this will be implemented in an effective and balanced way, whilst we expand and grow the business sustainably.

This strategy has delivered adjusted EBITDA at £1,964k (2019: restated £8,465k), and the Company generated a gross profit margin of 25.3% (2019: 35.1%) in the period.

Performance in the first half of the year was impacted by a period of ongoing economic uncertainty, created by Brexit and the suspension of the UK Capacity Market. With better economic conditions, performance in the second half of the year improved, with a substantial increase in order inflow resulting in the Company's trading performance for the financial year being broadly in line with more recent expectations. However, the impact of COVID-19 hindered our ability to complete work due to site suspensions and to close out a number of potential contracts because of disagreements on who should bear the (at the time, emerging) COVID-19 risk.

Positively, the Company's order book was maintained at £45.6 million at 31 March 2020 (£46.7 million at 31 March 2019) demonstrating the Company's work-winning ability in difficult market conditions and the company continues to secure a broad base of gas and multi-utility projects.

Net assets increased by £1,378k during the period to £5,997k, reflecting the increased retained profits for the period and at 31 March 2020 and the Company had net cash of £227k (2019: £2,389k). Receivables have increased by £1,987k during the period, largely due to amounts owed by Fulcrum Pipelines Limted.

As we emerge from the threats created by periods of economic uncertainty with increasing levels of reserves and a strong order book we believe the Company is well placed to deliver on its strategy.

Strategy

The market for the design, installation and ownership of utility infrastructure has evolved significantly in the last few years and continues to develop. Importantly, there are several crucial government obligations and commitments that will support our growth and we have developed a strategy to ensure we are positioned to capitalise on these. A key driver of the Company's strategy is the UK government's target to achieve net zero by 2050, and the associated need for increased electrification and renewable energy generation in a decarbonised energy system. Furthermore, the government's commitment to build an average of 300,000 new homes each year by the mid-2020s presents a significant growth opportunity and the Company is focusing its strategy on capturing further market share in these sectors. The strategy for FY21 has been approved and supported by the Board and we continue to monitor developments in a market evolving at pace to inform our strategic priorities. We continue to be in regular engagement with industry bodies and are an active member of the Independent Networks Association (INA), to proactively lobby government and regulators and to identify changes in policy or legislation that may influence our future activity.

Fulcrum Infrastructure Services Limited

Strategic Report (continued)

Delivering contracts safely, efficiently and profitably

Maintaining the highest standards of health and safety remains our highest priority. A safety-first strategy is in place to ensure zero harm and, although this is well embedded into our culture and operations, we are never complacent, and are committed to continuous improvement in health and safety performance. In the period, we received the Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction, which recognises 17 years of health and safety excellence and demonstrates our commitment to the health and safety of our people, our customers and the communities we work in.

We also remain committed to using customer feedback to improve, innovate and differentiate the business as customer needs and expectations evolve, and we have seen sustained improvements in the percentage of customers who rated our service as "great" (9 or 10 out of 10), reaching 89% this year (2019: 80%).

The Company continues to look for ways to improve operational capacity and drive efficiencies that will improve customer experience and support the optimisation of profits in the long term. This is underpinned by a culture of continuous improvement and our aim to simplify, standardise and ensure that we always deliver the best and most competitive service. During the year we improved resource management, scheduling efficiency and stock management, following investment in our planning and operational delivery functions.

Key performance indicators

The Company's financial key performance indicators are:

- Revenue (decreased £6,061k or 14.2% to £36,555k)
- Order book (decreased £1.1m or 2% to £45.6m)
- Adjusted EBITDA (decreased £6,501k or 76.8% to £1,964)
- Profit before tax (decreased £6,348k or 82.3% to £1,363k)
- Net assets (increased £1,378k to £5,997k)

The Company's non-financial key performance indicators reflect the wider group and include levels of customer satisfaction. Further details are shown on page 23 of the annual report of Fulcrum Utility Services Limited.

Stakeholder engagement

Stakeholder engagement is fundamental to the long-term success and sustainability of the Company and we recognise that effective engagement and collaboration with all stakeholders will be crucial in us supporting the UK's net-zero revolution.

People

We aim to have a truly engaged workforce and we promote a culture of open, clear and transparent engagement.

How we engage:

- Regular communications supported with a weekly business update
- Daily activity using a social media collaboration tool, Workplace
- Employee forums and a biannual employee engagement survey
- Regular one to ones
- Wellbeing initiatives, such as introducing our first mental health first aider and mental fitness workshops

Customers

We aim to have open and collaborative relationships with all our customers to generate opportunities for the Company, identify emerging market and customer trends, developing strong customer relationships and to secure feedback to remain commercially competitive.

How we engage:

- Direct and regular lines of contact, with Relationship managers for larger or high-potential customers
- Face-to-face performance review meetings
- Customer satisfaction calls and surveys

Fulcrum Infrastructure Services Limited

Strategic Report (continued)

Stakeholder engagement (continued)

Communities
We support our local communities and the communities we work in, to give back to our customers and to be a responsible business and give our people the opportunity to support great causes.

How we engage:

- Planned volunteering services and charity events, with 127 hours in the year supporting Bluebell Wood Children's Hospice and homeless charity, Bury Drop In
- Charitable donations from the business and our people

Supply chain and strategic relationships
We develop collaborative relationships and partnerships that provide added value to all our stakeholders. This ensures the successful delivery of all our customers' projects, underpinning our business expansion and growth, to expand our capabilities and offering and to ensure we remain competitive.

How we engage:

- Open, two-way communications to align our joint aims to the Company's business strategy and wider Fulcrum group
- Regular, collaborative performance and contract review meetings
- Through robust, two-way industry IT systems
- Onboarded and relationships managed via a procurement process led by procurement specialists

Government and regulatory bodies
We proactively engage with government and regulatory bodies to keep informed, and ahead, in an evolving landscape, to forward plan, to inform our strategies and remain competitive as well as influence the formulation and delivery of policies that affect our sectors, customers and business.

Statement by the Directors in relation to their statutory duty in accordance with Section 172 (1) Companies Act 2006

The Directors and the Board as a whole consider that they have acted in a way that would be most likely to ensure the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a) to (f) of the Act) in decisions taken during the year ended 31 March 2020. The Directors fulfil their duty by ensuring that there is a robust governance structure and process running through all aspects of the Company's operations.

The Company's strategy reflects the wider Fulcrum group and is determined by the Fulcrum Board following careful consideration of materials and presentations from the Group Executive Team. This encompasses the impact on each of our main stakeholders and ensures alignment to the Group's culture defined in our "Spirit" values. As described above, the board engages with and meets stakeholders regularly, continually monitors the markets in which the business operates, and ensures that it regularly engages its leadership team to assess progress on strategy and specific projects.

Carbon emissions

We commit to reducing our own carbon impact by reducing the emissions from our operations and we take our responsibility to do this seriously. In the year, we focused heavily on planning and operational efficiency to ensure that the carbon impact from our activity is minimised and began trials on electric excavators as an alternative to diesel powered ones. We have also been working collaboratively with our fleet provider on plans to increase the number of electric company cars and have several incentives, including free electric vehicle charging facilities at Fulcrum's head office, to support uptake. To ensure that we robustly identify our carbon footprint, and track and measure the success of our carbon reduction plans, we have commissioned the Carbon Trust to implement its "Footprint Manager" data collection and reporting service to enable us to include relevant data required by the Streamlined Energy and Carbon Reporting regulations. This data is in the process of being collated and once available will be included in future years.

Fulcrum Infrastructure Services Limited

Strategic Report (continued)

Principal Risks and Uncertainties

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Company's strategic objectives. The Board recognises that the nature and scope of the risks can change and so regularly reviews the risks faced by the Company as well as the systems and processes in place to mitigate them. The principal risks to achieving the Company's objectives are set out below. The risk factors described are not an exhaustive list or an explanation of all risks. Additional risks and uncertainties relating to the Company, including those that are not currently known to the Company or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company's business operations, results and/or financial condition:

Risk	Description	Mitigations
Growth and strategy execution	The Board has adopted its strategy, as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Company's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.
Retention and recruitment	Success depends on the continued retention and performance of the Company's valued employees. Skilled development, technical, operating, sales and marketing personnel are essential for the business to meet its strategic goals and the Company operates in markets with a high demand for high calibre personnel.	The Company has put in place suitable reward and recognition packages to all staff, comprising a blend of short and long-term incentives for senior managers and executives. Employee development programmes are in place to assess, manage and develop the leadership skills of staff throughout the organisation. In addition, we invest in succession planning and improving learning and development, giving opportunities for employees to upgrade skills.
COVID-19	The recovery period of the UK from a full UK lockdown may take longer than expected and there is a risk of a second full lockdown period in the future.	The safety and wellbeing of our people, customers and the communities we work in continues to be our number one priority. In line with the measures introduced by the UK government, we took our responsibility to safeguard the wellbeing of our field based people and the communities they work in seriously, by postponing the delivery of all non-essential utility connection and infrastructure works. Works were fully remobilised in line with government advice and utility works are now delivered under COVID-secure guidelines. Risks associated with an economic downturn are mitigated by our limited market share in key sectors. Our wide breadth of offering and diversified position, across multiple sectors, also reduce our exposure to volatility in individual markets.

Fulcrum Infrastructure Services Limited

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Risk	Description	Mitigations
Macroeconomic conditions	The Company derives all its revenues from mainland UK and is therefore predominately dependent on the macroeconomic conditions in the UK. As the UK negotiates the terms of its exit from the European Union, there remains a degree of uncertainty on the outlook for the UK economy.	We continue to closely monitor the impact of the increased uncertainty on the UK economy and how this could impact the sectors, which we operate. The Company's multi-channel strategy creates a diverse revenue base which means it is well placed to minimise any negative impacts. We will continue to employ robust tendering processes to maintain strong cost control over Company sourcing.
Working capital management and funding	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. The Company needs to ensure that it has the funding required to deliver on its strategy and future growth plans and that it manages its debt and cash balances effectively.	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 of our supply chain.
Utility infrastructure market and regulatory environment	Operating in the utility infrastructure market 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.	The Company seeks to reduce the risk of losses arising from these circumstances through careful planning, robust operational guidelines and the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements. The Company also maintains proactive engagement with a variety of government and regulatory bodies to keep informed, and ahead, in an evolving market landscape.
IT systems and cyber security	Fulcrum uses a range of computer systems across the Company. Outages and interruptions could affect the ability to conduct day-to-day operations, which could result in loss of sales and delays to cash flow. Key systems could be breached causing financial loss, data loss, disruption or damage. In addition, any theft or misuse of data held within the Company's systems could have both reputational and financial implications for the Company.	The Company's IT strategies are reviewed regularly to ensure they remain appropriate, with business continuity and disaster recovery testing performed. We have a dedicated internal IT support team which works closely with our external support advisers to ensure that regular updates to technology, infrastructure, communications and application systems occur. The Company has advanced centralised hardware and software security in place to ensure protection of commercial and sensitive data.

Fulcrum Infrastructure Services Limited

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Risk	Description	Mitigations
Health and safety	The health and safety of our employees, subcontractors, suppliers and customers is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Company Health and Safety Department to minimise the likelihood and impact of accidents.

Financial risk management

The Director's consider the following financial risks in assessing the company's assets and liabilities

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 Company 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 forecasts and budgets. 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 and alongside close working capital management is deemed to be sufficient to meet projected liquidity requirements.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposure to the Company's customers. A proportion of the Company's customers pay in advance of works commencing, with the remaining profile consisting of fellow group undertakings and established or listed businesses. External customers typically pay on stage payment terms with cash received in advance of works commencing. The creditworthiness of new external 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.

Going concern

The Directors of Fulcrum Utility Services Limited, the ultimate parent undertaking, have assessed the future funding requirements of Fulcrum Infrastructure Limited and compared it to the level of cash resources within the Group. The assessment included a review of financial forecasts and the preparation of sensitivity analysis on the key factors that could affect future cash flow and funding, including COVID-19 (see below). The Group's policy on funding capacity is to ensure that it always has sufficient funding and committed bank facilities in place to meet foreseeable peak in working capital requirements.

The directors of the Company have assessed the conclusions reached by the Group's directors and having undertaken this review, the Directors have a reasonable expectation that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least a period of 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

See the basis of preparation set out in note 1 to the financial statements for further details.

Fulcrum Infrastructure Services Limited

Strategic Report (continued)

COVID-19

COVID-19 was declared a global pandemic on 11 March 2020 by the World Health Organization, and on 19 March 2020 the Coronavirus Act was introduced in the UK, with unprecedented restrictive measures being put in place nationally to help prevent the spread of COVID-19, ensure safety and wellbeing, protect health services and try and stabilise the economy.

The wider Fulcrum Group has played a key part in ensuring that key utility infrastructure continues to operate during this difficult period, and the Company has continued to trade throughout the course of the pandemic, however, the continuing spread of the virus and the associated restrictions on public life are expected to impact trading performance in 2020/21 with the timing of the return to normality and growth uncertain.

Therefore, considering the impact of COVID-19 on the business, a range of potential downside planning scenarios have been developed, including a reduction to 2020/21 revenues, reflecting a slower recovery than is currently being experienced by the business and a further severe but plausible downside scenario of a 2nd lockdown later in the same financial year. Reverse stress testing has been conducted to identify the theoretical loss of revenue and liquidity that the Group could manage without impacting its viability which would in turn impact upon the Company. This approach provides the Directors with reasonable comfort that the Company's going concern has been assessed to a severity level which more than accommodates the current experience of the shape and scale of the economic impact of the COVID-19 pandemic on the Group.

Summary and Outlook

Despite a challenging year, the Company continued to make progress in positioning itself for future growth and success and, whilst there is still more to do to develop and improve the business and its operations, I am confident that the Company will benefit from the UK's net-zero and smart energy revolution.

Despite the impact of COVID-19, trading in the new financial year has seen continual improvement month on month and is expected to return to pre-COVID-19 levels by the middle of FY21. The successful execution of our strategy is now supported with greater balance sheet strength, new strategic relationships, improved capabilities and an enhanced management team. We are strongly positioned to grow and to provide long-term, sustainable value for members.

The Board believes that, despite the current economic conditions and uncertainty created by COVID-19, the political and legal commitment to decarbonise the UK to achieve a net-zero future, and substantial opportunity to design and build networks to support this as well as the commitment to build an average of 300,000 new homes each year by the mid-2020s present significant tailwinds and offer some very exciting growth opportunities for the Company. The Board is confident that the Company has a robust plan in place to capitalise on the UK's energy infrastructure revolution and that it is strongly positioned to grow as it executes its strategy to play an essential part in the UK's net-zero revolution.

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D Harris
Chief Executive Officer
30 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM INFRASTRUCTURE SERVICES LIMITED

Opinion

We have audited the Report and Financial statements of Fulcrum Infrastructure Services Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter

We draw attention to note 1 in the financial statements which refers to the fact that the Coronavirus has created financial uncertainty within the economy and therefore there is increased difficulty in forecasting future results for the Company. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM INFRASTRUCTURE SERVICES LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements is prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement, to prepare a strategic report or in preparing the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM INFRASTRUCTURE SERVICES LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Cooper Parry Group Ltd.

Katharine Warrington (senior statutory auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View, Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 30 September 2020

Fulcrum Infrastructure Services Limited

Statement of comprehensive income
for the year ended 31 March 2020

	Notes	**Year ended 31 March 2020 £'000**	Restated* Year ended 31 March 2019 £'000
Revenue	2	**36,555**	42,616
Cost of sales		**(27,293)**	(27,645)
Gross profit		**9,262**	14,971
Administrative expenses		**(7,804)**	(7,122)
Operating profit	3	**1,458**	7,849
Analysed as:			
Adjusted EBITDA		**1,964**	8,465
Exceptional items		**(94)**	(175)
Depreciation	7,8	**(412)**	(441)
Operating profit		**1,458**	7,849
Finance Expenses		**(95)**	(138)
Profit before taxation		**1,363**	7,711
Taxation	6	**15**	(479)
Profit for the year attributable to equity holders of the parent and total comprehensive income		**1,378**	7,232

* See Note 16

All results relate to continuing operations of the company

The notes on pages 16 to 31 form part of these financial statements.

Fulcrum Infrastructure Services Limited

Statement of changes in equity
for the year ended 31 March 2020

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Restated balance at 1 April 2018	1,000	(3,613)	(2,613)
Profit for the year and total comprehensive income (as restated*)	-	7,232	7,232
Restated balance at 31 March 2019	**1,000**	**3,619**	**4,619**
Profit for the year and total comprehensive income	-	**1,378**	**1,378**
Balance at 31 March 2020	**1,000**	**4,997**	**5,997**

* See note 16

The notes on pages 16 to 31 form part of these financial statements.

Fulcrum Infrastructure Services Limited

Balance sheet
as at 31 March 2020

	Notes	31 March 2020 £'000	Restated* 31 March 2019 £'000
Non-current assets			
Property, plant and equipment	7	**91**	161
Right of use asset	8	**1,839**	1,487
Deferred tax assets	6	**29**	27
Trade and other receivables	9	**-**	11,037
		1,959	12,712
Current assets			
Contract assets	9	**7,741**	7,720
Inventories		**242**	319
Trade and other receivables	10	**31,147**	17,898
Cash and cash equivalents	11	**227**	2,389
		39,357	28,326
Total assets		**41,316**	41,038
Current liabilities			
Contract liabilities	13	**(22,917)**	(24,108)
Trade and other payables	12	**(10,312)**	(10,597)
Current lease liability	8	**(351)**	(307)
		(33,580)	(35,012)
Non-current liabilities			
Non-current lease liability	8	**(1,739)**	(1,407)
		(1,739)	(1,407)
Total liabilities		**(35,319)**	(36,419)
Net assets		**5,997**	4,619
Equity			
Share capital	14	**1,000**	1,000
Retained earnings		**4,997**	3,619
Total equity		**5,997**	4,619

* See note 16

The notes on pages 16 to 31 form part of these financial statements.

The financial statements were approved by the Board of Directors on 30 September 2020 and were signed on its behalf by:

DocuSigned by:

D98A948D770C4CC...
D Harris
Chief Executive Officer

Registered number: 06006363

Fulcrum Infrastructure Services Limited

Notes to the 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").

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.

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;
- 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 principal accounting policies set out below, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

Measurement convention

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

1. Accounting policies *(continued)*

Going concern

In assessing the basis of preparation of the accounts the Directors have taken the following into account:

The Company is part of the Fulcrum Utilities Services Limited group ("the Group"). The Company and the Group meet their day to day working capital requirements from cash resources and intercompany balances with other Group companies. Therefore, in light of the Group's funding arrangements and the operational and financial support provided by the Group, the going concern assessment of the Company and the Group is dependent on that of the Group as a whole.

As at 31 March 2020 the Company had net current assets of £5,777k (2019 restated: net current liabilities of £6,686k). In addition, the Company's ultimate parent undertaking, Fulcrum Utility Services Limited, has indicated its intention to continue to make available such funds and operational support as is needed by the Company for a period of at least 12 months from the date of approval of these financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

The Group's directors have prepared detailed cashflow forecasts for the Group for the period to 30 September 2022 which indicate that, taking account of reasonably possible downsides in trading performance, the Group will have adequate resources to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. The Group's forecasts take into consideration the uncertainty as to the future impact of COVID-19 on the Group's trading performance. Further detail is set out in the Strategic Report.

The directors of the Company have assessed the conclusions reached by the Group's directors and agree with their conclusion. Consequently, the directors of the Company are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

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 for revenue recognition. See revenue recognition policy for further details.

Property, plant and equipment

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

Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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.

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.

Fulcrum Infrastructure Services Limited

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Revenue

Multi-utility infrastructure activities are recognised as "infrastructure revenue". The majority of projects are completed in a short timeframe and, as such, revenue is recognised on project completion. For revenue recognised on maintenance contracts, revenue is recognised throughout the duration of the contract.

For longer projects, revenue is recognised over time. Revenue is estimated based on 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. Infrastructure revenue is recognised excluding VAT and other indirect taxes. An accrual is made for infrastructure 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.

Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not be incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered

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 statement of comprehensive income 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. They are generally due for settlement within 30 days and are therefore all classified as current. Due to their short-term nature, carrying value is considered to approximate fair value.

1. Accounting policies *(continued)*

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. Due to their short-term nature, carrying value is considered to approximate fair value.

Impairment

Financial assets (including receivables)

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangibles, including goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Lease Accounting (company as lessee)

At inception of a contract the Company assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration.

Where a lease is identified the Company recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The Company has taken the practical expedient allowed under IFRS 16 that permits a lessee not to separate non-lease components, and instead accounts for any lease and associated non-lease components as a single arrangement.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease if that rate is readily available or if not, at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Company is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet, split between current and non-current liabilities.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Fulcrum Infrastructure Services Limited

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Lease Accounting *(continued)*

The lease liability is remeasured where:

- there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments' change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- the lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any initial direct costs and an estimate of any costs to dismantle and remove the asset at the end of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is presented as a separate line in the balance sheet.

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as an expense immediately.

Short-term leases and low value assets

The Company recognises lease payments on short-term leases (those with a lease term of 12 months or less) and low value assets as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is available that is more representative of the time pattern in which economic benefits are consumed.

The Company as lessor

The Company has not entered into any lease agreements where the Company acts as a lessor.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

In the year ended 31 March 2020, the Group adopted IFRS 16 "Leases" for the first time, the impact of which is shown below.

IFRS 16 "Leases"

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. The Company applied IFRS 16 retrospectively, restating prior year comparatives. Practical expedients were applied to take the recognition exemption for both short-term and low value leases, as well as to account for any lease and associated non-lease components as a single arrangement.

Fulcrum Infrastructure Services Limited

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Impact on financial statements

Upon transition to IFRS 16 at 31 March 2018, the Company recognised an opening right-of-use asset of £1,855k and a lease liability of £2,070k. Including adjustments for related balances that existed under IAS 17, the retained earnings of the Company on transition reduced by £96k.

The Company's lease liabilities relate to properties. The opening right-of-use asset is lower than the opening lease liability as it reflects the higher depreciation of the right-of-use asset compared to the reduction on the lease liability over the same period of time. Upon transition to IFRS 16 the weighted average incremental borrowing rate applied to the lease liabilities was 3.15%.

The impact on the statement of comprehensive income was an increase in operating profit before taxation for the year ending 31 March 2020 of £54k (2019: increase of £56k) as the depreciation on right-of-use assets was lower than the IAS 17 rental charge. Interest costs charged to the statement of comprehensive income increased by £76k in the year ended 31 March 2020 (2019: increase of £65k) with the addition of higher finance costs on the newly recognised lease liability.

The adoption of IFRS 16 did not have a significant impact on the Company's effective tax rate.

Full details of the transitional impact on adoption of IFRS 16 are presented in note 16.

Other new amendments and interpretations that became mandatory for the first time during the year ended 31 March 2020 are listed below, none of which had a significant impact on the Company's results.

- Amendments to IFRS 9, 'Financial Instruments' – Prepayment features with negative compensation
- Annual improvements to IFRS standards 2015-2017 cycle
- IFRIC 23, 'Uncertainty over income tax'

Fulcrum Infrastructure Services Limited

Notes to the financial statements *(continued)*

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. Operating profit

Included in operating profit are the following charges:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Depreciation of property, plant and equipment: owned	**72**	74
Depreciation of right-of-use asset	**340**	367
Fulcrum Group Holdings services recharge	**2,894**	2,091
Amounts receivable by the auditors and their associates in respect of:		
Auditor's remuneration:	**91**	78

The audit fee is paid by another Group company and a proportion recharged in the year using an appropriate basis.

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 basis.

4. Staff numbers and costs

Employees have employment contracts with the Company's fellow group undertaking, 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 amount charged to the Company in the financial year was £9,616k (2019: £9,456k) and the average monthly number of Fulcrum Group Holdings Limited employees attributed to the Company during the financial year was 213 (2019: 194).

5. Directors' emoluments

The directors of the Company were remunerated through Fulcrum Group Holdings Limited and their emoluments, covering the whole group, are disclosed as follows

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Emoluments	**656**	518
Pension	**14**	20
Total	**670**	538

Included in the total emoluments above is the aggregate value of company contributions made to the pension scheme of 3 (2019: 2) directors in respect of directors' qualifying services. These costs are included in the shared services recharge.

Highest paid director:	**Year ended 31 March 2020**	Year ended 31 March 2019
Emoluments	**253**	306
Contributions to a defined contribution pension scheme	**6**	10
	259	316

Fulcrum Infrastructure Services Limited

Notes to the financial statements *(continued)*

6. Taxation

	Year ended 31 March 2020 £'000	Restated Year ended 31 March 2019 £'000
Current tax	**13**	(623)
Deferred tax	**2**	144
Total tax credit / (charge)	**15**	(479)

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020.

The rate applicable from 1 April 2020 now remains at 19.0%. Deferred tax balances have been adjusted accordingly and are calculated on the basis that they will unwind at 19.0% (2019: 17%).

Reconciliation of effective tax rate	Year ended 31 March 2020 £'000	Restated Year ended 31 March 2019 £'000
Profit before taxation	**1,363**	7,711
Tax charge using the UK corporation tax rate of 19% (2019: 19%)	**(259)**	(1,465)
Non-taxable items	**(6)**	(8)
Effect of change in rate of corporation tax	**1**	-
Depreciation in excess of capital allowances	**-**	(22)
Adjustment to tax charge in respect of prior years' corporation tax	**13**	16
Adjustment to tax charge in respect of prior years' deferred tax	**-**	6
Newly recognised deferred tax asset	**-**	4
Group relief claimed	**266**	990
Total tax credit / (charge)	**15**	(479)

Movement in deferred tax balances

	31 March 2020		Restated 31 March 2019	
	Deferred tax assets £,000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
At 1 April 2019	**27**	**-**	23	(140)
Recognised in profit or loss				
Adjustment in respect of prior year	**-**	**-**	6	-
Effect of change in rate of corporation tax	**1**	**-**	-	-
Origination/reversal of other timing differences	**1**	**-**	(6)	-
Released deferred tax liability	**-**	**-**	-	140
Newly recognised deferred tax asset	**-**	**-**	4	-
At 31 March 2020	**29**	**-**	27	-

Notes to the financial statements *(continued)*

7. Property, plant and equipment

	Fixtures and fittings £'000
Cost	
At 31 March 2018	**150**
Additions	169
At 31 March 2019	**319**
Additions	2
At 31 March 2020	**321**
Accumulated depreciation	
At 31 March 2018	**(84)**
Depreciation charge for the period	(74)
At 31 March 2019	**(158)**
Depreciation charge for the period	(72)
At 31 March 2020	**(230)**
Net book value	
At 31 March 2020	**91**
At 31 March 2019	161
At 31 March 2018	66

8. Leases

The Company has leases for land and buildings. Lease payments are generally fixed. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The use of extension and termination options within leases gives the Company flexibility and such options are exercised when they align with the Company's strategy and where economic benefits of exercising such options exceed the expected overall costs.

Right-of-use assets	**31 March 2020**	31 March 2019
	£'000	£'000
Land & buildings	**1,839**	1,487
	1,839	1,487

Depreciation on right-of-use assets	**31 March 2020**	31 March 2019
	£'000	£'000
Land & buildings	**340**	367
	340	367

Additions to right-of-use assets	**31 March 2020**	31 March 2019
	£'000	£'000
Land & buildings	**692**	-

Fulcrum Infrastructure Services Limited

Notes to the financial statements *(continued)*

10. Leases *(continued)*

	Land and buildings		Plant & machinery	
Maturity of lease liabilities	**31 March 2020**	31 March 2019	**31 March 2020**	31 March 2019
	£'000	£'000	**£'000**	£'000
Less than one year	**181**	**178**	**170**	129
Between one and five years	**914**	**854**	**513**	-
In more than five years	**312**	**553**	**-**	-
	1,407	**1,585**	**683**	129

Other impact on profit and loss	**31 March 2020**	31 March 2019
	£'000	£'000
Finance costs on leases	76	65
	76	65

9. Contract assets

	31 March 2020	31 March 2019
	£'000	£'000
Work in progress	**3,456**	2,889
Contract receivables	**4,285**	4,831
Total	**7,741**	7,720

Work in progress balances reflect direct works costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. There have been no write-downs in the year (2019: nil).

10. Trade and other receivables

	31 March 2020	31 March 2019
	£'000	£'000
Trade receivables	**2,357**	3,014
Amounts owed by Group undertakings	**28,305**	25,524
Other receivables	**334**	87
Prepayments and accrued income	**151**	310
	31,147	28,935
Current	**31,147**	17,898
Non-current	**-**	11,037
	31,147	28,935

All amounts due from Group undertakings are repayable on demand and no interest is receivable.

Trade and other receivables are non-interest bearing. The credit risk associated with this receivable is managed through the Company's standard credit processes. The Directors consider that the carrying amount of trade receivables approximates to their fair value. No interest is receivable on amounts due from Group undertakings.

Notes to the financial statements *(continued)*

10. Trade and other receivables *(continued)*

The carrying value of trade and other receivables are stated after the following allowance for expected credit losses:

	31 March 2020	31 March 2019
	£'000	£'000
At 1 April 2019	**13**	140
Movement in allowance for expected credit losses	**(1)**	(127)
At 31 March 2020	**12**	13

11. Cash and cash equivalents

	31 March 2020	31 March 2019
	£'000	£'000
Cash at bank and on hand	**227**	2,389

12. Trade and other payables

	31 March 2020	Restated 31 March 2019
	£'000	£'000
Trade payables	**3,090**	4,018
Amounts owing to Group undertakings	**5,775**	1,222
Accruals	**506**	403
Other payables	**941**	5,053
	10,312	10,696

All amounts payable to Group undertakings are payable on demand. No interest is borne thereon.

13. Contract liabilities

	31 March 2020	31 March 2019
	£'000	£'000
Contract liabilities	**22,917**	24,108

Of the £22,917k contract liabilities, £17,910k (2019: £19,600k) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

14. Share capital

	31 March 2020	31 March 2019
	£'000	£'000
Allotted, issued and fully paid		
1,000,001 ordinary shares of £1 each (2019: 1,000,001 ordinary shares of £1)	**1,000**	1,000

15. 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

16. Impact of transition to IFRS 16

Impact on profit for the year ended 31 March 2020	Notes	Year ended 31 March 2020 Excluding IFRS 16	IFRS 16 Adjustments	Year ended 31 March 2020
		£'000	£'000	£'000
Revenue		36,555	-	36,555
Cost of sales	(i)	(27,308)	15	(27,293)
Gross profit		9,247	15	9,262
Administrative expenses	(i)	(7,843)	39	(7,804)
Operating profit		1,404	54	1,458
Net finance expense	(i)	(19)	(76)	(95)
Profit before taxation		1,363	(22)	1,363
Taxation		21	(6)	15
Profit for the period		1,384	(28)	1,378

Impact on profit for the year ended 31 March 2019	Notes	Year ended 31 March 2019 Excluding IFRS 16	IFRS 16 Adjustments	Year ended 31 March 2019
		£'000	£'000	£'000
Revenue		42,616	-	42,616
Cost of sales	(i)	(27,662)	17	(27,645)
Gross profit		14,954	17	14,971
Administrative expenses	(i)	(7,161)	39	(7,122)
Operating profit		7,793	56	7,849
Net finance expense	(i)	(73)	(65)	(138)
Profit before taxation		7,720	(9)	7,711
Taxation		(473)	(6)	(479)
Profit for the period		7,247	(15)	7,232

16. Impact of transition to IFRS 16 *(continued)*

Balance sheet impact at 31 March 2020	Notes	31 March 2020 Excluding IFRS 16 £'000	IFRS 16 Adjustments £'000	31 March 2020 £'000
Non-current assets				
Property, plant and equipment		91	-	91
Right-of-use asset	(ii)	-	1,839	1,839
Deferred tax assets		18	11	29
		109	1,850	1,959
Current assets				
Contract assets		7,741	-	7,741
Inventories		242	-	242
Trade and other receivables		31,147	-	31,147
Cash and cash equivalents		227	-	227
		39,357	-	39,357
Total assets		39,466	1,850	41,316
Current liabilities				
Contract liabilities		(22,917)	-	(22,917)
Current lease liability	(iii)	-	(351)	(351)
Trade and other payables	(iv)	(10,413)	101	(10,312)
		(33,330)	(250)	(33,580)
Non-current liabilities				
Non-current lease liability	(iii)	-	(1,739)	(1,739)
		(33,330)	(1,739)	(1,739)
Total liabilities		(33,330)	(1,989)	(35,319)
Net assets		6,136	(139)	5,997
Equity				
Share capital		1,000	-	1,000
Retained earnings		5,136	(139)	4,997
Total equity		6,136	(139)	5,997

Notes to the financial statements *(continued)*

16. Impact of transition to IFRS 16 *(continued)*

Balance sheet impact at 31 March 2019	Notes	31 March 2019 Excluding IFRS 16 £'000	IFRS 16 Adjustments £'000	31 March 2019 £'000
Non-current assets				
Property, plant and equipment		161	-	161
Right-of-use asset	(ii)	-	1,487	1,487
Deferred tax assets		10	17	27
Trade and other receivables		11,037	-	11,037
		11,208	1,504	12,712
Current assets				
Contract assets		7,720	-	7,720
Inventories		319	-	319
Trade and other receivables		17,898	-	17,898
Cash and cash equivalents		2,389	-	2,389
		28,326	-	28,326
Total assets		39,534	1,504	41,038
Current liabilities				
Contract liabilities		(24,108)	-	(24,108)
Current lease liability	(iii)	-	(307)	(307)
Trade and other payables	(iv)	(10,696)	99	(10,597)
		(34,804)	(208)	(35,012)
Non-current liabilities				
Non-current lease liability	(iii)	-	(1,407)	(1,407)
		-	(1,407)	(1,407)
Total liabilities		(34,804)	(1,615)	(36,419)
Net assets		4,730	(111)	4,619
Equity				
Share capital		1,000	-	1,000
Retained earnings		3,730	(111)	3,619
Total equity		4,730	(111)	4,619

16. Impact of transition to IFRS 16 *(continued)*

Balance sheet impact at 31 March 2018	Notes	31 March 2018 Excluding IFRS 16 £'000	IFRS 16 Adjustments £'000	31 March 2018 £'000
Non-current assets				
Property, plant and equipment		66	-	66
Right-of-use asset	(ii)	-	1,855	1,855
Deferred tax asset	(v)	-	23	23
Trade and other receivables		12,140	-	12,140
		12,206	1,878	14,084
Current assets				
Contract assets		9,530	-	9,530
Trade and other receivables		7,562	-	7,562
Cash and cash equivalents		1,641	-	1,641
		18,733	-	18,733
Total assets		30,939	1,878	32,817
Current liabilities				
Contract liabilities		(25,123)	-	(25,123)
Current lease liability	(iii)	-	(356)	(356)
Trade and other payables		(8,193)	96	(8,097)
		(33,316)	(260)	(33,576)
Non-current liabilities				
Deferred tax liabilities		(140)	-	(140)
Non-current lease liability	(iii)	-	(1,714)	(1,714)
		(140)	(1,714)	(1,854)
Total liabilities		(33,456)	(1,974)	(35,430)
Net assets		(2,517)	(96)	(2,613)
Equity				
Share capital		1,000	-	1,000
Retained earnings		(3,517)	(96)	(3,613)
Total equity		(2,517)	(96)	(2,613)

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Notes to the financial statements *(continued)*

16. Impact of transition to IFRS 16 *(continued)*

(i) Statement of comprehensive income

Under the previous accounting standard for leases, IAS 17, lease costs were recognised on a straight-line basis over the term of the lease. The Company recognised these costs within cost of sales and administrative expenses. On adoption of IFRS 16 these lease costs have been removed and replaced with depreciation and finance charges.

The impact of removing the lease costs in the year ended 31 March 2020 was a credit to cost of sales of £167k (2019: £196k) and a credit to administrative expenses of £225k (2019: £225k). Under IFRS 16 the right-of-use asset is depreciated over the lease term, and consequently a depreciation charge of £152k was incurred within cost of sales in the year ended 31 March 2020 (2019: £179k) alongside a further depreciation charge of £188k in administrative expenses (2019: £188k).

In addition, debits that had previously been taken through the statement of comprehensive income relating to lease incentives were reversed, leading to a £2k decrease to administrative expenses in the year ended 31 March 2020 (2019: £2k decrease).

Under IFRS 16, finance costs are charged on the lease liability, which resulted in a finance charge in the year ended 31 March 2020 of £76k (2019: £65k).

The net impact of the above adjustments to profit before tax for the year ended 31 March 2020 was a charge of £22k (2019: £9k).

(ii) Right-of-use asset

IFRS 16 has resulted in the recognition of a right-of-use asset. This asset represents the Company's contractual right to access an identified asset under the terms of the lease contract.

(iii) Lease liability

IFRS 16 has resulted in the recognition of a lease liability. This liability represents the Company's contractual obligation to minimum lease payments during the lease term. The element of the liability payable in the next 12 months is recognised as a current liability with the balance recognised in non-current liabilities.

(iv) Working capital

Under IAS 17, the Company held a balance within working capital that related to certain lease incentives. The balance of £101k at 31 March 2020 (2019: £99k) is no longer recognised under IFRS 16 as all payments, lease incentives and related costs are reflected in either the right-of-use asset or the lease liability.

(v) Taxation

A deferred tax asset of £23k was recognised on transition to IFRS 16 representing the timing difference on the amounts taken to reserves. The deferred tax asset created at the point of transition will unwind over the average life of the leases held at the date of transition.