103287/20

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

Companies House

THURSDAY

AABPQYX9
A19 26/08/2021 #2
COMPANIES HOUSE

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

✗ **What this form is NOT for**
You cannot use this form to an alteration of manner of c with accounting requiremen

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

All fields are mandatory unless specified or indicated by *

Part 1 Corporate company name

Corporate name of overseas company ❶	FULCRUM UTILITY SERVICES LIMITED
UK establishment number	B R 0 1 5 0 0 0

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

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.

Legislation ❷	CAYMAN ISLANDS COMPANY LAW

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

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 ❸	IFRSs AS ADOPTED BY THE UK

❸ 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	IFRSs AS ADOPTED BY THE UK & IFRIC INTERPRETATIONS	

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:
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: Nadia Kolpneva

Company name: TMF GROUP

Address: 20 Farringdon Street

Post town: LONDON

County/Region:

Postcode: E C 4 A 4 A B

Country: UNITED KINGDOM

DX:

Telephone:

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:
The Registrar of Companies, Companies House, 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

EMERGING STRONGER TO CONNECT THE UK'S NET-ZERO FUTURE

Fulcrum Utility Services Limited Annual Report and Accounts 2021

Company number FC030006

EMERGING STRONGER TO CONNECT THE UK FOR A NET-ZERO FUTURE

Strategic report

Corporate governance

Financial statements

To view our investor site visit:
https://investors.fulcrum.co.uk

HIGHLIGHTS

Revenue

£47.1m

2021	47.1
2020	46.1
2019	48.9

Adjusted EBITDA from continuing operations*

£0.1m

2021	0.1
2020	4.5
2019	10.9**

Total dividends per share

£nil***

2021	£nil***
2020	£nil
2019	2.25p

Net (debt)/cash

£(1.5)m

2021	(1.5)
2020	6.0
2019	3.8

Net assets

£35.4m

2021	35.4
2020	46.3
2019	45.3**

Financial performance

- Revenue up 2.2% to £47.1 million (2020: £46.1 million)
- Adjusted EBITDA from continuing operations* of £0.1 million (2020: £4.5 million), in line with the expectations stated in our interim results
- Loss before tax of £11.5 million (2020: £1.3 million profit), impacted by exceptional items
- Cash outflow from operating activities of £2.4 million (2020: £2.1 million inflow)
- Adjusted earnings per share of (0.9)p (2020: 2.3p) and basic earnings per share of (4.6)p (2020: 0.7p)
- Net debt of £1.5 million as at 31 March 2021 (2020: £6.0 million net cash)
- Debt facility headroom (from facilities negotiated during the year) of £4.3 million as at 31 March 2021
- Net assets of £35.4 million (2020: £46.3 million)
- Net impairment to utility assets, intangible assets and deferred tax assets of £9.0 million**** in the year (2020: £1.0 million net revaluation)

Operational highlights

- Remained operational throughout Covid-19 with a safe, effective, and rapid response
- Renewed focus on margin and cost discipline
- Made good progress in the execution of our strategy despite Covid-19, with selective investment to strengthen operational and business capabilities and secure new talent
- Balance sheet strength supported by the ongoing and successful execution of the sale of the Group's domestic asset portfolio
- Robust order book of £56.1 million and revised prudent approach to its valuation
- Secured key contracts across all sectors, resulting in:
  - Strengthened smart metering operations, with a 34% growth in the number of meters in the order book expected to be exchanged
  - A £4.2 million contract to provide 13.5km of new high voltage electrical infrastructure for a major redevelopment project
  - Winning our first project with over 1,500 multi-utility connections
- Successfully tendered on larger contracts, resulting in significant contract awards post year end
- Named as one of the top 10 utility companies to work for in 2021, recognising the positive and supportive culture the Group has developed, particularly during the pandemic

* Adjusted EBITDA from continuing operations is operating (loss)/profit excluding the impact of exceptional items, other gains, depreciation, amortisation and equity-settled share-based payment charges

** Restated for IFRS 16

*** The Board will not be recommending the payment of a dividend in respect of the financial year ended 31 March 2021, considering the loss for the year and continuing near-term economic uncertainty

**** Net impairment of utility assets and utility assets under construction (£3.5 million), intangible assets (£4.9 million) and deferred tax assets (£0.6 million)

FULCRUM AT A GLANCE

VISION
To use our multi-utility expertise and capabilities to connect the UK and play an essential part supporting its transition to a net-zero future.

PURPOSE
To design, build, deliver and maintain the essential utility infrastructure that powers the UK.

MISSION
To support our customers by providing innovative and all in one multi-utility infrastructure solutions, delivered to the highest standards of service, to power their projects.

VALUES
Our values live in everything we do and are our commitment to be the very best for all our stakeholders.

PROVIDING ESSENTIAL SERVICES TO CONNECT FOUR KEY SECTORS

We use our capabilities and experience to provide multi-utility infrastructure services and solutions to four key sectors, nationally.

HOUSING
Read more on page 14

INDUSTRIAL & COMMERCIAL (I&C) INCLUDING ELECTRIC VEHICLE (EV) CONNECTIONS
Read more on page 16

SMART METERING
Read more on page 18

MAINTENANCE AND OWNERSHIP
Read more on page 20

UNDERPINNED BY OUR STRONG COMMITMENT TO ESG

ENGAGEMENT
Read more on page 22

RISK MANAGEMENT
Read more on page 27

SUSTAINABILITY
Read more on page 31

GOVERNANCE
Read more on page 37

INVESTMENT PROPOSITION

REASONS TO INVEST

1

WE OPERATE IN ESSENTIAL MARKETS THAT WILL GROW SIGNIFICANTLY

- The UK commitment to deliver an average of 300,000 new homes each year by the mid-2020s remains, with recent estimates indicating 340,000 new homes are needed each year until 2031. All new homes need multi-utility infrastructure
- More advice, collaborative working and renewable energy solutions are needed from multi-utility connection businesses to support home builders to meet the Future Homes Standard
- There are approximately 29 million domestic meters to exchange to smart meters by mid-2025
- Electricity, including the infrastructure needed to power solar farms, wind farms and battery storage, is a key enabler in decarbonising the economy cost effectively by 2050, and electricity demand could double by 2050
- There is significant need for new utility infrastructure to power the rapidly growing number of electric vehicles

2

WE ARE STRONGLY POSITIONED TO GROW MARKET SHARE

- The Group has low market share across several attractive growth markets and geographies, presenting a significant opportunity for growth
- The Group's multi-utility capabilities are essential to connecting the UK and supporting its journey to a net-zero future and it is differentiated by its ability to operate nationally and across all complexities
- We will grow sustainably too, with a commitment to be carbon neutral by 2030

3

WE ARE SUPPORTED BY CASH-GENERATIVE ASSET SALES

- The sales of domestic gas assets to ESP generates cash. There is approximately £27 million of cash still to be received from these asset sales as at 31 March 2021
- We operate with strong financial discipline

4

WE OPERATE IN MARKETS WITH HIGH BARRIERS TO ENTRY

- The specialist, technical and regulated nature of the UK's multi-utility connections market means there are high barriers to entry for new competitors

5

WE HAVE DEVELOPED A STRONG PIPELINE AND ROBUST ORDER BOOK

- The Group won key contracts in all the sectors within which it operates and had a healthy order book of £56.1 million as at 31 March 2021
- In the year, the Group tendered on larger contracts and this resulted in a variety of significant contract awards post year end
- The Group developed a robust sales pipeline and builds strong repeat business relationships with its customers

6

WE ARE LED BY A REFRESHED, HIGHLY EXPERIENCED LEADERSHIP TEAM

- A renewed Board, with relevant skills, experience and capabilities
- A highly experienced team

WHAT DIFFERENTIATES US

- Able to design and deliver multi-utility infrastructure on every scale
- Strong technical multi-utility expertise across every sector, including niche high voltage electrical and specialist gas capabilities
- Proven expertise in design and delivery nationally through talented in-house teams
- An exceptional safety record and commitment to health, safety and wellbeing
- Committed to delivering the best service and customer experience in our sector
- Able to offer flexible utility adoption solutions for customers
- Committed to being a sustainable business, working towards achieving carbon neutrality by 2030

  See our road to carbon neutrality by 2030 on page 33
- Named by Best Companies as one of the top 10 utility companies in the UK to work for, and the only multi-utility business in the top 10

INVESTMENT PROPOSITION CONTINUED

STRATEGIC PRIORITIES

1

GROW MARKET SHARE, REVENUES AND PROFITABILITY SIGNIFICANTLY IN CORE MARKETS

- The Group's current low market share, combined with its multi-utility capabilities and the UK's growing multi-utility infrastructure needs, positions it strongly to grow across all sectors
- A renewed focus on margin and cost discipline

Progress this year:

- Refocused efforts on growing in the Group's core markets
- Invested in enhanced recruitment to support expansion into new geographies
- Won strategically important new contracts and agreements across all sectors resulting in a Group order book of £56.1 million as at 31 March 2021
- Successfully tendered on larger contracts resulting in a variety of significant, multi-million pound contract awards in the year and post year end

2

STRENGTHEN THE BUSINESS AND PREPARE IT FOR THE UK'S NET-ZERO FUTURE

- Ensure the business is strongly positioned to take advantage of the opportunities presented by the essential nature of the utility infrastructure services it provides, and the UK's transition to net zero

Progress this year:

- Selective investment in business operations to create stronger foundations for future growth
- Developed the Group's in-house multi-utility and renewable energy capabilities and expertise
- Secured new contracts to design, build and maintain utility infrastructure essential to support the transition to net zero, including wind farms, solar farms, battery storage sites and EV charging infrastructure
- Laid foundations to secure significant new multi-utility contracts, supporting a strong succession of wins post year end

3

GENERATE SURPLUS CASH WITH A STRONG BALANCE SHEET

- The cash generated by the Group's services and the payment profile of the asset sale to ESP, provides visibility and security of future cash flow

Progress this year:

- Successfully completed the planned tranche of the asset sale to ESP for £4.6 million (gross) and achieved an enhanced payment milestone, resulting in an additional £0.5 million in cash
- Agreed more attractive timings on future asset transfers and associated payments, improving the flow of cash from the sale of the assets
- Entered into a new two-year £10.0 million Revolving Credit Facility with Lloyds Banking Group

4

BECOME AN INCREASINGLY SUSTAINABLE BUSINESS

- Sustainability underpins our commitment to create long-term value for all our stakeholders.
- As well as using our capabilities to connect our customers' net-zero ambitions, we will also focus on decarbonising our operations to reduce our carbon footprint, minimising our climate change impact, and commit to be Carbon Neutral by 2030

Progress this year:

- Made positive progress across all four areas of our sustainability strategy. Read more on pages 31 to 36
- Initiated a business lead, team and sustainability programme to identify and cut emissions from operations, starting with the implementation of the Carbon Trust's Footprint Manager platform

5

BECOME A "TIMES TOP 100" EMPLOYER

- Be an employer of choice in the UK to recruit and retain the best talent

Progress this year:

- Named as one of the UK's top 10 utility companies to work for by Best Companies, recognising the positive and supportive culture the Group has developed, particularly during the pandemic
- Named as "One To Watch" by Best Companies, recognising "good" levels of workplace engagement, and shortlisted on two Best Companies regional lists

CHAIR'S STATEMENT

REFOCUSING IN A CHALLENGING YEAR

"

Despite the considerable impact of the Covid-19 pandemic on the business in the year, the Group made progress against its strategic priorities whilst we supported and protected our stakeholders. We still have more to do, but we have grown stronger and began to lay the foundations that will support the Group's future success."

Jennifer Babington
Non-executive Chair

I joined the Board in May 2020 and was appointed Chair on 10 December 2020.

FY21 has been a hugely challenging year for Fulcrum in several respects and this is reflected in the Group's financial performance for the year. Nevertheless, I am proud of how we responded to the challenges presented to us. Against the backdrop of the Covid-19 pandemic, we invested significantly in stabilising the business and strengthening its foundations. We have made positive progress on all fronts, with the Group emerging stronger from FY21 with a clear strategy to focus on our core markets and on becoming the UK's net zero multi-utility connector of choice.

Changes to our Board

There were several changes to the Board during this year as we began to implement our Board transition plan following the proposed tender offer from Harwood Capital LLP. The Group invested significant time and resources in responding to the offer in the year and I am pleased with the positive outcomes of the Relationship Agreement, which resulted in a refreshed and re-energised Board.

Each of the new team bring with them important skills and experience as well as providing considerable shareholder representation, all which will support the successful execution of our strategy and growth. I was especially delighted that Terry Dugdale was appointed to lead the business as our new CEO in January 2021.

Results

The Group, like many businesses, faced significant challenges in FY21 and first, I would like to thank our amazing people. They demonstrated passion, tenacity and resilience, quickly delivering an effective and safe response to the operational challenges presented by Covid-19. Throughout the pandemic we played a vital part in connecting and maintaining essential utility infrastructure and provided enhanced services to projects, sites and customers that were critical in supporting essential services, front line workers and the NHS.

CHAIR'S STATEMENT CONTINUED

Results continued

Covid-19 affected the Group's financial performance in the year and, despite an initial strong bounce back from the impact of the pandemic in the first half of the year, the second half was adversely affected, especially as the national lockdowns delayed the award, mobilisation and completion of some of our contracts.

Read more about our Covid-19 response on pages 12 and 13

Despite the heightened impact of Covid-19 in the second half of the year, the Group's performance for the full year was in line with the expectations stated in our interim results, with a positive adjusted EBITDA of £0.1 million.

Progress against our strategy

The UK needs more utility infrastructure to connect its net zero infrastructure investments, such as the EV charging network, wind and solar parks, and the many new homes the country requires. This necessity has been expedited as the UK plans to build back better from the pandemic and this need will only grow as the UK transitions to a low carbon economy. The opportunity to become the net zero utility connector of choice, is hugely exciting for the Group and presents significant growth opportunities across all the markets we operate in, as our capabilities and experience are essential to enabling and supporting the net-zero revolution.

Read more about the market drivers that support the Group's growth ambitions on pages 14 to 21

Our strategy to capitalise on these opportunities is clear. We refocused our efforts on growing in our core markets and made positive progress in executing this, despite the impact of Covid-19. We made essential investments in the business to strengthen its foundations, to deliver improvements and to support the Group's future growth. This was done selectively and balanced with maintaining financial prudence and flexibility.

Maintaining balance sheet strength, cash conservation and supporting the Group's liquidity throughout the pandemic was a priority. To support this, all planned tranches of the asset sale to ESP were successfully delivered, and an enhanced payment relating to the agreement with ESP was achieved. We also entered into a new two-year £10.0 million Revolving Credit Facility with Lloyds Banking Group.

ESG and sustainability

The Board and I are passionate about ensuring the Group has a strong commitment to ESG and the sustainable approach the Group is developing proved valuable to our effective response to the Covid-19 pandemic.

We are committed to use our capabilities to support the UK's net-zero revolution, and to also reduce the impact of the Group's operations on climate change and I am very pleased to confirm that Fulcrum is on a journey to be Carbon Neutral by 2030.

Read more about our roadmap to 2030 on page 33

Dividend

Considering the loss for the year and the continuing near-term economic uncertainty, the Board will not be recommending the payment of a dividend in respect of the financial year ended 31 March 2021, but will continue to keep its dividend policy under review.

Outlook

Despite the considerable impact of the Covid-19 pandemic on the business in the year, the Group made progress against its strategic priorities whilst we supported and protected our stakeholders. We still have more to do, but we have grown stronger and began to lay the foundations that will support the Group's future success.

The Board remains excited by the Group's potential and future. There are incredibly strong short, medium, and long-term market drivers that provide clear and significant growth opportunities for Fulcrum, and the Group is now much better equipped, and more strongly positioned, to capitalise on them.

Jennifer Babington
Non-executive Chair
30 July 2021

FULCRUM IN ACTION

MULTI-UTILITY INFRASTRUCTURE FOR MAJOR REGENERATION PROJECT

In the year, Fulcrum was awarded a significant multi-utility contract to provide essential infrastructure and make way for significant levels of new commercial development at, "Unity", one of Yorkshire's largest regeneration projects.

The Group is designing and installing 2km of gas infrastructure, 2.5km of electrical infrastructure and delivering the diversion of a water main. The new utility infrastructure will support future development and enable the start of construction of Unity Connect, the scheme's commercial zone which will include a new 800,000 sq ft distribution centre and training facility.

Fulcrum designed an innovative high voltage electrical infrastructure solution to future proof the development and to support the power requirements of new industrial units as they are added. In addition to reducing cost for the developer, this solution will help speed up future development timescales.

"We are very pleased to be working with the team at Fulcrum. Our investment in infrastructure will form an integral part of the scheme's future success and helps lay the foundations for considerable development in the months and years ahead."

Alistair McLoughlin
Director at Waystone Hargreaves Land LLP

A GROWING COLLABORATION WITH LUXURY HOME BUILDER

In the year, Fulcrum worked with Harron Homes, to provide multi-utility connection services for a number of developments. Working in partnership with a developer across multiple projects like this, is a result of the Group's approach to building strong and trusted repeat business relationships with its customers.

"Harron Homes would like to commend Fulcrum on providing a great service, by making the utilities process as simple and effortless as possible. As all developers are aware, no two schemes are ever the same, but Harron Homes knows that we can lift the phone and talk through our developments with any one of the friendly, knowledgeable staff within Fulcrum. To date, our dealings with Fulcrum have been very positive."

Harron Homes

CHIEF EXECUTIVE OFFICER'S STATEMENT

EMERGING STRONGER FOR OUR FUTURE SUCCESS

"Despite an extremely challenging and Covid-19 affected year, the Group made progress, delivered improvements and laid foundations that will support our future success."

Terry Dugdale
Chief Executive Officer

2021 review

Just like many businesses, Fulcrum was affected by the Covid-19 pandemic. FY21 was an extremely challenging year for the Group and this is reflected in its financial performance in the year.

However, we were agile and resilient and responded quickly and effectively to Covid-19, remaining operational and making progress in the execution of our strategy, whilst we supported our customers throughout.

I became CEO in the final quarter of the financial year and, along with maintaining our operations and protecting our stakeholders throughout the pandemic, my key focus has been to improve the efficiency of the business to drive its future profitability. This has presented considerable challenges, as significant work and effort from all our people has been required to stabilise the business and improve its foundations.

Delivering growth and profitability in our core markets is now our number one priority. We have refocused our efforts on strengthening the multi-utility capabilities of the business to achieve future growth in these core markets and I am pleased with the improvements made so far. Our efforts have been fruitful and have enabled the Group to secure several of its largest ever contract wins post year end.

I would like to say a personal thank you to all our people for their resilience, their efforts, and the enthusiasm they have demonstrated in what has been a year filled with significant challenges.

Keeping the nation connected

We continued to put protecting our stakeholders first and foremost and I'm proud that we kept everyone's safety as our main priority while we continued to provide essential utility infrastructure services to the nation. I'm also delighted that we were able to use our capabilities to provide additional support to projects and customers which were critical in helping the fight against Covid-19.

How we responded to Covid-19 and supported our customers through the pandemic helped us build even stronger relationships with them, and I'm pleased that we maintained exceptional levels of customer service throughout, achieving an "excellent" Net Promoter Score in the year, supported with some of the best customer sentiment, praise and feedback we've ever received.

The Covid-19 pandemic affected the Group's performance this year. However, full year performance was in line with the expectations stated in our interim results.

Despite our effective response and an initial strong turnaround, the national lockdowns delayed the planned delivery of larger scheduled projects and our smart metering exchange programmes. The lockdowns also affected customer decision making on the award of new contracts, with much of the significant investment and effort in tenders not being realised as sales until after the year end.

As well as focusing on remaining operational and delivering our essential services to keep the nation connected, we executed our strategy and invested in the business. We still have more to do, but we are now stronger, with better foundations that will enable us to fully capitalise on the significant growth opportunities available to us both now and as the UK moves towards a net-zero future.

A clear strategy to grow

There are clear and exciting market drivers presented by both the UK's utility infrastructure needs today and as the UK transitions to a low carbon economy, and the Group's capabilities and expertise position it strongly to capitalise on this.

We have a clear strategy to ensure that we are best placed to maximise on these opportunities as we grow, and we made positive progress against each of our strategic priorities this year. Significantly, we focused our efforts on improving business capabilities to achieve future growth in our core markets.

Read more about our strategic priorities on page 4

We ensured that we maintained a healthy balance sheet, including successfully completing the planned tranche of the asset sale to ESP, achieving an enhanced payment milestone and negotiated more attractive timings on future asset transfers and associated payments.

We selectively invested in strengthening our operational capabilities by investing in our people with best-in-class multi-utility capabilities and we recruited top industry talent to join our existing business development and operational teams. This has been important in effectively executing our regional expansion and growth plans.

We improved our ability to win larger opportunities and won a variety of new and significant contracts in the year, including a £1.6 million new housing contract, our first project with over 1,500 connections, a £4.2 million contract to provide 13.5km of new high voltage electrical infrastructure for a major redevelopment project, a £1.5 million contract to install 3.8km of gas infrastructure for a large automotive manufacturing operation and contracts with a major Charge Point Operator to design and install electric vehicle charging infrastructure for two national UK retailers.

The efforts that went into securing new contracts in the year, many of which were previously unobtainable to the Group, not only contributed to a healthy order book but also laid the foundations for a succession of some of the Group's largest ever contract wins which were secured post year end.

In the second half of the year, we adopted a refreshed and more prudent approach to how we value our order book. This, combined with the unwinding of some key contracts in the period, resulted in a 15% reduction in the value of the Group's order book year on year. Positively, we now have a robust view of our Group order book, which has grown following the award of several significant new contracts post year end.

We also implemented our high-performance behaviour framework and strengthened our culture, balancing the desire to protect all of our people throughout the pandemic with keeping a focus on ongoing development and recruiting new talent. I'm pleased that our approach to how we developed and improved our culture in the year was recognised by Best Companies and resulted in us being named as one of the top 10 utility companies to work for in the UK.

Financial performance and results

Total revenue increased year on year by £1.0 million to £47.1 million (2020: £46.1 million) despite the impact of Covid-19. Infrastructure revenues were 3.8% higher than the previous year at £43.4 million (2020: £41.8 million). This, however, was offset by utility asset ownership revenues which at £3.7 million (2020: £4.3 million) were £0.6 million lower than the previous financial year, as expected, due to the impact of the sale of our domestic gas assets to ESP.

The Group incurred an operating loss of £11.2 million for the year (2020: £2.1 million). This loss includes exceptional costs of £8.5 million (2020: £2.6 million), depreciation and amortisation of £3.7 million (2020: £4.0 million), a share-based payment charge of £0.4 million (2020: £nil) offset by other gains of £1.4 million (2020: £nil). Exceptional costs include the income statement impact of the impairment of our utility asset portfolio of £1.9 million (2020: £1.8 million) as a result of an independent, external valuation of those assets at year end, a £4.9 million (2020: £nil) impairment of goodwill, brands and customer relationships, software and development costs and £1.5 million (2020: £0.9 million) of restructuring and one off legal and adviser costs, which in the current year includes costs incurred in the Group's response to the Proposed Tender Offer from Harwood Capital LLP. Other gains of £1.4 million (2020: £nil) relate to the profit on sale of utility assets to ESP and related enhanced payments from ESP as the Group met certain trigger points in respect of new domestic connection wins.

Adjusted EBITDA from continuing operations* for the year decreased to £0.1 million from £4.5 million in the prior year, in line with management expectations. The reduction from the prior year was due to a dilution of the gross margin, affected by the impact of Covid-19 on our core markets. Mobilisation on larger projects was delayed due to customer uncertainty, resulting in reduced gross profit being realised in the year, whilst fixed operational costs continued. This was combined with increased administrative expenses, as we invested in the Group's in-house capabilities, people and operations, to support its regional expansion and to lay the foundations needed to enable the Group to execute its strategy and emerge stronger.

Liquidity and net cash

The Group's trading performance for the year has resulted in a cash outflow from operating activities of £2.4 million (2020: £2.1 million inflow). The Group places a high priority on cash generation and the active management of working capital. As at 31 March 2021, the Group had net debt of £1.5 million (2020: £6.0 million net cash).

* Adjusted EBITDA from continuing operations is operating loss excluding the impact of exceptional items, depreciation, other gains, amortisation and equity-settled share based payment charges.

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Liquidity and net cash continued

Net cash outflow from investing activities was £3.8 million (2020: £4.8 million inflow), benefiting from £3.9 million of net receipts from the disposal of utility assets, offset by investment in utility and other assets of £7.7 million.

Net cash outflow from financing activities of £5.7 million (2020: £2.7 million inflow) was predominantly due to the repayment of the previous £10.0 million Revolving Credit Facility (RCF), a net £5.5 million draw down from the new RCF which was agreed on 1 December 2020 and £1.2 million in lease and interest payments. The cash proceeds from future asset sales, along with our prudent financial discipline, will enable Fulcrum to maintain a strong balance sheet and will support the generation of cash in the future.

To support the Group's liquidity and cash position, the Group successfully completed the planned tranche of the asset sale to ESP for £4.6 million (gross) and achieved an enhanced payment milestone, resulting in an additional £0.5 million in cash received. We also negotiated more attractive timings on future asset transfers and associated payments.

Reserves and net assets

Net assets decreased by £10.9 million during the year to £35.4 million (2020: £46.3 million), primarily resulting from £9.0 million of net asset impairments in the year (2020: £1.0 million net revaluation). Goodwill, brands and customer relationships, software and development costs were impaired by £4.9 million (2020: £nil), deferred tax assets of £0.6 million (2020: £0.1 million) were derecognised and the Group incurred a net revaluation loss on the utility asset portfolio of £3.5 million (2020: £1.1 million net revaluation). Net assets per share at 31 March 2021 were 15.9p per share (2020: 20.8p).

As at 31 March 2021, the issued share capital of the Company was 222,117,945 ordinary shares (2020: 222,117,945) with a nominal value of £221,118. At the end of the year, the Group operated a Growth Share Scheme (GSS) plan, a new Long-Term Incentive Plan (LTIP) and three Save As You Earn (SAYE) schemes. The principal terms of the remaining share option schemes are summarised in note 20 of the financial statements.

Connecting the homes of the nation

The housing market continued to operate with Covid-19 safety restrictions in place during the pandemic and we were quick to respond to the needs of our homebuilder customers, making sure we could continue to support them safely and effectively on their sites. At the same time, we invested in our housing operations to expand and grow.

Enquiry levels in the period were strong, as homebuilders sought to meet demand stimulated by UK Government incentives, and market drivers continued to present exciting growth opportunities for the Group.

Homebuilders have the challenge of meeting the Future Homes Standard ahead of them and we invested in the year to position ourselves to best support them in their endeavours to do this. These factors, combined with our currently limited market share, mean we are perfectly positioned to capitalise on these growth opportunities.

Read our housing sector overview on pages 14 and 15

To make sure we maximise our share in this strategically important market, we invested in our housing operations in the year by strengthening our business development and delivery teams, recruiting some of the best talent in the industry. This supported our further regional expansion into new geographies, as we began to win contracts in areas of the country where Fulcrum hadn't been competitive before.

The utility adoption model we have developed with ESP also boosted our competitiveness in this sector. The support from ESP assists the Group to compete on much larger housing developments and this helped us to win a strong succession of new housing projects and our first contract with over 1,500 multi-utility connections. This positive momentum continued post year end.

We have strong and longstanding relationships with homebuilders across the country and made good progress in achieving sector growth this year. However, there remains a significant opportunity to expand and grow and we are now better placed to do so.

Energising business, industry and the electric vehicle revolution

Our ability to design and build I&C multi-utility infrastructure of all sizes and complexities, including EV charging and specialist high voltage (132kV) electricity infrastructure, is an important differentiator for the Group.

We continued to operate effectively on our I&C projects in the year and enquiry levels in I&C remained strong. However, customer decision making on larger schemes was affected by the uncertainty created during the national lockdowns. This halted the commencement and award of some important contracts.

The I&C market also presents some hugely exciting opportunities for the Group. Electricity is a key enabler in decarbonising the economy cost effectively by 2050, and demand for electrical infrastructure to power renewable energy generating equipment, battery storage and the EV charging network is expected to grow rapidly.

Read our industrial and commercial, including EV connections, sector overview on pages 16 and 17

We invested in strengthening our capabilities in I&C this year, as there remains a significant opportunity to grow our market share, especially in the multi-utility and EV charging infrastructure markets. To support this, we established a major projects business development team to target and secure the most significant schemes, and we strengthened our EV business development team and operational delivery function.

These actions delivered improvements in our work-winning ability and we secured a variety of contracts.

Supporting the smart energy revolution

The pandemic presented considerable challenges for our smart metering operations, disrupting the rollout of our planned smart meter exchange programmes in the year.

In most instances, energy companies requested emergency only support during the initial lockdown, but we acted quickly and worked closely and collaboratively with our energy supplier customers and smart meter installation partners, to ensure we were able to remobilise speedily and safely, with new Covid-19 secure measures in place to restart the rollout in a way that ensured we protected people as we worked in consumers' homes.

Despite this, consumer concerns over Covid-19 continued to impact exchanges throughout the year, but I am confident that our proactive, safe and joined up approach maximised the exchanges available to us and helped to develop even stronger relationships with our customers.

We have quickly grown a reputation for service excellence in the sector and our flexible and responsive service approach has helped generate significant interest from gas and electricity suppliers looking to fulfil their regulatory obligations. At the same time, we bolstered our business development function, recruiting industry experts to support our growth ambitions.

I'm pleased to confirm that this assisted the Group in securing six new agreements with energy suppliers in the year and was crucial in laying foundations for our largest ever contract, a five year agreement worth an anticipated £20 million with energy supplier E, post year end.

The growth opportunities and market drivers for our smart metering business are significant, with an estimated 29 million meters to exchange in the UK by mid-2025.

Read more about our smart metering sector overview on pages 18 and 19

Maintaining and owning the nation's essential utility infrastructure

The Group's ability to own and maintain the UK's essential utility infrastructure supports our strategy and growth ambitions and I am very proud that we were able to use these strategically important capabilities to support the fight against Covid-19 and also strengthen the Group's foundations for future growth.

During the pandemic we used our specialist electrical maintenance capabilities to provide enhanced, responsive services to support essential services and industries helping to combat Covid-19, including inspections to make sure vital infrastructure that supported the NHS, remained powered.

Our high-voltage electrical maintenance capabilities will be essential to maintain the additional electrical and renewable energy generating infrastructure the UK needs to achieve net zero.

Read our maintenance and ownership sector overview on pages 20 and 21

The utility assets we own continue to provide a healthy recurring income, and we continued to adopt I&C utility assets in the year, adding them to our income generating portfolio.

The current and future proceeds from the asset sale agreement with ESP provide the Group with additional financial strength that underpins our growth ambitions and the execution of our strategy across all sectors.

Emerging stronger from a challenging year, to capitalise on an exciting future

Despite an extremely challenging and Covid-19 affected year, the Group made progress, delivered improvements and laid foundations that will support our future success.

The progress we have made, and the incredible resilience, tenacity and effort demonstrated by everyone in the Group during the pandemic, makes me confident that the business is now better placed than ever to grow, be profitable and deliver returns to all our stakeholders in the future.

We still have more to do, but we have emerged from FY21, and entered FY22, stronger and better equipped to take advantage of the significant opportunities that the markets we operate in present to us as we connect the UK on its journey to a net-zero future.

Terry Dugdale
Chief Executive Officer
30 July 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

KEEPING THE NATION CONNECTED: OUR COVID-19 RESPONSE

Our commitment throughout the Covid-19 pandemic has been to put safety first, protect our stakeholders and act responsibly as we maintain business operations and made progress in executing our strategy.

During the pandemic, we focused on the following priorities and ensured we were positioned to respond to the ongoing volatility and uncertainty caused by Covid-19:

AN AGILE AND EFFECTIVE RESPONSE TO THE COVID-19 PANDEMIC:

- Decisive and quick action ensured the Group remained safe and operational throughout Covid-19, with the business adapting rapidly to safely respond to changes in Government guidance
- All actions and decisions made put the safety and wellbeing of our people, our customers and the environments we work in first and foremost and have continued to successfully protect our stakeholders
- Heightened communications and engagement were key to supporting the physical and emotional wellbeing of our people, and the positive and supportive action we took contributed to strengthening our culture and Fulcrum being recognised as one of the top 10 utility companies to work for
- We used our capabilities to deliver additional and enhanced support to projects, sites and customers that were critical in in supporting essential services, frontline workers and the NHS
- We maintained a robust financial discipline and accessed available government support measures, to help support the Group's liquidity
- Despite the pandemic, we sustained our focus on strengthening the business and made progress on all our strategic priorities

SUPPORTING OUR PEOPLE

PROTECTING HEALTH, SAFETY AND WELLBEING:

Throughout the pandemic we consistently put the mental and physical wellbeing of our people first. Some of the actions put in place to ensure this included:

- Establishing a Covid-Safety Officer and Team to make sure we were fully Covid-19 secure and complied with all Government safety guidelines and track and trace requirements
- Supporting "Stay at Home" guidance by moving office-based people to work from home and ensuring they had the facilities and training needed to do this effectively
- Creating Covid-19 specific risk assessments and safety training, delivered to everyone before they returned to work. This included a mental fitness training workshop, facilitated by an external specialist, to provide managers with additional tools to support people finding living in the pandemic challenging
- Putting a strong focus on making sure people felt safe and protected and empowering everyone to speak up if they had concerns
- Maintaining regular contact with all our people, whether they were working in the business or furloughed. Daily wellbeing calls by our mental health first aiders and leaders to every employee ensured we identified any individual concerns or issues and could provide support needed, this was supported by a weekly wellbeing checklist to ensure everyone remained well and was able to work safely and effectively
- Launching a new Employee Assistance Programme (EAP), Lifeworks, to provide an additional way for our employees to secure confidential emotional, wellbeing and financial support and advice, 24/7

ENSURING PEOPLE REMAINED CONNECTED AND ENGAGED:

When the UK entered lockdown, we immediately focused on ensuring there were daily communications, contact and interaction with every employee to help everyone stay safe, connected, and informed, by:

- Ensuring a consistent flow of business communications, including a daily newsletter, "Stay Connected"
- Encouraging everyone in the business to collaborate with regular video catch ups and by using our internal communications platform, Workplace. We also created special pages and groups like "Break out" and "Stay Well" to encourage engagement and provide resources and ideas to support wellbeing
- Ensuring our managers had the tools and the support needed during the pandemic was an immediate priority, and we provided specific support, training and flexibility so that they could confidently, effectively and safely manage their teams
- For people on the Coronavirus Job Retention Scheme, we put extra emphasis on making sure they could access important business news and still interact with colleagues throughout furlough, and this supported an effective reintroduction to the business
- To provide additional remote training support, we launched a new online Learning Management System (LMS), SAP Litmos, to all employees during the pandemic

KEEPING OUR STRATEGIC RELATIONSHIPS STRONG

Communicating and working collaboratively with our stakeholders has been essential in maintaining effective operations during the pandemic:

- We communicated frequently with customers throughout the pandemic. Providing information and updates on our operations, services and the Covid-19 secure measures and new health and safety protocols we put in place to ensure we could continue to safely deliver for them
- We provided an enhanced and prioritised emergency service provision to sites providing critical services such as hospitals, food manufacturing plants, electricity generation sites and medical research facilities
- We introduced proactive electrical inspection services to the critical sites we maintain to ensure these essential sites remained powered to support essential services, frontline workers and the NHS
- Our strategic partnerships and supply chain relations remained strong and effective. We engaged with our supply chain partners early to identify and mitigate potential risks associated with availability of key items, such as materials or PPE, and worked collaboratively throughout to ensure our supply chain could effectively support us to keep the nation connected
- We also maintained our strong relationships with the charities we support and worked collaboratively to support them and give back in Covid-19 secure ways. We expanded this to support the NHS and frontline workers too, with donations including PPE and equipment

EXECUTING OUR STRATEGY

Despite the impact of the pandemic and the additional efforts needed to keep the business operational while we protected our stakeholders, we made progress in executing our strategy:

- We tendered on and won strategically important new contracts and agreements across all sectors and tendered on significant opportunities which delivered multi-million-pound contract awards post year end
- We selectively invested in business operations and recruited some of the industry's best talent, to underpin our growth and expansion plans
- We made strong progress in having Fulcrum recognised as one of the best employers to work for in the country. We were named as one of the UK's top 10 utility companies to work for by Best Companies, recognising the positive and supportive culture the Group has developed, particularly during the pandemic. We were the only multi-utility infrastructure business to appear on the list

MAINTAINING OUR FINANCIAL STRENGTH AND FLEXIBILITY

Maintaining financial strength and supporting the Group's liquidity was essential to ensuring the business could operate effectively throughout the pandemic. We focused on cash conservation and utilising several government support schemes whilst selectively investing in the business to support future growth:

- We utilised the Coronavirus Job Retention Scheme for a proportion of our workforce and implemented a temporary 20% pay deferral for all employees during the initial lockdown, when uncertainty on how the pandemic would affect our markets was at its highest
- Our agile and effective response enabled us to bring people back into the business from furlough quickly and we repaid all deferred salaries in the period. Pay for employees was prioritised, with leadership team salaries reinstated later
- We set up a Time To Pay arrangement with HMRC to delay the payment of certain payroll taxes. These have now been fully repaid

SECTOR OVERVIEWS

HOUSING

CONNECTING THE HOMES OF THE NATION NOW AND FOR THE FUTURE

Business model

New business development activity ▶ Design, bid and delivery ▶ Utilities sold to and adopted by ESP ▶ Repeat business

All underpinned by delivering excellent customer service, competitive pricing, and strong customer relationships.

Our expertise

- Designing, installing and coordinating new electricity, gas, water and fibre connections to provide a complete multi-utility service for homebuilders across mainland UK
- Offering advice and support on how to ensure new multi-utility infrastructure, and complementary renewable technology, is designed and delivered to meet future obligations and the Future Homes Standard

Customers we work with

Where we work

Location of new housing contracts secured in the year

Location of new housing projects completed in the year

Case study:

1,500+ MULTI-UTILITY CONNECTION CONTRACT FOR FLAGSHIP REDEVELOPMENT

With the Group's improved ability to compete on and win larger opportunities, it secured its first project with over 1,500 multi-utility connections in the year, winning a contract to energise a flagship redevelopment of 525 new homes for a national homebuilder.

The project, to provide new electricity, gas, and water infrastructure for the redevelopment of a famous former MOD base, will see the Group deliver over 1,500 utility connections to help bring these new homes to life.

The Group has also completed a number of utility disconnection and diversionary works to support the redevelopment, working collaboratively with the developers, landowners and other utility networks to enable the demolition and construction works to progress smoothly, ahead of the new utility infrastructure being installed.

Case study:

POTENTIAL TO CONNECT UP TO 3,000 NEW HOMES AT FAIRHAM

Nottinghamshire's most significant mixed-use development, Fairham, will deliver 3,000 new homes, one million square feet of purpose-built commercial space and up to 2,000 new jobs on the southern edge of Nottingham.

After tendering on this significant new opportunity in the year, Fulcrum secured two new contracts in April 2021, worth a combined £5.9 million, to deliver the "spine" of the multi-utility infrastructure that will serve the development.

Importantly, Fulcrum is also the preferred utility partner for homebuilders constructing on the development, giving the Group the opportunity to deliver multi-utility connections for each of the 3,000 new homes in the future.

Market drivers

- Government targets of 300,000 new homes to be built each year by the mid-2020s
- Recent estimates indicate 340,000 new homes are needed each year until 2031
- The Future Homes Standard: more advice, collaborative working and renewable energy solutions are needed from multi-utility connections businesses to support home builders meet this standard

Strategy

Grow market share through:

- Growth in specific regions
- Increasing the proportion of larger housing sites, including high rise developments

Our strengths

- Positioned to significantly grow market share
- Ability to grow further in specific geographies
- High proportion of repeat customers with strong, longstanding relationships, and a significant opportunity to target new customers
- Highly skilled, engaged and customer focused workforce, with new talent and expertise added in the year

Progress in the year

- Expanded our team of business development specialists
- Upskilled our in-house operational teams with best in class multi-utility capabilities
- Secured our first 1,500+ plot multi-utility project
- Won several new contracts following successful expansion into South West England
- Increased proportion of multi-utility connection projects won

SECTOR OVERVIEWS CONTINUED

INDUSTRIAL & COMMERCIAL (I&C) INCLUDING EV CONNECTIONS

ENERGISING BUSINESS, INDUSTRY AND THE ELECTRIC VEHICLE REVOLUTION

Business model

New business development activity	▶	Consultation, design, bid and delivery	▶	Utilities owned and operated by Fulcrum or sold to and adopted by ESP	▶	Ongoing maintenance of electric infrastructure	▶	Repeat business

All underpinned by delivering excellent customer service, competitive pricing, and strong customer relationships.

Our expertise

- Designing and connecting new electricity, gas and water infrastructure to provide a full multi-utility connection service for I&C developers across mainland UK
- The Group can design and deliver all complexities of I&C electric and gas including:
  - Electric vehicle charging connections;
  - High voltage electrical infrastructure (up to 132kV);
  - Connections to solar farms, wind farms and battery storage sites; and
  - Specialist gas infrastructure.

Where we work

Location of I&C contracts secured in the year

Customers we work with

Location of I&C projects completed in the year

Case study:

POWERING AHEAD WITH A NEW CHARGING HUB FOR SUPERFAST CHARGING NETWORK

The Group secured a contract with superfast charging network, Fastned, in the year to design, build and deliver the electricity infrastructure needed to power a new charging hub, "Spitfire Way", in Kent.

Fastned specialises in developing and operating fast charging infrastructure, where drivers can charge their electric vehicle with up to 300km of range in 15 minutes before continuing their journey. The Group supported the launch of this UK site, with a high voltage and future-proofed solution.

The electrical infrastructure for the site was designed and built to power a total of eight superfast chargers and four of Fastned's iconic yellow wing canopies.

"All went well. Chargers all fired up first time and worked great. Thanks for all your hard work getting this open for us – a really professional job!"

Fastned

Case study:

SIGNIFICANT MULTI-UTILITY PROJECT SUPPORTS DECARBONISATION OF AGRICULTURE SECTOR

In June 2021, Fulcrum was awarded a £5.5 million contract to design and install electricity, gas and water infrastructure for a large-scale £85 million greenhouse near Ely, Cambridgeshire, which will be one of the largest greenhouses in the UK and will have the capacity to grow 10% of the cucumbers consumed in Britain.

5.7km of electricity infrastructure, 12.5km of gas infrastructure and 2.9km of water infrastructure will provide connections to a new Combined Heat and Power (CHP) Energy Centre adjacent to the greenhouse. The Energy Centre will power open loop heat pumps, which will use heat from the nearby reservoir to warm the greenhouse.

With plans for the greenhouse to be operational before the end of the first quarter of 2022, Fulcrum undertook a programme of design and pre-mobilisation works to ensure that it can deliver the infrastructure within a relatively short timescale, enabling the energisation of the electricity and gas connections and completion of the water infrastructure before the end of 2021.

Market drivers

- The UK Government expects the electric vehicle network to be extensive and ready for more people to use across England's motorways and major roads, with around 2,500 high powered charge points by 2030 and around 6,000 by 2035
- Increased demand for renewable energy generating infrastructure and battery storage. Electricity, including the infrastructure needed to power solar farms, wind farms and battery storage, is a key enabler in decarbonising the economy and electricity demand could double by 2050
- The UK Government confirmed a £2.8 billion package to support industry and consumers to make the switch to cleaner vehicles, with a ban on the sale of new petrol and diesel cars by 2030 and proposes to ban all new diesel and petrol heavy goods vehicles from 2040

Strategy

Grow market share through:

- Growth in EV charging opportunities through strategic partnerships
- Increasing the proportion of larger sites won
- Increasing our share of high volume multi-utility I&C connections

Our strengths

- Positioned to further expand into new geographies
- High proportion of repeat customers with strong, longstanding relationships, and a significant opportunity to target new customers
- Ability to offer an end to end electrical infrastructure solution, including niche high voltage, up to 132kV, solutions and maintenance
- Highly skilled, engaged and customer focused people, with new talent added in the year

Progress in the year

- Brought in new talent to bolster existing business development teams
- Upskilled our in-house operational teams with best in class multi-utility capabilities
- Secured a variety of new EV charging infrastructure projects with major market players
- Increased proportion of multi-utility I&C connection projects won

SECTOR OVERVIEWS CONTINUED

SMART METERING

POWERING UP TO SUPPORT THE SMART ENERGY REVOLUTION

Business model

New business development activity ▶ Smart meter agreements secured

▶ 1. Delivery of national smart meter exchange programmes

▶ 2. Ongoing management and maintenance of smart meter portfolios

All underpinned by delivering excellent customer service, competitive pricing, and strong customer relationships.

Our expertise

- Delivering smart meter exchange programmes
- Managing and maintaining electricity and gas meters

Where we work

Customers we work with

Smart meters exchanged in the year

Case study:

£20 MILLION SMART METER EXCHANGE AND MANAGEMENT CONTRACT WITH E

In the year, the Group tendered on its largest smart metering contract to date with energy supplier E. This five-year agreement, anticipated to be worth £20 million, was secured in May 2021.

Under the agreement, Fulcrum will become E's Meter Operator (MOP) and Meter Asset Manager (MAM), managing its portfolio of 320,000 UK meter points and will also deliver an expected 80,000 meter exchanges as part of E's smart meter exchange programme.

This significant new agreement takes Fulcrum's portfolio of managed meter points to almost 500,000 and is expected to double the run rate of its meter exchange programme.

"E is really pleased to be working with Fulcrum on the delivery of our smart meter operations. Whilst their competitive pricing and nationwide coverage were important factors in making our decision, Fulcrum's focus on the highest levels of customer service, their responsiveness and close collaborative working were also key in us choosing them as our partner.

We believe this is the start of a very positive and successful partnership and have been impressed with the Fulcrum team and its operations. They are experienced sector specialists and are already ensuring the effective mobilisation of our contract with them."

Andrew Paterson, Commercial Director, E

Market drivers

- Approximately 29 million domestic meters to exchange in the UK by mid-2025

Strategy

Grow market share through:

- Securing additional metering agreements with energy suppliers

Case study:

SMART METERING BUSINESS DIVERSIFIED WITH FIRST COMMERCIAL ENERGY SUPPLIER CONTRACT

Fulcrum expanded its smart metering portfolio in the year and secured its first commercial meter contract with energy supplier, Bryt Energy, the fastest growing I&C supplier in the country, to become one of its Meter Operators (MOPs) and Meter Asset Managers (MAMs), owning, maintaining and exchanging its meter portfolio.

Bryt Energy, part of the Statkraft Group, supplies British businesses with zero carbon, 100% renewable electricity.

The Group's ability to establish bespoke operations for new and emerging energy suppliers and our reputation for delivering an excellent service to our clients has helped Fulcrum to grow its position in the smart metering market and has enabled its expansion into the commercial metering market.

This contract strengthened Fulcrum's position in the Smart Metering market, building on and diversifying its portfolio of managed UK meter points.

Our strengths

- A growing portfolio of metering assets generating recurring income
- Positioned to expand operations and significantly grow market share
- Established relationships with several new market entrants and growing energy suppliers
- Have quickly built a reputation for quality and customer excellence
- Highly skilled, engaged and customer focused people, with new talent added in the year

Progress in the year

- Six new contracts with energy suppliers
- 34% growth in the number of meters in the order book expected to be exchanged
- Secured first commercial meter contract with B2B energy supplier
- Recruited new expertise to strengthen team
- Successfully tendered on significant E agreement, secured post year end

SECTOR OVERVIEWS CONTINUED

MAINTENANCE AND OWNERSHIP

MAINTAINING AND OWNING THE UK'S ESSENTIAL UTILITY INFRASTRUCTURE

Business model

New business development activity ▶ Design, bid and delivery ▶ Utility adoption by Fulcrum or ESP ▶ Ongoing electrical maintenance ▶ Generate recurring revenue

All underpinned by delivering excellent customer service, competitive pricing, and strong customer relationships.

Our expertise

- Maintaining electrical infrastructure up to 132kV, for private electrical networks and infrastructure that connects wind farms, solar farms and battery storage sites to the grid
- Adopting, owning and maintaining I&C electricity and gas infrastructure

Customers we work with

Where we work

Gas assets owned at 31 March 2021

Electricity assets owned at 31 March 2021

Case study:

SPECIALIST MAINTENANCE CONTRACT FOR MAJOR BATTERY STORAGE PROJECTS

Fulcrum Group company, Maintech Power, secured a specialist three year high voltage electrical maintenance contract with EDF's Renewables company, Pivot Power, for two projects that are contributing to the UK's net-zero future.

Maintech will provide ongoing electrical maintenance services for two new 50MW battery storage facilities located in Kent and Oxford, which are connected to National Grid's high voltage transmission network, and provide power to sites including a new Superhub being developed by Pivot Power in Oxford, creating an electric vehicle (EV) charging network in the city.

These are the first projects completed as part of Pivot Power's programme to develop, own and operate up to 2GW of grid-scale energy storage and high volume power connections that are directly connected to the UK high voltage transmission system and this contract is the latest in a series secured by Maintech Power in support of low carbon energy production and usage.

Case study:

POWERING THE QUEEN ELIZABETH OLYMPIC PARK AND WESTFIELD SHOPPING CENTRE

The Group continues to own and operate the gas utility assets at the former Olympic Park and Village, a utility network which includes Westfield shopping centre.

The gas infrastructure owned by Fulcrum at the former Olympic Park, now known as the Queen Elizabeth Olympic Park, has generated a strong recurring annual income since the 2012 Olympic and Paralympic Games.

The Group owns and maintains gas infrastructure which consists of 57 I&C supply points, four specialist pressure reducing installations and over 12km of gas pipeline, which operates at a variety of pressures at this site.

Fulcrum completes a comprehensive inspection and maintenance regime for all the gas infrastructure owned at the park and shopping centre, which includes annual surveys and inspections of equipment, along with planned specialist risk inspections on a periodic basis.

Market drivers

- Increased demand for renewable energy generating infrastructure and battery storage. Electricity infrastructure is a key enabler in decarbonising the economy cost-effectively by 2050 and electricity demand could double by 2050

Strategy

Grow market share through:

- Securing additional maintenance agreements, both standalone and as part of new infrastructure projects
- Selectively adopting and owning I&C utility infrastructure connected by the Group
- Delivering the sale of domestic gas assets to ESP

Our strengths

- A network of retained I&C utility assets generating recurring income
- Ability to adopt and own I&C gas and electricity infrastructure
- Specialist, niche, high voltage maintenance capabilities
- Positioned to expand into new geographies and grow market share
- Highly skilled, engaged and customer focused people, with new talent added in the year

Progress in the year

- Completed the planned tranche of the asset sale to ESP, achieving an enhanced payment milestone, and agreed more attractive timings on future asset transfers and associated payments

STAKEHOLDER ENGAGEMENT

STRONG RELATIONSHIPS ACROSS ALL STAKEHOLDER GROUPS

Effective stakeholder engagement is fundamental to our business and we recognise that engagement and collaboration with all our stakeholders is crucial to our sustainability and success.

It is our aim to deliver proactive, open and effective dialogue and relationships with all our stakeholders. We commit continually to learn, improve and develop our business based on the engagement and interaction we have with them.

Key to strategic priorities:

1 Grow market share, revenues and profitability significantly

2 Strengthen the business and prepare for the UK's net-zero revolution

3 Generate surplus cash with a strong balance sheet

4 Become an increasingly sustainable business

5 Become a "Times Top 100" employer

PEOPLE

Link to strategic priorities: 1 2 3 4 5

Why we engage

Our aim is to have an engaged, motivated, healthy and passionate workforce, working in a culture of open, clear and transparent engagement to:

- Develop a highly skilled team and a high performing culture
- Ensure our people are healthy, motivated, and work together in a diverse and rewarding workplace
- Recruit and retain the best talent

How we engage

- Regular communications supported with a monthly business newsletter, "Connected"
- Daily posts on our communications tool, Workplace
- Best Companies' b-Heard employee engagement surveys
- Regular one to ones and team meetings
- Wellbeing initiatives and events, including access to a leading Employee Assistance Programme, Lifeworks
- Regular and structured training and learning programmes, with a new online learning platform introduced in the year

Developments in FY22

- Introducing a new performance and behavioural appraisal system
- Introducing "Pulse Surveys" to review employee sentiment more regularly
- Sustained focus on mental health and emotional wellbeing initiatives

Key engagement topics

- Physical, mental and emotional wellbeing
- Learning and development
- Group strategy and priorities
- Business, team and individual performance
- Incentives, rewards and recognition
- Business improvement ideas and initiatives

Read about how we adapted our people engagement as part of our Covid-19 response on pages 12 and 13

SHAREHOLDERS

Link to strategic priorities: 1 2 3 4

Why we engage
Our aim is to provide clarity and communicate with transparency to all our shareholders to:

- Provide clarity on business strategy
- Keep our shareholders regularly updated on our progress and performance

How we engage
- Investor roadshows following results announcements
- Ad-hoc meetings between institutional shareholders and the management team
- Availability of the Board to discuss matters
- Regulatory news announcements
- The Annual General Meeting (AGM)

Developments in FY22
- A monthly business news update for Investors (available through our Broker)

Key engagement topics
- Group strategy, governance and business performance
- Business news, contract wins, new hires and business developments
- Environmental, Social and Governance (ESG) initiatives

CUSTOMERS

Link to strategic priorities: 1 2 3 4

Why we engage
Our aim is to have open and collaborative relationships with all our customers to:

- Generate new opportunities for the Group
- Develop strong customer relationships and repeat business
- Secure feedback that helps us remain commercially competitive
- Identify emerging trends and opportunities
- Communicate changes in utility policy and how it might affect their projects

How we engage
- Direct and regular lines of contact, with relationship managers for larger or high potential customers
- Customer satisfaction calls and surveys
- Performance review meetings

Developments in FY22
- Customer effort and performance surveys

Key engagement topics
- Support and advice on the best multi-utility solutions for their projects
- Identifying the level of opportunity and our competitive position
- Changes in regulation, policy and obligations that impact current and future customer projects
- Reducing the carbon impact of their operations through lower carbon utility infrastructure alternatives

Read about how we adapted our customer engagement as part of our Covid-19 response on page 13

COMMUNITIES

Link to strategic priorities: 1 4 5

Why we engage
We support charities, our local communities and the communities we work in to:

- Give back to our communities
- Be a responsible employer and give our people the opportunity to support great causes
- Identify and deliver utility infrastructure projects that benefit our communities

How we engage
- Volunteering services, donations from the business and our people and charitable events
- Supporting our customers to deliver new gas infrastructure that provides more affordable heating to vulnerable tenants living in fuel poverty

Developments in FY22
- Linking with local authorities, schools and universities to develop stronger community partnerships
- Introducing charitable giving through salary sacrifice
- Delivering an increased number of gas infrastructure projects that enable more affordable heating solutions in areas of fuel poverty

Key engagement topics
- Ways to best give back and support these great causes
- Apprenticeships and graduate recruitment opportunities
- Utility solutions that help tackle fuel poverty

Read about how we engaged with and supported our communities during the pandemic part of our Covid-19 response on page 13

STAKEHOLDER ENGAGEMENT CONTINUED

SUPPLY CHAIN AND STRATEGIC RELATIONSHIPS

Link to strategic priorities: 1 2 3 4 5

Why we engage
We develop collaborative relationships and partnerships that provide added value to all stakeholders to:

- Ensure the successful delivery of all our customers' projects
- Expand our capabilities and offering
- Underpin our business growth
- Ensure we remain competitive

How we engage

- Open, two-way communications to align joint aims to the Group's objectives and strategy
- Regular, collaborative performance and contract review meetings
- Through robust, two-way industry IT systems
- Onboarding and relationship management by procurement specialists

Developments in FY22

- Maximise opportunities presented by the relationship with ESP, by winning increasingly larger developments
- Evaluate the sustainability credentials of our supply chain

Key engagement topics

- Business strategy and objectives
- Performance and competitiveness
- Market and industry developments
- Collaborative opportunities and bids
- Forecasting and planning to ensure customer obligations are met

GOVERNMENT AND REGULATORY BODIES

Link to strategic priorities: 1 2 3 4 5

Why we engage
We proactively engage with government and regulatory bodies to remain informed in an evolving utility and energy landscape to:

- Forward plan, to inform our strategies and remain competitive
- Help influence policies that affect our sectors, customers and business

How we engage

- We are members of, and participate in, a variety of industry forums and groups including the Independent Networks Association (INA), Energy and Utilities Alliance (EUA) and Home Builders Federation (HBF)
- Industry body representation and attendance at round tables and working groups provide a platform to engage and influence

Developments in FY22

- Sustained involvement in industry forums

Key engagement topics

- Regulation and policy
- Industry obligations, targets and progress monitoring
- Industry and sector performance
- Government funding

Statement by the Directors in relation to their statutory duty in accordance with Section 172(1) of the Companies Act 2006
The Directors and the Board as a whole consider that they have acted in a way that would be most likely to ensure the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a) to (f) of the Act) in decisions taken during the year ended 31 March 2021. The Directors fulfil their duty by ensuring that there is a robust governance structure and process running through all aspects of the Group's operations. The Group's culture of strong governance is described in more detail on pages 37 to 46.

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

The Group's focus on ESG is especially relevant to our stakeholders and this is explained in detail across our approach to risk management on pages 27 to 30, governance on pages 37 to 46 and in our Sustainability Report on pages 31 to 36.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

The Board uses key performance indicators (KPIs) to monitor and measure progress against the Group's strategic objectives.

Key to strategic priorities:

1. Grow market share, revenues and profitability significantly
2. Strengthen the business and prepare for the UK's net-zero revolution
3. Generate surplus cash with a strong balance sheet
4. Become an increasingly sustainable business
5. Become a "Times Top 100" employer

FINANCIAL KPIs

KPI	Definition	Link to strategy	Performance	
Revenue **£47.1m**	The total amount the Group earns from its utility operations.	1 2 3 4 5	**2021** **2020** **2019**	47.1 46.1 48.9
Adjusted EBITDA from continuing operations **£0.1m**	Operating (loss)/profit excluding the impact of exceptional items, other gains, depreciation, amortisation and equity-settled share-based payment charges.	1 2 3	**2021** **2020** **2019**	0.1 4.5 10.9*
Operating (loss)/profit **£(11.2)m**	Gross profit and other gains less administrative expenses.	1 2 3	**2021** **2020** **2019**	(11.2) (2.1) 6.1*
Group order book **£56.1m**	The amount of secured utility work representing the construction value and the utility asset value.	1 2 3	**2021** **2020** **2019**	56.1 66.2 60.5
Net (debt)/cash **£(1.5)m**	Borrowings less cash.	1 2 3	**2021** **2020** **2019**	(1.5) 6.0 3.8
Net assets **£35.4m**	The Group's assets minus liabilities.	1 2 3	**2021** **2020** **2019**	35.4 46.3 45.3*

* Restated for IFRS 16.

KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL KPIs

KPI	Definition	Link to strategy	Performance
RIDDOR incident rate **0.00**	RIDDOR is the law that requires employers to report and keep records of work-related accidents which cause deaths, accidents which cause certain serious injuries (reportable injuries) diagnosed cases of certain industrial diseases; and certain "dangerous occurrences".	1 2 3 4 5	**2021** 0.00 **2020** 0.00 **2019** 0.00
Customer satisfaction (Net Promoter Score) **+62**	Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend us. NPS replaces "Customers who rated us as great" in the year.	1 2 3 4	**2021** +62 **2020** Not reported **2019** Not reported An NPS above 0 is considered "good," and an NPS above 50 is considered "excellent".
Number of new utility connections won **19,100**	The total number of new connections won associated with new contracts.	1 2 3	**2021** 19,100 **2020** Not reported **2019** Not reported
Number of meters to exchange in the order book **147,000**	The number of meters the Group expects to exchange to smart meters.	1 2 3	**2021** 147,000 **2020** 110,000 **2019** 90,000

RISK

A ROBUST APPROACH TO RISK MANAGEMENT

THE BOARD

- Is ultimately responsible for risk
- Reviews the principal risks and uncertainties facing the Group and assesses the controls in place to manage risk and mitigate potential adverse impacts. This is also undertaken whenever there is a perceived major change in the principal risks and uncertainties

AUDIT COMMITTEE

- Monitors the effectiveness of risk management and internal controls

THE LEADERSHIP TEAM

- Oversees the risk management process and monitors mitigating actions

RISK FRAMEWORK

- Ensures a consistent and complete approach to risk across the Group

WIDER BUSINESS

- Contributes to the assessment of actual and potential risks and how they should be managed

Risk heatmap – mapping considers impact and probability post risk mitigation

1 Covid-19

2 Growth and strategy execution

3 Retention and recruitment

4 Macroeconomic conditions (other than Covid-19)

5 Competitive environment and reliance on key customers

6 Utility infrastructure market and regulatory environment

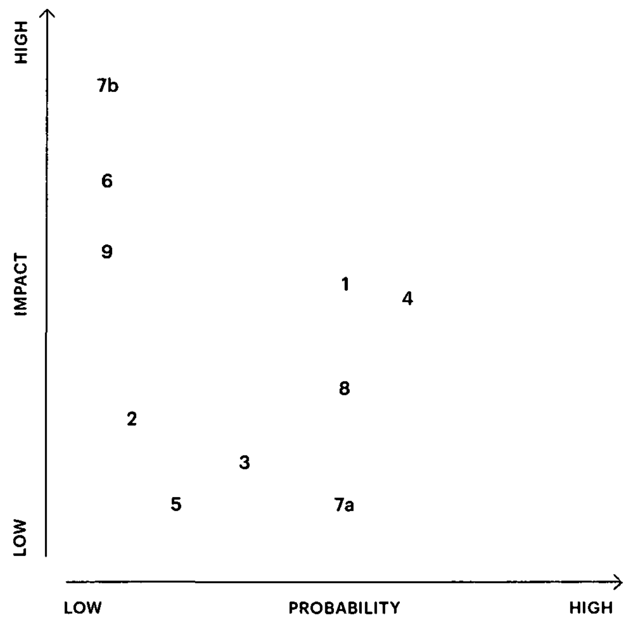
7 Health and safety

7a Potential for minor accidents that could lead to potential injury

7b Significant injury or loss of life

8 Working capital management and funding

9 IT systems and cyber security



The Board considers risk assessment, identification of mitigating actions and related internal controls to be crucial to achieving the Group's strategic objectives. The Corporate Governance Report on pages 37 to 46 describes the systems and processes through which the Directors manage and mitigate risk.

Our principal risks

The Board recognises that the nature and scope of the Group's risks can change, so it reviews the risks faced as well as the systems and processes in place to manage and mitigate them. The principal risks to achieving the Group's objectives are set out on pages 28 to 30, although 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.

RISK CONTINUED

Key to strategic priorities:

1 Grow market share, revenues and profitability significantly

2 Strengthen the business and prepare for the UK's net-zero revolution

3 Generate surplus cash with a strong balance sheet

4 Become an increasingly sustainable business

5 Become a "Times Top 100" employer

Covid-19

Link to strategic priorities: 1 2 3

Risk status: — Reduced

Description

There is a risk that:

- Covid-19 continues to impact the UK economy and may disrupt our supply chain and our customers' projects and adversely impact our operations.
- Covid-19 affects the Group's workforce and impacts its ability to operate and deliver customer commitments.

Mitigating actions

The Group has demonstrated that it has been able to operate effectively and safely throughout the Covid-19 pandemic, including through all national lockdowns, due to the essential nature of the services it provides and the sectors it services.

Covid-19 has affected the Group's financial performance as delays and associated impacts on customer decision making, disrupted the delivery and completion of specific contracts. The Group remains in close contact with all customers to identify and mitigate risks relating to the pandemic.

Risks associated with an economic downturn are mitigated by our low market share in key sectors. Our wide breadth of offering and diversified position, across multiple sectors, also reduces our exposure to volatility in individual markets.

The Group has followed all government safety guidelines and continues to operate with all Covid-19 secure measures in place to protect its people and customers. It has also introduced regular workplace testing and has fully supported the vaccination of its people.

Growth and strategy execution

Link to strategic priorities: 1 2 3 4 5

Risk status: = No change

Description

There is a risk 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 Director. The Board engages with management and employees to ensure the strategy is communicated and understood. The Group maintains a close watch on, and assesses, the relevant market drivers that influence the Group's strategic priorities to ensure that its growth strategy remains relevant and appropriate.

Retention and recruitment

Link to strategic priorities: 1 2 3 5

Risk status: = No change

Description

There is a risk that:

- The Group loses its valued and talented employees.

Mitigating actions

The Group has put in place competitive reward and recognition packages for all people, including a blend of short and long-term incentives for senior managers and the leadership team.

Employee 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 learning and development, giving opportunities for employees to upgrade skills.

The Group's culture and approach to employee engagement are differentiators in attracting and retaining talent. Its positive approach has been recognised by Best Companies, which named the Group as one of the top ten utility companies to work for in 2021.

Macroeconomic conditions (other than Covid-19)

Link to strategic priorities: 1 2 3 4

Risk status: = No change

Description
There is a risk that:

- The macroeconomic conditions in the UK impact the ability of the Group to execute its strategy and growth plans.

Mitigating actions
We closely monitor market developments across our key sectors and we proactively engage with government and regulatory bodies to keep informed of market developments.

The Group expects that future market changes will, in the main, continue to be driven by the move to decarbonised energy, in line with the UK's 2050 net-zero target. The Board believes that this presents a significant growth opportunity for the Group considering its specialist skills, experience and capabilities.

The Group also is working towards a more balanced revenue base to reduce reliance on specific utility services.

Competitive environment and reliance on key customers

Link to strategic priorities: 1 2 3 5

Risk status: = No change

Description
There is a risk that:

- The markets in which the Group operates become increasingly competitive and the actions of the Group's competitors, including those from organisations that may be larger and/or have greater capital resources, and/or our own inaction, have a significant and adverse impact on the Group.

Mitigating actions
Our wide breadth of offering and diversified position across multiple sectors reduces our exposure to volatility in individual competitive markets. The variety and volume of customers serviced also mean that the Group is not reliant on any customer.

To ensure that we remain competitive, we monitor market developments and seek feedback from every customer on the competitiveness of all tenders and bids.

There are high barriers to entry for new competitors.

Utility infrastructure market and regulatory environment

Link to strategic priorities: 1 2

Risk status: = No change

Description
There is a risk that:

- The inherent risks from operating in the utility infrastructure market, such as reliance on ageing infrastructure as well as the risk of downtime or low productivity caused by interruptions or equipment failures, are realised.
- The Group loses one or more of its licences, which it requires in order to carry out the design, build, project management, ownership and maintenance of utility infrastructure.
- 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 a significant focus on compliance, careful planning, robust operational guidelines and the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements.

The Group also maintains proactive engagement with a variety of government and regulatory bodies to keep informed, and ahead, in an evolving market landscape.

RISK CONTINUED

Health and safety

Link to strategic priorities: 1 2 3 4 5

Risk status: = No change

Description
There is a risk that:

- Accidents on our sites could lead to potential injury to, or loss of, human life, 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 compliance team to minimise the likelihood and impact of accidents.

We have also developed and sustained a strong "safety-first" culture which has delivered improvements in behavioural safety and safety performance.

Working capital management and funding

Link to strategic priorities: 1 2 3

Risk status: = No change

Description
There is a risk that:

- The Group does not have the working capital management and funding required to deliver on its strategy and future growth plans.

Mitigating actions
The proceeds from the sale of the Group's domestic customer gas connection assets and associated meters to ESP, strengthen the Group's balance sheet.

In granting commercial credit terms, careful attention is paid to the timing of cash receipts and payments over the period of contract delivery. Where necessary, a deposit is requested from customers prior to commencing work and invoicing milestones with customers are matched where possible to the invoicing patterns of our supply chain.

We have a strong relationship with our bank. On 1 December 2020, the Group entered into a new two year £10.0 million Revolving Credit Facility (RCF).

IT systems and cyber security

Link to strategic priorities: 1 2 3 4 5

Risk status: = No change

Description
There is a risk that:

- Computer system 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 and any theft or misuse of data held within the Group's systems and this 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 and external IT support team which works closely with our external support advisers to ensure that regular updates to technology, infrastructure, communications and application systems occur.

The Group has centralised hardware and software security in place to ensure protection of commercial and sensitive data. For new IT projects, our technology advisers 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.

We deliver structured cyber security training for all employees and run an ongoing programme of simulated phishing attacks to test and measure effectiveness.

SUSTAINABILITY REPORT

CREATING A SUSTAINABLE FUTURE

The value of the sustainable approach we have developed was demonstrated this year, as the foundations we laid enabled us to effectively respond to the challenges presented by the Covid-19 pandemic.

During the crisis, we put the health, safety, and wellbeing of our stakeholders first, whilst we continued to deliver essential utility services and invest in the business to enable it to emerge stronger from the pandemic. You can read more detail about our Covid-19 response on pages 12 and 13.

We continue to integrate sustainability into everything we do to create a stronger, more successful business that will provide returns to all our stakeholders in the long term.

Our sustainable approach will also enable us to play an important part in protecting the environment for future generations by powering the UK's net-zero future and, finally, I'm pleased to share our plans to be a Carbon Neutral business by 2030.

Terry Dugdale
Chief Executive Officer
30 July 2021

OUR FOUR AREAS OF FOCUS:

SUPPORTING THE UK'S NET-ZERO FUTURE

We use our capabilities to deliver the essential utility infrastructure the UK needs to achieve net zero. We will also reduce our own carbon footprint to become Carbon Neutral by 2030.

Read more on page 32

DELIVERING VALUE TO OUR CUSTOMERS

We understand our customers' needs, build strong relationships and use our expertise to deliver long-term value.

Read more on page 34

ENGAGING OUR PEOPLE

We develop healthy, motivated and high performing teams that work together in a diverse and rewarding workplace.

Read more on page 35

OPERATING RESPONSIBLY

We run our operations responsibly, achieving industry leading safety performance and driving efficiencies to minimise our impact on the environment.

Read more on page 36

SUPPORTING THE UK'S NET-ZERO FUTURE

What this means

- By connecting the nation in a sustainable way, we support the UK meet its net-zero carbon targets and ultimately help reduce the impact of climate change
- We are proactively identifying and reducing the carbon emissions in our business operations and plan to be carbon neutral on a Scope 1 and Scope 2 basis by 2030
- We are developing a culture with sustainability, and our responsibility to protect our environment, at its heart to support positive action by our stakeholders
- We work with our customers to identify utility solutions that will support the nation's low carbon transition

We will be carbon neutral by

2030

Company cars which are electric or hybrid

43%

(2020: 26%)

Carbon Trust Footprint Manager implemented

Supporting the UK's net-zero transition

- The utility industry has an important role to play in decarbonising the UK and enabling a net-zero future. We take our role seriously and are excited by the opportunities to use our capabilities to support this ambition
- We are already delivering services that contribute to a greener future: electric vehicle charging infrastructure, smart meter exchange programmes and connecting and maintaining renewable energy generating infrastructure, including battery storage sites, wind farms and solar farms
- We are investing in sustainable products and services, including renewable energy generating options, and offer renewable product solutions that will complement our multi-utility services

Reducing carbon emissions from our business operations

- We have commenced a structured programme to reduce our own carbon impact, with a commitment to be carbon neutral on a Scope 1 and Scope 2 basis by 2030
- In the year we progressed our plans to identify and reduce our carbon footprint. We implemented the Carbon Trust's Footprint Manager, incentivised the uptake of electric and hybrid vehicles in our company car fleet and continued to implement operational efficiencies to reduce our environmental impact. We also created a sustainability lead and team to develop and deliver our carbon reduction plan
- We continue to develop a culture with sustainability, and our responsibility to support the UK's net-zero future, at its heart

Case study:

WORKING WITH THE CARBON TRUST TO HELP REDUCE THE GROUP'S IMPACT ON CLIMATE CHANGE

In the year Fulcrum advanced its plans to reduce emissions from its operations, starting with the implementation of the Carbon Trust's Footprint Manager platform.

Through the implementation of the Carbon Trust's cloud based Footprint Manager software, Fulcrum can now measure its carbon footprint more efficiently across its Scope 1 and 2 emissions, helping the Group to better manage and reduce them.

The Footprint Manager enables the accurate benchmarking, tracking, and monitoring of Fulcrum's Group-wide activity and allows the Group to identify opportunities to reduce environmental impact.

"

We are utilising the expertise and experience of the Carbon Trust to better measure our carbon emissions. This will help us shape the approach we will take to reduce our carbon emissions as we undertake utility infrastructure projects that contribute to the UK's net zero future.

As we embark on a proactive carbon reduction programme, we see this work as an important step, to not only provide the solutions required for net-zero energy transportation and consumption, but to also minimise the impact of operations in their delivery."

Terry Dugdale, CEO

"

Using the Carbon Trust Footprint Manager will enable Fulcrum to accurately measure its Scope 1 and 2 footprint and is an encouraging first step towards further reducing its emissions and helping to build a low carbon future".

Hugh Jones, Managing Director at Carbon Trust Advisory

OUR ROADMAP TO CARBON NEUTRALITY BY 2030

2021

- Implemented the Carbon Trust's Footprint Manager platform
- Appointed a sustainability lead and team to identify and implement carbon reduction initiatives
- Incentivised the uptake of electric and hybrid vehicles and removed petrol only cars from company car options
- Committed to be carbon neutral by 2030
- Committed to transition to all directly procured electricity to be from renewable sources, with Fulcrum's Head Office making the switch in July 2021

2022

- All fleet and fuel consuming equipment will be replaced with lower carbon alternatives (hybrid /electricity) at the end of their life where possible

2025

- All fleet and equipment will emit the lowest emissions possible

2030

- The Group achieves carbon neutrality on a Scope 1 and Scope 2 basis

2030+

- Sustained focus on working collaboratively with all stakeholders to continually reduce our Scope 3 emissions

Continued focus on operational efficiency, innovation and working with our supply chain and strategic partners to reduce the impact of our physical operations on climate change

Streamlined Energy and Carbon Reporting

The Group reports its mandatory Streamlined Energy and Carbon Reporting requirements. The reporting period is the same as the Group's financial year.

Measuring and reporting our footprint

The Group captures, monitors, measures and reports its Scope 1 and Scope 2 carbon emissions using the Carbon Trust's Footprint Manager tool.

The Footprint Manager has been specifically developed for reporting to the Greenhouse Gas (GHG) Protocol, CDP MCR, and the Carbon Trust Standard and enables the calculation and recording of direct (Scope 1) and indirect (Scope 2) emissions in accordance with the GHG Protocol.

Total annual GHG emissions by scope broken down by activity	2021 tCO_2e (tonnes of carbon dioxide equivalent)	2020 tCO_2e (tonnes of carbon dioxide equivalent)
Scope 1:	1,414.61	1,341.67
Scope 2:	80.98	125.8
Total footprint:	1,495.59	1,467.47
Intensity ratio: emissions by FTE*:	4.43	5.05

* Employee numbers are based on the average in the year for the Group.

Energy usage from	2021 kWh	2020 kWh
Scope 1:	5,598,161.60	5,310,213.17
Scope 2:	80,976.60	491,566.10
Total usage:	5,679,138.20	5,801,779.27

DELIVERING VALUE TO OUR CUSTOMERS

What this means

- We want to be the best for service in our industry and build long-term and successful relationships with all our customers
- Putting the customer at the heart of everything we do is integral to our values and how we work
- We develop strong customer relationships through building trust
- We invest in our people, processes and in innovation to make sure we are best positioned to deliver solutions that meet our customers' needs

Net Promoter Score (NPS)

+62

An NPS above 0 is considered "good," and an NPS above 50 is considered "excellent"

Improving with customer feedback

- We engage with customers on every project to understand how well we delivered for them
- Feedback is used to improve how we deliver for our customers, identify ways we can provide more value to them and understand our competitive position
- We also have regular performance review meetings with high volume or value customers to discuss in depth how we're performing and ensure we remain their preferred utility partner
- We used the Net Promoter Scoring system in the year and our result of +62 reflects our commitment to deliver a fantastic service to our customers. However, there is still more to do as we continue to make improvements that will provide even greater customer value and satisfaction
- We also introduced Spot Recognition awards in the year, to recognise and reward people who our customers tell us have performed over and above

Supporting evolving customer needs and their low carbon transition

- Combining close customer relationships with identifying changes in our market that affects them, is important to making sure we develop our operations to meet our customers' evolving needs
- This is especially apparent in the home building sector, where the Future Homes Standard will determine the mix of utilities that will power homes in the future. We are already working closely with our home building customers to support them to navigate the standards. We have invested in specialist renewable energy expertise in the year to complement this
- Delivering our services in a way that has less impact on the environment is growing increasingly important to our customers, which is part of why we have embarked on a proactive carbon reduction programme and committed to be a Carbon Neutral business by 2030
- We support and enable our customers to reduce their carbon impact by using our expertise to provide "green options" for their developments. These cover a different utility infrastructure mix, or design and delivery options that will achieve a lower carbon impact
- We are exploring emerging green technologies that will complement more traditional utility infrastructure to power and heat low carbon and carbon neutral developments

ENGAGING OUR PEOPLE

PROTECTING OUR PEOPLE AND KEEPING THEM SAFE, WELL AND ENGAGED THROUGHOUT THE COVID-19 PANDEMIC WAS OUR PRIORITY. READ MORE ABOUT OUR COVID-19 RESPONSE ON PAGES 12 AND 13

What this means

- We have a strong values-led culture and we encourage everyone to live by our values and behaviours. We achieve this by providing an engaging, diverse and supportive environment where people want to work, develop and learn from each other
- We care deeply about the physical and mental wellbeing of our people and put a significant focus on this
- We listen to every voice and ensure we respond to all employee feedback and needs to ensure we engage, reward, recognise and retain our talented people

Named as one of the UK's top 10 utility companies to work for by Best Companies, recognising the positive and supportive culture the Group has developed. Fulcrum was the only multi-utility infrastructure business on this list

Named as "One To Watch" by Best Companies, recognising "good" levels of workplace engagement

Shortlisted on two Best Companies regional lists

Male employees

74%

Female employees

26%

39%

of employees are enrolled in Sharesave schemes

Engaging with our employees

- A motivated and engaged workforce is essential to the Group's success. The culture of positive engagement we have built is supporting our high-performance culture and enabling us to recruit and retain the best talent
- We have developed a culture of regular, clear and transparent communications. This includes a monthly business newsletter "Connected" and regular two-way communications using our collaboration and communications tool, Workplace
- Employee feedback is essential to improve and become one of the UK's Top 100 business to work for. We capture this through regular one to ones meetings with line managers and a biannual b-Heard Survey, facilitated through Best Companies. We review feedback and use it to inform our engagement plans and priorities. Regular "Pulse Surveys" will also be introduced in FY22 to take the temperature of the business at more regular intervals

Supporting physical and mental wellbeing

- Supporting the physical and mental wellbeing of our people is our priority and we have continued to develop a supportive culture and environment
- We expanded our team of in-house mental health first aiders to support emotional wellbeing and introduced a new Employee Assistance Programme, Lifeworks, to provide an additional way for our employees to secure confidential emotional, wellbeing and financial support and advice

Creating a rewarding culture

- Everyone's contribution is valued and rewarded. We offer competitive packages with attractive and flexible benefits, including annual Sharesave (SAYE) schemes, to recruit and retain the best people. We monitor the external market to make sure we remain competitive

Developing skills and talent

- We aim to bring out the best in our people and focus on identifying talent and succession planning activities
- Every person in the Group has a personal development plan, supported with training, coaching and professional development opportunities
- In the year, we introduced a new online learning management system (LMS)
- We offer apprenticeships and work experience programmes to foster and develop new talent

Creating a diverse and inclusive culture

- We are an equal opportunities employer and provide an inclusive environment for all our people. We are committed to fostering inclusion and diversity and ensure that all our employees can develop to their full potential, regardless of race, gender, nationality, age, disability, sexual orientation, religion, or background

SUSTAINABILITY REPORT CONTINUED

OPERATING RESPONSIBLY

WE PUT SIGNIFICANT FOCUS ON OPERATING RESPONSIBLY AND PROTECTING OUR STAKEHOLDERS THROUGHOUT THE COVID-19 PANDEMIC. READ MORE ABOUT OUR COVID-19 RESPONSE ON PAGES 12 AND 13

What this means

- We're committed to being a responsible business that protects all our stakeholders and the environment
- We manage our operations effectively and considerately, driving efficiencies, saving costs and protecting resources
- We have developed a safe and zero-harm culture and achieve industry leading safety performance
- We are proud to support local communities and national charities. We actively support volunteering, encouraging our employees to take part in fundraising activities and support great causes

18
Consecutive years of Gold Awards from the Royal Society for the Prevention of Accidents (RoSPA)

0.00
RIDDOR incident rate

A safe and zero-harm culture

- The physical and emotional wellbeing of our people, our customers and the communities we work in is our highest priority. We always put safety first and never compromise
- We have a dedicated compliance function, invest in regular compliance and safety training and have robust safety processes and systems in place
- The execution of our safety strategy resulted in a 0.00 RIDDOR incident rate and being awarded our 18th consecutive RoSPA Gold Award in the year

Promoting integrity and reducing compliance risk

- Integrity is one of our core values and we expect, and nurture, integrity in everything we do
- We set clear expectations on how our people behave and operate and this is set out in our code of conduct
- We nurture integrity by providing additional training and coaching on areas including data security, anti-bribery, unconscious bias, and diversity and inclusion

Giving back

- We put a strong focus on giving back to our communities and supporting charitable causes, and we encourage and enable our people to take part in volunteering and fundraising activities. This includes a new Give as You Earn scheme, which supports 10 diverse causes
- We maintained our strong relationships with the charities we partner with and worked collaboratively to support them and give back in Covid-19 secure ways. We expanded this to support the NHS and frontline workers too, with donations including PPE and other equipment
- Although the Covid-19 pandemic impacted our planned volunteering programme, we looked for other ways to support including using our capabilities to deliver additional and enhanced assistance to projects, sites and customers, like the NHS, that were critical in supporting the UK throughout the pandemic

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

EXECUTIVE

NON-EXECUTIVE

Committee membership key:

(A) Audit Committee (R) Remuneration Committee (N) Nomination Committee Chair of Committee

JENNIFER BABINGTON
NON-EXECUTIVE CHAIR

Appointed to the Board
1 May 2020
(appointed Chair 10 December 2020)

N (R)

Experience
Jennifer has extensive experience in law, finance and industry. Having commenced her career as a corporate finance lawyer at Norton Rose Fulbright, she later moved into the renewable energy and infrastructure sector as Legal Counsel of Element Power Limited, a UK based renewables company, overseeing its wind and solar developments in Northern Europe. Following this, Jennifer served as the Chief of Staff at the UK Green Investment Bank, the UK Government's green investment fund, established to commercialise green investments in the UK, and was responsible, amongst other things, for advising its Chief Executive on strategy. Jennifer is currently Operations Director and General Counsel of Envision Virgin Racing, a Formula E team competing in the FIA World Championship Formula E electric car racing series. Jennifer read law at the University of Oxford.

Skills
- Legal and strategic counsel.
- Renewable energy.
- Sustainability.
- Green investments.

Meetings attended
13/13

TERRY DUGDALE
CHIEF EXECUTIVE OFFICER

Appointed to the Board
29 January 2020
(appointed CEO 6 January 2021)

Experience
Terry has over 30 years' experience in the multi-utility contracting sector and has held several senior positions in the utility industry. From 2014 to 2019, Terry was a Trading Director of Wolseley Infrastructure companies, where he specialised in identifying and implementing business alignment and growth strategies and successfully doubled revenues and increased margins in various divisions. Previously, he spent two years as Operations Director at Future Energy Group and was UK Construction Manager at GTC for five years, establishing its direct labour organisation during his tenure. Terry has an established track record of driving innovation and performance in the operational delivery of utility infrastructure in the independent multi-utility contracting sector. He is an Incorporated Engineer and member of the Institute of Gas Engineers and Managers and the Institute of Directors.

Skills
- Leading and implementing performance improvements and efficiencies.
- Strategic business growth.

Meetings attended
18/18

JONATHAN TURNER
NON-EXECUTIVE DIRECTOR

Appointed to the Board
12 June 2020

(R)(N)

Experience
Jonathan is the owner and Chief Executive of The Bayford Group, comprising a diverse number of entrepreneurial companies, predominantly in the energy and property sectors. With over 30 years' experience in downstream energy, Jonathan has led a variety of start-up businesses, management buyouts, mergers, acquisitions and disposals. The global move away from fossil fuels has led Jonathan into the supply of electricity, gas and electric vehicle charging points in the UK and Netherlands. Jonathan is a substantial shareholder in Fulcrum.

Skills
- Strategy and innovation in the energy and property sectors.

Meetings attended
10/10

JEREMY BRADE
NON-EXECUTIVE DIRECTOR

Appointed to the Board
12 June 2020

(A)(N)

Experience
Jeremy is a partner at Harwood Capital LLP, a substantial shareholder in Fulcrum. He is an experienced investor in a range of situations including utilities infrastructure. He has been a member of the boards of several UK and international public and private companies. He is currently a Non-executive Director of FIH group plc. Jeremy served as a diplomat in the Foreign and Commonwealth Office and as an Army officer. He holds a degree from the University of Oxford.

Skills
- Strategic development and investment in utility and energy.

Meetings attended
9/10

DOMINIC LAVELLE

SENIOR INDEPENDENT DIRECTOR

Appointed to the Board
22 February 2021

A (R)

Experience

Dominic has a wide range of corporate experience, having worked as a main board director and Chief Financial Officer at several UK quoted companies. He is currently a Non-executive Director, and Chair of the Audit Committee, of the AIM quoted company FIH group plc, an international services group that owns essential services businesses in the Falkland Islands, Non-executive Director, and Chair of the Audit and Risk Committee, of McColls Retail Group plc, a major UK retail business and a Director of Steenbok Newco 10 SARL, a wholly owned subsidiary of the Steinhoff Group.

Dominic was previously Chief Financial Officer of SDL plc from 2013 to 2018. Prior to this, he served in a number of financial roles including Group Finance Director at Allders plc from 2000 to 2003 and Group Finance Director at Alfred McAlpine plc from 2003 to 2007. He has worked as a director in the retail, building, construction, support services, property and technology sectors and has gained broad commercial and strategic experience from extensive involvement in corporate restructuring and turnaround situations.

Skills

- Financial and commercial strategic development.
- Corporate governance.

Meetings attended

2/2

STEPHEN GUTTERIDGE

NON-EXECUTIVE DIRECTOR

Appointed to the Board
25 January 2011

R (A)

Experience

Stephen has over 40 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. He was Chairman of Star Energy, a UK oil and gas storage operator, Chairman of President Petroleum; a Non-executive Director and Chairman of TQ Group; Chairman of Nighthawk Energy and Senior Independent Director at BCA Marketplace.

Skills

- Strategy.
- Energy markets.
- Remuneration policy.
- Corporate governance.

Meetings attended

18/18

- Philip Holder resigned on 10 December 2020 and attended 14/14 meetings
- Daren Harris resigned on 5 January 2021 and attended 14/14 meetings
- Wayne Hayes resigned on 30 April 2020 and attended 3/5 meetings

Due to the Covid-19 pandemic, additional Board meetings were held in April 2020, resulting in a total of 18 meetings in the year.

CORPORATE GOVERNANCE STATEMENT

Dear Shareholder,
As Chair of the Company, I am responsible for leading the Board in applying good corporate governance and the Board is committed to appropriate governance across the Group, both at an executive level and throughout its operations.

The Board strives to ensure that the objectives of the business, the principles and risks are underpinned by values of good governance throughout the organisation. 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 a diverse mix of skills, capabilities and experience to steer the Group forward and maintain a culture of strong governance that underpins and encourages growth, whilst ensuring effective controls and safeguards are in place.

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

The Company's shares are quoted on the Alternative Investment Market of the London Stock Exchange (AIM) and the Company is subject to the continuing requirements of the AIM Rules. The Company is required to apply a recognised corporate governance code and to report on how it complies with that code. The Board has elected to adopt the QCA Code. The Board believes that the application of the QCA Code will support the Company's medium to long-term success by ensuring that strong corporate governance procedures are in place. The intention of the Board is to use and communicate the principles of the QCA code in order to create a positive corporate culture and to mitigate business risks.

The QCA Code has 10 principles of corporate governance which are discussed in detail on the Group's Investor website: https://investors.fulcrum.co.uk/who-we-are/corporate-governance/qca-code/

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

- Board evaluation: there has been no formal evaluation of the Board and its committees; this will be done in the financial year ending March 2022 and thereafter.

Changes to our Board

As Chair, I am responsible for the leadership and effective working of the Board and for ensuring that it fulfils its responsibilities to all 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.

On 6 January 2021, we announced the departure of Daren Harris, Chief Executive Officer, who stepped down with immediate effect. Terry Dugdale was subsequently appointed as Chief Executive Officer, having previously spent time on the Company's Board as Group Chief Operating Officer. Terry brings significant experience and expertise to the role, gained in various senior and board level roles in the multi-utility contracting sector.

In addition to my appointment to the Board on 1 May 2020, the Group's leadership team has been further strengthened by the appointments of Jeremy Brade, Jonathan Turner and Dominic Lavelle as Non-executive Directors:

- Jonathan Turner and Jeremy Brade were appointed as Non-executive Directors on 12 June 2020 following the establishment of a Relationship Agreement with Harwood Capital LLP and The Bayford Group.
- Jeremy has been investing in UK smaller companies for 20 years and has deep experience of serving on the boards of private and listed companies and developing their strategies to enhance value for all shareholders.
- Jonathan is the owner and Chief Executive of The Bayford Group, one of Fulcrum's largest shareholders, and which comprises a diverse number of entrepreneurial companies predominantly in the energy and property sectors.
- Jonathan and Jeremy are, and represent organisations which are, substantial shareholders in the business and the Group is delighted to now have their insight, experience and skills on the Board.
- Dominic Lavelle was appointed as Senior Independent Director on 22 February 2021, and brings significant financial and commercial expertise gained through his roles as board director and Chief Financial Officer at several UK quoted companies. His skills and knowledge complement those of the other Board members and will enhance our independent judgement as we drive the business forward.

Wayne Hayes retired from the Board and all business activity on 30 April 2020 for personal reasons, and Philip Holder stepped down from the Board on 10 December 2020 in accordance with the Company's succession plans. The Company thanks them both for their service.

The Board is enhanced by the breadth of knowledge and diverse experience of each individual, who are well placed to offer independent judgement and guidance as the Group enters the next phase of its strategic development and growth.

Although the composition of the Board changed in the year, the overall governance arrangements have remained in place throughout.

Board transition plan

With the recent new arrivals, the Company's previously agreed transition plan for the Board is well underway. Four new Non-executive Directors have been appointed since the start of the last financial year, and the Board is led by a new Chair.

As stated in the transition plan, Non-executive Director Stephen Gutteridge will step down from the Board at the Company's 2021 AGM.

Stakeholder engagement

Engagement with our stakeholders is fundamental to the long-term success and sustainability of our business. Stakeholder feedback enables us to make informed decisions and the Board recognises its responsibility and takes this seriously.

To understand and consider stakeholder views as part of its decision-making process, the Board remains committed to developing proactive, open and increasingly effective dialogue with all our stakeholder groups to learn, improve and develop our business.

More information on how the Board engages with our stakeholders is on pages 22 to 24.

Jennifer Babington
Non-executive Chair
30 July 2021

THE BOARD

Jennifer Babington (appointed 1 May 2020)
Dominic Lavelle (appointed 22 February 2021)
Terry Dugdale
Stephen Gutteridge
Jeremy Brade (appointed 12 June 2020)
Jonathan Turner (appointed 12 June 2020)
Philip Holder (resigned 10 December 2020)
Daren Harris (resigned 6 January 2021)
Wayne Hayes (retired 30 April 2020)

AUDIT COMMITTEE

Dominic Lavelle (Chair)
Stephen Gutteridge
Jeremy Brade

REMUNERATION COMMITTEE

Stephen Gutteridge (Chair)
Jennifer Babington
Jonathan Turner
Dominic Lavelle

NOMINATION COMMITTEE

Jennifer Babington (Chair)
Jeremy Brade
Jonathan Turner

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2021

There were some changes to the Committee's membership during the year. I was appointed as Senior Independent Director and Audit Committee Chair on 22 February 2021, succeeding Jeremy Brade, who stepped down from the role of Chair, which he had held since 10 December 2020 when Philip Holder, Non-executive Chairman, stepped down as a Director of the Group. On behalf of the Board and the Committee, I thank Philip and Jeremy for their stewardship of the Committee over recent years. At the date of this report, the Committee comprises three Non-executive members.

The Board is satisfied that I have recent and relevant financial experience. I am a Non-executive Director, and Chair of the Audit Committee, of the AIM quoted company FIH group plc and Non-executive Director, and Chair of the Audit & Risk Committee, of McColls Retail Group plc. My most recent executive position was Chief Financial Officer of SDL plc and prior to that Group Finance Director at Allders plc and Alfred McAlpine plc.

The Chair of the Board, Chief Executive, Chief Financial Officer and the External Auditor are invited to attend meetings where appropriate. The Committee is required to meet at least twice a year and the table sets out the number of Committee meetings attended during the year.

		Committee tenure at 31 March 2021	Scheduled meetings attended/ eligible to attend
Dominic Lavelle	Chair	2 months	0/0
Jeremy Brade	Member*	10 months	2/2
Stephen Gutteridge	Member	10 years, 1 month	2/2
Philip Holder	Member**	10 years, 1 month	1/1

* Chair from 10 December 2020 to 22 February 2021.

** Chair until 10 December 2020.

Roles and responsibilities

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and monitored, through the internal control systems and the External Auditor.

The role of the Committee is to:

- consider how to apply financial reporting under IFRS, the Companies Act 2006, and the requirements of the QCA Code;
- maintain an appropriate relationship with the External Auditor of the Group;
- monitor the integrity of the financial statements of the Group, including formal announcements relating to its financial performance, and any significant financial reporting judgements;
- review and monitor the effectiveness of the Group's internal controls and risk management systems;
- review the Group's procedures for detecting fraud and the systems and controls for the prevention of bribery and tax evasion; and
- make recommendations to the Board in relation to the appointment, independence, objectivity, and effectiveness of the external audit process.

External Auditor

The Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the External Auditor. The External Auditor's appointment is subject to annual review by the Committee. The Committee bases its recommendation on a review of:

- The calibre of the External Auditor, including its reputation, sector experience and capacity;
- The independence and objectivity of the External Auditor, including consideration of potential conflicts of interest and the non-audit work it has undertaken for the Group (see further comment below);
- The effectiveness of the last external audit;
- Quality and experience of the audit team and partner;
- The proposed scope of the audit; and
- The quantum of fees payable for the audit.

Following a tender process undertaken by the Committee in the year ended 31 March 2020, Cooper Parry Limited was appointed as auditor.

Details of the audit and non-audit fees incurred are disclosed in note 7 to the Financial Statements.

Areas of judgement and estimation

In making its recommendation that the Financial Statements be approved by the Board, the Audit Committee has taken account of the following significant issues and judgements involving estimation:

Valuation of the utility asset portfolio

The utility asset portfolio accounts for a significant amount of the Group's assets. This portfolio includes completed pipeline assets and those that are under construction. Whilst we acknowledge that the majority of the portfolio has been valued by independent external valuers, this does include a degree of judgement. The key judgements within the external valuation are the annual growth rates applied to the income stream, the discount rate used for the rate of return used in discounting the future benefits of the assets to determine present value, and the total economic life of the assets. The valuation methodology, assumptions and judgements are appropriate, made in conjunction with our external valuers and are consistent with previous years.

Going concern

This is addressed in the Statement of Directors Responsibilities on page 46 and also in the notes to the Financial Statements on page 56. The Board has reviewed the forecasts and sensitivities and this has shown that the Group can continue to operate with available liquidity and banking facilities throughout the stress scenarios.

Valuation of goodwill and intangible assets

The Group has a material goodwill and intangible assets balance which it is required to test annually for impairment. Impairment reviews of this nature are inherently subjective and involve a high degree of estimation. The key judgements and estimates that have been used in this review are: future cash flows for each Cash Generating Unit (CGU), the discount rate applied to those cash flows and terminal growth rates. The methodology, assumptions and judgements used in the impairment review are appropriate and are consistent with previous years.

Recognition of deferred tax assets

The Group has recognised a deferred tax asset largely in relation to unutilised trading losses. The recoverability of these assets is dependent upon the Group's ability to generate future taxable profits sufficient to utilise these losses. This is a key area of judgement and estimation given the uncertainty in forecasting the timing and quantum of future profits. An appropriate assessment has been made of future taxable profit and supports the use of the losses over a reasonable timeframe which is consistent with prior years.

Dominic Lavelle
Audit Committee Chair
30 July 2021

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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 their 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. 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 EBITDA.

Share option incentives

During the year, the Company announced the implementation of a new Long-Term Incentive Plan (LTIP) for certain of the Leadership Team to ensure the ongoing incentivisation of senior management. Further to this, at the year end the Company operated a Growth Share Scheme (GSS) plan and three SAYE schemes (see note 20 of the financial statements). 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' emoluments

The remuneration of each of the Directors for the year ended 31 March 2021 is set out as follows:

	2021					
	Salary, fees and bonus £'000	Compensation in respect of loss of office £'000	Other benefits £'000	Pension £'000	2021 total £'000	2020 total £'000
Executive						
Daren Harris	317	179	10	18	524(6)	174(1)
Terry Dugdale	301	-	15	11	327	36(2)
Martin Harrison	-	-	-	-	-	259(3)
Hazel Griffiths	-	-	-	-	-	56(4)
Non-executive						
Philip Holder	55	60	-	-	115(7)	146(5)
Stephen Gutteridge	42	-	-	-	42	45
Wayne Hayes	13	-	-	-	13(8)	40
Jennifer Babington	40	-	-	-	40(9)	-
Jeremy Brade	24	-	-	-	24(10)	-
Jonathan Turner	24	-	-	-	24(11)	-
Dominic Lavelle	4	-	-	-	4(12)	-
Total	820	239	25	29	1,113	756

1 Daren Harris was appointed to the Board on 24 June 2019; as such the remuneration included is for a nine month period in 2020.

2 Terry Dugdale was appointed to the Board on 29 January 2020; as such the remuneration included is for a two month period in 2020.

3 Martin Harrison resigned on 1 October 2019; as such the remuneration included is for a six month period in 2020.

4 Hazel Griffiths resigned in June 2019; as such the remuneration included is for a three month period in 2020.

5 Phil Holder assumed day-to-day responsibilities between the Chief Executive transition.

6 Daren Harris resigned as Director on 6 January 2021; as such the remuneration included is for a nine month period in 2021 and includes a payment in lieu of notice.

7 Philip Holder resigned as Director on 10 December 2020; as such the remuneration included is for an eight month period in 2021 and includes a payment in lieu of notice.

8 Wayne Hayes resigned as Director on 30 April 2020; as such the remuneration included is for a one month period in 2021.

9 Jennifer Babington was appointed as Director on 1 May 2020; as such the remuneration is included for an 11 month period in 2021, inclusive of a four month period as Chair.

10 Jeremy Brade was appointed as Director on 12 June 2020; as such the remuneration is included for a 10 month period in 2021.

11 Jonathan Turner was appointed as Director on 12 June 2020; as such the remuneration is included for a 10 month period in 2021.

12 Dominic Lavelle was appointed as Director on 22 February 2021; as such the remuneration is included for a two month period in 2021.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Registered office

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

Results

The Group's loss before taxation for the financial year was £11.5 million (2020: £1.3 million profit). The net assets attributable to shareholders of the Group have decreased by £10.9 million to £35.4 million (2020: £46.3 million). The Group's net assets per share was 15.9p per share (2020: 20.8p per share).

Dividends

The Board does not propose to pay a final dividend in respect of the year ended 31 March 2021.

Directors

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

- Jennifer Babington (appointed 1 May 2020)
- Dominic Lavelle (appointed 22 February 2021)
- Terry Dugdale
- Stephen Gutteridge
- Jeremy Brade (appointed 12 June 2020)
- Jonathan Turner (appointed 12 June 2020)
- Philip Holder (resigned 10 December 2020)
- Daren Harris (resigned 6 January 2021)
- Wayne Hayes (retired 30 April 2020)

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 business updates contain information on the Group's operational performance, as well as updates on customer activity.

The Group remains committed to the 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 2021, the issued share capital of the Company was £222,118 comprising 222,117,945 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 21 to the financial statements. In accordance with AIM Rule 26, the Company discloses substantial shareholdings on its website: https://investors.fulcrum.co.uk/investors/aim-rule-26.

Annual General Meeting

The Annual General Meeting of the Group is to be held on 29 September 2021.

The notice of meeting appears in the document accompanying this Annual Report and Accounts.

Directors' interests

The Directors and their connected parties held interests in the following number of ordinary shares at 31 March 2021, 31 March 2020 and 31 March 2019. Further information in respect of the Directors' interests is provided in the Remuneration Report.

	Number of ordinary shares		
	31 March 2021	31 March 2020	31 March 2019
Jonathan Turner	34,348,981	*	*
Jeremy Brade	24,515,000	*	*
Dominic Lavelle	50,000	*	*
Terry Dugdale	25,000	-	*
Jennifer Babington	24,960	*	*
Stephen Gutteridge	134,166	149,166	119,166
Philip Holder	*	1,054,666	954,666
Wayne Hayes	*	4,883,935	4,883,935

* Denotes that the individual was not a Director at that date.

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

External Auditor
Cooper Parry Group Limited have expressed willingness to continue in office as auditor and a resolution to reappoint Cooper Parry Group Limited will be proposed at the forthcoming AGM.

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 costs 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 2021, which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. They have decided to prepare the non-statutory consolidated accounts in accordance with International Financial Reporting Standards as adopted by the United Kingdom ("IFRSs as adopted by the UK").

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 UK;
- 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 2021. The Directors have requested Cooper Parry Group Limited to undertake a non-statutory audit of the Company's consolidated financial statements in order to discharge their obligations under AIM Rule 19.

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
These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board have prepared cash flow forecasts based upon its assumptions with particular consideration to the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until 30 September 2022 which has been selected as it can be projected with a good degree of expected accuracy.

The Group secured a new £10.0 million Revolving Credit Facility (RCF) on 1 December 2020 against which it had drawn down £5.7 million at year end. This facility includes two financial covenants; ratio of total debt to EBITDA and ratio of the market value of pipeline assets to total debt. The forecasts, as approved by the Board, satisfy these financial covenants with reasonable levels of headroom.

The forecasts prepared reflect a cautious view on recovery from Covid-19 and include a range of sensitivities including a severe but plausible scenario together with mitigating actions. Changes to the principal assumptions included a reduction in EBITDA of approximately 37%. Even under the downside scenario, the Group continues to project sufficient cash reserves, continues to operate with headroom on borrowing facilities and associated covenants, and has additional mitigation measures within Management's control, for example accelerating cash receipts and reducing operating costs, that could be deployed to create further cash and covenant headroom.

Based on these considerations, together with the Director's knowledge and experience of the markets in which the Group operates, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Group's financial statements.

On behalf of the Board

Terry Dugdale
Chief Executive Officer
30 July 2021

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FULCRUM UTILITY SERVICES LIMITED

Opinion

We have audited the non-statutory financial statements of Fulcrum Utility Services Limited ("the parent company") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, and the notes to the non-statutory financial statements, including a summary of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom ("IFRSs as adopted by the UK").

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 2021 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the UK.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the non-statutory financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's cash flow forecasts for a period of 12 months from the date of approval of these financial statements;
- applying reasonable "worst case" sensitivities to management's forecasts and assessing remaining cash and covenant headroom within those scenarios; and
- review of results post year end to the date of approval of these financial statements and assessment against original budgets.

From our work we noted that forecasts support the Directors' view that the Group will continue to be able to meet its liabilities as they fall due, and that financial covenants in relation to the external debt held will not be breached.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-statutory financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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. 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.

Going concern

Matter

The Group is loss making in the current year and its performance has worsened compared to previous years. The Group holds external debt which is subject to certain financial covenants, a breach of which would require repayment of the debt. As a result of these factors management have produced a detailed assessment of the business and the going concern assumption, based on detailed forecasts to September 2022.

Response

We have reviewed the loan agreement entered into in the year and the financial covenants defined within that agreement. We have recalculated the covenant measures based on the audited financial statements, and reviewed the forecast covenant compliance throughout the going concern assessment period to September 2022.

We reviewed management's forecasts, including levers available to management to mitigate any potential downturn against that forecast. Based on the information available at the time of the Directors' approval of the financial statements and our signing of our audit opinion, we consider the forecasts to be reasonable, while noting that mitigating actions are required to ensure covenants aren't breached in worst case stress testing within the first nine months of the assessed period.

We challenged management on the key assumptions included in the forecasts and confirmed that management's mitigating actions are either within their control, or they have confirmation from third parties that these are feasible actions they could take. We reviewed management's disclosures in relation to going concern and found them to be sufficient and appropriate given the performance and funding position of the business.

Revenue Recognition on contracts ongoing at the year end

Matter

Revenue is recognised based on progress towards satisfaction of performance obligations included in the contracts undertaken, by reference to costs incurred as a percentage of total expected costs. There is judgement involved in determining the percentage completion as well as in estimating 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 incomplete 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. Given the above, there is a risk that revenue is not accounted for appropriately.

Revenue Recognition on contracts ongoing at the year end
continued

Response

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 percentage completion. Our procedures included:

- Assessing and testing historical accuracy of cost and revenue budgeting to gain comfort around those contracts in progress at the year end to assess the reasonableness of revenue recognised in the current year.
- Testing allocation of costs to contracts and completeness of costs with reference to third party confirmations.
- Vouching details to signed contracts and meeting with Quantity Surveyors responsible for assessing level of completion of contracted work to gain an understanding and obtaining further evidence to support judgements.
- Testing reconciliations between data provided by project teams and journals posted to the nominal ledger.

Based on our audit procedures performed we found that revenue and profit had been recognised appropriately and in accordance with IFRS 15 in the sample of contracts we assessed.

Goodwill impairment assessment
Matter

The Group has a material goodwill balance which is required to be tested for impairment on an annual basis in accordance with International Accounting Standard 36 'Impairment of Assets' (IAS 36). Goodwill has been tested by reference to its value in use. Valuations of this nature are inherently subjective and involve a high degree of estimation, for example over future cash flows of the Group, discount rates applied to those cash flows and terminal growth rates. This gives rise to an increased risk of error in the calculation of value in use and therefore in the overall impairment assessment.

Management have prepared a detailed impairment review over the intangible assets held by each cash generating unit ("CGU") within the Group, which identified impairments over two of the three CGUs totalling £4.7 million, with £4.5 million of this being impairment of goodwill and the remaining £0.2 million being impairment of brand and customer relationship assets.

Response

We have performed audit procedures over management's impairment assessment, including the following procedures:

- Testing of the integrity of the cash flow model and the methodology applied.
- Assessing key assumptions including future cash flows, discount rates and growth rates, including sensitivity of these assumptions.
- Agreeing future cash flows to Board approved budgets and considering the appropriateness of these budgets by reference to historical performance of the Group, including understanding sales order book and any growth assumptions.
- Considering 5 year extended forecasts approved by the Board.
- Assessing the terminal growth rate against long-term GDP growth in the UK and testing the calculation of the discount rate.
- Performing sensitivity analysis over key assumptions, in particular testing what level of sensitivity in the assumptions would cause an impairment.

Based on our audit procedures performed we found the model itself, the methodology, the forecasts and the assumptions used in the calculation were appropriate and we concluded that the calculated impairment charge was reasonable. We also found that the related sensitivity disclosures in the financial statements were appropriate.

Valuation of utility assets and assets under construction
Matter

Utility assets and assets under construction are held at fair value at the balance sheet date, which is established with reference to future income. No quoted market price is available. Due to the quantum of the balance and the nature of the valuations, which are a level 3 valuation in relation to the fair value hierarchy, there is a significant risk with regard to the application of estimates and judgements inherent in the valuation.

Utility assets are subject to annual revaluation. An independent, third party valuation was completed as at 31 March 2021. The fair value requires significant judgement over the choice of valuation methodology to apply, as well as significant estimation, particularly over the key assumptions of the estimated price and the volume of gas transportation.

Response

Our procedures included:

- Holding discussions with management and management's expert to determine the valuation methodology used and challenging the appropriateness of the valuation basis selected. We engaged external valuation specialists to act as an auditor's expert to assist us in critically assessing the methodology used in the valuation appraisal.
- With the assistance of the auditor's expert, challenging management on key judgements affecting utility asset valuations, such as income and cost growth assumptions and useful economic lives.
- Assessing the methodology used by management in determining fair value and obtaining 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.
- For utility assets under construction, assessing 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 agreeing a sample of costs to date to supporting documentation, such as purchase invoices or payroll records.
- Assessing 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 13 to the non-statutory financial statements.

Based on our audit procedures performed we found the valuation, including the underlying methodologies used, to be reasonable, and the disclosures in relation to the valuation and the relevant sensitivity disclosures to be appropriate.

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

Recognition of deferred tax assets
Matter
The Group has a material deferred tax asset largely in relation to unutilised trading losses. The recoverability of this asset is dependent upon the Group's ability to generate future taxable profits sufficient to utilise these losses. The recoverability of this asset involves a high degree of estimation, for example over the future taxable profits of the Group. An appropriate assessment has been made of future taxable profit and supports the use of the losses over a reasonable timeframe which is consistent with prior years.

Management have prepared detailed taxable profits forecasts which identified an impairment of £0.6 million which has been charged to the income statement in the year.

Response
We have performed audit procedures over management's forecasts for the relevant trading streams to which the unutilised losses relate, including the following procedures:

- Obtaining and reviewing the tax workings to support the year end deferred tax balances.
- Testing of the integrity of the forecast model and the methodology applied.
- Assessing key assumptions including future cash flows and growth rates, including sensitivity of these assumptions.
- Agreeing future profit forecasts to Board approved budgets and considering the appropriateness of these budgets by reference to historical performance of the Group, including understanding sales order book and any growth assumptions.
- Considering 5 year extended forecasts approved by the Board.

Based on our audit procedures performed we found the model itself, the methodology, the forecasts and the assumptions used in the calculation were appropriate and we concluded that the calculated impairment charge was reasonable.

Materiality
The materiality for the Group non-statutory financial statements as a whole was set at £329,000. This has been determined with reference to a benchmark of the Group's revenue, which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 0.7% of Group revenue. In determining the level of testing to be performed during our audit work, we used performance materiality of £247,000.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £16,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

An overview of the scope of our audit
We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces. The key elements of our audit approach were as follows:

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group assets, liabilities, revenues and profit before taxes which each component represented. From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the key audit matters section which were identified during our planning process, we performed a full-scope audit of the non-statutory financial statements of the parent company, Fulcrum Utility Services Limited, and of the Group's material trading subsidiaries, providing 96% coverage of revenues and 85% of profit before tax for the Group.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the non-statutory financial statements and our Auditor's Report thereon. Our opinion on the non-statutory financial statements does not cover the other information and, except as explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 46, the Directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for 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.

In preparing the non-statutory financial statements, the directors are responsible for 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 for the audit of the non-statutory financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the AIM rules, International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom, and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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

Use of our report

This report is made solely to the parent company's members, as a body, and 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Limited
Chartered Accountants
Statutory Auditor
Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA
30 July 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	2,4	47,054	46,101
Cost of sales - underlying		(35,211)	(31,955)
Cost of sales - exceptional items	5	(2,050)	(1,766)
Total cost of sales		(37,261)	(33,721)
Gross profit		9,793	12,380
Administrative expenses - underlying		(15,912)	(13,611)
Administrative expenses - exceptional items	5	(6,400)	(870)
Total administrative expenses		(22,312)	(14,481)
Other gains	6	1,353	-
Operating loss	7	(11,166)	(2,101)
Profit on sale of subsidiary – exceptional items	5	-	3,886
Net finance expense	9	(293)	(472)
(Loss)/profit before taxation		(11,459)	1,313
Taxation	10	1,178	243
(Loss)/profit for the year attributable to equity holders of the parent		(10,281)	1,556
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of utility assets	23	1,569	3,036
Surplus arising on utility assets internally adopted in the year	13, 23	338	951
Impairment of previously revalued utility assets	23	(3,548)	(1,086)
Deferred tax on items that will never be reclassified to profit or loss	10, 23	560	(321)
Total comprehensive (expense)/income for the year		(11,362)	4,136
(Loss)/profit per share attributable to the owners of the business			
Basic	12	(4.6)p	0.7p
Diluted	12	(4.5)p	0.7p

Adjusted EBITDA from continuing operations 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 loss		(11,166)	(2,101)
Equity-settled share-based payment charge/(credit)	20	436	(6)
Other gains	6	(1,353)	-
Exceptional items within operating loss	5	8,450	2,636
Depreciation and amortisation	13,15,16	3,739	4,019
Adjusted EBITDA from continuing operations		106	4,548
Surplus arising on sale of domestic utility assets and enhanced payments	6	1,353	-
Surplus arising on sale of subsidiary	5	-	3,886
Adjusted EBITDA including sale of domestic utility assets		1,459	8,434

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve Restated[1] £'000	Merger reserve £'000	Retained earnings Restated[1] £'000	Total equity £'000
Balance at 31 March 2019		221	210	12,737	11,347	20,813	45,328
Total comprehensive income for the year							
Profit for the year	25	-	-	-	-	1,556	1,556
Revaluation surplus on internal revaluation	23	-	-	3,036	-	-	3,036
Surplus arising on utility assets internally adopted in the year	13, 23	-	-	951	-	-	951
Disposal of previously revalued assets[1]	5, 23, 25	-	-	(3,461)	-	3,461	-
Depreciation on previously revalued assets	23, 25	-	-	(307)	-	307	-
Exceptional items – fixed asset impairment	23	-	-	(1,086)	-	-	(1,086)
Deferred tax liability	10, 23	-	-	(321)	-	-	(321)
Transactions with equity shareholders							
Equity-settled share-based payment	20	-	-	-	-	(6)	(6)
Dividends	11, 25	-	-	-	-	(3,331)	(3,331)
Issue of new shares	21, 22	1	179	-	-	-	180
Balance at 31 March 2020[1]		222	389	11,549	11,347	22,800	46,307
Total comprehensive income for the year							
Loss for the year	25	-	-	-	-	(10,281)	(10,281)
Revaluation surplus on external valuation	23	-	-	1,569	-	-	1,569
Surplus arising on utility assets internally adopted in the year	13, 23	-	-	338	-	-	338
Disposal of previously revalued assets	6, 23, 25	-	-	(574)	-	574	-
Depreciation on previously revalued assets	23, 25	-	-	(342)	-	342	-
Exceptional items – fixed asset impairment	23	-	-	(3,548)	-	-	(3,548)
Deferred tax liability	10, 23	-	-	560	-	-	560
Transactions with equity shareholders							
Equity-settled share-based payment	20	-	-	-	-	436	436
Balance at 31 March 2021		222	389	9,552	11,347	13,871	35,381

(1) The revaluation reserve and retained earnings have been restated to reallocate fair value gains and losses between these reserves in relation to Tranche 1 of the utility assets sale in the year ended 31 March 2020 as disclosed in note 5. As such the balance sheet as at 31 March 2020 has been restated. There is no impact on net assets.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Notes	31 March 2021 £'000	31 March 2020 Restated[1] £'000
Non-current assets			
Property, plant and equipment	13	37,314	38,820
Intangible assets	15	18,907	25,522
Right-of-use assets	16	3,081	2,720
Deferred tax assets	10	2,710	1,784
		62,012	68,846
Current assets			
Contract assets	17	15,640	12,279
Inventories		438	446
Trade and other receivables	18	6,550	6,826
Cash and cash equivalents	29	3,934	15,973
		26,562	35,524
Total assets		88,574	104,370
Current liabilities			
Trade and other payables	26	(12,669)	(11,909)
Contract liabilities	27	(27,098)	(27,905)
Borrowings	28	-	(10,000)
Current lease liability	16	(996)	(772)
Provisions	30	(54)	(58)
		(40,817)	(50,644)
Non-current liabilities			
Non-current lease liability	16	(2,382)	(2,226)
Borrowings	28	(5,483)	-
Deferred tax liabilities	10	(4,511)	(5,193)
		(12,376)	(7,419)
Total liabilities		(53,193)	(58,063)
Net assets		35,381	46,307
Equity			
Share capital	21	222	222
Share premium	22	389	389
Revaluation reserve	23	9,552	11,549
Merger reserve	24	11,347	11,347
Retained earnings	25	13,871	22,800
Total equity		35,381	46,307

[1] The balance sheet has been restated to reflect a reallocation between the revaluation revenue and retained earnings. There is no impact on net assets.

The financial statements were approved by the Board of Directors on 30 July 2021 and were signed on its behalf by:

Terry Dugdale
Chief Executive Officer
Company number FC030006

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities			
(Loss)/profit for the year after tax		(10,281)	1,556
Tax credit	10	(1,178)	(243)
(Loss)/profit for the year before tax		(11,459)	1,313
Adjustments for:			
Depreciation	13, 16	1,919	2,228
Amortisation of intangible assets	15	1,820	1,791
Exceptional items – fixed asset impairment	5	1,857	1,766
Exceptional items – intangible asset impairment	5, 15	4,935	–
Net finance expense	9	293	472
Equity-settled share-based payment charge/(credit)	20	436	(6)
Profit on disposal of subsidiary	5	–	(3,886)
Profit on disposal of utility assets	6	(873)	–
Loss on disposal of assets – other		–	3
Increase in contract assets	17	(3,361)	(3,147)
(Increase)/decrease in trade and other receivables		(201)	916
Decrease in inventories		8	162
Increase/(decrease) in trade and other payables		2,995	(1,072)
(Decrease)/increase in contract liabilities	27	(807)	1,562
Decrease in provisions	30	(4)	(38)
Cash (outflow)/inflow from operating activities		(2,442)	2,064
Tax paid		(108)	(410)
Net cash (outflow)/inflow from operating activities		(2,550)	1,654
Cash flows from investing activities			
Acquisition of external utility assets		(3,958)	(5,030)
Utility assets internally adopted		(3,503)	(6,475)
Acquisition of plant and equipment	13	(87)	(98)
Acquisition of intangibles	15	(140)	(326)
Proceeds on disposal of subsidiary	5	–	16,756
Proceeds on disposal of utility assets	6	4,578	–
Receipt of deferred consideration on disposal of utility assets	5	670	–
Costs paid in relation to disposal of subsidiary	5	(1,245)	–
Costs paid in relation to disposal of utility assets	6	(102)	–
Proceeds on disposal of assets – other		9	5
Finance income received		–	3
Net cash (outflow)/inflow from investing activities		(3,778)	4,835
Cash flows from financing activities			
Dividends paid	11	–	(3,331)
Borrowings received	28	5,700	7,000
Borrowings repaid	28	(10,000)	–
Prepaid arrangement fees		(247)	–
Interest paid and banking charges (non-IFRS 16)		(153)	(273)
IFRS 16 – principal payments	16	(861)	(797)
IFRS 16 – deposit payments		(11)	–
IFRS 16 – interest payments	16	(139)	(119)
Proceeds from issue of share capital	21	–	180
Net cash (outflow)/inflow from financing activities		(5,711)	2,660
(Decrease)/increase in net cash and cash equivalents		(12,039)	9,149
Cash and cash equivalents at the beginning of the year		15,973	6,824
Cash and cash equivalents at the end of the year	29	3,934	15,973

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 2021 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 2021. 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 UK 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. These policies have been consistently applied to all the years presented unless otherwise stated.

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 1 to 36. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Statement on pages 8 to 13. In addition, note 31 to the financial statements includes the Group's processes for managing its capital and its exposure to credit and liquidity risks.

At 31 March 2021 the Group had net assets of £35.4 million (2020: £46.3 million), net current liabilities of £14.3 million (2020: £15.1 million), cash of £3.9 million (2020: £16.0 million) and borrowings of £5.5 million (2020: £10.0 million) as set out in the consolidated balance sheet on page 54 and note 29. In the year ended 31 March 2021, the Group generated a loss after tax of £10.3 million and had net cash outflows of £12.0 million after investing £7.5 million in utility assets and repaying a net £4.3 million of borrowings.

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board have prepared a detailed budget for FY22, a forecast for the 6 months to 30 September 2022 and a detailed 13 week cash flow forecast based upon its assumptions with particular consideration to the key risks and uncertainties as summarised on pages 27 to 30, as well as taking into account available borrowing facilities. The going concern period assessed is until September 2022 which has been selected as it can be projected with a good degree of expected accuracy.

The Group secured a new £10.0 million Revolving Credit Facility (RCF) on 1 December 2020, which it had drawn down £5.7 million against at year end (headroom of £4.3 million). This facility includes two financial covenants; ratio of total debt to EBITDA and ratio of the market value of pipeline assets to total debt. The forecasts, as approved by the Board, satisfy these financial covenants with reasonable levels of headroom.

The forecasts prepared reflect a cautious view on recovery from Covid-19 and include a range of sensitivities including a severe but plausible scenario together with mitigating actions. Changes to the principal assumptions included a reduction in EBITDA of approximately 37%. Even under the downside scenario, for the going concern period from the signing of these financial statements, the Group continues to project sufficient cash reserves, continues to operate with headroom on borrowing facilities and associated covenants, after the consideration of mitigation measures that are within Management's control, for example accelerating cash receipts and reducing operating costs, that could be deployed to create further cash and covenant headroom. Based on these considerations, the Directors have a reasonable expectation that the Group has adequate resources to meet its liabilities as they arise for at least 12 months from the approval of these financial statements and, consequently, the Directors have adopted the going concern basis of accounting in the preparation of these 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.

1. Accounting policies continued

Accounting estimates and judgements continued

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. See revenue recognition policy for further details.
- Note 10: 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 13: Utility asset valuation, including assets under construction - Assets are revalued annually. These calculations require the use of estimates, as detailed in note 13.
- Note 15: 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 15.
- Note 16: Leases - Management exercises judgement in determining whether a contract meets the definition of a lease, as well as considering the likelihood of certain options being taken up such as break clauses. Judgement is also required in the calculation of the Group's incremental borrowing rate.
- Note 18: Recoverability of trade receivables - Trade and other receivables are recognised to the extent that they are considered to be recoverable. The Group's calculation of expected credit losses involves the use of judgements, as detailed in note 18.

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 those internally adopted that are less than two years old) 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.

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. The estimated useful lives are as follows:

Utility assets (excluding meters)	40 years
Classic domestic meters	Fully depreciated by December 2024
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.

Profit on sale of utility assets arise from deducting the asset's net carrying value and selling costs from proceeds and are recognised within other gains in the consolidated income statement. Any previous revaluation gains on these assets disposed of are treated as realised on disposal and transferred from the revaluation reserve to retained earnings.

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	3–5 years
Development costs	3–5 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 15 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 CGUs or groups of CGUs 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 15 to the accounts.

Inventories

Inventories are 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.

1. Accounting policies continued

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board, and used to assess performance. The Board considers there to be two operating segments – Infrastructure: Design and Build and Utility assets: Own and Operate. Information is given for both in note 2.

Revenue

Multi-utility infrastructure activities are recognised as "Infrastructure: Design and Build" 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-term 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 the electricity network is recognised as "Utility assets: Own and Operate" 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 not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Exceptional items

Exceptional items are those that in management's judgement need to be disclosed separately by virtue of their size or incidence in order to provide greater visibility of the underlying results of the business and which management believes provide additional meaningful information in relation to ongoing operational performance.

Government grants

Government grants relating to income are recognised in the statement of comprehensive income and are offset against the costs they are intended to compensate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued
Financial assets continued
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.

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 approximate to fair value.

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

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 approximate to 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.

Lease accounting
Group as lessee
At inception of a contract the Group assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration. Where a lease is identified the Group recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The Group has taken the practical expedient allowed under IFRS 16 that permits a lessee not to separate non-lease components, and instead accounts for any lease and associated non-lease components as a single arrangement.

1. Accounting policies continued

Lease accounting continued

Lease liability – initial recognition

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

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

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

Lease liability – subsequent measurement

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

Lease liability – remeasurement

The lease liability is remeasured where:

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

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

Right-of-use asset – initial recognition

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

Right-of-use asset – subsequent measurement

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

Impairment

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

Short-term leases and low value assets

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

The Group as lessor

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

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

New amendments and interpretations that became mandatory for the first time during the year ended 31 March 2021 are listed below, none of which had a significant impact on the Group's results.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 two operating segments, Infrastructure: Design and Build and Utility assets: Own and Operate. Fulcrum's Infrastructure: Design and Build segment provides utility infrastructure and connections services. Utility assets: Own and Operate 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 result 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 2021			Year ended 31 March 2020		
	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Reportable segment revenue	43,400	3,654	47,054	41,848	4,253	46,101
Adjusted EBITDA from continuing operations*	(969)	1,075	106	2,341	2,207	4,548
Other gains	480	873	1,353	-	-	-
Share-based payment charge	(436)	-	(436)	6	-	6
Depreciation and amortisation	(2,979)	(760)	(3,739)	(2,887)	(1,132)	(4,019)
Reportable segment operating (loss)/profit before exceptional items	(3,904)	1,188	(2,716)	(540)	1,075	535
Cost of sales – exceptional items	-	(2,050)	(2,050)	-	(1,766)	(1,766)
Administrative expenses – exceptional items	(6,400)	-	(6,400)	(832)	(38)	(870)
Reporting segment operating loss	(10,304)	(862)	(11,166)	(1,372)	(729)	(2,101)
Profit on sale of subsidiary – exceptional items	-	-	-	-	3,886	3,886
Net finance expense	(171)	(122)	(293)	(219)	(253)	(472)
(Loss)/profit before tax	(10,475)	(984)	(11,459)	(1,591)	2,904	1,313

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

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 2021			Year ended 31 March 2020		
	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Assets reported by segment:						
Property, plant and equipment	270	37,044	37,314	481	38,339	38,820
Goodwill and brand and customer relationships	17,872	-	17,872	23,940	-	23,940
Other intangible assets	316	719	1,035	842	740	1,582
Right-of-use asset	3,058	23	3,081	2,720	-	2,720
Deferred tax assets	1,888	822	2,710	1,364	420	1,784
Contract assets	15,606	34	15,640	11,906	373	12,279
Inventories	438	-	438	446	-	446
Trade and other receivables	32,603	3,592	36,195	26,959	2,902	29,861
Cash and cash equivalents	1,970	1,964	3,934	1,024	14,949	15,973
Total assets	74,021	44,198	118,219	69,682	57,723	127,405

2. Operating segments continued

	Year ended 31 March 2021			Year ended 31 March 2020		
	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Liabilities reported by segment:						
Trade and other payables	(8,760)	(33,554)	(42,314)	(7,320)	(27,624)	(34,944)
Contract liabilities	(26,685)	(413)	(27,098)	(27,383)	(522)	(27,905)
Borrowings	-	(5,483)	(5,483)	-	(10,000)	(10,000)
Current lease liability	(980)	(16)	(996)	(772)	-	(772)
Provisions	(23)	(31)	(54)	(58)	-	(58)
Non-current lease liability	(2,375)	(7)	(2,382)	(2,226)	-	(2,226)
Deferred tax liability	(2,029)	(2,482)	(4,511)	(2,299)	(2,894)	(5,193)
Total liabilities	(40,852)	(41,986)	(82,838)	(40,058)	(41,040)	(81,098)

The totals shown above for both trade and other receivables and trade and other payables differ to the consolidated balance sheet as a result of an intercompany balance of £29.6 million (2020: £23.0 million) owed by the Utility assets: Own and Operate segment to the Infrastructure: Design and Build segment.

3. Alternative Performance Measures

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 year-on-year comparisons and making it easier for users of the accounts to identify trends.

Alternative Performance Measure	Definition
Adjusted EBITDA from continuing operations	Operating loss excluding exceptional items, other gains, amortisation and depreciation and equity-settled share-based payments.
Adjusted (loss)/profit before taxation	(Loss)/profit before taxation excluding amortisation of acquired intangibles and exceptional items included within cost of sales and administrative expenses.
Net assets per share	Net assets divided by the number of shares in issue at the financial reporting date.

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

(a) Reconciliation of operating loss to "adjusted EBITDA from continuing operations"

	31 March 2021 £'000	31 March 2020 £'000
Operating loss	(11,166)	(2,101)
Adjusted for:		
Exceptional items within operating loss	8,450	2,636
Other gains	(1,353)	-
Amortisation and depreciation	3,739	4,019
Equity-settled share-based payments	436	(6)
Adjusted EBITDA from continuing operations	106	4,548

(b) Reconciliation of (loss)/profit before tax to "adjusted (loss)/profit before tax"

	31 March 2021 £'000	31 March 2020 £'000
(Loss)/profit before tax	(11,459)	1,313
Adjusted for:		
Exceptional items included in cost of sales	2,050	1,766
Exceptional items included in administrative expenses	6,400	870
Amortisation of acquired intangibles	1,356	1,356
Adjusted (loss)/profit before tax	(1,653)	5,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Alternative Performance Measures continued
(c) Net assets per share

	31 March 2021 £'000	31 March 2020 £'000
Net assets at the end of the year	35,381	46,307
Issued shares at the end of the year	222,118	222,118
Net assets per share	15.9p	20.8p

4. Revenue

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Infrastructure revenue	43,400	41,848
Utility asset ownership revenue	3,654	4,253
Total revenue	47,054	46,101

(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		Utility assets	
£'000	2021	2020	2021	2020
Primary geographic markets				
United Kingdom	43,400	41,848	3,654	4,253
	43,400	41,848	3,654	4,253
Service line				
Service revenue on long-term contracts	25,725	21,097	–	–
Service revenue on short-term contracts	17,118	20,196	–	–
Maintenance contracts	557	555	–	–
Utility asset ownership	–	–	3,654	4,253
	43,400	41,848	3,654	4,253
Timing of revenue recognition				
Services transferred over time	43,400	41,848	3,654	4,253
	43,400	41,848	3,654	4,253

(b) Contracting balances
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Trade receivables (note 18)	3,938	3,744
Contract assets (note 17)	15,640	12,279
Contract liabilities (note 27)	(27,098)	(27,905)

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 2021 £'000	Year ended 31 March 2020 £'000
Exceptional items included in cost of sales	2,050	1,766
Exceptional items included in administrative expenses	6,400	870
Profit on sale of subsidiary	-	(3,886)
	8,450	(1,250)

(a) Exceptional items included in cost of sales

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Fixed asset impairment	1,857	1,766
Remedial works to utility assets	193	-
	2,050	1,766

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 2021 £'000	Year ended 31 March 2020 £'000
Restructuring costs	569	641
One-off legal and adviser costs	896	229
Intangible asset impairment	4,935	-
	6,400	870

Restructuring costs relate to employee exit and severance costs. One-off legal and adviser costs include costs incurred in the Group's response to the Proposed Tender Offer from Harwood Capital LLP. Intangible asset impairment relates to the impairment of goodwill, brands and customer relationships and capitalised software and development costs.

(c) Profit on sale of subsidiary

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit on sale of subsidiary	-	3,886

On 27 January 2020, utility assets belonging to one of the Group's subsidiaries, Fulcrum Pipelines Limited, were transferred to a fellow Group subsidiary, Gas Newco 1 Limited. On 31 March 2020, the Group disposed of its 100% equity interest in Gas Newco 1 Limited. The transaction gave rise to the following profit on disposal:

	Year ended 31 March 2020 Restated £'000
Consideration – proceeds received	16,756
Consideration – retention (receivable in September 2021)	500
Consideration – deferred (received 30 June 2020)	670
Total consideration	17,926
Net book value of assets acquired	(9,334)
Revaluation in prior periods	(3,461)
Legal costs relating to the transaction	(1,245)
	3,886

Some of the disposed utility assets had previously been revalued in accordance with the Group policy. Upon disposal, this gave rise to a transfer between the revaluation reserve and retained earnings of £3,461,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Other gains

Included within other gains are the following amounts:

	Year ended 31 March 2021 £'000
Profit on disposal of assets	873
Enhanced payments	480
	1,353

Enhanced payments are amounts receivable by the Group when the number of domestic connections introduced by the Group to a third-party reaches certain pre-agreed thresholds.

The profit on disposal of assets represents the gain arising on sale of certain of the Group's utility assets to a third-party. The Group has entered into an agreement with the third party to sell part of its utility assets portfolio in structured tranches. The profit outlined below is the result of assets transferred in the current financial year.

	Year ended 31 March 2021 £'000
Consideration – proceeds received	4,578
Consideration – retention (receivable on 31 May 2022)	142
Total consideration	4,720
Net book value of assets sold (including the effect of previous revaluations)	(3,712)
Legal costs relating to the transaction	(102)
Discounting of retention consideration due in more than one year	(33)
Profit on disposal of assets	873

Some of the disposed utility assets had previously been revalued in accordance with the Group policy. Upon disposal, this gave rise to a transfer between the revaluation reserve and retained earnings of £574,000.

7. Operating loss

Included in operating loss are the following charges:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Amortisation of intangible assets	1,820	1,791
Depreciation of property, plant and equipment	1,027	1,419
Depreciation of right-of-use asset	892	809
Amounts receivable by the auditor and its associates in respect of:		
Audit fees:		
Audit of the Group financial statements	120	120
Audit of the Company's subsidiaries pursuant to legislation	80	80
Total fees for the audit of the Group and its subsidiaries	200	200
Non-audit fees:		
– Audit related services	8	-

Fees paid to firms of accountants other than the Group's auditor and its affiliated entities for non-audit services for the year ended 31 March 2021 amounted to £97,000 (2020: £30,000).

8. Staff numbers and costs

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Wages and salaries	14,927	13,098
Social security costs	1,644	1,391
Other pension costs	485	423
Share-based payments	436	(6)
	17,492	14,906

As a result of the Covid-19 pandemic and lockdowns, the Group accessed government grants through the Coronavirus Job Retention Scheme to support the wages of those staff who were unable to continue their work from home. During the year, the Group received grants of £866,000 from the Coronavirus Job Retention Scheme, which has been netted off against staff costs in cost of sales and administrative expenses in the statement of comprehensive income. There are no unfulfilled obligations in relation to the government grants at the balance sheet date. The above staff costs are shown gross and do not include the impact of the grants received from the Coronavirus Job Retention Scheme.

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

Number of employees	Year ended 31 March 2021	Year ended 31 March 2020
Operational	163	145
Support	180	149
	343	294

The Group's key management are considered to be the Board of Directors and the Leadership Team. Details of the remuneration, share option entitlements and pension entitlements of the Directors are included in the Remuneration Report on page 44. The Leadership Team's compensation was as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Salary, fees and bonus	904	642
Other benefits	32	25
Pension	63	42
	999	709

9. Net finance expense

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Finance costs		
Finance costs on lease liability	(139)	(119)
Finance costs paid in respect of Revolving Credit Facility	(95)	(319)
Banking charges	(80)	(37)
Amortisation of capitalised borrowing costs	(43)	-
Total finance costs	(357)	(475)
Finance income		
Bank interest receivable	-	3
Interest income on financial assets measured at amortised cost	64	-
Total finance income	64	3
Net finance expense	(293)	(472)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Taxation

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current tax	(130)	128
Deferred tax	(1,048)	(371)
Total tax credit	(1,178)	(243)

At Budget 2020, the Government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2021 and 2022 would be 19%. At Budget 2021, the Government announced that the Corporation Tax main rate would rise to 25% for the tax year starting 1 April 2023. However, the increase in the main rate to 25% had not been substantively enacted at the year end. The rate that had been substantively enacted at the year end was 19%, and accordingly the deferred tax balances have been calculated on the basis that they will unwind at that rate. If all of the deferred tax balances were to reverse at the amended 25% rate, the impact on the closing deferred tax position would be to increase the deferred tax assets by £0.9 million and increase the deferred tax liabilities by £1.4 million.

The Group has £12.1 million (2020: £9.3 million) of tax losses for which deferred tax assets of £2.7 million (2020: £1.8 million) have been recognised. The deferred tax asset is expected to be recovered over five years. The Group also has unrecognised tax losses of £3.0 million (2020: £1.8 million) for which no deferred tax asset has been recognised as there is insufficient certainty over whether those losses will reverse.

Reconciliation of effective tax rate

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
(Loss)/profit before taxation	(11,459)	1,313
Tax using the UK corporation tax rate of 19.0% (2020: 19.0%)	2,177	(249)
Non-taxable items	(614)	535
Effect of change in rate of corporation tax	-	(62)
Tax deductions for share options exercised	(83)	16
Adjustment to tax charge in respect of previous year's corporation tax	130	(128)
Adjustment to tax charge in respect of previous year's deferred tax	148	219
Utilisation of previously unrecognised losses	345	-
Release of previously recognised losses	(579)	(88)
Chargeable gains arising	(346)	-
Total tax credit	1,178	243

Movement in deferred tax balances

	31 March 2021		31 March 2020	
	Deferred tax assets £'000	Deferred tax liabilities £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
At the beginning of the year	1,784	(5,193)	1,729	(5,186)
Recognised in profit or loss				
Adjustment in respect of previous years	106	42	-	219
Tax losses recognised/(utilised)	1,055	-	(49)	-
Effect of change in rate of corporation tax	-	-	200	(263)
Origination/reversal of other timing differences	45	379	(8)	358
Reclassification between assets and liabilities	299	(299)	-	-
Release of previously recognised losses	(579)	-	(88)	-
Recognised in other comprehensive income				
Revaluation of property, plant and equipment	-	560	-	(321)
At the end of the year	2,710	(4,511)	1,784	(5,193)

11. Dividends

No dividends were paid in the year ended 31 March 2021. Dividends of £3,331,000 were paid in the year ended 31 March 2020.

	Year ended 31 March 2020 £'000
Equity dividend	
Paid during the year:	
Final dividend in respect of 2019: 1.5p per share	3,331
Total dividends	3,331

No interim dividends were declared and no final dividends are proposed relating to the year ended 31 March 2021.

12. Earnings per share (EPS)

Basic earnings per share

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
(Loss)/profit for the year used for calculation of basic EPS	(10,281)	1,556
Exceptional items included in cost of sales	2,050	1,766
Exceptional items included in administrative expenses	6,400	870
Remove tax relief on exceptional items	(1,606)	(501)
Amortisation of intangibles	1,356	1,356
(Loss)/profit for the year used for calculation of adjusted EPS	(2,081)	5,047

Number of shares

	31 March 2021 Number of shares ('000)	31 March 2020 Number of shares ('000)
Weighted average number of ordinary shares for the purpose of basic EPS	222,118	221,907
Effect of potentially dilutive ordinary shares	7,434	4,901
Weighted average number of ordinary shares for the purpose of diluted EPS	229,552	226,808
EPS		
Basic	(4.6)p	0.7p
Diluted basic	(4.5)p	0.7p
Adjusted basic	(0.9)p	2.3p
Adjusted diluted basic	(0.9)p	2.2p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. 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 2019	59,910	3,918	1,055	1,219	66,102
Additions	6,019	6,475	10	88	12,592
Assets completed in year	6,589	(6,589)	-	-	-
Surplus arising on internally adopted assets	-	951	-	-	951
Revaluation	3,036	-	-	-	3,036
Disposals	(13,721)	-	-	(31)	(13,752)
At 31 March 2020	61,833	4,755	1,065	1,276	68,929
Additions	3,485	3,170	19	68	6,742
Assets completed in year	7,729	(7,729)	-	-	-
Surplus arising on internally adopted assets	-	338	-	-	338
Revaluation	1,659	-	-	-	1,659
Disposals	(3,860)	-	(15)	-	(3,875)
At 31 March 2021	70,846	534	1,069	1,344	73,793
Accumulated depreciation					
At 1 April 2019	(25,234)	-	(591)	(963)	(26,788)
Depreciation charge for the year	(1,112)	-	(126)	(181)	(1,419)
Impairment from internal revaluation	(2,852)	-	-	-	(2,852)
Disposals	927	-	-	23	950
At 31 March 2020	(28,271)	-	(717)	(1,121)	(30,109)
Depreciation charge for the year	(735)	-	(143)	(149)	(1,027)
Impairment from external revaluation	(5,495)	-	-	-	(5,495)
Disposals	148	-	4	-	152
At 31 March 2021	(34,353)	-	(856)	(1,270)	(36,479)
Net book value					
At 31 March 2021	36,493	534	213	74	37,314
At 31 March 2020	33,562	4,755	348	155	38,820
At 1 April 2019	34,676	3,918	464	256	39,314

Utility assets include £0.4 million (2020: £0.5 million) of meter assets valued at cost less depreciation to date.

Additions to utility assets and utility assets under construction are stated at the full cost of construction of £8.8 million (2020: £17.7 million) less the deficit arising on internally adopted assets of £5.6 million (2020: £11.2 million).

Disposals include utility assets with a net book value of £3,712,000 that were disposed of as part of Tranche 2 of the utility assets sale as disclosed in note 6.

(b) Measurement of fair values

The fair value of utility assets was determined by external, independent specialist valuers, having appropriate recognised professional qualifications and experience in the assets being valued. The valuation established the fair value of the assets at 31 March 2021. The key assumptions used in the valuation model include current market prices, useful economic lives of the assets and income generated by the assets discounted using a weighted average cost of capital. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13.

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis has been performed, with a 1.0% increase in the discount rate leading to a £1.0 million increase in the impairment charge and a 1.0% reduction in the discount rate leading to a £1.2 million decrease in the impairment charge.

The utility assets and utility assets under construction are the only financial assets that are held at fair value in the financial statements.

13. Property, plant and equipment continued

(c) Impairment loss

Following the valuation of the utility assets estate a net impairment charge of £3.5 million (2020: £1.1 million net revaluation) was recorded. £1.6 million of the net impairment (2020: £2.9 million of the net revaluation) was offset against the revaluation reserve (see note 23) with the remaining £1.9 million charge (2020: £1.8 million) being included within exceptional items in cost of sales in the consolidated statement of comprehensive income.

14. 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 2021 the balance was £9.6 million (2020: £14.0 million).

15. Intangible assets

Reconciliation of carrying amount	Goodwill £'000	Brand and customer relationships £'000	Software and development costs £'000	Total £'000
Cost				
At 31 March 2019	14,251	12,607	4,440	31,298
Additions	–	–	326	326
Disposals	–	–	(91)	(91)
At 31 March 2020	14,251	12,607	4,675	31,533
Additions	–	–	140	140
At 31 March 2021	**14,251**	**12,607**	**4,815**	**31,673**
Accumulated amortisation and impairment				
At 31 March 2019	–	(1,562)	(2,667)	(4,229)
Amortisation for the year	–	(1,356)	(435)	(1,791)
Disposals	–	–	9	9
At 31 March 2020	–	(2,918)	(3,093)	(6,011)
Amortisation for the year	–	(1,356)	(464)	(1,820)
Impairment	(4,494)	(218)	(223)	(4,935)
At 31 March 2021	**(4,494)**	**(4,492)**	**(3,780)**	**(12,766)**
Net book value				
At 31 March 2021	**9,757**	**8,115**	**1,035**	**18,907**
At 31 March 2020	14,251	9,689	1,582	25,522
At 31 March 2019	14,251	11,045	1,773	27,069

(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 goodwill may be impaired. The Group tests other intangible assets for impairment when there is an indication that the assets might be impaired.

Given a number of internal and external factors, management believes that indications for possible impairment exist for the brands and customer relationships. Accordingly, an impairment test has been carried out in relation to both goodwill and the brands and customer relationships. Where an impairment is indicated, goodwill would be impaired first, followed by the brands and customer relationships on a pro-rata basis.

Goodwill and the brands and customer relationships are tested for impairment by comparing the carrying amount of each CGU with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use.

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 The Dunamis Group Limited on 5 February 2018 and the acquisition of CDS PSL Holdings Limited on 27 March 2018. The carrying amount of the goodwill is allocated across cash-generating units (CGUs). The goodwill held by the Group relates to either the Fulcrum infrastructure services CGU; Dunamis, which has two CGUs; or the CDS CGU. The brands and customer relationships also relate to the same CGUs.

In the impairment tests, the recoverable amounts are determined based on value in use calculations which require assumptions. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Intangible assets continued

(b) Impairment testing continued

The recoverable amounts of the 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 as summarised in the following paragraph.

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 7.6% and 9.4% (2020: between 7.2% and 9.0%) 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% (2020: 2.0%). This is prudently aligned with the inflation rate and is not considered to be higher than the long-term industry growth rate.

Following the review, the carrying value of the intangible assets exceeded the associated value in use for the Dunamis and CDS CGUs. Consequently, a total impairment of £4.7 million was made to the carrying value of goodwill and brand and customer relationships. £3.8 million of this was in relation to the Dunamis CGU, with £0.9 million relating to the CDS CGU. No impairment was recognised for the Fulcrum CGU.

Impairment charges were made to the carrying value of goodwill (£4.5 million), brands and customer relationships (£0.2 million) and software and development costs (£0.2 million).

After the above impairments, a segment-level summary of the acquired intangible assets allocation is presented below:

	Fulcrum £'000	Dunamis £'000	CDS £'000	Total £'000
Goodwill	2,225	7,532	-	9,757
Brands and customer relationships	-	8,115	-	8,115

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 the discount rate and a 1.0% reduction in the long-term growth rate.

Based on this analysis, the reasonably possible downside scenario to the discount rate would increase the impairment by £2.4 million, and the change to the long-term growth rate would increase the impairment by £1.9 million.

16. Leases

The Group has leases for land and buildings and plant and machinery. Leases for land and buildings relate mainly to office properties and depots, whilst the plant and machinery leases are predominantly motor vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Leases of property range from a period of three to ten years, and leases of motor vehicles are for three or four years. Lease payments are generally fixed. The use of extension and termination options within leases gives the Group flexibility and such options are exercised when they align with the Group's strategy and where economic benefits of exercising such options exceed the expected overall costs.

Right-of-use assets	31 March 2021 £'000	31 March 2020 £'000
Land and buildings	1,500	1,234
Plant and machinery	1,581	1,486
Total	3,081	2,720

	31 March 2021 £'000	31 March 2020 £'000
Additions to right-of-use assets	1,252	938

Additions to right-of-use assets include new leases and extensions to existing lease agreements.

Depreciation on right-of-use assets	31 March 2021 £'000	31 March 2020 £'000
Land and buildings	247	247
Plant and machinery	645	562
Total	892	809

16. Leases continued

Maturity of lease liabilities	Land and buildings 31 March 2021 £'000	Land and buildings 31 March 2020 £'000	Plant and machinery 31 March 2021 £'000	Plant and machinery 31 March 2020 £'000
Less than one year	310	212	686	560
Between one and five years	1,191	943	946	971
In more than five years	245	312	–	–
Total	1,746	1,467	1,632	1,531

Other impact on profit and loss	31 March 2021 £'000	31 March 2020 £'000
Finance costs on leases	139	119
Expense on short-term and low value leases	637	97
Total	776	216

Cash flows in respect of leases	31 March 2021 £'000	31 March 2020 £'000
IFRS 16 – principal payments	861	797
IFRS 16 – interest payments	139	119
Cash outflows relating to short-term and low value leases	637	97
Total	1,637	1,013

17. Contract assets

	31 March 2021 £'000	31 March 2020 £'000
Work in progress	5,122	4,204
Contract receivables	10,518	8,075
Total	15,640	12,279

The work in progress balances reflect direct work costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. There have been no write-downs in the year (2020: £nil). Contract receivables relate to infrastructure revenue completed but not invoiced.

18. Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	3,938	3,744
Other receivables and prepayments	2,612	3,082
	6,550	6,826

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.

Ageing of trade receivables	31 March 2021 Gross £'000	31 March 2021 Impairment £'000	31 March 2020 Gross £'000	31 March 2020 Impairment £'000
Not past due	2,289	–	1,020	-
Past due less than one month	751	–	1,223	-
Past due one to two months	282	–	755	-
More than two months past due	766	(150)	759	(13)
	4,088	(150)	3,757	(13)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Trade and other receivables continued

	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	13	13
Impairment losses charged	162	67
Impairment losses reversed	(25)	(67)
At the end of the year	150	13

Information about the Group's exposure to credit and market risk is included in note 31.

19. Pension benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £485,000 (2020: £423,000).

20. Share-based payments

Details of the existing schemes and schemes granted in the year and the inputs that were entered into the valuation models are provided below:

	GSS 2018 option plan	SAYE 2016 option plan	SAYE 2017 option plan	SAYE 2018 option plan	SAYE 2019 option plan
Status	Existing plan	Existing plan	Existing plan	Existing plan	Existing plan
Grant date	3 August 2018	3 February 2016	3 February 2017	5 February 2018	5 February 2019
Number of options	3,944,064	2,678,416	513,000	749,520	3,992,769
Exercise price	£nil	22.1p	50.0p	50.0p	35.1p
Vesting criteria	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	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	236.8%	56.6%	119.6%	230.1%	281.3%
Dividend yield	3.17%	2.49%	1.92%	3.20%	4.90%
Option life	3 years	3 years	3 years	3 years	3 years
Annual risk free rate	0.82%	0.45%	0.11%	0.74%	1.61%
Outstanding at the beginning of the year	2,568,047	19,547	67,320	120,240	2,066,634
Issued during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Lapsed during the year*	(324,000)	(19,547)	(67,320)	(59,760)	(1,331,779)
Outstanding at the end of the year	2,244,047	-	-	60,480	734,855
Exercisable at the end of the year	-	-	-	60,480	-

20. Share-based payments continued

	SAYE 2020 option plan	Long Term incentive plan ("LTIP")
Status	New plan	New plan
Grant date	7 October 2020	8 March 2021
Number of options	4,601,197	95,000
Exercise price	25.7p	£nil
Vesting criteria	Maturity date of 1 December 2023	Base share price achievement of at least 52.5p per share immediately prior to the date of the announcement of the Group's results for the financial year ending 31 March 2025 In the event that the Company's share price reaches 105p per share during the vesting period (based on an average of the 40 preceding trading days) then the scheme will vest immediately
Volatility	30.8%	45.0%
Dividend yield	0.0%	0.0%
Option life	3 years	3.9 years
Annual risk free rate	(0.69)%	0.24%
Outstanding at the beginning of the year	-	-
Issued during the year	4,601,197	95,000
Exercised during the year	-	-
Lapsed during the year*	(301,982)	-
Outstanding at the end of the year	4,299,215	95,000
Exercisable at the end of the year	-	-

* Lapsed shares relate to individuals forfeiting their options by leaving the scheme or by deciding not to exercise their options.

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 weighted average share price during the year ended 31 March 2021 was 34.4p (2020: 25.8p).

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 a £436,000 charge before tax (2020: £6,000 credit) in relation to equity-settled share-based payment transactions in the statement of comprehensive income, with the opposite entry being to the retained earnings reserve. The charge for the year is a result of two new schemes started in the year (SAYE 2020 option plan and the Long-Term incentive plan).

21. Share capital

	31 March 2021 £'000	31 March 2020 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	500	500
Allotted, issued and fully paid		
222,117,945 (2020: 222,117,945) ordinary shares of £0.001 each	222	222

Ordinary shareholders are entitled to dividends as declared. During the year ended 31 March 2021, no new ordinary shares were issued. During the year ended 31 March 2020, 814,839 ordinary shares with a nominal value of £815 were issued to employees exercising vested share options. The shares issued in the year ended 31 March 2020 had a nominal value of £0.001 each and were issued at £0.221 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Share premium

	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	389	210
Shares issued	-	179
At the end of the year	389	389

23. Revaluation reserve

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

	31 March 2021 £'000	31 March 2020 Restated £'000
At the beginning of the year	11,549	12,737
Revaluation in the year	1,569	3,036
Surplus arising on utility assets internally adopted in the year (note 13)	338	951
Disposal of previously revalued assets	(574)	(3,461)
Impairment of previously revalued assets	(3,548)	(1,086)
Depreciation on previously revalued assets	(342)	(307)
Derecognition/(recognition) of deferred tax liability (note 10)	560	(321)
At the end of the year	9,552	11,549

24. Merger reserve

The 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 2021 £'000	31 March 2020 £'000
At the beginning and end of the year	11,347	11,347

25. Retained earnings

	31 March 2021 £'000	31 March 2020 Restated £'000
At the beginning of the year	22,800	20,813
(Loss)/profit in the year	(10,281)	1,556
Dividends paid	-	(3,331)
Equity-settled share-based payment transactions	436	(6)
Depreciation on previously revalued assets	342	307
Disposal of previously revalued assets	574	3,461
At the end of the year	13,871	22,800

26. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	6,524	5,593
Other payables	6,145	6,316
	12,669	11,909

27. Contract liabilities

	31 March 2021 £'000	31 March 2020 £'000
Contract liabilities	27,098	27,905

Of the £27.1 million contract liabilities balance, £18.2 million (2020: £18.6 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 31.

28. Interest-bearing loans and borrowings

On 4 June 2018, the Group entered into a three year Revolving Credit Facility agreement with Lloyds Banking Group for up to £20 million. The facility supported 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 was structured as an "accordion" facility, with £10.0 million committed at 31 March 2020. The facility was settled in full on 1 April 2020.

On 1 December 2020, the Group entered into a new two year Revolving Credit Facility agreement with Lloyds Banking Group for £10 million. This facility supports the financing, construction and acquisition of pipeline assets. On 4 December 2020, £5.7 million was drawn down from this facility. At 31 March 2021, £4.3 million of this facility remained available for future drawdowns.

(a) Changes in liabilities arising from financing activities

	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	10,000	3,000
Repaid in year	(10,000)	-
New borrowings	5,700	7,000
Capitalised borrowing fees	(260)	-
Amortisation of capitalised borrowing fees	43	-
At the end of the year	5,483	10,000

(b) Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity	31 March 2021 £'000	31 March 2020 £'000
Three year Revolving Credit Facility agreement	GBP	LIBOR + 2.0%	2021	-	10,000
Two year Revolving Credit Facility agreement	GBP	Bank of England Base Rate + 3.5%	2022	5,700	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. Reconciliation to net (debt)/funds

	31 March 2021 £'000	31 March 2020 £'000
Cash and cash equivalents	3,934	15,973
Borrowings	(5,483)	(10,000)
Net (debt)/funds	(1,549)	5,973

30. Provisions

	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	58	96
Utilised during the year	(58)	(38)
Provision created during the year	54	-
At the end of the year	54	58

The provision utilised during the year related to warranty provisions held in Dunamis Infrastructure Services Limited. The provision had been estimated based on historical warranty data associated with similar products and services and was utilised over two years. The provision created during the year relates to the costs expected to be paid to settle ongoing legal claims.

31. 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 associated risks.

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 debt facility of up to £10.0 million with Lloyds Banking Group plc, on 2 December 2020, to support the financing, construction and acquisition of pipeline assets. At 31 March 2021 £5.7 million was drawn at an interest rate of 3.5% plus The Bank of England Base Rate.

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

31. Financial risk management continued

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.

The Group agreed a debt facility of up to £10.0 million with Lloyds Banking Group plc, on 2 December 2020, to support the financing, construction and acquisition of pipeline assets. At 31 March 2021, £5.7 million was drawn at an interest rate of 3.5% plus The Bank of England Base Rate. At 31 March 2021, £4.3 million of this facility remained available for future drawdowns.

The Group's close working capital management is 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.

Capital risk

The capital structure of the Group consists of the net (debt)/funds (note 29) 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.

32. Related parties

The Group has related party relationships with its subsidiaries, Directors and key management personnel. Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 44.

In the year, sales totalling £23,790 (2020: £nil) were made by the Group to companies in which key management personnel held significant interests. These sales were settled in full by the year end.

In the year, purchases totalling £347,110 (2020: £60,817) were made by the Group from companies in which key management personnel held significant interests, of which £7,954 (2020: £nil) was still outstanding at the year end. The purchases were for equipment hire, fuel cards and sub-contracting services used in the ordinary course of business.

33. Events after the reporting period

On 1 June 2021, the Group completed the transfer of the third tranche of its domestic customer gas connection assets to a third-party for a total consideration of £3.8 million. Cash of £3.7 million was received on 1 June 2021, with the retention balance of £0.1 million expected to be received on 31 May 2022. The utility assets transferred as a result of this transaction had been revalued to fair value at the year end, with the fair value for these assets being equal to the sales price agreed with the third-party.

This transaction is the third tranche of a wider contract to transfer the remainder of the Group's domestic customer gas connection assets and associated meters to the third-party.

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GROUP TRADING COMPANIES

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Independent Distribution Network Operator (iDNO)
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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)
The Dunamis Group Limited

Dunamis Infrastructure Services Limited

Matrix Professional Services Limited

Matrix Network (Eastern) Limited

Maintenance Services Provider
Maintech Power Services Limited

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