~~10217/20~~

In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

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COMPANIES HOUSE

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Corporate name of overseas company ❶	FULCRUM UTILITY SERVICES LIMITED (REGISTERED NUMBER: FC030006)
UK establishment number	B R 0 1 5 0 0 0

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

Legislation ❷	CAYMAN ISLANDS COMPANY LAW // AIM RULE 19

A2 Accounting principles

Accounts	Have the accounts been prepared in accordance with a set of generally accepted accounting principles? Please tick the appropriate box. ☐ **No.** Go to **Section A3**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.
Name of organisation or body ❶	INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

❶ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts	Have the accounts been audited? Please tick the appropriate box. ☐ **No.** Go to **Section A5**. ☑ **Yes.** Go to **Section A4**.

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	INTERNATIONAL STANDARDS ON AUDITING (UK) (ISAs (UK))	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

	I am signing this form on behalf of the overseas company.
Signature	Signature X X
	This form may be signed by: Daren Harris Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: Simona Boi

Company name: TMF GROUP

Address: 8TH FLOOR

20 Farringdon Street

Post town: LONDON

County/Region:

Postcode: E C 4 A 4 A B

Country: UNITED KINGDOM

DX:

Telephone: 0 207 832 4970

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
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Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

10275/20

CONNECTING THE NATION

Fulcrum Utility Services Limited

Annual Report and Accounts 2019

Company number FC030006

VISION

THE NATION'S FIRST CHOICE UTILITY PARTNER

Strategic Report

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For the latest news and investor information, visit **fulcrum.co.uk**

Fulcrum is the UK's market-leading independent multi-utility infrastructure and services provider and is committed to achieving its aim of being the nation's first choice utility partner.

OUR VALUES

Six values that express the spirit of Fulcrum and its people.

The Spirit of heart, mind and commitment to be the best, for our customers, shareholders, ourselves and within our sector

HIGHLIGHTS

A YEAR OF PROGRESS

Financial performance

- Revenue up 20.4% to £48.9m (2018 restated. £40.6m)
- Adjusted EBITDA* up 16 8% to £10.0m (2018 restated. £8 6m)
- Profit before tax of £6.0m (2018 restated £6.9m) and adjusted profit before tax* of £8.6m (2018 restated· £7.9m)
- Net cash inflows from operations of £3 5m (2018 £3 1m)
- Adjusted earnings per share of 3.5p (2018 restated· 4 3p) and basic earnings per share of 2.3p (2018 restated 3.7p)
- Net cash of £3 8m as at 31 March 2019 (2018. £9.4m)
- Net assets per share up 17.8% to 20.5p

Dividend

- Final dividend of 1 5p per share (2018 1.4p per share) resulting in a full year dividend of 2 25p per share (2018 2.1p), up 7.1%

Operational highlights

- Sustained growth in the order book, up 41 4% since March 2018 to £60 5m (2018 £42 8m)
- In FY2019, our housing team secured £18.7m in new multi-utility housing project orders, up 74 0% on the prior year
- Asset estate transportation revenues up by 53.0% to £3.0m, with external capital commitments up by 84 0% to £18.7m (2018 £10 4m), providing forward visibility of asset earnings
- Smart meter accreditations gained and first installation contract secured for 90,000 smart meters, forecast to generate revenues of £12.0m over a three year period
- Electric vehicle charging infrastructure projects secured at £1.0m with our joined-up design, build and connect service

* Adjusted EBITDA is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges Adjusted profit before tax is profit before tax excluding the impact of exceptional items and the amortisation of acquired intangibles Full reconciliation of Alternative Performance Measures (APMs) are provided in note 3

Financial KPIs

Revenue	Adjusted EBITDA*	Profit before tax	Total dividends per share	Operating cash flow	Net assets
£48.9m	£10.0m	£6.0m	2.25p	£3.5m	£45.5m
37 7	7.1	6 3	1.9	6.0	10.4
40 6	8.6	6 9	2 1	3 1	36 6
48.9	10.0	6.0	2 25	3.5	45 5
17 18† 19	17 18† 19	17 18† 19	17 18 19	17 18 19	17† 18† 19

Read the Chief Financial Officer's Statement on page 18

* Adjusted EBITDA is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges See note 3 for full reconciliation Adjusted profit before tax is profit before tax excluding the impact of exceptional items and the amortisation of acquired intangibles

† Restated

Safe
We always put safety first and never compromise

Partnership
We deliver the best performance through collaboration

Improvement
We continuously move forward, innovate and improve

Reliability
We get things right first time, every time

Integrity
We operate with the highest standards

Together
We work as one team to make a difference

FULCRUM AT A GLANCE

CONNECTING THE NATION

Our growth

INFRASTRUCTURE: DESIGN AND BUILD

THOUSANDS MORE PROJECTS COMPLETED

New utility infrastructure installed in FY2019

UTILITY ASSETS: OWN AND OPERATE

A GROWING ASSET BASE

New utility assets adopted in FY2019

GROWTH STRATEGY

- To offer the full range of utility services that our customers want, nationally
- To consistently provide a high level of customer service
- To challenge and streamline our cost of delivery, to always be able to offer competitive prices

Read more on page 14

GROWTH STRATEGY

- To offer sustainable gas pipeline, electric cable and smart meter asset values
- To acquire utility assets from utility providers without asset adoption licences

Read more on page 14

DESIGN AND BUILD SERVICES

Multi-utility connections

High voltage (HV) electricity infrastructure

Specialist gas connections

Smart metering

OWN AND OPERATE SERVICES

Gas asset ownership

Electricity asset ownership

Meter provision and asset management

What sets us apart

The Group is in a strong position to achieve our vision of being the nation's first choice utility provider.

INVESTMENT PROPOSITION

Proven track record of consistent, profitable performance

Growth strategy established and delivering returns

Positive underlying profit growth drivers in commercial markets

Sustained focus on sales growth and customer service

Diversifying into new growth markets

Maintaining and improving operational disciplines

Creating long-term secure income by increasing our ownership of utility assets

Committed to sustainably increasing dividends

CUSTOMER DIFFERENTIATORS

Full national coverage

Multi-utility solutions for projects of any scale

End-to-end delivery through a single brand

Asset ownership ability

Consistently delivering a safe, right first time service

On time and on budget delivery

Commitment to customer service excellence

Expertise drawn from our business heritage

Our Group companies

The Group offers utility infrastructure and asset ownership solutions for a mix of domestic and industrial and commercial developments across the nation via our specialist Group businesses.

BUSINESS MODEL

INFRASTRUCTURE: DESIGN AND BUILD

We offer a complete range of design and build services for all types of customers, nationally. Specialist divisions deliver this across gas (including multi-utility housing connections), electricity and metering.

GAS

Design and build of gas and multi-utility infrastructure for industrial, commercial and domestic housing developments for all types of customer.

Read more on page 6

ELECTRICITY

Design and build electricity services for all sizes of development, from larger, higher voltage sites (up to 132kV) to electric vehicle (EV) charging infrastructure

Maintenance services for electrical infrastructure on industrial and commercial sites

Read more on page 6

METERING

Installation of all types of meters on behalf of energy suppliers

Management of smart meter exchange programmes.

Read more on page 7

How we create value

Safety

We commit to developing a zero harm culture where we continuously improve and maintain the highest standards of safety and health for employees, contractors and members of the public

RIDDOR incident rate

0.00

Read more about our safety on page 20

Customer excellence

We are committed to being the nation's first choice utility partner through consistently delivering a high level of service. We are committed to understanding the needs of each customer to ensure that we deliver tailored solutions that set us apart from our competitors

Customer satisfaction

80%

Read more about our customer excellence on page 20

UTILITY ASSETS: OWN AND OPERATE

The utility assets owned and adopted by the Group generate income from the transportation of gas and electricity. As a MAM (Meter Asset Manager) and MOP (Meter Operator), the Group receives a monthly income for every meter owned or maintained.

UTILITY ASSETS

Fulcrum Pipelines Limited (FPL) is an Independent Gas Transporter (iGT), owning and operating domestic, industrial and commercial gas infrastructure

Fulcrum Electricity Assets Limited (FEAL) is an Independent Distribution Network Operator (iDNO) owning and operating domestic, industrial and commercial electrical infrastructure.

FPL and FEAL acquire utility assets internally built by Fulcrum and from external utility partners.

Read more on page 7

People

We have a high performance culture where individuals and teams have objectives that are focused on delivering our strategic priorities and financial targets We commit to ensuring people feel involved, respected and connected, as we recognise that a talented and diverse workforce is critical to the long-term success of our business

Read more about our people on page 21

Headcount at year end

287

Operational excellence

We will operate as a cost focused, engaged, informed and commercially aware workforce and management team, who treat every pound as their own, take pride in our workmanship and see continual improvement as positive to the success of the business

Adjusted EBITDA

£10.0m

DIVISIONAL SPOTLIGHTS

INFRASTRUCTURE: DESIGN AND BUILD

GAS

Overview

The Group designs and constructs gas infrastructure for industrial and commercial developments of all sizes and complexity, nationwide. Our gas division offers dual fuel and multi-utility solutions for new housing developments of all sizes With the acquisition of CDS in 2018, we brought more specialist gas construction services in house.

Growth strategy

- To build on our established market share by continually growing our customer base in the UK gas market
- Fulcrum uses its heritage in the gas market as leverage to identify opportunities to cross-sell and secure dual fuel and multi-utility projects for the Group.

Progress in FY2019

74%

Growth in housing multi-utility orders

Specialist gas construction services brought in house

INFRASTRUCTURE: DESIGN AND BUILD

ELECTRICITY

Overview

The Group is one of only a limited number of businesses accredited to design and construct all types of electrical infrastructure including high voltage (up to 132kV), and provides a comprehensive range of ongoing electrical maintenance and operational services.

Growth strategy

- The electrical infrastructure market represents a significant growth opportunity, particularly given the increasing preference for customers to seek dual fuel installation services from one provider.
- We are diversifying our electrical offering via the design and delivery of industrial, commercial and electric vehicle (EV) charging infrastructure projects in addition to the more complex 132kV sites

Progress in FY2019

£1.0m

In EV charging infrastructure contracts secured

Diversification to electricity projects of all scales

INFRASTRUCTURE: DESIGN AND BUILD

METERING

Overview

The Group secured its Meter Operator (MOP) accreditation in September 2018, and now has all of the accreditations required to underpin its strategic plans to install, adopt, own and operate smart meters

Growth strategy

- Growth will be achieved through building relationships and securing incremental agreements to deliver domestic meter exchange programmes with a number of UK energy suppliers.
- The Group will establish and grow its long-term meter operator/manager income streams and consider ownership of smart meters where it demonstrates the most efficient allocation of capital

Progress in FY2019

90,000

Contract secured to install 90,000 smart meters

Smart metering accreditations gained

UTILITY ASSETS: OWN AND OPERATE

UTILITY ASSETS

Overview

The Group's utility asset owning licences complement its design and build services The Group continues to create long-term, secure income by increasing its ownership of utility assets by adopting the assets it constructs, alongside assets purchased from external utility contractors.

Growth strategy

- The buoyant housing market continues to present a significant opportunity to grow, particularly given the increasing desire of customers to seek gas and electrical installation services from one provider.
- We continue to work with a core portfolio of external utility contractors to purchase the utility assets they construct
- The strategy is supported by our net cash of £3 8 million and our debt facility for up to £20 0 million (£3 0 million drawn at the year end)

Progress in FY2019

41,000

Live supply points (up by 76.0%)

53%

Increase in transportation revenue

CHAIRMAN'S STATEMENT

A YEAR OF PROGRESS

The Board believes that Fulcrum's breadth of services in the multi-utility, gas and electrical markets sees it well positioned to capitalise on opportunities across the infrastructure and asset ownership sectors.

Adjusted EBITDA*	Net cash
£10.0m	**£3.8m**
(2018 restated: £8.6m)	(2018: £9.4m)

Results

The 2019 financial year was a period of change and development for the Fulcrum Group with improvements in both operational and financial performance. Revenues increased 20.4% to £48.9 million and, although profit before tax reduced from £6.9 million to £6.0 million, this was principally due to a £1 7 million increase in non-cash depreciation and amortisation. Adjusted profit before tax** increased by 8.8% to £8.6 million Adjusted EBITDA increased by 16.8% to £10 0 million. The Group also adopted IFRS 15, the impact of which is described more fully in the Chief Financial Officer's Statement on page 18

Over the year, Fulcrum strategically and significantly enhanced its business capabilities. While the unexpected suspension of the UK capacity market in late 2018 significantly impacted on its delivery of large projects linked to electricity generation, the acquisition of Dunamis has provided the Group with strategically critical capabilities Firstly, we are now more competitive in the large and medium electric connections market and we have an increasing pipeline of opportunities to provide these connections, both stand-alone and alongside large gas connections It fits well with Fulcrum's existing strong position in providing gas infrastructure across a range of sectors, nationally, and enables the Group to offer a full multi-utility service to domestic, commercial and industrial customers. Secondly, the acquisition means that the Group is now established as a provider of electrical installation and maintenance in areas embedded in the delivery of the UK's accelerating transition to a low carbon economy – solar farms, wind generation, battery storage, electric vehicle (EV) charging, smart meters, etc. This is already a large market and one that is expanding each year Specifically, EV new vehicle registrations are increasing at more than 50.0% per annum This growth is already driving a high demand for EV charging points, and this in turn will require significant additions and changes to the electricity network and more electricity generation capacity

Fulcrum's IDNO and IGT licences enable the Group to offer competitive rates through its ability to own and maintain the assets it has installed, providing a long-term secure income stream, alongside the revenues from infrastructure projects. Under these licences the Group is also able to acquire utility assets from third party contractors. During the year, the value of utility assets owned (including assets built, under construction and acquired) increased by £19.3 million. This reflects increased activity in building and acquiring utility assets and a net increase of £8 0 million arising from an external independent valuation The total annualised recurring utility asset revenue run rate is now £3.6 million. The Group applies strict financial disciplines to the funding of assets owned, whether built out or acquired Future asset growth will be funded by existing debt facilities and the sale of assets. Cash generated by the infrastructure business will be retained within that business for reinvestment and dividends.

* Adjusted EBITDA is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges

** Adjusted profit before tax is profit before tax excluding the impact of exceptional items and amortisation of acquired intangibles See note 3 for full reconciliation

Dividend

The Board remains confident in the strength of the Group's capabilities and its balanced position within its chosen markets. We have maintained our progressive dividend policy and I am pleased to report that the Board recommends a final dividend of 1 5p per share, giving a full year dividend of 2.25p per share for the year ended 31 March 2019, a 7.1% increase on the prior year (2018· 2 1p)

Board and corporate governance

At the end of the financial year, Ian Foster (Chief Operating Officer) retired from the Board after a distinguished career in the UK utilities industry. Post the year end, Hazel Griffiths (Chief Financial Officer) announced her intention to step down from the role and left the business on 28 June 2019. I would like to thank Ian and Hazel for the valuable contribution they have made to the Group. A new Chief Financial Officer, Daren Harris, has been appointed and joined the Group and Board on 24 June 2019

The Board remains committed to the highest standards of corporate governance and to operating in accordance with strong ethical and corporate social responsibility principles The Board and its Committees play an active role in guiding the Group and leading its strategy In a business evolving at pace, we maintain a governance structure that underpins and encourages growth, while ensuring effective controls and safeguards are in place

Our people

The Group's performance during the year would not have been possible without the expertise, drive and dedication of our employees. In addition to our colleagues in the Dunamis Group, we have strengthened our in-house talent with the addition of new skillsets. Also, Terry Dugdale was appointed Chief Operating Officer (gas and multi-utility) to replace Ian Foster

This ongoing commitment to talent enables us to underpin our expansion into smart metering and electric vehicle infrastructure, alongside enhancing our expertise in the multi-utility and asset ownership sectors. There is a real drive to deliver our core values amongst the workforce and to grow the business On behalf of the Board, I would like to thank all our employees for their continued hard work and contribution

Outlook

The Board believes that Fulcrum's breadth of services across multi-utility, gas and electrical markets sees it well positioned to capitalise on opportunities across the infrastructure and utility asset ownership sectors and are encouraged by the incremental smart metering and cross-selling opportunities for the Group Further, compelling electric vehicle infrastructure, photovoltaics (PV), wind and solar opportunities are afforded to the Group by the push for the decarbonisation of energy

In the short term, the softening construction market and the continued suspension of the capacity market present challenges but we remain confident that the successful execution of the Group's strategy and balanced approach to the industrial, commercial and residential markets will deliver long-term, sustainable growth for our shareholders

Philip Holder
Non-Executive Chairman
19 September 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

A BALANCED GROUP WITH A BROAD RANGE OF GAS AND ELECTRICAL CAPABILITIES

- Sustained growth in the order book, up 41.4% since March 2018 to £60.5m
- Asset estate transportation revenues up by 53.0% to £3.0m
- Smart meter accreditations gained and first installation contract secured
- Housing multi-utility sales orders secured, up by 74.0% to £18.7m
- Net assets per share increased by 17.8% to 20.5p per share

2019 review

The Group has successfully developed its strategy to align Fulcrum with its key sector opportunities and now has a balanced exposure to the different energy supply elements of the UK residential and industrial and commercial construction markets. We have a broad and deep in-house technical capability to design and build low, medium and intermediate gas pressure projects, together with high and low voltage electrical projects, including renewables, solar and electric vehicles. This breadth and depth of our expertise has provided us with an excellent foundation to enhance our collaborative gas and electrical opportunities, ensuring we continue to deliver against our growth strategy and strengthen our market position

We remain committed to safety, providing excellent customer service, enhancing our in-house multi-utility and infrastructure services capabilities and growing the utility asset base. The combination of the £20 0 million debt facility (£3.0 million drawn as at 31 March 2019) and our net cash of £3 8 million positions us well for investing in the long-term gas and electricity utility assets. A further £3.0 million was drawn after the year end. The facility is structured as an "accordion" facility so that £10.0 million is committed and a further £10 0 million is available by request from the Group to the bank

We have a robust platform for continued growth over the coming years and remain confident for the future.

Financial performance

Year-on-year Group revenue increased by £8.3 million or 20 4% to £48 9 million (2018 restated. £40.6 million), benefiting from both organic growth in our core infrastructure and utility asset businesses and a full year's contribution from Dunamis and CDS (acquired in February and March 2018 respectively). Adjusted EBITDA* for the Group increased by £1.4 million or 16 8% to a record £10.0 million (2018 restated· £8 6 million) Although profit before tax reduced from £6 9 million to £6 0 million this was principally due to a £1.7 million increase in non-cash depreciation and amortisation Adjusted profit before tax increased from £7.9 million to £8.6 million

On a like-for-like basis***, after adjusting for the acquisitions, revenues from infrastructure services amounted to £34 8 million (2018 restated £36.3 million), a decrease of £1.5 million or 4 0% The decrease is due to the change in accounting policy described in the Chief Financial Officer's Statement Asset ownership revenues increased by 53 0% to £3 0 million (2018 £2 0 million). With its low cost to serve, this long-term, regulated annuity income stream represents a stable, secure, profitable and cash-generative component of the Group's current and future financial performance

Continue reading the Chief Executive Officer's Statement on page 12

* Adjusted EBITDA is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges

** Adjusted profit before tax is profit before tax before exceptional items and amortisation of acquired intangibles See note 3 for full reconciliation

*** Like-for-like revenue is Group revenue excluding acquisitions and utility asset ownership See note 3 for full reconciliation

Q&A WITH MARTIN HARRISON

1 How would you describe the year in review?

It has been a year of progress for the Fulcrum Group. We have achieved a solid performance through organic growth within our core infrastructure business, complemented by acquisitive growth delivered by Dunamis and CDS. We continue to accelerate our growth in the utility asset estate and there continues to be an encouraging level of opportunity within the electric vehicle (EV) charging market.

The results have been made possible by the expertise, drive and dedication of our employees and I would like to thank them for their hard work and contribution

2 What new initiatives have you undertaken in the year?

In the period we have expanded our range of utility services. The Group has now increased our accreditations to install, own and operate smart meters and we are pleased that we have entered into an agreement with an energy supplier to provide our services.

The expansion of our services alongside our expertise in multi-utility, gas and electrical markets gives us confidence in the successful execution of the Group's strategy. Our aim is to be the nation's first choice utility partner and our approach sets us apart in the market.

3 What threats do you see to the business in the coming year?

The Group has successfully developed its strategy to align with the sector opportunities and has a balanced exposure to the different elements of the UK residential and industrial and commercial construction markets As with all UK companies, we remain vigilant of the short-term impacts of economic and political uncertainty, however, we believe that we have mitigated risk and have an opportunity to develop our position within the multi-utility market

4 What is the core focus for the year ahead?

Safety is at the heart of everything we do. We aim to attract, develop and retain the best people so that we can meet and exceed our clients' expectations

We were delighted to receive the Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction, which recognises 16 years of health and safety excellence and demonstrates our commitment to the health and safety of our customers, each other, suppliers, the public and the environment.

We always seek to improve and invest in the business to ensure we deliver the highest standards of health and safety in the Group. This will continue to be a focus and remains a cornerstone of the Group's culture and ability to deliver returns for stakeholders

5 What is the outlook for the Group?

We have created a market-leading business which is positioned to benefit from the UK's ongoing requirement for investment in new utility infrastructure With our expertise in multi-utility infrastructure construction, smart metering installation and utility asset ownership, we are confident the future of the Group remains strong

We remain confident that the successful execution of the Group's strategy and balanced approach to the industrial, commercial and residential markets will deliver long-term, sustainable growth for our shareholders

Financial performance continued

The sustained growth in the infrastructure order book demonstrates the successful delivery of our sales growth strategy. The infrastructure sales order book increased by 41 4% year on year to £60.5 million at 31 March 2019, up from £42 8 million at 31 March 2018. The March 2019 order book includes the smart metering exchange contract announced in March 2019 that will be delivered over the following three years.

Delivering contracts safely, efficiently and profitably

Maintaining the highest standards of health and safety remains a cornerstone of the Group's culture and we are committed to the continual 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 16 years of health and safety excellence and demonstrates our commitment to the health and safety of our customers, each other, suppliers, the public and the environment

The Group continues to invest in the business to improve operational capacity and drive efficiencies to optimise profits In the period, we have increased our direct delivery offering, focusing on strengthening our electrical and multi-utility capabilities to support the growth in electrical and housing sales orders. We continue to use accredited subcontractors to supplement our direct labour teams, notably on longer duration, larger contracts or in more remote geographies around the UK

Underpinned by a continuous improvement philosophy and the aim to make all operational processes simple, standardised, effective and nationally consistent, we continue to refine our operational systems and processes to make it easier to do business and deliver on the ground, challenging and streamlining our cost of delivery to be able to offer the most competitive prices We evolve and develop low-cost applications for the mobile devices used by the construction teams to improve communications with customers and streamline internal processes to help drive down the cost of delivery. For example, we have introduced a new hand-held system for maintenance reporting and site survey capture that replaces numerous manual forms, reduces printing costs and saves administration time. We listen to our experienced teams and encourage them to develop efficient and innovative ways of working.

Our method of delivery across all functions (direct, indirect and support) will continue to be tested to consistently provide a high level of customer service that meets customers' expectations on process delivery, communications and timescales.

Design and Build – infrastructure services

Our multi-disciplined approach to infrastructure services provides a balanced stance within the residential and industrial and commercial sectors and enables us to design and build projects of any scale across the whole of mainland UK with our in-house design, project management and build expertise. Our routes to market are well established, with dedicated teams covering major projects, key accounts and technical sales, housing, low and high voltage electricity, renewables, battery storage and electric vehicle charging.

We aim to be recognised as the leading utilities services business in the industry through consistently delivering a high level of service, understanding customer requirements and providing tailored solutions to meet their needs. Our brands position the Group as leaders in our markets and ensure that we are visible to new and existing customers.

All of our people recognise the vital role they play in being the face of Fulcrum and in developing strong stakeholder relationships at all levels, from site based local teams through to the senior management team. In the spirit of continuous improvement, we seek feedback on how well we engage, perform and deliver for our customers, which we use to develop our services. Our performance over the past year has been consistently positive, with 80.0% of customers rating our service as "great" (9 or 10 out of 10), an improvement of 2.0% on the prior year (2018 78.0%). We listen to what went well and how we can improve, which we share via continuous learning and knowledge sharing across all functions, so we can push for ever higher levels of satisfaction and build trusted relationships between Fulcrum and our customers at all levels.

Our sector approach to infrastructure services is detailed below

Gas and multi-utility

Our gas and multi-utility expertise is well recognised and we continue to generate incremental quote opportunities through our dedicated sales, design and technical teams and secure a broad base of projects from £5,000 to over £0.5 million project value

Our responsive teams support a wide variety of customers from a myriad of sources (for example, web, main contractors, mechanical and engineering consultants and housing developers) throughout the design to delivery process, taking the sales leads and converting the opportunities into customer-led projects, with their knowledgeable and integrated design and sales approach.

The housing market continues to present a significant growth opportunity. We are working with national, regional and local house builders and during the period our housing teams secured £18 7 million in new multi-utility housing schemes, a notable 74 0% increase on the prior year These schemes will be built out and utilities connected in the months and years ahead, providing

an internal feed to the own and operate utility asset ownership part of the business

With our established and growing customer base, clearly focused and incentivised work-winning approach, competitive pricing model, trusted delivery and a significant utility market to penetrate, we are confident that sales will continue to grow in the long term.

Electricity

The electrical infrastructure market is strategically important for Fulcrum and represents a significant growth opportunity, particularly given the increasing desire of customers to seek gas and electrical installation services from one integrated provider Our ability to design and build and then adopt, own and operate electrical connections under our Independent Distribution Network Operator (iDNO) licence provides a cohesive service and enhances our ability to build a valuable portfolio of stable, secure and low risk regulated long-term income-generating assets.

The acquisition of the Dunamis Group in February 2018 significantly expanded and extended Fulcrum's capabilities and specialist knowledge in the electrical infrastructure services sector creating one of the UK's leading gas and electrical infrastructure services groups. The Fulcrum Group is able to offer an extensive range of electrical infrastructure services, including the design of connections to the Distribution Network Operators' (DNO) technical standard, accredited construction and installation up to 132kV and a comprehensive range of maintenance and operational services.

The integration of Dunamis has progressed well during the period and in line with plans, with increasing numbers of collaborative gas and electricity opportunities being generated, secured and delivered. During the period, some of the larger infrastructure projects were influenced by external factors, such as the suspension of the UK capacity market, which has resulted in certain projects being delayed Despite these headwinds presenting current challenges for the sector, the Board remains confident in the longer-term prospects for Dunamis due to our customer relationships, our technical expertise and the fundamental need for investment to enhance and efficiently manage electricity grid distribution and capacity.

As part of the integration plan, Dunamis has been reducing its reliance on larger infrastructure projects and now offers the end-to-end design and delivery of industrial, commercial and electric vehicle (EV) charging infrastructure projects. The EV charging service offers an integrated design, build, own and operate solution to help meet the UK's need to build the infrastructure needed to charge the growing number of electric vehicles In the year, the Group won projects with a combined value of £1 0 million, ranging from individual installations to frameworks with national chains. The Group is now delivering new EV charging infrastructure across the nation, at locations including supermarkets, public houses, forecourts and retail parks whilst also continuing to tender on new potential EV charging sites.

Smart metering

The Group secured its Meter Operator (MOP) accreditation in September 2018, and we now have all of the accreditations required to underpin our strategic plans to install, adopt, own and operate smart meters. In March 2019 we entered into our first agreement with an energy supplier to provide services as an integrated smart meter installer, Meter Operator (MOP) and Meter Asset Manager (MAM) The agreement provides Fulcrum with the opportunity to supply and install 90,000 SMETS2 domestic meters over a three year period commencing in summer 2019 and is forecast to generate over £12 0 million revenue in total.

Our aim is to build relationships and secure incremental agreements with a number of energy suppliers to create smart meter installation revenue streams as we participate in the domestic exchange programme in the years ahead We will also seek to establish and grow the long-term meter operator/manager income streams and will consider ownership of the smart meters where customers want this provision and where it demonstrates the most efficient allocation of our capital

Own and Operate – utility asset ownership

Our gas (iGT) and electricity (iDNO) asset owning licences complement our Design and Build services and the Group continues to create long-term, secure income and cash flows, expanding its ownership of regulated utility assets by adopting the assets it constructs, and contracting to purchase and adopt assets from external utility contractors which are unable to adopt, own and operate the connections and networks they install.

During the year, the fair value of completed utility assets increased by 108% from £16 7 million to £34.7 million

This was largely due to a net increase of £8 0 million arising from an independent external valuation of the portfolio, £3.6 million of assets adopted from external third parties and £7.1 million (net) of internally constructed assets that were completed in the year.

Asset ownership transportation revenues for the year were £3.0 million, and as at the year end, the annualised transportation revenue run rate from the asset portfolio was approximately £3.6 million.

The Group's iDNO electrical asset licence has been operational for its first full year and at the year end was approaching 1,000 live supply points, the annual fixed cost of the iDNO licence/system is approximately £0.3 million. Similarly, the gas pipeline estate has expanded significantly during the past year and had over 40,000 live gas supply points as at the year end (almost double the number at the start of the financial year), of which 93% were domestic connections and 7.0% were industrial and commercial connections

We have forward visibility over both our internal gas and electrical sales orders and the utility assets we have contracted to acquire from external utility contractors (£18 7 million external spend committed as at 31 March 2019) We expect that the transportation revenues associated with both of these alone will approximately double Fulcrum's transportation revenues over the next four year period, with the associated EBITDA margin increasing over time as the fixed costs in the utility asset ownership business are spread over an expanding asset base.

The growth strategy in utility asset ownership is supported by our net cash of £3 8 million and our debt facility for up to £20 0 million (£3 0 million drawn at the year end) We will commit these resources as necessary over the coming months and years ahead as these contracted residential and industrial and commercial schemes are developed and utility connections completed.

Outlook

The nature of the UK's ongoing requirement for investment in its new utility infrastructure networks provides us with long-term prospects for continued growth. The Group has established a positive reputation across its markets through a track record of reliable and responsive delivery, evidenced through our relationships with customers. This strong platform, and our strategy to broaden our range of services, will continue to provide growth opportunities.

The balanced exposure that Fulcrum has to multi-utility infrastructure construction, smart metering installation and utility asset ownership positions the Group well and the fundamentals of the Group and the markets it operates in remain strong. While we remain vigilant of the short-term impacts of economic and political uncertainty in our markets, and expect a softening of the infrastructure services markets in FY2020, we look forward to progressing on our strategic priorities over the next 12 months With our combined expertise across the Group, we have a real opportunity to rapidly develop our position within the utility services market. We remain confident in our ability to deliver incremental value to our stakeholders

Martin Harrison
Chief Executive Officer
19 September 2019

STRATEGY

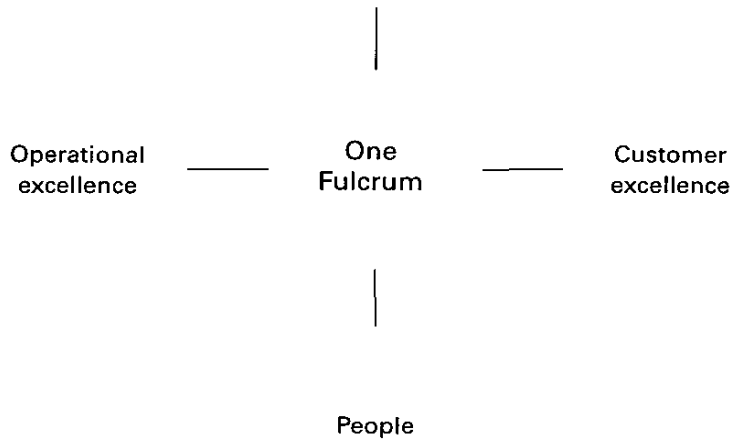
OUR GROWTH STRATEGY

Our strategic objectives

1. To continue to grow the Group's established share in the nation's gas and multi-utility infrastructure markets
2. To utilise the Group's enhanced electrical capabilities to capitalise on growth opportunities in the electricity infrastructure market, including the rapid expansion of the UK's electrical vehicle charging infrastructure
3. To capitalise on the market opportunities now available via the Group's newly developed smart metering business
4. To continue to sustainably grow the Group's utility asset base through internal and external asset purchases, whilst closely managing the Group's working capital

Read about how our strategic objectives link to risk on pages 16 and 17

The delivery of the Group's strategic objectives is underpinned by "One Fulcrum", a framework which defines how the Group operates and differentiates itself in the UK's infrastructure and utility assets markets.



Safe

- Zero harm culture
- Fully embedded safety processes and systems
- Continual improvements in sustainability
- Focus on asset integrity and compliance

Customer excellence

- Customer vision to be the nation's first choice utility partner
- Differentiated service offering
- Committed to customer engagement and feedback
- Robust and balanced customer and commercial focus

People

- High performance culture
- Strong succession planning and talent management focus
- Commitment to the best employee engagement
- Learning and development linked to strategy

Operational excellence

- Industry leading quality, cost and value management
- Optimised resources and supply chains
- Continuous improvement culture

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

Revenue

£48.9m

37 7 40 6 48 9

17 18† 19

Definition

The total amount the Group earns from utility infrastructure services and utility asset ownership

Performance

Year-on-year Group revenue increased by £8.3 million or 20 4% to £48 9 million, benefiting from both organic growth in our core infrastructure and utility asset businesses and a full year's contribution from Dunamis and CDS (acquired in February and March 2018 respectively).

Adjusted EBITDA*

£10.0m

7.1 8 6 10 0

17 18† 19

Definition

Operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges

Performance

Adjusted EBITDA up by 16.8%, or £1 4 million, to £10 0 million

Profit before tax

£6.0m

6.3 6.9 6.0

17 18* 19

Definition

Profit before tax arising from ongoing operations.

Performance

Profit before tax has decreased by £0 9 million, principally due to non-cash depreciation and amortisation charges increasing by £1 7 million

Total dividends per share

2.25p

1 9 2 1 2.25

17 18 19

Definition

The total dividend declared for each financial year

Performance

Full year dividend of 2 25p per share for the year ended 31 March 2019, a 7 1% increase on the prior year

Group order book

£60.5m

31 9 42.8 60 5

17 18 19

Definition

The amount of secured infrastructure work representing the construction value and the utility asset value

Performance

The infrastructure sales order book increased by 41 4% year-on-year to £60 5 million at 31 March 2019, up from £42 8 million at 31 March 2018

Operating cash flow

£3.5m

6 0 3.1 3.5

17 18 19

Definition

The operating cash flow generated by the Group

Performance

Operating cash flow increased by £0 4 million, principally due to improved working capital management

External asset commitment

£18.7m

2.9 10 4 18.7

17 18 19

Definition

The Group's total contracted commitment to acquire external utility assets

Performance

External asset commitment is up £8 3 million, or 80 0%, to £18 7 million

Net assets

£45.5m

10.4 36.6 45.5

17† 18* 19

Definition

The net assets of the Group

Performance

Net assets increased by £8 9 million, or 24 4%

* Adjusted EBITDA is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges See note 3 for full reconciliation

† Restated

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING RISK

How we manage risk

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Group's strategic objectives. The Corporate Governance Report on pages 22 to 32 describes the systems and processes through which the Directors manage and mitigate risks

Our principal risks

The Board recognises that the nature and scope of the risks can change and so regularly reviews the risks faced by the Group as well as the systems and processes in place to mitigate them. The principal risks to achieving the Group'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 Group, including those that are not currently known to the Group or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business operations, results and/or financial condition.

Risks within the Company's control

In its Annual Report and Accounts for the year ended 31 March 2018, the Company reported on the principal risks and uncertainties affecting the Group and actions taken to mitigate these risks. This report has been updated, with new risks included, together with an update on mitigating actions.

Growth and strategy execution

Description

The Board has adopted its growth 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

Mitigating actions

The Group'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

Risk status

=

Link to strategy

1 2 3 4

Retention and recruitment

Description

Success depends on the continued retention and performance of the Group's valued and talented employees across all business units and support functions to ensure that the business meets its strategic goals. The Group operates in markets with ongoing demand for high calibre personnel

Mitigating actions

The Group has put in place suitable reward and recognition packages to all, comprising a blend of short and long-term incentives for senior managers and Executives Appropriate staff development programmes are in place to assess, manage and develop the leadership skills of employees throughout the organisation In addition, we invest in succession planning and improving learning and development, giving opportunities for employees to upgrade skills

Risk status

=

Link to strategy

1 3

Macroeconomic conditions

Description

The Group derives all of its revenues from mainland UK and is therefore predominantly 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 Also, the suspension of the Capacity Market auction process has delayed certain infrastructure projects

Mitigating actions

We continue to closely monitor the impact of the uncertainty on the UK economy and the Capacity Market auctions and how these factors could impact the sectors in which we operate The Group's multi-channel, multi-utility strategy and the increasingly diversified market position resulting from the Group's acquisitions in 2018 create a more balanced revenue base Furthermore, we have been reducing reliance on larger electrical infrastructure projects and now offer the end-to-end design and delivery of lower voltage, industrial, commercial and electric vehicle charging infrastructure projects

Risk status

+

Link to strategy

1 2

Competitive environment and reliance on key customers

Description

The business strategy relies fundamentally on the ability to increase revenues and ensuring that the cost base remains under control. However, the markets in which the Group operates are competitive The actions of the Group's competitors, and/or our own inaction, can have a significant and adverse impact on the Group including those from organisations that may be larger and/or have greater capital resources

Mitigating actions

Our increasingly diversified position, including the addition of Dunamis and CDS, has reduced our exposure to volatility in individual competitive markets. These risks are managed through the corporate planning and review processes

Risk status

=

Link to strategy

2

Key

= No change

+ Risk increased

– Risk decreased

Our strategic objectives

We have included a cross-reference to our strategic objectives and how they link to risk.

1. Continue to grow established share in gas and multi-utility markets
2. Capitalise on growth opportunities in the electric infrastructure market
3. Capitalise on the Group's newly developed smart metering business
4. Continue to sustainably grow the utility asset base

Gas and electricity connections market and regulatory environment

Description

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 Group's business should these risks materialise

There are also associated regulatory risks relating to the Group's reliance on a number of different licences, which it requires in order to carry out the design and project management of connections to gas pipelines and the electric grid. Fulcrum Pipelines Limited, as an Independent Gas Transporter (IGT), and Fulcrum Electricity Assets Limited, as an Independent Network Distribution Operator (IDNO), are licensed by Ofgem This brings with it the risk that the regulatory environment could change, which may have a direct and significant impact on the Group's regulated activities

Mitigating actions

The Group 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

Risk status

=

Link to strategy

4

Health and safety

Description

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.

Mitigating actions

We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group health and safety department to minimise the likelihood and impact of accidents

Risk status

=

Link to strategy

1 2 3

Working capital management and funding

Description

A changing mix of new contract sales, moving away from payments in advance towards credit terms, may place a strain on working capital as the volume of credit sales increases The Group 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

Mitigating actions

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

To support the forecast growth in utility asset ownership of gas and electricity assets, the Group has a debt facility of up to £20 0 million with its existing bank, Lloyds Banking Group plc £3 0 million had been drawn down at the year end and all covenants had been complied with

Risk status

–

Link to strategy

4

IT systems and cyber security

Description

Fulcrum uses a range of computer systems across the Group. 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 Group's systems could have both reputational and financial implications for the Group

Mitigating actions

The Group'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 providers to ensure that regular updates to technology, infrastructure, communications and application systems occur The Group has advanced centralised hardware and software security in place to ensure protection of commercial and sensitive data For new IT projects, external consultants are utilised in conjunction with internal project management, restricting access to data, systems and code and ensuring all systems are secure and up to date

Risk status

=

Link to strategy

3

CHIEF FINANCIAL OFFICER'S STATEMENT

CONTINUED PROGRESS

Financial results

Total revenue increased by £8 3 million or 20 4% to £48.9 million (2018 restated £40.6 million) benefiting from a full year's contribution from Dunamis and growth in the asset business Revenues from infrastructure services (excluding Dunamis) amounted to £34.8 million (2018 restated £36.3 million), down £1 5 million due to changes arising on the adoption of IFRS 15 On a pro forma basis (i e using the accounting policies adopted in prior years) infrastructure services revenue would have increased by £2.5 million Revenue from Dunamis was £11.1 million reflecting a full year of operations (2018 £2.4 million) and revenue from asset ownership was £3 0 million (2018 £2.0 million).

Adjusted EBITDA* for the period has increased to £10.0 million (2018 restated £8.6 million). On a like-for-like basis, after adjusting for Dunamis, adjusted EBITDA was £9 3 million, a year-on-year increase of £1 0 million or 12.0%.

Basic earnings per share reduced to 2 3p compared to 3.7p in 2018, with the decrease largely due to the business growth being offset by the increased amortisation charge and increase in the issued share capital to fund the strategically important acquisition of Dunamis. Adjusted basic earnings per share, before charging exceptional items, have decreased to 3 5p (2018 restated 4.3p).

Impact of implementation of IFRS 15: Revenue from contracts with customers

The impact of IFRS 15 on the 2019 consolidated statement of comprehensive income is summarised in the table opposite – the pro forma column shows the financial results on a pre-IFRS 15 basis

In summary, the Group no longer recognises revenue in relation to the value of the assets as they are deemed, under IFRS 15, to control the assets throughout construction. Accordingly, the utility asset is recognised as it is being constructed and consequently these costs are not in cost of sales. Where the value of the asset is greater than the construction cost, this element of profit is now taken directly to other comprehensive income rather than via the income statement. Where the asset value is lower than the cost of construction, an impairment is recorded in cost of sales representing the difference and ultimately leading to a lower cost of sale than recognised previously for construction costs.

	As reported £'000	Adjustments £'000	Pro forma £'000
Revenue	48,905	8,151	57,056
Cost of sales	30,591	7,051	37,642
Gross profit	18,314	1,100	19,414
Gross profit (%)	37.4%	–	34.0%
Adjusted EBITDA*	10,025	1,100	11,125

Underlying performance

These results include both statutory and adjusted measures of performance, the latter of which, in management's view, reflects the performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Our Alternative Performance Measures (APMs) and Key Performance Indicators (KPIs) are aligned to our strategy and together are used by the Board to measure and monitor the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods The APMs used by the Group are discussed in note 3, page 50. The APMs exclude exceptional items of £1.3 million and comprise £0.9 million of non-cash impairment charges arising on the external revaluation of the utility assets portfolio where those assets have not been previously revalued, together with one-off restructuring and legal costs of £0.4 million.

Investment in revenue-generating assets

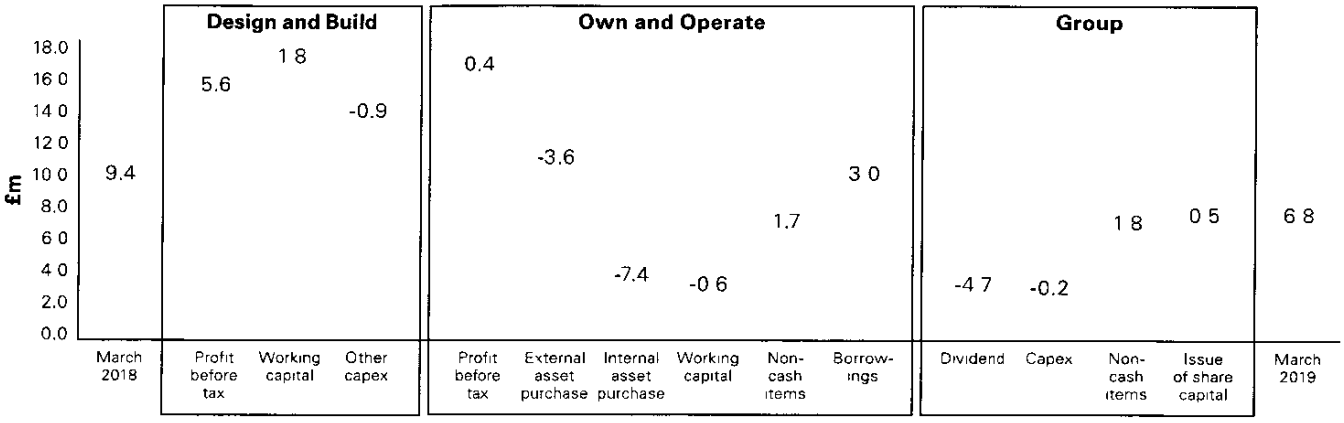
During the year, the fair value of completed utility assets increased by 108% from £16.7 million to £34 7 million.

This was largely due to a net increase of £8.0 million arising from an independent external valuation of the portfolio, £3 6 million of assets adopted from external third parties and £7 1 million (net) of internally constructed assets that were completed in the year.

We are seeing the continued growth in our asset ownership reflected in the revenue, with 53.0% growth delivered from the prior year With its low costs to serve, this annuity income stream represents a secure and profitable component of the Group's future financial stability

* Adjusted EBITDA (£10 0 million) – this is operating profit (£6 0 million) excluding exceptional items (£1 3 million), depreciation and amortisation (£2.6 million) and equity-settled share based payment charges (£0 1 million), a reconciliation of which is included on the face of the consolidated statement of comprehensive income

Movement in cash



There has been sustained growth in the utility assets secured from outside the Group, with the capital commitment increasing by £8 3 million, from £10 4 million as at 31 March 2018 to £18 7 million as at 31 March 2019.

Liquidity and net cash

Working capital management continues to be a key area of focus, with the close management throughout the period resulting in a positive operating cash flow from trading activities of £3 5 million (2018 restated £3.1 million).

On 4 June 2018, the Group entered into a new revolving credit facility agreement with Lloyds Banking Group for up to £20.0 million. The new revolving credit facility replaces the previous £4.0 million debt facility which was undrawn on 4 June 2018. The new facility supports the expected growth in utility asset ownership of gas and electricity assets by the Group, with drawdowns secured against the acquired utility assets At 31 March 2019, the Group had drawn down £3 0 million from the new facility to fund utility asset purchases and a further £3.0 million was drawn down after the year end The facility is structured as an "accordion" facility so that £10 0 million is committed and a further £10.0 million is available by request from the Group to the bank

At 31 March 2019, the Group had net cash of £3 8 million (2018. £9 4 million), a £5.6 million decrease against the prior period, after investing £3.6 million in external utility asset purchases (2018· £0.9 million) and £4 7 million in dividend payments (2018 £3 5 million)

The cash at bank and added financial security with the revolving credit facility both position the Group with sufficient funds to facilitate its growth plans and adequate access to cash to cover contractual obligations

Reserves and net assets

Net assets increased by £8.9 million during the period, reflecting the utility asset net revaluation increase of £8 0 million, retained profit for the period of £4 9 million and share based payment movements of £0 5 million, offset by the final 2018 dividend and 2019 interim dividend paid totalling £4 7 million. Net assets per share at 31 March 2019 were 20.5p per share (2018 restated 17 4p per share)

In February 2019, a capital transfer was performed of £16.6 million from the share premium account to retained earnings Under Cayman Law, distributions can be made out of share premium unlike in the UK. As such, the transfer was performed to provide better clarity to the reader of the accounts

During the year, 10,646,798 ordinary shares (2018: 7,775,940 ordinary shares) were issued with a nominal value of £10,647 (2018 £7,776) to employees exercising vested share options (an Enterprise Management Incentive (EMI), and Employee Shareholder Status (ESS) and a Growth Share Scheme (GSS) plan fully vested). The associated cash consideration for the exercise prices was £521,000. As at 31 March 2019, the issued share capital of the Company was 221,303,106 ordinary shares (2018 210,656,308) with a nominal value of £221,303 At the end of the year, the Group operated a Growth Share Scheme (GSS) plan and four SAYE schemes The principal terms of the remaining share option schemes are summarised in note 18.

Dividends

The Group continues to maintain a progressive dividend policy. Our aim is to operate a policy within the context of broadly two times dividend cover. In determining dividend cover, non-cash item inflow and exceptional items are excluded. The cash generated during the year, supported by the continued organic growth of our business, enables returns to be made to our shareholders whilst allowing for future investment and growth. As such, a final dividend of 1.5p per share (2018 1.4p per share) has been proposed, giving a total dividend for the year of 2.25p per share (2018 2.1p per share). This final dividend is expected to be paid on 25 October 2019 to shareholders on the register on 4 October 2019 with an ex-dividend date of 3 October 2019 subject to approval at the Annual General Meeting

Summary

We have continued to grow our service offerings, delivered increased revenues, profitability and continued growth in our investment in utility asset ownership, all whilst balancing working capital requirements.

With net cash at the bank and the availability of the revolving credit facility, we believe that the Group remains well placed to deliver on its strategy

Daren Harris
Chief Financial Officer
19 September 2019

SUSTAINABILITY

COMMITTED TO CORPORATE RESPONSIBILITY

We take the responsibilities we have to our people, our customers and the environments we work in seriously and approach each with the spirit of being the nation's first choice utility partner.

Safety

We always put safety first and are committed to promoting and demonstrating excellence in our approach to health, safety and care for the environment as we connect the nation

How we achieve this:

- We display the spirit of SAFE at all times and commit to developing a zero harm culture
- We embed our commitment to safety in our culture through strong safety leadership and the active contribution to excellence in health, safety, environmental, engineering and quality management wherever we work
- We recognise and reward the people and teams who go above and beyond to demonstrate safe behaviours with our quarterly "Safety Champion" awards

Our safety policy

It is our policy to organise and maintain, so far as is reasonably practicable, safe working arrangements and to protect the environment from unnecessary damage whilst we achieve strong profit growth.

We work in an industry that contains inherent risks so we ensure that safety comes first in all that we do and this is reflected in the spirit of which we operate and the plans we have put in place

Customer service

We are committed to being the first choice utility partner for our customers

How we achieve this.

- We are committed to consistently delivering market-leading levels of service
- We offer and deliver competitive utility services to a broad and diverse range of sectors and customers, nationally
- Our people take a proactive approach to developing relationships that strengthen the bonds between Fulcrum and our customers
- We listen to our customers and seek feedback from them on every project we deliver to help inform continual improvements

80%

Of customers rated us as "great" in FY2019 (2018 78.0%)

Community and charity

We have continued our partnership with Bluebell Wood Children's Hospice and supported them with our "Community Spirit" initiative in the year.

Community Spirit is a community volunteering scheme which sees Fulcrum people provide a range of support activities.

276

Hours volunteered by our people in FY2019 (2018 120)

Our people

We recognise that a talented and diverse workforce is critical to the long-term success of our business and we are committed to ensuring that we have the best people working with us. We have created a culture that values our employees' differences and allows equal opportunities for all.

Employee engagement

For our business to be effective, every individual must be involved and engaged in the development or delivery of our strategy

How we achieve this

- We maintain communication with our employees through a number of forums, including sessions with the Chief Executive Officer, an Employee Business Forum and whole Group "Spirit" updates
- We undertake a bi-annual people survey to achieve a greater understanding of employee experience
- We have invested in leadership development to ensure our people managers have the skills needed to create high performing and engaged teams

Learning and development

We want our people to achieve their full potential and we invest in their development and welfare to ensure we have a skilled, motivated and multifaceted workforce for the future

How we achieve this

- All people have clearly defined learning and development paths, linked to succession planning and our talent management process
- Learning and development priorities are clear and linked to the skills and behaviours required for the delivery of our strategy
- We continue to invest in training and development across a wide range of disciplines

Reward and benefits

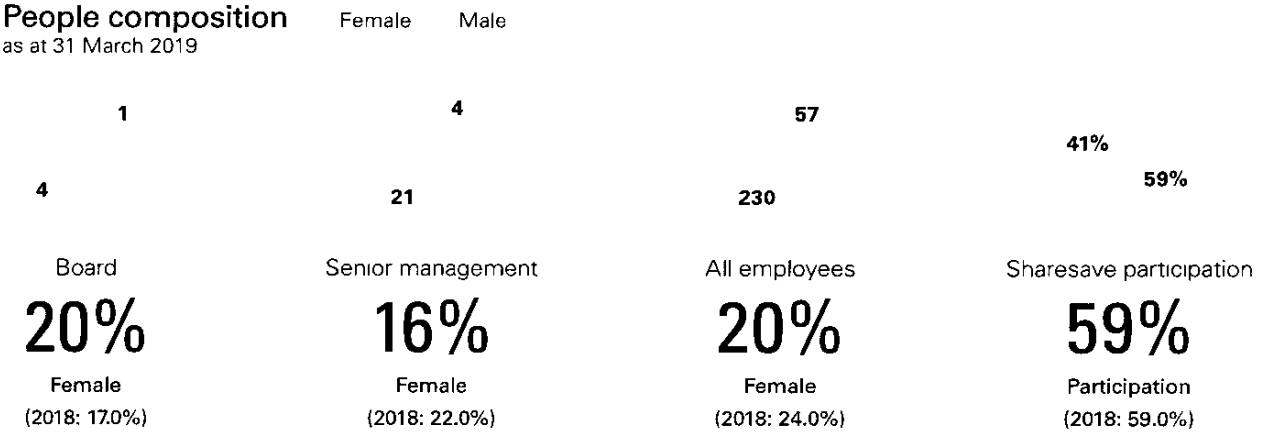
We link reward to performance to attract new talent and recognise people who go above and beyond to truly demonstrate Fulcrum Spirit.

How we achieve this

- We continue to evolve our incentive and reward schemes to underpin a high performance culture and our growth
- Our complete benefits package has proven a differentiator in attracting and retaining the best people in the industry
- Fulcrum launched a fourth Sharesave scheme for its employees in January 2019. 59.0% of all people in the Group are now enrolled in Sharesave schemes

People composition

as at 31 March 2019



BOARD OF DIRECTORS

PHILIP HOLDER

(aged 70)

Non-Executive Chairman (A) R

Experience

Philip has spent over 30 years in the utilities and related services sectors. From 1997 to March 2007, Philip was Managing Director of East Surrey Holdings (ESH), with responsibility for its water and gas divisions. Until March 2010, Philip was full time Operational Adviser to The Infrastructure Partnership.

Other appointments

He is also an Operational Adviser to Harwood Private Equity and a Director of companies in the Phoenix Energy Group.

Skills

Experienced in strategic business management in the gas, electricity and water sectors

Appointment date

25 January 2011

Meetings attended

MARTIN HARRISON

(aged 50)

Chief Executive Officer

Experience

Martin has experience gained from a range of senior finance leadership roles from within the infrastructure services and construction products sectors. Prior to joining Fulcrum, he was Divisional Finance Director of Lafarge Tarmac Contracting from 2010 to 2014 with financial responsibility for the UK and Middle East markets Previously, Martin spent three years with KPMG working on merger and acquisitions transactions and corporate restructuring projects and 11 years with Saint Gobain/BPB plc. Martin is a member of the Institute of Chartered Accountants in England and Wales.

Skills

Experienced in corporate strategy and leadership, with proven capability in developing culture to support the execution of our growth strategy.

Appointment date

29 September 2014

Meetings attended

DAREN HARRIS

(aged 54)

Chief Financial Officer

Experience

Daren brings significant experience gained from various senior financial roles in the construction, mechanical and electrical engineering, defence and energy services sectors His most recent role was as Group Finance Officer and primary board member of The Byrne Group Prior to this, Daren held the position of Group Finance Director at leading independent engineering and services business, NG Bailey. He also spent four years in Switzerland as Vice President of Finance for utilities provider TXU Europe and was CFO for both Serco (Defence and Aerospace) and Raytheon Systems Limited. Daren spent 12 years with KPMG and KPMG Corporate Finance and is a member of the Institute of Chartered Accountants in England and Wales.

Skills

Experienced in financial strategy, planning and commercial leadership

Appointment date

24 June 2019

Meetings attended

Daren was appointed after all meetings had taken place.

Committee key

A Audit Committee

R Remuneration Committee

◯ Committee Chair

STEPHEN GUTTERIDGE

(aged 64)

Non-Executive Director **A** (R)

Experience

Stephen has over 35 years' experience in energy and utilities, beginning with Shell in marketing and oil trading. In 1988 he joined Amerada Hess, managing its oil trading and its UK gas businesses From 1992 to 1997 he was Managing Director of Supply at Seeboard plc. Stephen held Executive and Non-Executive positions in Ferguson International, the International Petroleum Exchange and CORGI and was Chairman of Star Energy, President Petroleum and Nighthawk Energy

Other appointments

He is currently Senior Independent Director at BCA Marketplace plc.

Skills

Track record in advising boards on strategy, remuneration policy and corporate governance

Appointment date

25 January 2011

Meetings attended

WAYNE HAYES

(aged 57)

Non-Executive Director

Experience

Wayne has nearly 40 years' experience in the electricity industry across a variety of engineering and management roles. Wayne began his career at Eastern Electricity Board, where he held various senior management positions including Head of Engineering when Eastern merged with London Electricity to become 24seven Utility Services. Following this, Wayne joined Lamva, a privately owned utility services provider which subsequently became part of the Freedom Group of Companies, owned by Spice plc, and Wayne became Group Managing Director for Freedom Wayne co-founded Matrix Networks Renewables in 2012, and led the business as CEO and latterly as Chairman through a period of ambitious growth, having acquired Maintech, and formed the Dunamis Group. Wayne is a member of the Institution of Engineering and Technology

Skills

Electrical industry expertise and experience in acquisitions

Appointment date

5 February 2018

Meetings attended

EXECUTIVE COMMITTEE

RICHARD JUPP
(aged 55)

Chief Operating Officer (Electricity)

Experience
Richard has been in the electricity industry for 38 years, starting with The CEGB as a Student Engineer. Richard moved into high voltage contracting in 1996 and has held several senior positions, including Managing Director of Maintech Power, for the past seven years

Skills
Extensive industry and operational knowledge and a proven record of compliant delivery.

TERRY DUGDALE
(aged 45)

Chief Operating Officer (Gas and Multi-Utility)

Experience
Terry has over 28 years' experience in the utilities industry, starting his career with British Gas and progressing into several senior operational management roles. He joins Fulcrum from Wolseley UK, where he was Trading Director of Wolseley Infrastructure Companies

Skills
Performance history in leading and implementing strategic business change management and corporate growth.

TIM HOUTBY
(aged 51)

Director of Smart Metering

Experience
Tim has over 20 years' experience in the UK utilities metering sector, formerly as Managing Director of Meter Provida Ltd, and latterly as Managing Director of Stark Utility Funding Ltd, a successful MAM/MAP business. He joins Fulcrum as Director of Smart Metering, responsible for the development and operation of Fulcrum's Smart Metering businesses.

Skills
Knowledge of sector and understanding of government legislation. Experience in leading innovative teams with a track record of delivery.

CARLY GILCHRIST
(aged 33)

Director of Asset

Experience
Carly has been in the utility industry for 10 years, beginning her career at National Grid She was the first recruit on Fulcrum's graduate programme and quickly progressed to lead the Commercial, Delivery and then Asset divisions in senior roles. Carly was the gas industry's Young Person of the Year in 2015 and Manager of the Year in 2019.

Skills
Strong experience and leadership skills with a proven record of strategic development and implementation.

CRAIG BAUGH
(aged 37)

Director of Sales and Marketing

Experience
Craig has been in the utility industry for 18 years, previously working for Transco and National Grid He has spent the last 12 years specialising in sales, marketing, communications and customer engagement strategy

Skills
Experienced leadership qualities, corporate strategy, marketing, communications and public relations expertise

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

COMMITTED TO HIGH STANDARDS

The Board is accountable to our shareholders and stakeholders for the Company's activities and is responsible for the effectiveness of corporate governance.

Committed to high standards

Fulcrum remains committed to the highest standards of corporate governance The Board and its Committees play an active role in guiding the Group and leading its strategy and we are determined to ensure that we have the right skillset to steer the Group forward In a business evolving at pace, we maintain a governance structure that underpins and encourages growth, while ensuring effective controls and safeguards are in place.

The values and ethical standards of the Group rest upon principles of fairness, respect and integrity and the Board seeks to promote and exemplify these values in discharging its responsibilities. These principles are both ethically based and commercially essential to delivering our strategic and growth objectives and to the long-term success of the Group.

Statement of compliance with the Quoted Companies Alliance (QCA) Corporate Governance Code

The Company's shares are quoted on the AIM Market of the London Stock Exchange (AIM) and the Company is subject to the continuing requirements of the AIM Rules. Following the changes to AIM Rule 26, from 28 September 2018, the Company is required to apply a recognised corporate governance code and report on how it complies with that code. The Board has elected to adopt the QCA Corporate Governance Code. The Board is aware of its responsibility for overall corporate governance and for supervising the general affairs and business of the Company. Exceptions to compliance with the QCA Code are provided on page 26.

Our Board

As Chairman, I am responsible for the leadership and effective working of the Board and for ensuring that it fulfils its responsibilities to all of the Group's stakeholders. I am also responsible for promoting a culture of openness and debate, in addition to ensuring productive relations between Executive and Non-Executive Directors. The Board also seeks to have constructive dialogue with external stakeholders and take account of shareholder feedback.

Fulcrum continues to maintain and review its systems, processes and policies to support its governance practices.

Philip Holder
Non-Executive Chairman
19 September 2019

CORPORATE GOVERNANCE REPORT

DELIVERING STRONG GOVERNANCE

The Board recognises the value and importance of high standards of corporate governance and observes the requirements of the Corporate Governance Code published by the Quoted Companies Alliance (QCA).

Compliance

The Company complies with all the provisions of the QCA with the exception of the following:

- Nomination Committee: The Company does not have a separate Nomination Committee as the Board is small and relatively stable. Any appointments are for the matter of the Board as a whole
- Audit Committee. The roles and responsibilities of the Audit Committee can be found on page 29 and a separate Audit Committee Report is not produced.
- Board evaluation. There has been no formal evaluation of the Board. It is anticipated that this will occur in the future.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Fulcrum is the UK's market-leading independent multi-utility infrastructure and services provider and is committed to achieving its aim of being the nation's first choice utility partner.

Business model.

- Infrastructure: Design and Build: Growing the Group's gas, electricity and metering infrastructure sales across mainland UK.
- Utility Assets Own and Operate Creating long-term, secure income by increasing our ownership of utility assets internally built by Fulcrum and acquired externally from external utility partners

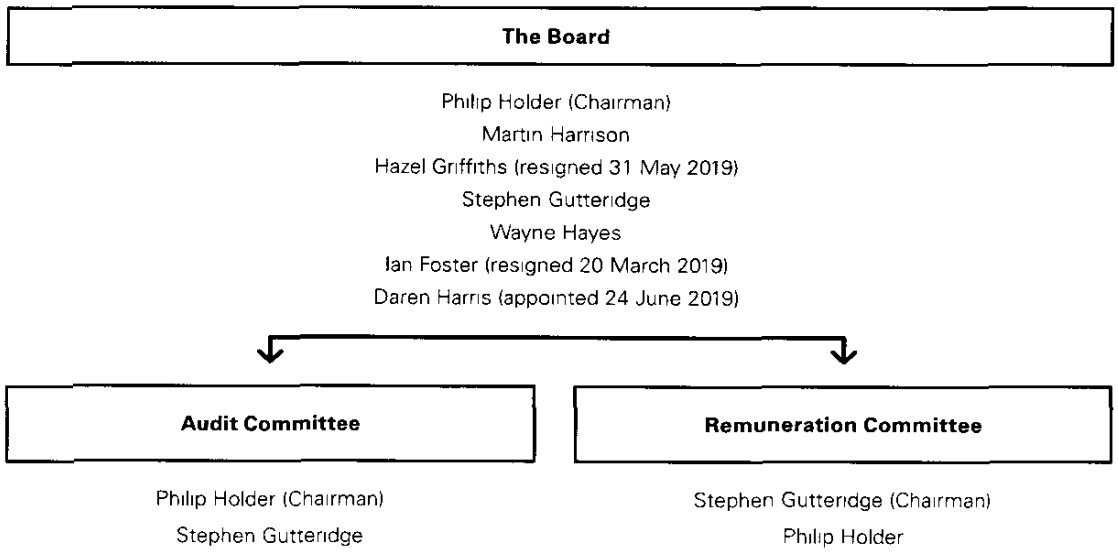
Our strategic objectives.

- To continue to grow the Group's established share in the nation's gas and multi-utility infrastructure markets
- To utilise the Group's enhanced electrical capabilities to capitalise on growth opportunities in the electricity infrastructure market, including the rapid expansion of the UK's EV charging infrastructure
- To capitalise on the market opportunities now available via the Group's newly developed smart metering business.
- To continue to sustainably grow the Group's utility asset base through internal and external asset purchases, whilst closely managing the Group's working capital

We remain confident in our ability to deliver incremental value to our stakeholders and a progressive dividend. Our full investment proposition can be found on our website http://www.fulcrumutilityserviceslimited.co.uk/investment-proposition.

Further detail on the Group's strategy and business model are provided on pages 2 to 7

Governance structure



Principle 2: Seek to understand and meet shareholder needs and expectations

The Board is committed to establishing and maintaining good relations with the Company's shareholders as they provide good perspectives on, inter alia, corporate governance matters and strategy Martin Harrison has responsibility for maintaining appropriate communications with shareholders and analysts, advised by the Group's broker, Cenkos Securities plc, and financial PR consultants, Camarco. The Company maintains regular dialogue with investors to discuss the Group's performance and strategy, through regular results roadshows, deal specific meetings, Annual General Meetings and other corporate events. The Non-Executive Chairman is also available for discussions with shareholders as required or requested

The Company monitors the constituents of its share register to ensure that its investor relations communications are appropriately co-ordinated with its shareholder base. The Board is provided with reports produced by equity analysts and the results of consultations are discussed at Board meetings In addition, the feedback received following investor presentations or meetings with shareholders and analysts is shared with the Board.

The Group responds formally to all queries and requests for information from existing and prospective shareholders In addition, the Group seeks to regularly update shareholders through stock exchange announcements and wider press releases on its activities

All Directors attend the Company's Annual General Meeting and are available to answer questions at the meeting or privately The Chairman is also available for discussions with shareholders as required or requested. Published information, including regulatory news, is available on the Group's website, http.//www.fulcrumutilityserviceslimited.co uk

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.

The Strategic Report in the Group's Annual Report provides further details on the Group's business model and our commitment to sustainability and corporate responsibility.

The Group's employees are at the heart of all that we achieve and we are committed to ensuring that we have the right people working with us and we manage this process through a robust people strategy Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business and we believe that sustained investment in our people's development and welfare builds a stronger business. We maintain communication with our employees through a number of formats, including individual one-to-one sessions, informal cross-functional sessions with the Chief Executive Officer, team meetings and whole Group "Spirit" updates. The Employee Business Forum, which contains representatives from all areas of the business, meets on a quarterly basis, with the Chief Executive Officer and other members of the Executive Team invited to attend We continue to evolve our approach to employee engagement and undertook two people surveys in the year. Their purpose is to achieve a greater understanding of employee experience

Safety is paramount in our organisation Our SAFE initiative details the fundamental safety behaviours expected of all Fulcrum people It is our policy to organise and maintain safe working arrangements and to protect the environment from unnecessary damage whilst we achieve profit growth We work in an industry that contains inherent risks, so ensuring safety comes first in all that we do is paramount.

We remain committed to promoting safe behaviour and demonstrate care for the environment, actively demonstrating excellence in health, safety, environmental, engineering and quality management wherever we work, and displaying the spirit of SAFE at all times.

We continually challenge and evolve internal and external constraints with the aim of simplifying the way we work, embedding systems and automation to drive efficiencies and encouraging our people to propose innovative ways of working. We continue to develop low-cost applications for the mobile devices used by the construction teams to improve communications with customers and streamline internal processes to help drive down the cost of delivery.

In line with our aim of being the nation's first choice utility partner, we are committed to being the most customer-focused utility services partner. To gauge how well our customer-centric approach is being received, we request feedback on our performance on every project we deliver, which we use to develop our services We continue to achieve an encouraging result, with 80.0% of customers rating our service as "great" (9 or 10 out of 10) (2018 78.0%), and whilst we are pleased that an increasing number of customers rated us as "great" we continue to push for ever higher levels of customer satisfaction.

We work as one team, in partnership with our suppliers and subcontractors, to share knowledge and expertise and improve working practices for all parties where possible We are in regular dialogue with our suppliers and subcontractor base and are committed to ensuring the integrity of our supply chain, which we confirmed in our anti-slavery and anti-human trafficking statement in early 2018

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk management and control It should be recognised that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group operates a series of controls to meet its needs. These controls include, but are not limited to, a clearly defined organisational structure, written policies, a comprehensive annual strategic planning and budgeting process and detailed monthly reporting.

The annual budget is approved by the Board as part of its normal responsibilities In addition, the budget figures are regularly reforecast to facilitate the Board's understanding of the Group's overall position throughout the year and this reforecast is reported to the Board in addition to the reporting of actual results during the year.

In terms of risk management, the Audit Committee receives reports as and when required from management and the external auditors concerning the system of internal control and any material control weaknesses. Any significant risk issues are referred to the Board for consideration

The Board has considered the need for an internal audit function but has concluded that, at this stage in the Group's development, the internal control systems in place are appropriate for the size and complexity of the Group

CORPORATE GOVERNANCE REPORT CONTINUED

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board currently comprises the Non-Executive Chairman, two Executive Directors and two other Non-Executive Directors. The Executive Directors are supported by independent Non-Executive Directors with wide-ranging experience; the Board profiles are provided on pages 22 and 23

Recently there have been changes to the Board. Ian Foster, Chief Operating Officer (Gas), resigned from the Board on 20 March 2019 and retired on 31 March 2019. Hazel Griffiths resigned on 31 May 2019 and left the business on 28 June 2019. A new Chief Financial Officer, Daren Harris, has been appointed and joined the Group and its Board on 24 June 2019

Of the Non-Executive Board members, Philip Holder and Stephen Gutteridge are considered to be independent. Wayne Hayes is deemed not to be independent due to his shareholdings. The Board is satisfied that it has a suitable balance between independence and knowledge of the Group, to enable it to discharge its duties and responsibilities effectively.

The Board operates both formally, through Board and Committee meetings, and informally, through regular contact amongst Directors and senior executives The Board has a formal schedule of matters reserved for its consideration and decision, which is reviewed annually by the Board. The schedule includes the approval of the Group's strategy, approval of capex over £100k, annual and half year results and trading updates, review of performance, dividend policy, monitoring risk and ensuring adequate financial controls are available. The Board is supplied with information in a timely manner, in a form and quality appropriate to enable it to discharge its duties

The Board meets regularly (at least nine times a year), and there is contact between meetings to progress the Company's business. Attendance by Directors at meetings of the Board and various Committees is set out on pages 22 and 23. Following the acquisition of Dunamis, Board meetings are held at subsidiary offices at least twice a year These visits include meeting with employees and updates from senior leaders.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that between the Directors, it has an appropriate balance of industry, financial and public market experience to operate effectively During the year females comprised 20 0% of the Board. Company secretarial services are outsourced to TMF Global Services (UK) Limited

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

The Board makes decisions regarding the appointment and removal of Directors. The Company's Articles of Association require that all Directors must stand for re-election at least once every three years and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. In the current year, Martin Harrison and Daren Harris will stand for re-election.

The Executive Directors are expected to devote the whole of their time, attention and ability to their duties, whereas the Non-Executives have a lesser time commitment. Training is available on request, where appropriate, and the Directors can obtain independent professional advice at the Group's expense in the performance of their duties as Directors. The Board is kept up to date with legal, regulatory and governance matters by the Company Secretary. The same Non-Executive Directors also have other external appointments which help keep their skillset up to date.

The biographies of the current Directors are provided on pages 22 and 23.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board has, to date, informally reviewed the effectiveness of its performance as a unit, as well as that of its Committees and the individual Directors. This year, a formal internal evaluation of the Board's performance and that of its two principal Committees will be performed by the Senior Non-Executive Director and an evaluation of the performance of individual Directors will be undertaken

The review will include

- assessment and monitoring of the Company's strategy;
- monthly Board meeting agenda and information flow,
- evaluation of risk and social responsibilities including anti-bribery policies and environmental risks, and
- the role and performance of the Board Committees.

Following the results of the review, the Board objectives for 2019/20 will be evaluated and updated as necessary

We nurture a culture that drives and supports the achievement of the Group's strategic objectives. Divisional, team and individual objectives are set in line with these wider Group objectives and our Spirit values

Performance against these criteria is monitored regularly and the Group promotes a high performance culture that not only drives and incentivises operation in line with its strategic objectives and values, but also recognises and rewards people and teams who go above and beyond to demonstrate this.

Succession planning both at Board level and within our senior management team is vital to the stability and continued growth of the Group and we place significant emphasis on this All employees have contracts of employment which have notice periods commensurate with their seniority to ensure sufficient time to recruit and ensure a smooth handover where required

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board understands the importance of setting the right culture within the Group One of the ways we ensure that the Board's strategy and good governance are instilled into the culture of our business is through regular communications with our senior employees. The Executive Directors regularly meet with operational management teams and employees across our operating businesses

To monitor and promote a healthy corporate culture, the Board clearly communicates the Group's strategic objectives, values and expectations to its people and places strong emphasis on its corporate responsibility. In particular, the Board promotes a culture that has a clear focus on safety, customer service and people. The Board aims to lead by example and do what is in the best interest of the Company and regularly meets with employees in our open plan head office or at formal meetings or events. The specific activities promoted to achieve the desired culture are described on pages 20 and 21

Our leaders and managers play a pivotal role in employee engagement and we have invested in leadership development that is focused on ensuring our people managers have the skills and tools they need to create highly motivated, high performing and engaged teams. We continue to evolve our approach to employee engagement and undertook two people surveys in the year Their purpose is to achieve a greater understanding of employee experience. We launched our new values in June 2017, these six values express the Spirit of Fulcrum and its people Safe, Partnership, Improvement, Reliability, Integrity and Together. There are regular business-wide communications, including a monthly "Spirit" presentation led by Martin Harrison, and supported by the Executive Team.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

All corporate policies are approved by the Chief Executive, to highlight to all employees the importance to the Board of high levels of governance and business conduct.

The Board is responsible for the long-term success of the Company There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy, approval of capex over £100k, approval of the annual and interim results, annual and quarterly budgets, dividend policy, and Board structure It monitors the exposure to key business risks and reviews the strategic direction of the operating divisions. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

The Board is supported by the Audit and Remuneration Committees As the Board is small, there is and will be no separate Nominations Committee and the appointment of new Directors and succession planning are considered by the Board as a whole. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to discharge its duties

The Chairman of the Audit Committee is Philip Holder, with Stephen Gutteridge as the other Non-Executive member. No one other than the Audit Committee's Chairman and Non-Executive member is entitled to be present at a meeting of the Audit Committee but the Group's external auditors, together with the Chief Executive Officer and the Chief Financial Officer, are also invited to attend the meetings Other Directors and Non-Executives may be invited to attend.

The Audit Committee operates under terms of reference agreed with the Board and meets at least twice a year. The Audit Committee considers the adequacy and effectiveness of the risk management and control systems of the Group. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the auditors. It also reviews, prior to publication, the interim results, the preliminary announcement and the Annual Report and financial statements.

The Chairman of the Remuneration Committee is Stephen Gutteridge, with Philip Holder as the other Non-Executive member. The Chief Executive Officer and Wayne Hayes may be invited to attend The Committee meets periodically as required and is responsible for overseeing the policy regarding Executive remuneration and for approving the remuneration packages for the Group's Executive Directors and senior management, including all personnel receiving a salary exceeding £100k per annum and/or a bonus potential of 50% of salary (2018 same). It is also responsible for reviewing incentive schemes for the Group as a whole.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group communicates with shareholders through the Annual Report and Accounts, full year and half year announcements, the Annual General Meeting, regulatory news and one-to-one meetings with existing or potential new shareholders throughout the year. Principles 2 and 3 describe our approach to stakeholder engagement in more detail.

A range of corporate information is available to shareholders, investors and the public on the Group's corporate website http //www.fulcrumutilityserviceslimited.co.uk.

By order of the Board

Philip Holder
Non-Executive Chairman
19 September 2019

REMUNERATION REPORT

for the year ended 31 March 2019

Remuneration Committee

The Remuneration Committee reviews the performance of each Executive Director and sets the scale and structure of their remuneration and the basis of their service agreement with due regard to the interests of shareholders. To ensure that the Group's remuneration practices are market competitive, the Committee takes advice from various independent sources.

The Board determines the remuneration of each of the Non-Executive Directors with the support of external professional advice if required No Director participates in any discussion regarding his/her own remuneration.

Policy on Executive Directors' remuneration

The policy of the Board is to provide an Executive remuneration package designed to attract, motivate, reward and retain the Executive Directors The aim of the Group's remuneration policy is to ensure that the key Executives are appropriately rewarded for their individual contribution to the Group's performance, commensurate with their duties and responsibilities

The Remuneration Committee believes that shareholders' interests are best served by providing Executives with remuneration packages which have a significant emphasis on performance related pay through long-term incentive schemes The Board considers that packages of this nature are consistent with prevailing practice and are necessary to retain and reward Executives of the calibre the Group requires. The Committee meets periodically as required and is responsible for overseeing the policy regarding Executive remuneration and for approving the remuneration packages for the Group's Executive Directors and senior management, including all personnel receiving a salary exceeding £100k per annum and/or a bonus potential of 50% of salary (2018: same) It is also responsible for reviewing incentive schemes for the Group as a whole.

The main components of Executive Directors' remuneration, which can be mirrored with certain senior executives, are basic salary, annual performance related bonus and share options

Basic annual salary

Each Executive Director's basic salary is reviewed regularly by the Committee In deciding upon an appropriate level of remuneration, the Committee believes that the Group should offer levels of base pay that reflect individual responsibilities compared to similar jobs in comparable companies

Annual bonus payments

The Committee establishes the objectives that must be met for an annual cash bonus to be paid. Currently these objectives relate to year-on-year growth in EBITDA and sales order margin.

Share option incentives

During the year three of the Group's share schemes an Enterprise Management Incentive (EMI), an Employee Shareholder Status (ESS) and a Growth Share Scheme (GSS) plan fully vested At the end of the year the Group operated a Growth Share Scheme (GSS) plan and four SAYE schemes (see note 18) The Committee has responsibility for supervising the schemes and the grant of share options under the schemes

Additional benefits

Each Executive Director receives private medical insurance and life assurance cover, pension contributions and a company car or car allowance. Each Non-Executive Director receives life assurance cover.

Directors' interests in share options

	GSS
Martin Harrison	659,615
Hazel Griffiths	376,923
Ian Foster	–

Directors' emoluments

The remuneration of each of the Directors for the year ended 31 March 2019 is set out as follows

	2019				2018			
	Salary, fees and bonus £'000	**Other benefits £'000**	**Pension £'000**	**2019 total £'000**	Salary, fees and bonus £'000	Other benefits £'000	Pension £'000	2018 total £'000
Executive								
Martin Harrison	**291**	**15**	**10**	**316**	270	13	10	293
Ian Foster	**195**	**17**	**10**	**222**	173	10	6	189*
Hazel Griffiths	**159**	**12**	**8**	**179**	18	2	1	21**
Martin Donnachie	**–**	**–**	**–**	**–**	201	6	4	211****
Non-Executive								
Philip Holder	**76**	**4**	**–**	**80**	72	4	–	76
Stephen Gutteridge	**40**	**4**	**–**	**44**	36	4	–	40
Wayne Hayes	**36**	**4**	**–**	**40**	6	1	–	7***
Total	**797**	**56**	**28**	**881**	776	40	21	837

* Ian Foster was appointed to the Board on 31 July 2017, as such the remuneration included is for an eight month period in 2018

** Hazel Griffiths was appointed to the Board on 31 January 2018, as such the remuneration is included for a two month period in 2018

*** Wayne Hayes was appointed to the Board on 5 February 2018, as such the remuneration is included for a two month period in 2018

**** Martin Donnachie resigned in July 2017, as such the remuneration is included for a four month period in 2018

GROUP DIRECTORS' REPORT

for the year ended 31 March 2019

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 March 2019

Registered office

The registered office of Fulcrum Utility Services Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1 104, Cayman Islands.

Dividends

The Board has proposed a final dividend in respect of FY2019 of 1.5p per share, subject to shareholder approval at the AGM.

Directors

The Directors who served throughout the year, except as noted below, were as follows:

Martin Harrison

Hazel Griffiths (resigned from the Board on 31 May 2019)

Ian Foster (retired 31 March 2019)

Daren Harris (appointed 24 June 2019)

Philip Holder

Stephen Gutteridge

Wayne Hayes

Employees

The Group's executive management regularly delivers Company-wide briefings on the Group's strategy and performance These briefings contain details of the Group's financial performance where appropriate. In addition, monthly "Spirit" briefings contain detailed information on the Group's operational performance for the previous month, as well as updates on customer activity.

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

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

Substantial shareholdings

The Company's issued share capital comprises ordinary shares of £0.001 each which are listed on AIM, a market operated by the London Stock Exchange (AIM FCRM). As at 31 March 2019, the issued share capital of the Company was £221,303 comprising 221,303,106 ordinary shares of £0.001 each Details of the issued share capital of the Company, together with movements in the issued share capital during the year, can be found in note 18 to the financial statements.

In accordance with AIM Rule 26, the Company discloses substantial shareholdings on its website https://www.fulcrumutilityserviceslimited.co.uk/aim-rule-26.

Annual General Meeting

The Annual General Meeting of the Group is to be held on 9 October 2019

The notice of meeting appears in the document accompanying this report and financial statements.

Directors' interests

The Directors and their connected parties held interests in the following number of ordinary shares at 1 April 2018, 31 March 2019 and 31 May 2019. Further information about the Directors' interests is provided in the Remuneration Report.

	Number of ordinary shares		
	31 May 2019	**31 March 2019**	1 April 2018
Philip Holder	**1,004,666**	**954,666**	954,666
Stephen Gutteridge	**149,166**	**119,166**	214,166
Wayne Hayes	**4,883,935**	**4,883,935**	4,883,935
Martin Harrison	**3,482,330**	**3,425,787**	208,054
Hazel Griffiths	**87,345**	**87,345**	49,163
Ian Foster	*	*	-

* Ian Foster retired on 31 March 2019 and, as such, was not a Director at these dates

GROUP DIRECTORS' REPORT CONTINUED

for the year ended 31 March 2019

Auditor

The audit was last tendered in 2012 and since then, lead audit partners have been appointed in accordance with audit partner rotation requirements. In line with good governance, the Audit Committee plans to conduct a full audit tender process in respect of the year ending 31 March 2020.

Directors' indemnities and insurance

Fulcrum Utility Services Limited indemnifies its officers and officers of its subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of Directors' and officers' insurance.

The insurance policy indemnifies individual Directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

Statement of Directors' responsibilities

The Directors of Fulcrum Utility Services Limited ("the Directors") have accepted responsibility for the preparation of the Annual Report, the Strategic Report, the Directors' Report and the non-statutory consolidated accounts for the year ended 31 March 2019, which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit for that period. They have decided to prepare the non-statutory consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU")

In preparing these non-statutory consolidated accounts, the Directors have

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU,
- assessed the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and
- used 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 such internal control as they determine is necessary to enable the preparation of non-statutory consolidated accounts 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Company is incorporated in the Cayman Islands and domiciled in the UK. The Company is not required to prepare audited financial statements under Cayman Islands company law; however, the Company is required under AIM Rule 19 to provide shareholders with annual audited consolidated financial statements for the year ended 31 March 2019 The Directors have requested KPMG LLP (KPMG) to undertake a non-statutory audit of the Company's consolidated financial statements in order to discharge their obligations under AIM Rule 19 The audit report issued by KPMG has therefore been addressed to the Company and not the members, as would be the case with a statutory audit

Statement of disclosure of information to auditor

As at the date this report was signed, so far as each of the Directors is aware, there is no relevant information of which the auditor is unaware and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

After making enquiries, we, the Directors, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. We therefore continue to adopt the going concern basis in preparing the financial statements The basis on which this conclusion has been reached is set out on page 43 which is incorporated by reference here.

On behalf of the Board

Martin Harrison
Chief Executive Officer
19 September 2019

Independent auditor's report

to the members of Fulcrum Utility Services Limited

1. Our opinion is unmodified

We have audited the non-statutory financial statements of Fulcrum Utility Services Limited ("the Group") for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, and the related notes, including the accounting policies in note 1.

In our opinion:

- the Group non-statutory financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of the Group's profit for the year then ended; and
- the Group non-statutory financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU")

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law Our responsibilities are described below

We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group non-statutory financial statements as a whole	£360k (2018. £385k) 5.0% (2018 5 0%) of consolidated profit before exceptional items and tax	
Key audit matters		**vs 2018**
Recurring risks	Revenue recognition on contracts ongoing at the year end	◀▶
	Valuation of goodwill and intangible assets	▲
New	The impact of uncertainties due to the UK exiting the European Union on our audit	▲
	Going concern	▲
	Valuation of utility assets and assets under construction	▲

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Fulcrum Utility Services Limited

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit, and directing the efforts of the engagement team. We summarise the key audit matters in arriving at our audit opinion below. These matters were addressed in the context of our audit of the non-statutory financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters In the prior year we had valuation of acquired intangible assets as a Key Audit Matter given the judgement in respect of the recognition and valuation of intangible assets. This risk is covered in our Key Audit Matter in relation to valuation of goodwill and intangibles in the current year.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 16 (principal risks)*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in revenue recognition on contracts ongoing at the year end and valuation of goodwill and intangible assets below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: – **Our Brexit knowledge** – considered the Directors' assessment of Brexit related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks – **Sensitivity analysis** – when addressing valuation of goodwill and intangible assets and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. – **Assessing transparency** – as well as assessing individual disclosures as part of our procedures on revenue recognition on contracts ongoing at the year end and valuation of goodwill and intangible assets, we considered all of the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and this is particularly the case in relation to Brexit
Going concern *Refer to note 1 on page 43 (accounting policy)*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the Group's available financial resources over this period is – the delays to infrastructure projects following suspension of the capacity market auction process There are also less predictable but realistic second order impacts, such as the outlook of the macroeconomic conditions of the UK, following Brexit, which could result in a rapid reduction of available financial resources.	Our procedures included. – **Funding assessment** – assessed the committed level of financing available to the Group for at least the next 12 months through consideration of the facility agreement. We challenged the Directors' assumptions by considering our own expectations based on our knowledge of the entity and experience of the industry in which it operates. – **Historical comparisons** – considered the Group's historical budgeting accuracy, by assessing actual performance against budget – **Benchmarking assumptions** – benchmarked the assumptions behind the cash flow forecasts to third party evidence and compared management's assumed growth to economic forecasts – **Sensitivity analysis** – considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively

2. Key audit matters: including our assessment of risks of material misstatement continued

	The risk	Our response
Going concern continued	The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed	– **Evaluating Directors' intent** – evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. – **Assessing transparency** – assessed the completeness and accuracy of the matters covered in the going concern disclosure by assessing the reasonableness of risks and uncertainties specified by the disclosure against our findings from our evaluation of management's assessment of going concern
Revenue recognition on contracts ongoing at the year end (£14 0 million, 2018 restated £18.0 million) *Refer to page 46 (accounting policy) and page 52 (financial disclosures)*	**Subjective estimate** Revenue is recognised based on a measure of progress towards satisfaction of the performance obligation, by reference to costs incurred as a percentage of total expected costs There is a level of judgement involved in determining this percentage completion as well as estimation in determining the expected outcome of the contract, both in terms of costs to complete and consideration to be received, resulting in a greater risk of error. The risk is specific to contracts which are ongoing at the year end as changes to these estimates and judgements could give rise to material variances in the amount of revenue recognised at the year end. IFRS 15: Revenue Recognition is effective for the first time in the current year As this is the first year of adoption, inherently there is a risk of error occurring.	Using a variety of quantitative and qualitative criteria we selected a sample of contracts to assess and challenge the most significant contract assumptions. These criteria included total project value and % completion. Our procedures included: – **Historical comparisons** – evaluated the financial performance of contracts against budget and historical trends and investigated unexplained variances identified for a sample of open contracts at the previous year end, this included comparing total costs incurred versus estimated costs – **Test of detail** – analysed costs allocated to a sample of contracts, assessing the appropriateness of allocation and agreed a sample of costs to date to supporting documentation, such as purchase invoices or payroll records – **Personnel interviews** – for a sample of contracts challenged the estimated costs to completion through discussion with the relevant project quantitative surveyors and their assessment of project status – **Test of detail** – inspected a sample of contract agreements for key clauses and considered whether these have been appropriately reflected in the amounts recognised, including evidencing signed customer acceptance forms and signed contractual variations. – **Reperformance** – recalculated revenue recognised for a sample of contracts based on the % completion assessed through costs incurred to date versus estimated costs to complete. – **Accounting analysis** – assessed the Group's revenue recognition policy in light of the adoption of IFRS 15 in the year. Tested a sample of contracts to assess if the transition adjustments made were recorded appropriately. – **Assessing transparency** – assessed the adequacy of the Group's disclosures in respect of revenue recognition, the impact of adopting IFRS 15 and the judgements and estimates set out in note 1.
Valuation of goodwill and intangible assets (£27.1 million, 2018: £27.8 million) *Refer to page 45 (accounting policy) and pages 59 and 60 (financial disclosures).*	**Subjective estimate** The Group has goodwill and intangible assets totalling £27 1 million The estimated recoverable amount of a cash-generating unit (to which goodwill and other intangible assets are allocated) is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 14) disclose the sensitivity estimated by the Group.	Our procedures included – **Our sector experience** – evaluated assumptions used, in particular those relating to forecast revenue growth, profit margins and discount rates, using our own valuation specialists – **Benchmarking assumptions** – compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates – **Sensitivity analysis** – performed breakeven analysis on the assumptions noted above – **Comparing valuations** – compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows – **Assessing transparency** – assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Fulcrum Utility Services Limited

2. Key audit matters: including our assessment of risks of material misstatement continued

	The risk	Our response
Valuation of utility assets and assets under construction (Utility assets £34.7 million; 2018 restated. £16 7 million; Utility assets under construction· £3 9 million, 2018 £2 6 million) *Refer to page 44 (accounting policy) and pages 57 and 58 (financial disclosures).*	**Subjective valuation** Utility assets and assets under construction are held at fair value at the balance sheet date, which is established with reference to future earnings. No quoted market price is available Due to the magnitude of the balance and the subjective nature of the valuations, there is a significant risk over the application of estimates and judgements inherent in the valuation, and therefore one of the key areas that our audit focused on. Utility assets are subject to annual revaluation An independent, third party valuation has been completed as at 31 March 2019 and has been used to determine the fair value of completed Utility assets held at the balance sheet date. Pipeline assets under construction at the balance sheet date were not part of the third party valuation and management has assessed the fair value using its own valuation model The fair value requires significant judgement over the choice of valuation methodology to apply, as well as significant estimation, in particular over the key assumptions of the estimated price and the volume of gas transportation	Our procedures included· – **Methodology choice** – held discussions with the Group's external Utility asset valuers to determine the valuation methodology used and challenged the appropriateness of the valuation basis selected. We involved our own valuation specialists to assist the audit team to critically assess the methodology used in the valuation appraisal – **Our valuations experience** – with the assistance of our internal valuation specialist, challenged the Group's external Utility asset valuer on key judgements affecting utility asset valuations, such as discount rates, the calculation of the free cash flows of the assets and useful economic lives. – **Benchmarking assumptions** – compared key underlying financial data inputs to the utility asset valuation by benchmarking these to independent market data, such as published gas transportation prices – **External valuer's credentials** – evaluated the competence, capabilities, objectivity and professional qualifications of the valuer engaged by the Group through discussion with the valuers, evidenced relevant qualifications, reviewed the terms of the engagement and read and analysed its valuation report, using our own valuation specialists – **Tests of detail** – for Utility assets under construction, assessed the methodology used by management in determining fair value and obtained evidence of the inputs and assumptions used in the calculation, agreeing inputs to external, third party evidence where possible, such as published gas transportation prices. – **Tests of detail** – for Utility assets under construction, assessed the percentage of completion for a sample of contracts ongoing at the year end through obtaining support for the estimate of the total costs to complete and agreed a sample of costs to date to supporting documentation, such as purchase invoices or payroll records. – **Re-performance** – for Utility assets under construction, assessed the accuracy of management's own fair value assumptions by replicating the valuation methodology using an independent model, and considering the accuracy of the key assumptions against the actual outcome such as gas transportation volumes, gas prices, etc – **Assessing transparency** – assessed the adequacy of the Group's disclosures in respect of the valuation techniques and significant unobservable inputs employed in the valuation set out in note 12

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £360k (2018: £385k), determined with reference to a benchmark of profit before tax adding back exceptional items (of which it represents 5.0% (2018: 5.0%)).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £18k (2018: £19k), in addition to other identified misstatements that warranted reporting on qualitative ground.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above.

The Group team performed procedures on the exceptional items excluded from profit before exceptional items and tax.

4. We have nothing to report on going concern

The Directors have prepared the non-statutory financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the non-statutory financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the non statutory financial statements.

We have nothing to report in these respects.

Profit before exceptional items and tax

£7.3m (2018: £7.7m)

Group materiality

£360k (2018: £385k)

£360k
Whole financial statements materiality (2018: £385k)

Normalised profit before tax

Group materiality

£18k
Misstatements reported to the Audit Committee (2018: £19k)

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Fulcrum Utility Services Limited

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the non-statutory financial statements. Our opinion on the non-statutory financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon

Our responsibility is to read the other information and, in doing so, consider whether, based on our non-statutory financial statements audit work, the information therein is materially misstated or inconsistent with the non-statutory financial statements or our audit knowledge Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information

- we have not identified material misstatements in the Strategic Report and the Directors' Report, and
- in our opinion the information given in those reports for the financial year is consistent with the non-statutory financial statements.

6. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 32, the Directors are responsible for: the preparation of the non-statutory financial statements including being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error, assessing the Group'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 they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the non-statutory financial statements

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

7. The purpose of our audit work and to whom we owe our responsibilities

Our report has been prepared for the Group solely in connection with the requirement of Rule 19 of the AIM Rules for Companies ("AIM Rules") that the Group publish annual audited accounts which must be sent to its shareholders and the requirements of Rules 20 and 26 of the AIM Rules that any document provided to shareholders be made available by the Group on a website.

Our audit work has been undertaken so that we might state to the Company those matters we are required to state to it 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's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditors
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
19 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Notes	**Year ended 31 March 2019 £'000**	Restated Year ended 31 March 2018 £'000
Revenue	2,4	**48,905**	40,634
Cost of sales – underlying		**(29,708)**	(24,232)
Cost of sales – exceptional items	5	**(883)**	–
Total cost of sales		**(30,591)**	(24,232)
Gross profit		**18,314**	16,402
Administrative expenses – underlying		**(11,874)**	(8,747)
Administrative expenses – exceptional items	5	**(411)**	(823)
Total administrative expenses		**(12,285)**	(9,570)
Operating profit	6	**6,029**	6,832
Net finance (expense)/income		**(60)**	59
Profit before taxation		**5,969**	6,891
Taxation	9	**(1,035)**	(235)
Profit for the period attributable to equity holders of the parent		**4,934**	6,656
Other comprehensive income			
Items that will never be reclassified to profit:			
Revaluation of utility assets	21	**11,380**	334
Surplus arising on utility assets internally adopted in the year	12	**1,100**	813
Reversal of prior increase of utility assets	21	**(2,544)**	–
Deferred tax on items that will never be reclassified to profit or loss	9	**(1,848)**	(62)
Total comprehensive income for the year		**13,022**	7,741
Profit per share attributable to the owners of the business			
Basic	11	**2.3p**	3 7p
Diluted	11	**2.2p**	3 5p

Adjusted EBITDA is the basis that the Board uses to measure and monitor the Group's financial performance as it is a more accurate reflection of the commercial reality of the Group's business. Further details of Alternative Performance Measures are included in note 3.

Operating profit		**6,029**	6,832
Equity-settled share based payment charges	18	**115**	35
Exceptional items	5	**1,294**	823
Depreciation and amortisation	12,14	**2,587**	890
Adjusted EBITDA		**10,025**	8,580
Surplus arising on utility assets internally adopted in the year included within other comprehensive income	21	**1,100**	813
Adjusted EBITDA plus increase in value of internally adopted utility assets included within other comprehensive income		**11,125**	9,393

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2017 as previously reported		167	14,101	3,343	–	(7,165)	10,446
Adjustment for IFRS 15		–	–	229	–	(229)	–
Restated balance at 1 April 2017		**167**	**14,101**	**3,572**	**–**	**(7,394)**	**10,446**
Total comprehensive income for the period (restated)							
Profit for the year	6,23	–	–	–	–	6,656	6,656
Revaluation surplus	21	–	–	334	–	–	334
Surplus arising on utility assets internally adopted in the year	21	–	–	813	–	–	813
Revaluation reserve transfer	21	–	–	(8)	–	8	–
Deferred tax liability	9,21	–	–	(62)	–	–	(62)
Transactions with equity shareholders							
Equity-settled share based payment	18	–	–	–	–	35	35
Dividends	10,20	–	(3,494)	–	–	–	(3,494)
Issue of new shares	19,20	44	10,435	–	11,347	–	21,826
Restated balance at 31 March 2018		**211**	**21,042**	**4,649**	**11,347**	**(695)**	**36,554**
Total comprehensive income for the period							
Profit for the year	23	–	–	–	–	**4,934**	**4,934**
Revaluation surplus on independent valuation	21	–	–	**11,380**	–	–	**11,380**
Surplus arising on utility assets internally adopted in the year	21	–	–	**1,100**	–	–	**1,100**
Exceptional items – fixed asset impairment	21	–	–	**(2,544)**	–	–	**(2,544)**
Deferred tax liability	9,21	–	–	**(1,848)**	–	–	**(1,848)**
Transactions with equity shareholders							
Equity-settled share based payment	18	–	–	–	–	**115**	**115**
Dividends	10,20	–	**(4,738)**	–	–	–	**(4,738)**
Capital transfer	20,23	–	**(16,605)**	–	–	**16,605**	–
Issue of new shares	19,20	**10**	**511**	–	–	–	**521**
Balance at 31 March 2019		**221**	**210**	**12,737**	**11,347**	**20,959**	**45,474**

CONSOLIDATED BALANCE SHEET

as at 31 March 2019

	Notes	**31 March 2019 £'000**	Restated 31 March 2018 £'000	Restated 1 April 2017 £'000
Non-current assets				
Property, plant and equipment	12	**39,314**	19,921	13,199
Intangible assets	14	**27,069**	27,797	2,567
Deferred tax assets	9	**1,707**	2,194	1,921
		68,090	49,912	17,687
Current assets				
Contract assets	15	**9,132**	10,377	3,512
Inventories		**607**	209	–
Trade and other receivables	16	**6,392**	6,777	4,797
Cash and cash equivalents	27	**6,824**	9,431	12,561
		22,955	26,794	20,870
Total assets		**91,045**	76,706	38,557
Current liabilities				
Trade and other payables	24	**(10,946)**	(10,743)	(5,516)
Contract liabilities	25	**(26,343)**	(25,900)	(21,910)
Borrowings	26	**(3,000)**	–	–
Provisions	28	**(96)**	(98)	–
		(40,385)	(36,741)	(27,426)
Non-current liabilities				
Deferred tax liabilities	9	**(5,186)**	(3,411)	(685)
		(5,186)	(3,411)	(685)
Total liabilities		**(45,571)**	(40,152)	(28,111)
Net assets		**45,474**	36,554	10,446
Equity				
Share capital	19	**221**	211	167
Share premium	20	**210**	21,042	14,101
Revaluation reserve	21	**12,737**	4,649	3,572
Merger reserve	22	**11,347**	11,347	–
Retained earnings	23	**20,959**	(695)	(7,394)
Total equity		**45,474**	36,554	10,446

The financial statements were approved by the Board of Directors on 19 September 2019 and were signed on its behalf by

Martin Harrison
Chief Executive Officer

Company number FC030006

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2019

	Notes	**Year ended 31 March 2019 £'000**	Restated Year ended 31 March 2018 £'000
Cash flows from operating activities			
Profit for the period after tax		**4,934**	6,656
Tax charge		**1,035**	235
Profit for the period before tax		**5,969**	6,891
Adjustments for			
Depreciation	12	**975**	532
Amortisation of intangible assets	14	**1,612**	358
Exceptional items – fixed asset impairment	5	**883**	–
Utility assets internally adopted (gross construction cost less impairment)	12	**(7,374)**	(4,173)
Net finance expense/(income)		**60**	(59)
Equity-settled share based payment charges	18	**115**	35
Decrease/(increase) in contract assets	15	**1,245**	(4,138)
Decrease/(increase) and other receivables	16	**385**	(1,648)
Increase in inventories		**(399)**	(209)
(Increase)/decrease in trade and other payables		**(374)**	3,420
Decrease in contract liabilities		**443**	2,091
Increase in provisions	28	**(2)**	(23)
Cash inflow from operating activities		**3,538**	3,077
Tax paid		**(42)**	–
Net cash inflow from operating activities		**3,496**	3,077
Cash flows from investing activities			
Acquisition of external utility assets	12	**(3,566)**	(1,539)
Acquisition of plant and equipment	12	**(376)**	(170)
Acquisition of intangibles	14	**(884)**	(955)
Acquisition of subsidiaries, net of cash acquired*		**–**	(10,587)
Finance income received		**13**	61
Net cash outflow from investing activities		**(4,813)**	(13,190)
Cash flows from financing activities			
Dividends paid	10	**(4,738)**	(3,494)
Borrowings	25	**3,000**	–
Finance costs paid		**(73)**	(2)
Proceeds from issue of share capital	19,20	**521**	10,479
Net cash (outflow)/inflow from financing activities		**(1,290)**	6,983
Decrease in net cash and cash equivalents		**(2,607)**	(3,130)
Cash and cash equivalents at 1 April 2018		**9,431**	12,561
Cash and cash equivalents at 31 March 2019	27	**6,824**	9,431

* Costs predominantly relate to the acquisition of Fulcrum Metering Services Limited and final payment in respect of the CDS acquisition that completed on 27 March 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

Reporting entity

Fulcrum Utility Services Limited ("the Company") is incorporated in the Cayman Islands and domiciled in the UK. The ordinary shares are traded on AIM on the London Stock Exchange The consolidated financial statements of the Company for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as "the Group").

Statement of compliance

Under Cayman Island company law, the Company is not required to prepare audited financial statements, however, the Company is required under AIM Rule 19 to provide shareholders with audited consolidated financial statements for the year ended 31 March 2019. There is no requirement to provide parent company information so this has not been presented.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and International Financial Reporting Interpretations Committee (IFRIC) interpretations

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

The Group's business activities, together with the factors likely to affect future development, performance and position, are set out in the Strategic Report on pages 2 to 21 The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Statement on pages 18 and 19 In addition, note 29 to the financial statements includes the Group's processes for managing its capital and its exposure to credit and liquidity risks.

On 4 June 2018, the Group entered into a new three year revolving credit facility agreement with Lloyds Banking Group for up to £20 million The new debt facility replaces the previous £4 0 million debt facility which was undrawn on 4 June 2018 The first drawdown on the facility was made in January 2019 and at the end of March 2019 the Group had drawn down a total of £3 0 million and at the date of the accounts had drawn down a further £3.0 million. The new facility supports the forecast growth in utility asset ownership of gas and electricity assets by the Group, with drawdowns secured against the acquired utility assets. The facility is structured as an "accordion" facility so that £10.0 million is committed and a further £10.0 million is available by request from the Group to the bank. The Group has complied with the financial covenants (interest cover and leverage covenants) relating to the facilities and is forecast to continue comply over the next 15 months.

As at 31 March 2019 the Group had net assets of £45.5 million (2018 restated. £36 6 million), including net cash of £3.8 million (2018 £9.4 million) as set out in the consolidated balance sheet on page 41 and note 27. In the year ended 31 March 2019, the Group generated a profit after tax of £4.9 million and had net cash outflows of £2 6 million after investing £3 6 million in external utility assets, £4.7 million paid in dividends and £3 0 million of borrowings.

The Group's forecasts and projections, after taking account of sensitivity analysis of changes in trading performance and corresponding mitigating actions, show that the Group has adequate cash resources (taking account of the Group's cash balance and new revolving credit facility described above) for the foreseeable future As a consequence, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements

Basis of consolidation

Subsidiaries are entities controlled by the Company The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and when it has the ability to affect those returns through its power over the entity. In assessing control the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases All intra-group transactions, balances and expenses are eliminated on consolidation

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

- Note 4. Revenue recognition on contracts – 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. At 31 March 2019, £14.0 million (2018 restated £18 0 million) of revenue related to contracts ongoing at the year end See revenue recognition policy for further details.
- Note 9. Deferred tax – The Group recognises a deferred tax asset for tax losses carried forward which requires an estimation of the forecast profitability of the relevant entities
- Note 12: Utility asset valuation, including assets under construction – Assets are revalued annually These calculations require the use of estimates, as detailed in note 12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Accounting estimates and judgements continued

- Note 14: Goodwill and other intangibles – The Group tests annually whether tangible and intangible fixed assets have suffered any impairment, based on discounted future cash flows of the assets and the total business of the Group These calculations require the use of estimates, as detailed in note 11.

Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as.

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Property, plant and equipment

Property, plant and equipment excluding utility assets and assets under construction are stated at cost less accumulated depreciation and accumulated impairment losses

Utility assets and assets under construction are initially recognised at cost. The Group has elected to value utility assets (except meters) and utility assets under construction at fair value at each reporting date Meters are carried at cost, an impairment loss is recognised if the carrying amount of an asset exceeds its estimated fair value. Impairment losses are recognised within cost of sales in the income statement. A revaluation upwards is recognised if the estimated fair value exceeds its carrying amount. Revaluations upwards are recognised within other comprehensive income. An impairment loss is reversed if, and only if, the reasons for the impairment have ceased to apply. An impairment loss or uplift in value is reversed only to the level that the asset's carrying amount, net of depreciation, would have been had it not been previously revalued. Assets are revalued annually

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

Depreciation is recognised on a straight-line basis from the date assets are available for use, 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:

Utility assets (excluding meters)	40 years
Classic domestic meters	Fully depreciated by December 2020
Classic industrial and commercial meters	5 years
Fixtures and fittings	2–5 years
Computer equipment	3–5 years

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

Intangible assets

Intangible assets acquired separately from third parties are recognised as assets and measured at cost

Following initial recognition, intangible assets are measured at cost at the date of acquisition less any amortisation and any impairment losses Amortisation costs are included within the administrative expenses disclosed in the consolidated statement of comprehensive income.

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets are amortised over their useful lives as follows:

Brand and customer relationships	5–12 years
Software	5 years
Development costs	5 years

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

1. Accounting policies continued

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses. See note 14 for detailed assumptions and methodology. Impairment losses are not subsequently reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments

Adjustments to provisional fair values of identifiable assets and liabilities arising from additional information, obtained within the measurement period (no more than one year from the acquisition date), about facts and circumstances existing at the acquisition date are adjusted against goodwill. Other adjustments to provisional fair values or changes in contingent consideration are recognised through profit or loss.

Impairment

At each reporting date, the Group 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 Group 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

Detailed assumptions used in the annual impairment test for goodwill, with regard to discount, growth and inflation rates, are set out in note 14 to the accounts

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.

Employee benefits

Pension plans

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

Short-term benefits

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

Share based payment transactions

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

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

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

Provisions

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

NOTES TO THE CONSOLIDATED 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 contract 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.

Utility asset ownership revenue

Conveyance of gas and use of electricity network is recognised as "Utility asset ownership revenue" from the date the meter is connected and made available for use and is based on Ofgem regulated usage rates The performance obligation is the transportation of gas and revenue is recognised over time.

Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not be incurred if the contract had 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 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.

Financial assets

The Group's financial assets include cash and cash equivalents and trade and other receivables

The Group classifies its financial assets in the following measurement categories

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)); and
- those to be measured at amortised cost.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

1. Accounting policies continued

Financial assets continued

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

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and overdrafts

Upon adoption of IFRS 9 from 1 April 2018, there has been no change in the accounting policies previously applied.

Classification

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Recognition

All financial liabilities are recognised initially at fair value and, in the case of bank loans, net of directly attributable transaction costs

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 12 months after the reporting period Due to their short-term nature, carrying value is considered to approximate fair value

Interest-bearing borrowings

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

Transaction costs on revolving credit facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred within other assets until the drawdown occurs. Upon drawdown of the first loan, these costs are reclassified from other assets to bank loans and subsequently amortised over the term of the facility

Interest-bearing borrowings are removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or has expired The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

Impairment

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.

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

The following relevant new standards and amendments to standards are mandatory for the first time for the financial year beginning 31 March 2018

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRS Standards 2014–2016 Cycle

With the exception of IFRS 15 Revenue from Contracts with Customers, the effects of the implementation of these standards have been limited to presentational and disclosure amendments. Following the implementation of IFRS 15 Revenue from Contracts with Customers, our accounting policy for revenue has been amended as follows

IFRS 15 adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers for the current reporting period and retrospectively to each prior reporting period previously presented in accordance with IAS 8 Accounting Policies The Group has not elected to take any practical expedients available on transition to IFRS 15. In assessing the appropriate application of IFRS 15, the Group has reconsidered the previous approach of recognising revenue in respect of the fair value of the infrastructure assets that it constructs and then owns and concluded that the asset is controlled by the Group throughout construction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

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

IFRS 15 adoption continued

Accordingly the utility asset is recognised as it is being constructed within property, plant and equipment at the construction cost as incurred and consequently these costs are not in cost of sales The Group has elected to value assets under the course of construction at fair value in accordance with IAS 16 Property, Plant and Equipment in line with the existing policy for utility assets and, as a result, in those cases where the fair value is less than the construction cost an impairment is recorded in cost of sales Where the fair value is greater than the construction cost an uplift in value is recorded in other comprehensive income and disclosed as "Surplus arising on utility assets internally adopted in year"

Impact of change on adoption of IFRS 15

Consolidated statement of financial position

		Impact of change on adoption of IFRS 15		
	As previously reported £'000	Reclassification £'000	Adjustments £'000	As restated £'000
1 April 2017				
Property, plant and equipment	12,297	–	902	13,199
Contract assets	–	3,979	(467)	3,512
Inventories	1,647	(1,647)	–	–
Trade and other receivables	7,129	(2,332)	–	4,797
Trade and other payables	(26,991)	21,910	(435)	(5,516)
Contract liabilities	–	(21,910)	–	(21,910)
Impact on net assets		–	–	
Revaluation reserve	3,343	–	229	3,572
Retained reserves	(7,165)	–	(229)	(7,394)
Impact on equity		–	–	
31 March 2018				
Property, plant and equipment	16,025	–	3,896	19,291
Contract assets	–	12,417	(2,040)	10,377
Inventories	4,114	(3,905)	–	209
Trade and other receivables	15,289	(8,512)	–	6,777
Trade and other payables	(35,525)	25,900	(1,118)	(10,743)
Contract liabilities	–	(25,900)	–	(25,900)
Deferred tax liabilities	(2,926)	–	(485)	(3,411)
Impact on net assets		–	253	
Revaluation reserve	3,607	–	1,042	4,649
Retained reserves	94	–	(789)	(695)
Impact on equity		–	253	

Consolidated statement of comprehensive income

	Impact of change on adoption of IFRS 15		
For the year ended 31 March 2018	As previously reported £'000	Adjustments £'000	As restated £'000
Revenue	44,847	(4,213)	40,634
Cost of sales	(28,370)	4,138	(24,232)
Gross margin	16,477	(75)	16,402
Adjusted EBITDA	8,655	(75)	8,580
Tax charge	250	(485)	(235)
Surplus arising on internally adopted utility assets	–	813	813
Total comprehensive income for the year	7,488	253	7,741

1. Accounting policies continued

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

Impact of change on adoption of IFRS 15 continued

Consolidated statement of cash flows

For the year ended 31 March 2018	As previously reported £'000	Impact of change on adoption of IFRS 15 Reclassification £'000	Adjustments £'000	As restated £'000
Profit before tax for the period	6,966	–	(75)	6,891
Adjustments for				
Capitalisation of utility assets	(2,611)	(596)	(966)	(4,173)
Increase in contract assets	–	(5,660)	1,522	(4,138)
Increase in trade and other receivables	(6,174)	4,472	54	(1,648)
Increase in inventories	(1,396)	1,187	–	(209)
Increase in trade and other payables	4,830	(1,559)	149	3,420
Increase in contract liabilities	–	2,156	(65)	2,091
Acquisition of external utility assets	(920)	–	(619)	(1,539)
Net impact on cash from operating activities		–	–	

IFRS 9: Financial Instruments came into effect on 1 January 2018 replacing IAS 39 Financial Instruments Recognition and Measurement and requires changes to the classification and measurement of certain financial instruments from that under IAS 39 The new standard has been applied fully retrospectively and on review the majority of the Group's financial assets and liabilities will continue to be accounted for on an identical basis under IFRS 9 as they were under IAS 39. There is no material effect from applying IFRS 9 for expected credit losses.

The Group has not applied the following new standards and amendments to standards which are EU endorsed but not yet effective

- IFRS 16 Leases (see note 30)
- IFRIC 23: Uncertainty over Income Tax Treatments

2. Operating segments

The Board has been identified as the Chief Operating Decision-Maker (CODM) as defined under IFRS 8 Operating Segments The Directors consider there to be three operating segments, Infrastructure Services, Utility Asset Ownership and Dunamis, which was acquired on 5 February 2018. Fulcrum's Infrastructure Services provides utility infrastructure and connections services. Utility Asset Ownership comprises both the ownership of gas, electrical and meter assets and the safe and efficient conveyance of gas and electricity through its transportation networks. Gas transportation services are provided under the iGT licence granted from Ofgem in June 2007 and electricity services are provided under the iDNO licence granted from Ofgem in November 2017

The information provided to the Board includes management accounts comprising operating profit before exceptional items for each segment and other financial and non-financial information used to manage the business on a consolidated basis.

	Year ended 31 March 2019				Restated Year ended 31 March 2018			
	Infrastructure Services £'000	**Utility Asset Ownership £'000**	**Dunamis £'000**	**Total Group £'000**	Infrastructure Services £'000	Utility Asset Ownership £'000	Dunamis £'000	Total Group £'000
Reportable segment revenue	**34,815**	**2,984**	**11,106**	**48,905**	36,256	1,951	2,427	40,634
Adjusted EBITDA*	**7,510**	**1,792**	**723**	**10,025**	6,737	1,583	260	8,580
Share based payment charge	**(115)**	–	–	**(115)**	(35)	–	–	(35)
Depreciation and amortisation	**(1,813)**	**(701)**	**(73)**	**(2,587)**	(435)	(411)	(44)	(890)
Reportable segment operating profit before exceptional items	**5,582**	**1,091**	**650**	**7,323**	6,267	1,172	216	7,655
Cost of sales – exceptional items	–	**(883)**	–	**(883)**	–	–	–	–
Administrative expenses – exceptional items	**(354)**	**(15)**	**(42)**	**(411)**	(823)	–	–	(823)
Reporting segment operating profit	**5,228**	**193**	**608**	**6,029**	5,444	1,172	216	6,832
Net finance (expense)/ income	**(64)**	**2**	**2**	**(60)**	25	32	2	59
Profit before tax	**5,164**	**195**	**610**	**5,969**	5,469	1,204	218	6,891

* Adjusted EBITDA is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges. Full reconciliation of Alternative Performance Measures (APMs) are provided in note 3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Operating segments continued

The Group derives all of its revenue from the UK and all of the Group's customers are based in the UK. The Group's revenue is derived from contracts with customers

	Year ended 31 March 2019				Restated Year ended 31 March 2018			
	Infrastructure Services £'000	**Utility Asset Ownership £'000**	**Dunamis £'000**	**Total Group £'000**	Infrastructure Services £'000	Utility Asset Ownership £'000	Dunamis £'000	Total Group £'000
Assets reported by segment								
Property, plant and equipment	**628**	**38,594**	**92**	**39,314**	530	19,296	95	19,921
Assets not by segment:								
Goodwill and brand and customer relationships	**3,351**	**–**	**21,942**	**25,293**	3,457	–	23,187	26,644
Other intangible assets	**292**	**1,444**	**40**	**1,776**	264	871	18	1,153
Deferred tax assets	**1,361**	**346**	**–**	**1,707**	1,833	361	–	2,194
Contract assets	**7,809**	**305**	**1,018**	**9,132**	9,662	–	715	10,377
Inventories	**425**	**–**	**182**	**607**	96	–	113	209
Trade and other receivables	**3,411**	**1,433**	**1,548**	**6,392**	4,540	865	1,372	6,777
Cash and cash equivalents	**2,498**	**1,443**	**2,883**	**6,824**	4,245	1,543	3,643	9,431
Total assets	**19,775**	**43,565**	**27,705**	**91,045**	24,627	22,936	29,143	76,706

	Year ended 31 March 2019				Restated Year ended 31 March 2018			
	Infrastructure Services £'000	**Utility Asset Ownership £'000**	**Dunamis £'000**	**Total Group £'000**	Infrastructure Services £'000	Utility Asset Ownership £'000	Dunamis £'000	Total Group £'000
Liabilities by segment								
Trade and other payables	**(7,461)**	**(2,390)**	**(1,095)**	**(10,946)**	(6,069)	(2,150)	(2,524)	(10,743)
Contract liabilities	**(24,306)**	**(200)**	**(1,837)**	**(26,343)**	(24,990)	(160)	(750)	(25,900)
Borrowings	**–**	**(3,000)**	**–**	**(3,000)**	–	–	–	–
Provisions	**–**	–	**(96)**	**(96)**	–	–	(98)	(98)
Deferred tax liability	**–**	**(5,186)**	**–**	**(5,186)**	–	(3,411)	–	(3,411)
Total liabilities	**(31,767)**	**(10,776)**	**(3,028)**	**(45,571)**	(31,059)	(5,721)	(3,372)	(40,152)

3. Alternative Performance Measures

As detailed in the Chief Financial Officer's Statement, the Group uses Alternative Performance Measures (APMs), as listed below, to present users of the accounts with a clear view of what the Group considers to be the results of its underlying, sustainable business operations, thereby enabling consistent period-on-period comparisons and making it easier for users of the accounts to identify trends

Alternative Performance Measure	**Definition**
Like-for-like revenue	Like-for-like revenue is Group revenue excluding the acquisitions
Like-for-like adjusted revenue	Like-for-like adjusted revenue is Group revenue excluding the acquisitions and adding asset value revenue previously credited to revenue, now credited to cost of sales
Annualised recurring utility asset revenue run rate	The revenue being generated from gas transportation, use of electricity network and meter rental at a point in time
Adjusted EBITDA	Operating profit excluding exceptional items, amortisation and depreciation and equity-settled share based payments
Like-for-like adjusted EBITDA	Like-for-like adjusted EBITDA is Group adjusted EBITDA excluding the acquisitions.
Adjusted profit before taxation	Profit before taxation excluding exceptional items and amortisation of acquired intangibles
Net assets per share	Net assets divided by the number of shares in issue at the financial reporting date

3. Alternative Performance Measures continued

A reconciliation of these Alternative Performance Measures has been disclosed in the tables below

(a) Like-for-like revenue

	31 March 2019 £'000	Restated 31 March 2018 £'000
Revenue	**48,905**	40,634
Adjusted for		
Acquisitions	**(11,106)**	(2,427)
Like-for-like revenue	**37,799**	38,207

(b) Reconciliation of "like-for-like revenue" to "like-for-like adjusted revenue"

	31 March 2019 £'000	Restated 31 March 2018 £'000
Like-for-like revenue	**37,799**	38,207
Adjusted for		
Asset value revenue previously credited to revenue prior to adoption of IFRS 15, now credited to cost of sales (see note 1)	**8,151**	4,213
Like-for-like adjusted revenue	**45,950**	42,420

(c) Reconciliation of operating profit to "adjusted EBITDA"

	31 March 2019 £'000	Restated 31 March 2018 £'000
Operating profit	**6,029**	6,832
Adjusted for		
Exceptional items (note 5)	**1,294**	823
Amortisation and depreciation	**2,587**	890
Equity-settled share based payments	**115**	35
Adjusted EBITDA	**10,025**	8,580

(d) Like-for-like adjusted EBITDA

	31 March 2019 £'000	Restated 31 March 2018 £'000
Adjusted EBITDA	**10,025**	8,580
Adjusted for.		
Acquisitions	**(723)**	(260)
Like-for-like adjusted EBITDA	**9,302**	8,320

(e) Reconciliation of profit before tax to "adjusted profit before tax"

	31 March 2019 £'000	Restated 31 March 2018 £'000
Profit before tax	**5,969**	6,891
Adjusted for		
Exceptional items (note 5)	**1,294**	823
Amortisation of acquired intangibles	**1,354**	208
Adjusted profit before tax	**8,617**	7,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Alternative Performance Measures continued

(f) Net assets per share

	31 March 2019 £'000	Restated 31 March 2018 £'000
Net assets at end of period	**45,474**	36,554
Issued shares at end of period	**221,303**	210,656
Net assets per share	**20.5p**	17.4p

4. Revenue

	Year ended 31 March 2019 £'000	Restated Year ended 31 March 2018 £'000
Infrastructure revenue	**45,921**	38,683
Utility asset ownership revenue	**2,984**	1,951
Total revenue	**48,905**	40,634

(a) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographic market, service lines and timing of revenue recognition The table also includes a reconciliation of the disaggregated revenue with the Group reportable segments (see note 2)·

	Infrastructure Services		Utility Assets		Dunamis	
£'000	**2019**	2018	**2019**	2018	**2019**	2018
Primary geographic markets						
United Kingdom	**34,815**	36,256	**2,984**	1,951	**11,106**	2,427
	34,815	36,256	**2,984**	1,951	**11,106**	2,427
Service line						
Service revenue on long-term contracts	**17,620**	18,344	**–**	–	**7,505**	1,640
Service revenue on short-term contracts	**17,195**	17,912	**–**	–	**3,073**	672
Maintenance contracts	–	–	**–**	–	**528**	115
Utility asset ownership	–	–	**2,984**	1,951	**–**	–
	34,815	36,256	**2,984**	1,951	**11,106**	2,427
Timing of revenue recognition						
Services transferred over time	**34,815**	36,256	**2,984**	1,951	**11,106**	2,427
	34,815	36,256	**2,984**	1,951	**11,106**	2,427

(b) Contracting balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Receivables, which are included in "trade and other receivables"	**3,972**	5,834
Contract assets	**9,132**	10,377
Contract liabilities	**26,343**	25,900

The contract assets primarily relate to work in progress on infrastructure projects. The contract liabilities primarily relate to deferred income Deferred income represents contracted sales for which services to customers will be provided in future periods

5. Exceptional items

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Exceptional items included in cost of sales	**883**	–
Exceptional items included in administrative expenses	**411**	823
	1,294	823

(a) Exceptional items included in cost of sales

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Fixed asset impairment arising on external revaluation	**883**	–
	883	–

Fixed asset impairment relates to the impairment of utility assets not previously revalued upwards

(b) Exceptional items included in administrative expenses

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Restructuring costs	**276**	29
One-off legal and adviser costs	**135**	–
Acquisition costs in respect of The Dunamis Group Limited	–	686
Acquisition costs in respect of CDS PSL Holdings Limited	–	108
	411	823

Restructuring costs relate to employee exit and severance costs

6. Operating profit

Included in operating profit are the following charges.

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Amortisation of intangible assets	**1,612**	358
Depreciation of property, plant and equipment	**975**	532
Operating leases – plant and machinery	**743**	713
Operating leases – land and buildings	**281**	234
Amounts receivable by the auditors, KPMG LLP, and their associates in respect of		
Audit fees:		
Audit of the Group financial statements	**91**	59
The audit of the Company's subsidiaries pursuant to legislation	**73**	42
Total fees for the audit of the Group and its subsidiaries	**164**	101
Non-audit fees:		
– Audit related services	**9**	7
– Taxation compliance services	–	25
– Other tax advisory services	–	50
– Other advisory services	–	115

Fees paid to firms of accountants other than KPMG LLP and its affiliated entities for non-audit services amounted to £25k (2018: £nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Staff numbers and costs

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Wages and salaries	**13,028**	10,628
Social security costs	**1,405**	1,231
Other pension costs	**553**	308
Share based payments	**115**	35
	15,101	12,202

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

Number of employees	**2019**	2018
Operational	**121**	109
Support	**125**	102
	246	211

Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 30

8. Finance costs and finance income

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Finance costs		
Finance costs paid in respect of revolving credit facility	**(72)**	–
Banking charges	**(1)**	(2)
Total finance costs	**(73)**	(2)
Finance income		
Bank interest receivable	**13**	61
Total finance income	**13**	61

9. Taxation

	Year ended 31 March 2019 £'000	Restated Year ended 31 March 2018 £'000
Current tax	**620**	23
Deferred tax	**415**	212
Total tax charge	**1,035**	235

Reductions in the UK corporation tax rate to 19.0% (effective from 1 April 2017) and to 17 0% (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly The deferred taxation balance at 31 March 2019 has been calculated based on the rate of 19.0% for amounts anticipated to unwind in the year ending 31 March 2020 and then at 17 0% thereafter (2018 19 0% for FY19 and 20, then 17 0% onwards)

The Group has a further £10 0 million (2018 £11 4 million) of tax losses of which a deferred tax asset of £1.7 million (2018 £2.2 million) has been recognised During the period £0 3 million of the deferred tax asset was utilised against taxable profits The deferred tax asset is expected to be recovered over 12 years.

9. Taxation continued

Reconciliation of effective tax rate

	Year ended 31 March 2019 £'000	Restated Year ended 31 March 2018 £'000
Profit before taxation	**5,969**	6,891
Tax using the UK corporation tax rate of 19.0% (2018. 19.0%)	**(1,134)**	(1,309)
Non-deductible expenses	**(27)**	(9)
Capital allowances in excess of depreciation	**–**	34
Effect of change in rate of corporation tax	**(109)**	(198)
Tax deductions for share options	**788**	431
Adjustment to tax charge in respect of previous year's corporation tax	**(122)**	–
Adjustment to tax charge in respect of previous year's deferred tax	**(431)**	–
Recognition of tax effect of previously unrecognised tax losses	**–**	816
Total tax charge	**(1,035)**	(235)

Movement in deferred tax balances

	31 March 2019		Restated 31 March 2018	
	Deferred tax assets £'000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
At the beginning of the period			1,921	(685)
Effect of implementation of IFRS 15			–	(485)
At beginning of period – as restated	**2,194**	**(3,411)**	1,921	(1,170)
Recognised in profit or loss				
Over provided in prior year	**(203)**	**(228)**	–	–
Tax losses utilised	**(258)**	**–**	(904)	–
Effect of change in rate of corporation tax	**(26)**	**(54)**	(76)	–
Newly recognised deferred tax asset/(liability)	–	**98**	1,253	–
Released tax asset	**–**	**257**	–	–
Recognised in other comprehensive income				
Revaluation of property, plant and equipment	–	**(1,848)**	–	(62)
Acquisition of subsidiaries	**–**	**–**	–	(2,179)
At the end of the period	**1,707**	**(5,186)**	2,194	(3,411)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Dividends

In the year, dividends of 2.15p per share (2018: 2 0p per share) were paid:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Equity dividend		
Paid during the year		
Final dividend in respect of 2017. 1.3p per share	–	2,271
Interim dividend in respect of 2018: 0.7p per share	–	1,223
Final dividend in respect of 2018. 1 4p per share	**3,085**	–
Interim dividend in respect of 2019. 0.75p per share	**1,653**	–
Total dividends	**4,738**	3,494

After the balance sheet date, a final dividend of 1 5p per qualifying ordinary share was proposed by the Board, creating a full year dividend for FY2019 of 2 25p per qualifying ordinary share (2018: 2 1p per qualifying share) The dividends have not been provided for.

11. Earnings per share (EPS)

(a) Basic earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding

	Year ended 31 March 2019 £'000	Restated Year ended 31 March 2018 £'000
Profit for the year used for calculation of basic EPS	**4,934**	6,656
Exceptional items (note 5)	**1,294**	823
Remove tax relief on exceptional items	**(246)**	(156)
Amortisation of intangibles	**1,612**	358
Profit for the year used for calculation of adjusted EPS	**7,594**	7,681

Number of shares ('000):

	31 March 2019 Number of shares	31 March 2018 Number of shares
Weighted average number of ordinary shares for the purpose of basic EPS	**217,205**	178,653
Effect of potentially dilutive ordinary shares	**9,838**	13,887
Weighted average number of ordinary shares for the purpose of diluted EPS	**227,043**	192,540
EPS		
Basic	**2.3p**	3.7p
Diluted basic	**2.2p**	3.5p
Adjusted basic	**3.5p**	4.3p
Adjusted diluted basic	**3.3p**	4.0p

12. Property, plant and equipment
(a) Reconciliation of carrying amount

	Utility assets £'000	Utility assets under construction £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2017 as previously reported	12,305	–	486	1,017	13,808
Adjustment to recognise assets under construction	276	4,150	–	–	4,426
Restated at 1 April 2017	**12,581**	**4,150**	**486**	**1,017**	**18,234**
Additions	1,539	15,483	110	60	17,192
Assets completed in period	10,922	(10,922)	–	–	–
Surplus arising on internally adopted assets	–	813	–	–	813
Acquisition of subsidiary	–	–	225	–	225
Restated at 31 March 2018	**25,042**	**9,524**	**821**	**1,077**	**36,464**
Additions	3,566	17,343	234	142	21,285
Assets completed in period	19,922	(19,922)	–	–	–
Surplus arising on internally adopted assets	–	1,100	–	–	1,100
Uplift arising from external revaluation	11,380	–	–	–	11,380
At 31 March 2019	**59,910**	**8,045**	**1,055**	**1,219**	**70,229**
Accumulated depreciation					
At 1 April 2017 as previously reported	(368)	–	(375)	(768)	(1,511)
Adjustment to recognise assets under construction	–	(3,524)	–	–	(3,524)
Restated at 1 April 2017	**(368)**	**(3,524)**	**(375)**	**(768)**	**(5,035)**
Depreciation charge for the period	(402)	–	(51)	(79)	(532)
Impairment	–	(11,310)	–	–	(11,310)
Assets completed in period	(7,896)	7,896	–	–	–
Revaluation	334	–	–	–	334
Restated at 31 March 2018	**(8,332)**	**(6,938)**	**(426)**	**(847)**	**(16,543)**
Depreciation charge for the period	(694)	–	(165)	(116)	(975)
Impairment arising on external valuation	(3,428)	–	–	–	(3,428)
Impairment	–	(9,969)	–	–	(9,969)
Assets completed in period	(12,780)	12,780	–	–	–
At 31 March 2019	**(25,234)**	**(4,127)**	**(591)**	**(963)**	**(30,915)**
Net book value					
At 31 March 2019	**34,676**	**3,918**	**464**	**256**	**39,314**
Restated at 31 March 2018	16,710	2,586	395	230	19,921
Restated at 1 April 2017	12,213	626	111	249	13,199
At 1 April 2017 as previously reported	11,937	–	111	249	12,297

Utility assets includes £1 2 million (2018: £0.5 million) of meter assets valued at cost less depreciation to date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Property, plant and equipment continued

(b) Measurement of fair values

(i) Fair value of hierarchy

The fair value of utility assets (excluding meters) was determined by external, independent specialist valuers, having appropriate recognised professional qualifications and recent experience in the assets being valued. The valuation established the fair value of the assets at 31 March 2019. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13.

(ii) Valuation technique and significant unobservable inputs.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Utility assets: • Income approach Is determined by considering the net present value of the future cash flows generated by the assets, taking into account the expected transportation income, expected asset life and growth rate The expected net cash flows are discounted using risk-adjusted discount rates • Market approach: For externally acquired assets after 1 April 2018, the price recently paid, with adjustment made to the indicated market prices, to reflect time, condition and utility of the appraised assets.	**Utility assets:** • Assumes that the asset income streams will continue at the current rate for the life of the asset with growth rate • Asset life assumed at 40 years, with the total useful economic life from the age of the asset at valuation date. • Growth rate has been based on trend for the last four year of percentage changes based on rates set by Ofgem resulting in growth of 0.3%. • Risk-adjusted discount rate of 7 4%	The estimated fair value would increase/(decrease) if **Utility assets:** • Income streams arising from the assets were higher or (lower). • Growth rate applied to the assets' income were 1.0% higher results in an increase of £2,637k and 1 0% lower results in a decrease of £2,078k • The expected life of the assets were five years longer results in an increase of £454k and five years shorter results in a decrease of £652k. • The risk-adjusted discount rate were 1.0% higher or lower it would result in a £2.0 million decrease/increase

The fair value of utility assets under construction was determined internally and is based upon the same principles as the external valuation. When performing the valuation, management has used judgement in assessing the key assumptions used in the valuation model including asset life and occupancy rates The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13 The utility assets and utility assets under construction are the only financial assets that are held at fair value in the financial statements.

(c) Impairment loss

Following the external valuation of the utility asset estate an impairment charge of £3.4 million was recorded £2.5 million of the loss was offset against the revaluation reserve, see note 21, as it related to amounts previously increased with the uplift going through the revaluation reserve. The remaining £0.9 million has been include in the consolidated statement of comprehensive income as an exceptional item

13. Capital commitments

The Group has entered into contracts to purchase property, plant and equipment in the form of utility assets from external parties, at 31 March 2019 the balance was £18 7 million (2018: £10.4 million).

14. Intangible assets

Reconciliation of carrying amount	Goodwill £'000	Brand and customer relationships £'000	Software and development costs £'000	Total £'000
Cost				
At 1 April 2017	2,225	–	2,601	4,826
Additions	12,026	–	936	12,962
Acquisition of subsidiary	–	12,607	19	12,626
At 31 March 2018	**14,251**	**12,607**	**3,556**	**30,414**
Additions	–	–	884	884
At 31 March 2019	**14,251**	**12,607**	**4,440**	**31,298**
Accumulated amortisation and impairment				
At 1 April 2017	–	–	(2,259)	(2,259)
Amortisation for the period	–	(208)	(150)	(358)
At 31 March 2018	**–**	**(208)**	**(2,409)**	**(2,617)**
Amortisation for the period	–	(1,354)	(258)	(1,612)
At 31 March 2019	**–**	**(1,562)**	**(2,667)**	**(4,229)**
Net book value				
At 31 March 2019	**14,251**	**11,045**	**1,773**	**27,069**
At 31 March 2018	14,251	12,399	1,147	27,797
At 1 April 2017	2,225	–	342	2,567

(a) Amortisation

The amortisation of brand, customer relationships and software (including development costs) is included in administrative expenses.

(b) Impairment testing

The Group tests goodwill annually for impairment or more frequently if there are indications that intangibles might be impaired. Goodwill is tested for impairment by comparing the carrying amount of each CGU with the recoverable amount. Goodwill brought forward at the start of the year relates to the acquisition of Fulcrum Group Holdings Limited on 8 July 2010, the acquisition of Dunamis Group Limited on 5 February 2018 and the acquisition of CDS PSL Holdings Limited on 27 March 2018 The carrying amount of the intangible asset is allocated across cash-generating units (CGUs). The goodwill held by the Group relates to either the Infrastructure Services CGU, Dunamis which has two CGUs or the CDS CGU

A segment-level summary of the goodwill allocation is presented below

As at 31 March 2018 and 31 March 2019	Fulcrum £'000	Dunamis £'000	CDS £'000	Total £'000
Goodwill	2,225	11,331	695	14,251

The recoverable amounts are determined based on value in use calculations which require assumptions. The annual impairment test was performed for the four CGUs identified above that have goodwill allocated to them The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The recoverable amounts of the above CGUs have been determined from value in use calculations which have been predicated on discounted cash flow projections from financial budgets approved by the Board covering a one year period, together with management forecasts for a further four year period. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources, together with the Group's views on the future achievable growth and the impact of committed cash flows Cash flows beyond this are extrapolated using the estimated long-term growth rates summarised in the table below

The pre-tax cash flows that these projections produced were discounted at pre-tax discount rates based on the Group's beta adjusted cost of capital reflecting management's assessment of specific risks related to each cash-generating unit. Pre-tax discount rates of between 8 2% and 13 3% (2018: between 8 7% and 20 0%) have been used in the impairment calculations which the Directors believe fairly reflect the risks inherent in each of the CGUs The terminal cash flows are extrapolated in perpetuity using a growth rate of 2.0% (2018 2.0%). This is prudently aligned with the inflation rate and is not considered to be higher than the long-term industry growth rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Intangible assets continued

(b) Impairment testing continued

	Weighted average risk adjusted discount rate	Long-term growth rate
Fulcrum	8 2%	2.0%
Dunamis	13.3%	2.0%
CDS	8.2%	2.0%

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis has been performed on the individual CGUs with a 1 0% increase in discount rate and a 1.0% reduction in long-term growth rate Based on this analysis, no reasonably possible changes to these assumptions resulted in an impairment charge being required.

Management has identified that for the electrical infrastructure CGUs, Dunamis and Maintech, a reasonably possible change in the revenue growth assumptions in years one to five could cause the carrying amount to exceed the recoverable amount. Under management's base case, the recoverable amounts exceed the carrying value by £1.8 million for Maintech and £15.0 million for Dunamis. The revenue growth rate for the combined electrical infrastructure CGUs for year one is -9.0% (Dunamis -6 0%, Maintech· -13.0%) and the average revenue growth rate for years two to five is 47.0% (Dunamis· 63.0%, Maintech. 21.0%), based on the rapidly expanding renewable energy and electric vehicle markets (business, energy, industrial strategy, paper· electric vehicles – driving the transition dated October 2018). Other key assumptions include maintaining the gross margin at a consistent level whilst the growth in overhead costs is below the level of revenue growth considered above for both CGUs If the average revenue growth rate for years two to five was reduced to 28.0% for the Dunamis CGU, the estimated recoverable amount would equal the carrying amount and if it was reduced to 16.0% for the Maintech CGU, the estimated recoverable amount would equal the carrying amount

15. Contract assets

	31 March 2019 £'000	31 March 2018 £'000
Work in progress	**3,227**	3,905
Contract receivables	**5,905**	6,472
Total	**9,132**	10,377

The work in progress balances reflect direct works costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. Work in progress recognised as cost of sales in the period amounted to £29.5 million (2018 £26 2 million). There have been no write-downs in the year (2018 nil) – contract receivables relate to infrastructure revenue completed but not invoiced.

16. Trade and other receivables

	31 March 2019 £'000	Restated 31 March 2018 £'000
Trade receivables	**3,972**	5,834
Other receivables and prepayments	**2,420**	943
	6,392	6,777

Trade and other receivables are non-interest bearing Due to the activities and diversified customer structure of the Group, there is no significant concentration of credit risk

The Group applies a simplified approach in calculating expected credit losses. 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

	31 March 2019		31 March 2018	
Ageing trade receivables	**Gross £'000**	**Impairment £'000**	Gross £'000	Impairment £'000
Not past due	**1,122**	–	2,806	–
Past due less than one month	**2,131**	–	2,643	–
Past due one to two months	**456**	–	308	–
More than two months past due	**276**	**(13)**	217	(140)
	3,985	**(13)**	5,974	(140)

16. Trade and other receivables continued

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

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the period	**140**	106
Impairment losses charged	**–**	101
Impairment losses reversed	**(127)**	(67)
At the end of the period	**13**	140

Information about the Group's exposure to credit and market risk is included in note 29.

17. Pension benefits

The Group operates a defined contribution pension plan, the total expense relating to this plan in the current year was £553,674 (2018 £250,566).

18. Share based payments

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

	EMI 2015 option plan	ESS 2015 option plan	GSS 2016 option plan	EMI 2016 option plan	GSS 2018 option plan
Status	Existing plan	Existing plan	Existing plan	Existing plan	New plan
Grant date	19 January 2015	27 March 2015	7 March 2016	7 March 2016	3 August 2018
Number of options	5,006,335	9,513,845	3,913,000	3,243,149	3,944,064
Exercise price	7 75p	£nil	£nil	28.125p	£nil
Vesting criteria	Average share price of 12.75p over 20 consecutive working days	Average share price of 24 0p over 20 consecutive working days	Average share price of 40 0p over 20 consecutive working days	Average share price of 40.0p over 20 consecutive working days	Hurdle one Average share price of 100.0p over 20 consecutive working days Hurdle two· Average share price of 130 0p over 20 consecutive working days
Volatility	30 00%	29 30%	56 60%	56 60%	236.8%
Dividend yield	nil	nil	2 49%	2.49%	3.17%
Option life	3 years	3 years	1 year	1 year	3 years
Annual risk free rate	0 74%	0.41%	0.45%	0.45%	0.82%
Outstanding at the beginning of the year	3,000,000	3,733,089	1,926,000	248,421	3,944,064
Exercised during the year	(3,000,000)	(3,733,089)	(1,926,000)	(248,421)	–
Lapsed during the year*	–	–	–	–	(715,077)
Outstanding at the end of the year	–	–	–	–	3,228,987
Exercisable at the end of the year	–	–	–	–	–

* Lapsed shares relate to two employees who have left the Group during the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Share based payments continued

	SAYE 2016 option plan	SAYE 2017 option plan	SAYE 2018 option plan	SAYE 2019 option plan
Status	Existing plan	Existing plan	Existing plan	New plan
Grant date	3 February 2016	3 February 2017	5 February 2018	5 February 2019
Number of options	2,678,416	513,000	749,520	3,992,769
Exercise price	22.1p	50 0p	50.0p	35.1p
Vesting criteria	Maturity date of 1 March 2019	Maturity date of 1 March 2020	Maturity date of 1 March 2021	Maturity date of 1 March 2022
Volatility	56.6%	119.6%	230 1%	281.3%
Dividend yield	2.49%	1.92%	3 20%	4 90%
Expected life	3 years	3 years	3 years	3 years
Annual risk free rate	0 45%	0.11%	0 74%	1.61%
Outstanding at the beginning of the year	2,678,416	513,000	749,520	–
Granted during the year	–	–	–	3,992,769
Exercised during the year	(952,644)	–	–	–
Lapsed during the year*	–	–	(581,400)	–
Outstanding at the end of the year	1,725,772	513,000	168,120	3,992,769
Exercisable at the end of the year	1,725,772	–	–	–

* Lapsed shares are primarily a result of employees cancelling their holdings in the SAYE 2018 scheme in favour of the SAYE 2019 scheme

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

The volatility was determined by calculating the historical volatility of the Group's share price since the Group's listing on AIM in December 2009.

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

In the year, the Group recognised total expense before tax of £115,000 (2018· £35,000) in relation to equity-settled share based payment transactions in the statement of comprehensive income These options have been credited against retained earnings reserve

19. Share capital

	31 March 2019 £'000	31 March 2018 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	**500**	500
Allotted, issued and fully paid		
221,303,106 (2018. 210,656,308) ordinary shares of £0 001 each	**221**	211

Ordinary shareholders are entitled to dividends as declared During the year 10.6 million ordinary shares (2018 43.4 million ordinary shares) were issued with a nominal value of £10,647 (2018: £43,414) to employees exercising vested share options.

20. Share premium

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the period	**21,042**	14,101
Dividends paid	**(4,738)**	(3,494)
Capital transfer to retained earnings	**(16,605)**	–
Shares issued	**511**	10,435
At the end of the period	**210**	21,042

In February 2019, a capital transfer was performed of £16 6 million from the share premium account to retained earnings. Under Cayman law, distributions can be made out of share premium unlike in the UK As such, the transfer was performed to provide better clarity to the reader of the accounts.

21. Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's utility asset estate

	31 March 2019 £'000	Restated 31 March 2018 £'000
At the beginning of the period	**4,649**	3,572
Revaluation in the period	**11,380**	334
Surplus arising on utility assets internally adopted in the year	**1,100**	813
Asset impairment	**(2,544)**	–
Revaluation reserve transfer	**–**	(8)
Recognition of deferred tax liability	**(1,848)**	(62)
At the end of the period	**12,737**	4,649

As at 31 March 2019, an independent valuation was performed on the Group's utility asset estate resulting in a net increase to the value of the estate of £8.0 million. Further details are provided in note 12.

22. Merger reserve

Relates to the premium arising on the issue of shares as part of the acquisition of The Dunamis Group Limited on 5 February 2018 and CDS PSL Holdings Limited on 27 March 2018

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the period	**11,347**	–
Issue of shares	**–**	11,347
At the end of the period	**11,347**	11,347

23. Retained earnings

	31 March 2019 £'000	Restated 31 March 2018 £'000
At the beginning of the period as previously reported		(7,165)
Adjustment for change in accounting policy		(229)
Restated at the beginning of the period	**(695)**	(7,394)
Retained profit in the period	**4,934**	6,656
Revaluation reserve transfer	**–**	8
Capital transfer*	**16,605**	–
Equity-settled share based payment transactions	**115**	35
At the end of the period	**20,959**	(695)

* See note 20 share premium for details

24. Trade and other payables

	31 March 2019 £'000	Restated 31 March 2018 £'000
Trade payables	**5,881**	4,261
Other payables	**5,065**	6,482
	10,946	10,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Contract liabilities

	31 March 2019 £'000	31 March 2018 £'000
Contract liabilities	**26,343**	25,900
	26,343	25,900

Of the £26.3 million of contract liabilities, £20.9 million (2018 £20.4 million) relates to deferred income Deferred income represents contracted sales for which services to customers will be provided in future periods

Information about the Group's exposure to liquidity risks is included in note 28.

26. Interest-bearing loans and borrowings

On 4 June 2018, the Group entered into a new three year revolving credit facility agreement with Lloyds Banking Group for up to £20 million The new debt facility replaces the previous £4.0 million debt facility which was undrawn on 4 June 2018. The new facility supports the forecast growth in utility asset ownership of gas and electricity assets by the Group, with drawdowns secured against the acquired utility assets. The facility is structured as an "accordion" facility so that £10.0 million is currently committed and a further £10 0 million is available by request from the Group to the bank

When the facility was entered into, the transaction costs and arrangement fee totalling £83.6k were capitalised Following the first drawdown in January the costs have been amortised over the remaining life of that facility, i.e. until 4 June 2021.

(a) Changes in liabilities arising from financing activities

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the period	**(2)**	–
New borrowings	**3,000**	–
Finance costs paid	**(73)**	(2)
	2,925	(2)

(b) Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity	**31 March 2019 £'000**	31 March 2018 £'000
Borrowings	GBP	LIBOR + 2 0%	2021	**3,000**	–

The Group has complied with the financial covenants (interest cover and leverage covenants) relating to the above facilities.

27. Reconciliation to net funds

	31 March 2019 £'000	31 March 2018 £'000
Cash and cash equivalents	**6,824**	9,431
Borrowings	**(3,000)**	–
Net funds	**3,824**	9,431

28. Provisions

	31 March 2019 £'000	31 March 2018 £'000
At the beginning of the period	**98**	–
Utilised during the period	**(2)**	–
Provision created during the period	**–**	98
At the end of the period	**96**	98

The provision relates to warranty provisions held in Dunamis Infrastructure Services Limited The provision has been estimated based on historical warranty data associated with similar products and services and is expected to be utilised over two years.

29. Financial risk management

The Group has exposure to the following risks from its use of financial instruments

- market risk,
- liquidity risk,
- capital risk, and
- credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes The Board has overall responsibility for risk management of the Group and agrees policies for managing the risks associated

Market risk

Market risk represents the potential for changes in interest rates and foreign exchange prices to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK construction/utilities industry on the Group The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns

Interest rate risk

The Group's interest rate risk generally arises from its borrowing facility. The Group agreed a new debt facility of up to £20 0 million with our existing bank, Lloyds Banking Group plc, on 4 June 2018, to support the forecast growth in utility asset ownership of gas and electricity assets During the year £3 0 million was drawn at an interest rate of 2 0% plus LIBOR. There would need to be a significant movement in the LIBOR rate to impact the Group.

The Group's exposure to the risk of changes in foreign exchange is low as the Group operates within the UK.

UK capacity market

During the year some of the Group's infrastructure projects were influenced by external pressures, such as the sudden suspension of the UK capacity market, which has resulted in certain projects commencing later than expected. Despite these headwinds presenting current challenges for the sector, the Board remains confident in the longer-term prospects due to our customer relationships, our technical expertise and the fundamental need for investment to enhance and efficiently manage the electricity grid capacity.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due without incurring unacceptable losses or risking damage to the Group and does so by monitoring cash flow forecasts and budgets. The Group's exposure to liquidity risk reflects its ability to readily access the funds to support its operations.

Liquidity forecasts are produced on a regular basis and include the expected cash flows that will occur on a 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

To support the forecast growth in utility asset ownership of gas and electricity assets, the Group agreed a new debt facility of up to £20 0 million in June 2018. At 31 March 2019 the Group had drawn down £3 0 million from the facility to fund the acquisition of utility assets, the loan is secured against the assets acquired. The facility and close working capital management are deemed to be sufficient to meet projected liquidity requirements.

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal Accordingly deposits are made only with approved, respected, high credit rating financial institutions. Deposits are made on a short-term basis only to preserve liquidity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Financial risk management continued

Capital risk

The capital structure of the Group consists of net cash/debt (borrowings as detailed in note 26 offset by cash balances) and equity of the Group. The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers. A high proportion of the Group's customers pay in advance of works commencing, with the remaining profile consisting of established or listed businesses which typically pay on stage payment terms with cash received in advance of works commencing The creditworthiness of new customers is assessed by taking into account their financial position, past experience and other factors It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group

30. Operating leases

(a) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows

	Land and buildings		Other operating leases	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Less than one year	**272**	271	**432**	559
Between one and five years	**1,042**	924	**683**	722
In more than five years	**583**	842	**0**	0
	1,897	2,037	**1,115**	1,281

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

(b) Transition to IFRS 16

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) will replace IAS 17 and related interpretations and requires entities to apply a single lessee accounting model, with lessees recognising right-of-use-assets and lease liabilities on the balance sheet for all applicable leases. In addition, the nature of expenses related to those leases will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use-assets and an interest expense relating to lease liabilities.

The Group intends to adopt a full retrospective application of the standard applying the practical expedient available on transition not to reassess whether a contract existing at the date of initial application contains a lease The Group currently anticipates the approximate impact on the financial statements as follows:

	Estimated impact £'000	Range of outcomes* +/- £'000
Statement on financial position (restatement impact as at 31 March 2019)		
IFRS 16 right-of-use assets	2,464	100
IFRS 16 lease liabilities	(2,709)	100
Net IFRS 16 lease recognition	(245)	
Remove operating lease related prepayments and accruals	112	10
Net impact at 31 March 2019	(133)	
FY19 income statement (restatement impact)		
Remove operating lease charges	659	10
Replace with IFRS 16 depreciation and finance charge	(682)	10
FY19 profit before tax decrease under IFRS 16 versus IAS 17	(23)	

* All estimates are rounded to the nearest £100,000 and presented as a range of outcomes as they remain subject to refinement of judgements, estimates and assumptions, further detailed review and full audit of the transition amounts in the year of transition Any revisions to estimates, notably in respect of lease terms and discount rates, would include a degree of offset between right-of-use assets and lease liabilities Consequently the range of outcomes for the total net impact is lower than the sum of individual ranges of outcomes

30. Operating leases continued

(b) Transition to IFRS 16 continued

The reduction in net assets on transition to IFRS 16 reflects the timing of finance charges under a full retrospective application, whereby the finance charge is greatest at the start of each lease resulting in higher cumulative historical income statement charges prior to the date of transition versus those reported under IAS 17 Consequently the Group anticipates total future income statement charges in respect of existing leases to be slightly higher under IFRS 16 than would have been reported on a straight-line basis under IAS 17, reflecting the gradual reversal of the opening restatement impact on net assets. This will be partially offset by higher initial income statement charges on new leases. The estimated impact on the FY19 income statement is shown above

31. Related parties

The Group has a related party relationship with its subsidiaries and with its Directors Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on pages 30 and 31.

Ian Foster's wife is a Director of TQM Ltd In the year ended 31 March 2019, TQM provided consulting services to the value of £15k

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GROUP TRADING COMPANIES

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Independent Distribution Network Operator (iDNO)
Fulcrum Electricity Assets Limited

Meter Asset Provider (MAP)
Fulcrum Smart Metering Limited

Meter Operator (MOP)
Fulcrum Metering Services Limited

Utility Infrastructure Providers (UIPs)
Fulcrum Infrastructure Services Limited

CDS Pipe Services Limited

Independent Connection Providers (ICPs)
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