FULCRUM UTILITY SERVICES LIMITED
ANNUAL REPORT AND ACCOUNTS 2017

FULCRUM

FULCRUM IS THE UK'S MARKET LEADING INDEPENDENT MULTI-UTILITY INFRASTRUCTURE AND SERVICES PROVIDER AND IS COMMITTED TO ACHIEVING ITS AIM OF BEING THE UK'S MOST TRUSTED UTILITY SERVICES PARTNER.

WHAT WE DO
See page 05

OUR STRATEGY
See page 11

SUSTAINABILITY
See page 12

Highlights

A YEAR OF CONTINUED SUCCESS

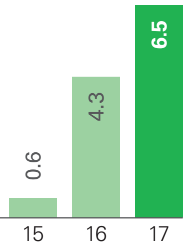
- Record EBITDA of £7.3m (2016: £5.3m)
- Operating cash flow of £6.0m (2016: £3.8m), after investing £2.5m in pipeline assets
- Cash increased to £12.6m (2016: £8.3m) with no debt
- Final dividend for FY2017 recommended at 1.3p (2016: 0.6p), total for FY2017 1.9p (2016: 0.9p)
- Strong growth in the order book, up 39% since March 2016
- Significant new contracts won, including:
  - A £4.2m, 12km gas pipeline to a food manufacturing plant
  - A £1.4m, 2km gas pipeline to a manufacturing plant
  - A £1.0m, 4km electricity contract to a hospital
  - A £1.1m fuel conversion for a distillery
- Further operational efficiencies implemented
- Full Meter Asset Manager accreditation obtained

In this report

Profit before tax

£6.5m

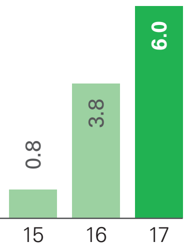
(2016: £4.3m)



Operating cash flow

£6.0m

(2016: £3.8m)



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2017 in review

A YEAR OF MOMENTUM

In FY2017 Fulcrum continued to progress against its objectives, successfully delivering major utility contracts across the UK, driving customer service excellence, improving operational efficiency and growing the asset base.

FIRST BIOGAS CONTRACT

SECURED AND DELIVERED

New pipeline connects a £12.0 million biogas plant to the UK distribution network.

FULCRUM TRIUMPH

AT PRESTIGIOUS INDUSTRY AWARDS

Fulcrum beat off fierce competition from major network operators to secure the Company of the Year and Manager of the Year awards at the Gas Industry Awards.

FULCRUM WINS £1.4m

GAS PIPELINE CONTRACT WITH BRITISH GAS

£1.4 million contract for the installation of 2.3km of gas pipeline infrastructure to a new manufacturing plant.

APR 2016 | MAY 2016 | JUN 2016 | OCT 2016

£1.0m ELECTRICAL CONTRACT SECURED

FOR 640-BED HOSPITAL

The electricity infrastructure project, secured in partnership with British Gas Business, includes the installation of 4km of high voltage electricity cabling.

METER ASSET MANAGER (MAM)

ACCREDITATION GAINED

TO ADOPT, RUN AND OPERATE ALL CLASSES OF METERS

Profit before tax

£6.5m
(2016: £4.3m)

Online-initiated sales

£6.4m
(+8%)
Fulcrum web reporting
(April 2016–March 2017)

British Gas "Right First Time" performance

97%
(+0%)
British Gas performance reporting
(April 2016–March 2017)

RIDDOR incident rate

0.00
(2016: 0.14)
Fulcrum KPI reporting
(April 2016–March 2017)

DEC 2016

FULCRUM SECURES £4.2m
GAS PIPELINE PROJECT FOR MAJOR FOOD MANUFACTURER

Read more on page 13

ANNOUNCED INTENTION TO OBTAIN **INDEPENDENT DISTRIBUTION NETWORK OPERATOR (IDNO) LICENCE** TO ENABLE OWNERSHIP OF ELECTRICAL ASSETS

FULCRUM EXPANDS
DIRECT DELIVERY MODEL

Directly managed service delivery model expanded to Scotland following huge success across England and Wales.

NEW IT INFRASTRUCTURE
PROJECT DELIVERED ON TIME AND WITHIN BUDGET, SAVING £0.2 MILLION PER ANNUM OVER NEXT FIVE YEARS

JAN 2017

SECOND EMPLOYEE SHARESAVE
SCHEME LAUNCHED

Employee participation in schemes reaches 69%.

MAR 2017

39% ORDER BOOK GROWTH
IN THE FINANCIAL YEAR

FULCRUM LANDS
£1.1m
GAS PIPELINE PROJECT TO CONVERT FAMOUS SCOTTISH DISTILLERY TO NATURAL GAS

Read more on page 07

Fulcrum at a glance

FULCRUM WILL BE THE UK'S MOST TRUSTED UTILITY SERVICES PARTNER

OUR MISSION

We will achieve our mission by being trusted by our customers to deliver the best service in the industry, to provide value for money, and to offer the full range of utility services our customers want.

We will achieve this through:

- delivering a safe, Right First Time service;
- simplifying the way we work and using automation to drive efficiencies;
- sustained investment in people development;
- expanding the direct delivery capability, with more teams being upskilled to deliver electrical work across mainland UK; and
- being a high performing and cohesive team that consistently lives the Fulcrum values.

Our values:

- We put our customers first
- We keep our promises
- We have a can do attitude
- We work as a team

WHAT SETS US APART?

FULL NATIONAL COVERAGE

TRUSTED DELIVERY, ON TIME

PROJECTS OF ANY SCALE

ASSET OWNERSHIP CAPABILITY

LEADING SERVICE DELIVERY

END-TO-END DELIVERY THROUGH A SINGLE BRAND

MULTI-UTILITY SOLUTIONS

BEST VALUE FOR MONEY

WHAT WE DO

We continue to be the only independent Utility Infrastructure Provider (UIP) covering the whole of mainland UK offering a fully branded, directly managed delivery model throughout England, Scotland and Wales.

Our breadth of services, coupled with national capability, is unmatched and ranges from the design, construction and ownership of utility infrastructure for single-site properties to large and complex multi-site projects.

Fulcrum Utility Services Limited

New utility infrastructure

Asset ownership

Gas, dual fuel and multi-utility connections on every scale

- Fulcrum uniquely services a complete range of customers and projects, from single-site connections to infrastructure projects of national significance.
- Fulcrum offers gas, dual fuel and multi-utility solutions for all types of development, allowing its customers to benefit from more choice and the efficiencies of a truly co-ordinated delivery.

Regulated pipeline operations

Through its subsidiary, Fulcrum Pipelines Limited, Fulcrum is licensed as an Independent Gas Transporter (IGT), owning and operating a growing portfolio of gas infrastructure that connects properties to the main UK gas networks. These assets generate income from the transportation of gas between the main regional gas networks and individual properties. Fulcrum Pipelines Limited is regulated by Ofgem as an IGT.

Meter asset management

As a Meter Asset Manager (MAM), Fulcrum is responsible for elements including the design, installation, maintenance and removal of meters to ensure they perform in accordance with industry standards. As a MAM, Fulcrum receives a rental income for each meter owned.

As a result of becoming a MAM, Fulcrum is one of only a small number of companies that can own both pipelines and meters, enabling the business to provide a more comprehensive asset service to the industry.

Electrical assets

In December 2016, Fulcrum announced its intention to obtain an Independent Distribution Network Operator (IDNO) licence by the end of the calendar year 2017 to enable the adoption and ownership of electrical assets.

Chairman's statement

PLATFORM FOR GROWTH

"Fulcrum continues to make excellent progress with a significantly increased order book and asset growth. The Group is well positioned to grow sustainably in the utility services market, increase its asset ownership and is committed to efficient operations and customer service."

EBITDA

£7.3m

(2016: £5.3m)

Net funds

£12.6m

(2016: £8.3m)

I am pleased to present the annual report and financial statements for Fulcrum for the year ended 31 March 2017. The Group continues to build on its robust, profitable platform. FY2017 has been another year of performance improvement with increases in profits, cash generation and dividends.

Financial Results

For the year ended 31 March 2017 the Group reported profit before tax of £6.5 million (2016: profit of £4.3 million). Overall reported revenue for the year was £37.7 million (2016 restated: £36.1 million). Underlying EBITDA for the period was £7.3 million (2016: £5.3 million). The Group achieved a 4.8% improvement in gross margin at 40.8% (2016: 36.0%), benefiting from improvements in operating efficiencies, a broader mix of sales and a larger proportion of the high margin asset transportation income.

Basic earnings per share for the period were 3.3p per share (2016: 3.1p). The underlying earnings per share, before deferred tax, were 4.1p (2016: 2.7p). The diluted earnings per ordinary share for the period were 2.8p (2016: 2.7p). The diluted underlying earnings per share, before deferred tax, were 3.5p (2016: 2.4p).

Net cash inflows before financing activities were £5.3 million (2016: £3.6 million), after investment in pipeline assets of £2.5 million. At 31 March 2017 the overall net cash position was £12.6 million.

Dividend

As a result of this strong performance, and in line with our dividend policy declared in December 2016, I am pleased to announce that the Board has recommended a final dividend of 1.3p, making the total dividend 1.9p for FY2017 (2016: 0.9p). Creating shareholder value is a key priority for the Group and, going forward, our priorities for how we use our cash remain unchanged. We will continue to invest in the business to support organic growth, acquire utility assets and grow the dividend in line with the stated policy.

Board and Corporate Governance

There have been no changes to the Board during FY2017. Post the year end, however, we announced on 11 May 2017, that Martin Donnachie, Chief Executive Officer, would be standing down on 31 July 2017. Martin Harrison, Chief Financial Officer, will succeed as Chief Executive Officer on 1 August 2017 following an agreed hand-over period. Ian Foster was appointed as Chief Operating Officer with effect from 1 August 2017 and Hazel Griffiths, the Group Financial Controller, will take on the role of Chief Financial Officer though will not be appointed to the Board at this stage.

The stewardship and governance of our Group are a high priority, and the Board is committed to ensuring that the high standards of corporate governance are embedded within the organisation and at the forefront of all that we do. We believe that our commitment to business integrity, safety, sustainability and strong governance is a key strength of our business and enables decisions to be taken that create value for future years.

Our People

Fulcrum owes its success to its employees. I would like to thank them all for their dedication and hard work during the year. We are committed to creating an environment that encourages and enables people to achieve their ambitions and develop the skills they need to do so.

Outlook

Fulcrum continues to make excellent progress with a significantly increased order book and, later this year, the expected Independent Distribution Network Operator (IDNO) licence will enable the Group to own and operate electricity assets. Furthermore, the Group is well positioned to grow sustainably in the utility services market with a balanced approach across the different routes to market, asset ownership and a commitment to efficient, safe operations and customer service.

As we look forward, the opportunities for further improvement and value creation remain attractive. We are confident about the growth opportunities and our ability to leverage our robust and scalable operating platform. We believe the outlook remains positive and that the Group continues to be well positioned to make sustained progress in 2018.

Philip Holder

Non-executive Chairman

6 June 2017

NEW £1.1 MILLION HIGHLANDS DISTILLERY CONNECTION CONTRACT

Following the successful delivery of other major distillery projects, Fulcrum secured a £1.1 million contract with Chivas Brothers to connect a 7.7km gas pipeline to the Allt-a-Bhainne Distillery to bring a year-round gas supply to the facility.

The new infrastructure will involve a sophisticated installation procedure, passing the pipeline through multiple terrains including under bridges, within highway verges and alongside waterways.

This will reduce the distillery's carbon footprint, which currently uses fuel oil delivered by tankers.

This is the third significant utility infrastructure project that Fulcrum will deliver on behalf of Chivas Brothers in the Highlands.

"This is the third gas pipeline project we've been involved in with Fulcrum. We look forward to the benefits this latest expansion will bring to Allt-a-Bhainne and the surrounding area.

We take our environmental performance very seriously and projects such as this, which help reduce our carbon footprint, are always front of mind. We are continuously investing in our Scottish operations to reduce our environmental footprint."

Gordon Buist, Production Director, Chivas Brothers

£1.1 million contract

7.7km of gas infrastructure

Asset adoption by Fulcrum Pipelines

Left to right: Sammy Waters (Operations Business Development Manager), Trevor Buckley (Distillery Operations Manager, Chivas Brothers) and Stevie McGill (Operations Business Development Manager).

Strategic report

CREATING SHAREHOLDER VALUE THROUGH PROFITABLE GROWTH

- Strong growth in the order book, up 39% since March 2016
- Further operational efficiencies implemented
- Gas pipeline assets increased
- Meter Asset Manager accreditation obtained
- Progressive dividend policy declared

Principal Activities

The Group's principal activities are the provision of unregulated utility connections, independent gas transportation and meter asset management services in the UK.

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

The Group comprises two trading subsidiaries:

- Fulcrum Infrastructure Services Limited (providing utility infrastructure and connection services); and
- Fulcrum Pipelines Limited (the licensed owner of the Group's gas and meter assets).

Chief Executive's Review

In FY2017, we maintained our track record of continuous improvement to successfully deliver on our promises to grow the order book, improve operational efficiency to reduce costs and grow our asset estate. This strategy has delivered a record EBITDA of £7.3 million (2016: £5.3 million) and positive cash generation of £5.3 million before financing activities.

The Group's order book increased by £8.5 million (39%) to £30.3 million, from £21.8 million at 31 March 2016. This increase highlights progress within the business during FY2017 and includes a £4.2 million contribution from the gas conversion contract in the South West reported at the half year stage. The Group continues to secure electricity contracts and a broad base of gas and multi-utility projects.

In accordance with the stated asset growth strategy, the Group has seen an increase of agreements to adopt external gas assets from Utility Infrastructure Providers (UIPs). The value of assets to be purchased is currently £2.8 million. The cash will be spent as these schemes are built out, increasing future transportation income.

We also confirm that plans are on track to obtain the Independent Distribution Network Operator licence (IDNO) by the end of the calendar year to enable ownership of electrical assets.

In the period under review, the Group achieved a 4.8% improvement in the gross profit margin of 40.8% (2016: 36.0%). This improvement has been driven by our maturing direct delivery model, a broader mix of sales orders being won and delivered, alongside a larger contribution from the high margin asset transportation income. In addition, continued progress has been made in reducing the cost base of the business to ensure that our competitive position can be sustained in the long term. All costs are subject to rigorous reviews and efficiency savings are continually sought to enable reinvestment in organic growth opportunities.

Safety is paramount in our organisation. Our goal remains to ensure everyone including contractors, employees and the general public are safe when work is being undertaken.

Trading Update

In FY2017, year-on-year revenue increased by £1.6 million or 4.4% to £37.7 million. We continue to deliver on our stated strategy of organic growth, as evidenced by the 39% increase in the sales order book year-on-year. The investment in our sales team is yielding results. In line with the stated intention to expand into electricity and multi-utility services, a greater proportion of electricity and multi-utility contracts have been tendered and won in FY2017. These wins are incremental to the core offering of gas projects.

We introduced customer satisfaction surveys in FY2017 to gauge how well our customer-centric approach is being received. The first year results are encouraging, with 73% of customers rating our service as "great" (9 or 10 out of 10).

Our sales approach is maturing, with dedicated teams servicing our routes to market: key accounts (including British Gas), major projects, housing and technical sales.

Key Accounts

Fulcrum's sustained emphasis on customer service excellence and listening to what our customers require have ensured that we have strong levels of repeat revenues.

We have delivered a 97% Right First Time service for British Gas, our largest customer, underlining our flexibility and delivery capabilities to meet this key customer's requirements.

We have also secured several major projects, including:

- a £1.4 million contract to install over 2km of gas pipeline infrastructure to a new manufacturing plant in the North East of England;
- a £1.0 million, 4km electricity contract to a hospital; and
- a £0.5 million dual fuel contract to supply new gas and electricity infrastructure to a new power station.

Our dedicated and responsive key accounts team supports all of these repeat customers throughout the design to delivery process, providing services that meet their individual needs.

Major Projects

Our ability to deliver large and complex projects is well recognised. We work closely with our clients to design and build utility infrastructure solutions tailored to their needs. Fulcrum has continued to win major new gas, electricity and multi-utility contracts, which include:

- a £4.2 million project to install a new 12km gas pipeline to a large food manufacturing plant in the South West, converting the site from its existing fuel oil source to natural gas, generating large cost savings for the manufacturer;
- a £1.1 million, 7.7km gas pipeline project to convert a Scottish distillery from its existing fuel source to natural gas; and
- a £0.3 million multi-utility contract to install gas, electricity, water and telecoms to three commercial units in London.

With a focus on main contractors and mechanical and engineering consultants, the enlarged team of Business Development Managers has increased major project orders during the period and are consistently generating incremental opportunities, including electricity contracts.

Housing

The housing market presents a significant opportunity to grow our sales. To expand our work-winning capability, we have increased the number of Business Development Managers in this team and made further improvements to our cost-effective delivery model. During the period, we have secured several significant, multi-utility housing schemes, including:

- a £0.2 million infrastructure contract to deliver new gas and electricity connections to a 100-plot housing development in Staffordshire; and
- a £0.1 million infrastructure contract to deliver new gas, electricity and water connections to a housing development in Nottinghamshire.

Technical Sales

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

Within this route to market, our web-initiated sales continue to grow, increasing by 8% year-on-year to £6.4 million, accounting for 17% of our total revenue. Both the FirstGas and FirstElectricity brands, aimed at less technical users, have demonstrated year-on-year growth, increasing our penetration of this sub-sector.

Utility Assets

A key component of our growth strategy is to create long-term, secure income by increasing our ownership of gas, electricity and meter assets.

Gas

Our estate of gas pipeline assets has grown in FY2017, increasing our owned portfolio of domestic, industrial and commercial assets by £2.5 million to a total net book value of £11.9 million at 31 March 2017. The annualised gas transportation income has grown to £1.6 million (2016: £1.1 million) and, with the low costs to serve, this annuity income stream represents a secure and profitable element of the Group's future financial stability.

Our competitive gas asset values offered to external UIPs (who do not have an independent gas transportation licence that enables them to own gas pipelines) have yielded a significant increase in the order book. The value of assets to be purchased is currently £2.8 million (2016: £0.2 million). The cash will be spent as these schemes are built out, increasing future transportation income.

Strategic report continued

Utility Assets continued

Meters

During the period, the decision was taken by the Board to enter the Meter Asset Manager (MAM) market to own and operate gas meters. Starting from 1 October 2016, the Group has been using its current licence to adopt, own and operate low pressure, domestic gas meters. In addition, the Group commenced commercial meter management from 1 November 2016, which will allow the adoption of medium pressure industrial and commercial meters.

Electricity

In accordance with our strategy to grow sales by developing our service offering and expanding into electricity infrastructure projects, the Group announced its intention to gain an IDNO licence that will facilitate the adoption, ownership and operation of electrical assets to generate long term transportation income streams. The process to full accreditation is expected to take around 12 months from the initial application made in December 2016.

The meter asset ownership addition, and in due course electrical asset ownership, both complement the Group's existing gas pipeline asset ownership capabilities and complete Fulcrum's end-to-end offering by enabling the adoption of gas meters and electrical infrastructure on delivered contracts and offers the opportunity to expand the services provided.

Operations

We continually challenge internal and external constraints with the aim of simplifying the way we work, embedding systems and automation to drive efficiencies and encouraging our people to propose innovative ways of working.

Our direct delivery model continues to mature – new, low-cost applications have been developed and implemented for the mobile devices used by the construction teams to improve communications with customers and streamline internal processes to help to drive down the cost of delivery. There are further plans to improve our operational efficiency by developing new mobile applications that will reduce hand-offs between functions, empower construction teams and automate routine administrative activities.

We plan to expand the direct delivery capability, with more teams being upskilled to deliver electrical work across mainland UK. Our unique, end-to-end, fully branded operating model creates an agile and responsive platform to deliver continued growth through a multi-skilled workforce and customer-focused operation. This model is a key differentiator and further enhances our customer service-led, national, broad offering.

During the period, the Fulcrum IT team has successfully replaced all of the core infrastructure with a new solution that reduces operating costs and ensures that Fulcrum has a sustainable, reliable and simplified infrastructure that is flexible to provide for the changing needs of the business. The project was delivered on time and within budget and will realise operating savings of £0.2 million per annum from January 2017 over the next five years.

In order to maintain competitive advantage, we will continually review and improve working practices to ensure that the business model is efficient and lean. Our cost of delivery across all functions (direct, indirect and support) will continue to be tested to drive improved levels of sales orders won and sustainable profitability.

Our People

At Fulcrum, we believe that our people underpin our competitive edge and I would like to thank them all for their outstanding contributions. We trust them to go above and beyond for the Group and our clients. Individual talent and collective expertise across the Group help us to win and deliver the diverse projects while meeting our strategic objectives and delivering on stakeholders' expectations.

We aim to attract and retain the best people and continually develop their capabilities so that we can meet and exceed our clients' expectations. We have continued to invest in our people, enabling them to become increasingly multi-skilled, notably strengthening our electrical design and installation capabilities. Learning and development has been grounded in customer-specific roles and the evolving needs of customers in the industry. Sustained investment will continue to be made to underpin employee engagement and continuous learning. We also actively review and manage our succession plans.

Going Concern

As highlighted in the Financial Review, the Group had net cash at 31 March 2017 of £12.6 million. Also, the Group has an undrawn revolving credit financing facility of £4.0 million.

As a matter of course the Directors regularly prepare financial forecasts for the business and these are reviewed and adopted by the Board. These forecasts are subject to "stress testing" with appropriate sensitivity analysis and scenario planning to ensure that any adverse impact can be managed and mitigated such that the business can continue to operate within its existing financing facilities.

The Group's forecasts and projections, after taking account of sensitivity analysis of changes in trading performance and corresponding mitigating actions, show that the Group has adequate cash resources for the foreseeable future.

Therefore, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Outlook

The business has an established and growing market leading position. We will continue to focus on sales growth, improving customer service and using the cash generated to increase the asset base and the recurring transportation income, all whilst maintaining and improving operational disciplines.

We continue to move forward at pace with confidence for the future as we remain on course to deliver incremental value to all our stakeholders with our aim to be the UK's most trusted utility services partner. We are confident that the outlook remains positive and that the Group continues to be well positioned to make sustained progress in 2018.

Martin Donnachie
Chief Executive Officer
6 June 2017

Our strategy

A TARGETED GROWTH STRATEGY

	DELIVERED THROUGH	PROGRESS IN 2016/17	PRIORITIES FOR 2017/18
KEY ACCOUNTS	• Tailored key account management service • Nurturing profitable relationships with repeat customers • Customer service excellence	• Improved customer satisfaction levels • £1.4 million gas contract won • £1.0 million electricity contract won • £0.5 million dual fuel contact won	• Increasing the number of major and multi-utility contracts won • Account growth through trusted delivery • Sustained emphasis on customer service excellence
MAJOR PROJECTS	• National sales force • Ability to deliver significant projects anywhere in mainland UK	• Secured contracts for major developments across the UK • Growing pipeline of opportunities • Focus on Main Contractors and Mechanical and Electrical Consultants • Increased investment in sales and delivery teams	• Expanding the pipeline of new opportunities • Increasing the number of multi-utility contracts won • Grow relationships with key construction companies
HOUSING	• In-house gas, electricity and water experts • Cost-effective delivery model • Asset ownership ability	• Increased investment in sales and delivery teams • Multi-utility housing schemes secured across the UK	• Increasing housing activity by using cash to unlock large asset values • Developing relationships with national house builders
TECHNICAL SALES	• Prominent online visibility • Responsive, customer-led technical sales service	• 8% year-on-year online sales growth	• Continued investment in online marketing to stimulate further growth • Added value and differentiated online services
ASSETS	• Adopting a mix of domestic, industrial and commercial gas pipeline and meter assets across the UK	• Increase in external gas pipeline acquisitions • MAM accreditation obtained and gas meter estate building • On track for electrical asset licence at the end of calendar year 2017	• Continued growth of core business to build asset base • Increased adoption from third party UIPs • Securing electrical asset licence

We continue to move forward with momentum and with confidence for the future.

Sustainability

COMMITTED TO CORPORATE RESPONSIBILITY

We take the responsibilities we have to our people, customers and the environments we work in seriously and place significant emphasis on this in everything that we do.

Safety is our number one priority

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

We are committed to promoting good health, safe behaviour and care for the environment and we expect all of our people and service providers to contribute to this goal. We actively contribute to excellence in health, safety, environmental, engineering and quality management wherever we work, displaying a professional attitude at all times.

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

- In addition to our safety audit regimes, all senior leaders are required to attend multiple projects under construction to complete safety visits with engineers on site.
- Safety has been core within our drive for innovation and is being supported through the investment in, and development of, new technologies.
- Positive reinforcement of safe working behaviours has been introduced with safety awards and incentives for safe working practices.

Highlights

- An Accident Frequency Rate (AFR) of zero and no Lost Time Injuries (LTIs) in the last 12 months.
- A Gold Award for exceptional occupational health and safety standards for the fourteenth consecutive year by the Royal Society for the Prevention of Accidents (RoSPA).

Fulcrum owes its success to its people

We aim to attract and retain the best people and are committed to creating an environment that encourages and enables our people to achieve their ambitions and develop the skills they need to do so.

We have continued to invest in developing our people, enabling them to become increasingly multi-skilled in order not only to meet but also to anticipate changing customer and industry demands.

- This strong focus and sustained investment has ensured that the whole workforce is agile, responsive and takes a customer-centric approach.
- This, coupled with technical training, ensures that Fulcrum's people are some of the most competent and multi-faceted in the industry.
- All learning and development has been grounded in customer-specific roles which recognise the evolving needs of customers in the industry.

Highlights

- Fulcrum's approach to flexibility, financial reward, investment in leadership development programmes and robust succession planning has enabled a the majority of new leadership roles to be filled by internal talent in the year. This includes two new appointments to Fulcrum's Executive team.
- After the success of its first landmark scheme in 2016, Fulcrum launched a second ShareSave scheme for its employees in January 2017. Almost all employees are shareholders in the business and 69% of all Fulcrum's people are now enrolled in ShareSave schemes.

£4.2 MILLION FUEL CONVERSION PROJECT FOR FOOD MANUFACTURER

Fulcrum secured a new £4.2 million project to install a new gas pipeline to a major food manufacturing plant, converting the site from its existing heavy fuel oil to natural gas.

The contract to install a 12km pipeline will connect a well known food manufacturer to the gas network.

The project will be delivered by a dedicated team of project managers and engineers.

Fulcrum Pipelines Limited will continue to own and operate the pipeline after its installation, increasing its growing asset base.

12km of gas infrastructure

Asset adoption by Fulcrum Pipeline

DUAL FUEL INFRASTRUCTURE FOR NEW POWER STATION

Fulcrum secured a significant dual fuel contract to supply new gas and electricity infrastructure to a new power station.

The £0.5 million contract will see the installation of high voltage electricity cabling and high and intermediate pressure gas infrastructure as part of the construction of the new power station. The Fulcrum project team is working closely with a consortium of other specialist contractors on site.

The site converts gas into electricity in order to supply the national electricity network with reserve power during times of peak demand.

£0.5 million contract

Dual fuel infrastructure

Financial review

SIGNIFICANT IMPROVEMENT IN PROFITABILITY AND CASH GENERATION

- EBITDA up £2.0m to £7.3m
- PBT up £2.3m to £6.5m
- Cash generated from operations £6.0m (2016: £3.8m)
- Net funds up £4.3m to £12.6m
- Total dividends up 111% to 1.9p per share (2016: 0.9p)
- Additions to pipeline assets of £2.5m (2016: £1.9m)

Reported Results for the Period

The financial results for the year to 31 March 2017 reflect a year of sustained progress for our business. The revenue has increased, new operating efficiencies have been implemented and costs controlled to deliver a record underlying EBITDA of £7.3 million (2016: £5.3 million). These results, combined with close management of working capital, have resulted in £6.0 million cash being generated from operating activities (2016: £3.8 million). Overall, net funds have increased by £4.3 million to £12.6 million.

The financial performance, together with a comparison with the previous year, is summarised in the table below.

	Year ended 31 March 2017 £m	Restated year ended 31 March 2016 £m	Year-on-year change £m
Revenue	**37.7**	36.1	1.6
Gross profit	**15.4**	13.0	2.4
Gross margin (%)	**40.8%**	36.0%	4.8%
Administrative expenses	**(8.9)**	(8.7)	(0.2)
Underlying EBITDA*	**7.3**	5.3	2.0
Operating profit before exceptional items	**6.5**	4.2	2.3

* Underlying earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items.

Revenue

Revenue improved by £1.6 million or 4.4% to £37.7 million (2016 restated: £36.1 million). Revenues from infrastructure services amounted to £36.2 million (2016 restated: £35.0 million) and £1.5 million (2016: £1.1 million) from gas transportation.

During the year the Board has considered the accounting for recognition of assets that are adopted by the Group, where those assets are acquired at their "fair value" on adoption, in accordance with IFRIC 18: *Transfers of assets from customers*. The Board has concluded on consideration of the accounting that it is more appropriate in achieving a relevant presentation to include the adjustment within revenue as opposed to the historical treatment which adjusted cost of sales. The impact of this change is to increase revenue in the prior year by £1.6 million, with an offsetting adjustment within cost of sales. The absolute gross profit, profit for the year, underlying EBITDA and net assets as at 31 March 2016 are not affected by this change.

Profit and Performance

Gross profit was up by £2.4 million to £15.4 million (2016: £13.0 million), with the gross profit margin increasing by 4.8% to 40.8% (2016 restated: 36.0%), benefiting from improvements in sales mix, operational efficiencies and the increase in high margin transportation income.

There were no exceptional charges in the year (2016: the costs associated with changing the operating model and reassessment of dilapidation costs in the prior year were reported as exceptional items).

Underlying EBITDA for the period has increased to £7.3 million (2016: £5.3 million) and profit before tax increased by £2.3 million to £6.5 million (2016: £4.2 million).

Earnings per Share

Basic earnings per share for the period were 3.3p (2016: 3.1p). Basic underlying earnings per share from continuing operations, before deferred tax, were 4.1p (2016: 2.7p). The FY2017 earnings per share were impacted by the notional tax charge in the year of £1.3 million (2016: notional tax credit of £0.5 million) and the exercise of 10.9 million vested share options during the year. On a statutory basis, the diluted profit per ordinary share from continuing operations was 2.8p (2016: 2.7p).

Dividends

In December 2016, we announced our progressive dividend policy, reflecting the Board's future confidence, endorsing the financial strength of the business.

The Board proposes a final dividend, subject to shareholder approval at the AGM, of 1.3p per share (2016: 0.6p per share) giving a total dividend for the year of 1.9p per share (2016: 0.9p per share). This final dividend is expected to be paid on 27 October 2017 to shareholders on the register on 29 September 2017 with an ex-dividend date of 28 September 2017.

The cash generative business model, from both infrastructure services and utility assets, provides visibility and confidence in the sustainability and growth of future dividends.

Share Capital

The Company has one class of shares in issue, being ordinary shares with a nominal value of 0.1p each. During the year, 10,854,074 ordinary shares were issued with a nominal value of £10,854 to employees exercising vested share options. The associated cash consideration for the exercise prices was £832k. As at 31 March 2017, the issued share capital of the Company was 167,241,899 ordinary shares with a nominal value of £167k. The principal terms of the share option schemes are summarised in note 20.

Taxation

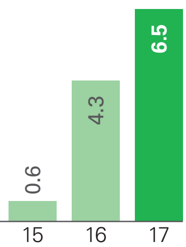
Deferred tax assets totalling £1.9 million have been recognised at 31 March 2017 (2016: £3.2 million). £1.8 million was utilised against the Group's taxable profits of £6.0 million and an additional £0.4 million of deferred tax asset was recognised, after consideration of future levels of profitability. The total accumulated tax losses carried forward from prior periods amounted to £12.1 million.

Deferred tax liabilities totalling £0.7 million have been recognised at 31 March 2017 (2016: £0.7 million) in respect of the revaluation of the industrial and commercial pipeline assets. There is currently no intention to sell these assets and the Group expects to recover their valuation through use, therefore no tax is currently expected to be payable in respect of the revaluation.

Profit before tax

£6.5m

(2016: £4.3m)



Tangible Assets

Capital expenditure for the period amounted to £3.1 million (2016: £2.0 million), principally in respect of the addition of pipeline assets, £2.5 million (2016: £1.9 million). A further £0.6 million was invested in the upgrade of the IT infrastructure, development of mobile applications, office improvements and miscellaneous plant.

Cash Generation

Working capital management continues to be a key area of focus, with the close management throughout the period resulting in a positive operating cash flow from trading activities of £6.0 million (2016: £3.8 million).

At 31 March 2017, the Group had net funds of £12.6 million (2016: £8.3 million), a £4.3 million increase against the prior period, after the investment in our pipeline estate, operational projects and dividend payment.

Bank Facilities

In the prior year, the Group agreed a three-year revolving credit facility for £4.0 million (£1.0 million facility plus an accordion option of £3.0 million) with Lloyds Banking Group. The facility has not been used so remains undrawn as in the prior year. The Group has complied with all the financial covenants relating to these facilities.

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

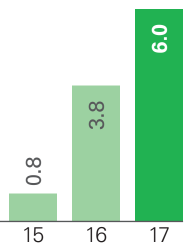
Balance Sheet

Total net assets at 31 March 2017 were £10.4 million (2016: £5.8 million) and included intangible assets of £2.6 million (2016: £2.6 million).

Operating cash flow

£6.0m

(2016: £3.8m)



Financial Risks

The main financial risks faced by the Group are credit risk and liquidity risk. The Directors regularly review and agree policies for managing these risks.

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers. Over half of the Group's customers pay in advance of works commencing, with the remaining profile consisting of established large businesses. It is considered that the failure of any single counterparty would not materially affect the financial wellbeing of the Group, other than one customer, for which the risk of failure is considered minimal based on current market conditions and performance.

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 holds a combination of short and medium-term deposits and a £4.0 million revolving credit facility committed to November 2018. These committed facilities are deemed sufficient to meet projected liquidity requirements.

Martin Harrison
Chief Financial Officer
6 June 2017

DUAL FUEL SOLUTION FOR LEADING HOMEBUILDER

Fulcrum has secured and is delivering a dual fuel utility scheme to 100 new build properties on behalf of leading UK homebuilder Redrow.

The project will see the installation of approximately 1.5km of electricity cabling and 200m of gas infrastructure, providing connections to each of the 100 new homes on the Knights Keep development in Staffordshire.

Once constructed, Fulcrum Pipelines Limited will adopt and own the gas infrastructure feeding the properties.

“Redrow Homes East Midlands appointed Fulcrum for this scheme as not only did they quote within budget, they also came to the table to discuss the project and programming at early stages of the development. This enabled us to have confidence that we could deliver our infrastructure and plots within the required tight timescales.

The works carried out off-site and on site have been exemplary and we look forward to working with Fulcrum on future projects.”

Marc Caine, Engineering Manager, Redrow

100-plot housing development

1.7km of dual fuel infrastructure

Asset adoption by Fulcrum Pipelines

Left to right: Marc Caine (Engineering Manager, Redrow), Matt Hill (Business Development Manager), Lee Whitmore (Engineer, Redrow) and Ben Hanson (Design Engineer).

Board of Directors

A STRONG LEADERSHIP TEAM

Philip Holder (aged 68)

Chairman

Skills and Experience

Philip has over 30 years' experience in the utilities sector. From 1997 to March 2007, Philip was Managing Director of East Surrey Holdings, the mid-cap water and gas utilities business. Until March 2010, Philip was full time Operational Adviser to The Infrastructure Partnership.

Other Appointments

He is also an Operational Adviser to Harwood Private Equity, which manages the Trident Private Equity funds.

Martin Donnachie (aged 47)

Chief Executive Officer

Skills and Experience

Martin has extensive experience gained from a range of interim leadership roles and, prior to that, 12 years of experience in the house building and construction services sectors. He was Divisional Managing Director of the successful affordable housing division of Rok plc from 2007 until 2010. Previously, he held Managing Director roles at George Wimpey plc, Morris Homes Limited and AEA Technology plc. Martin is a Chartered Accountant and in his early career he held a series of finance roles.

Martin Harrison (aged 47)

Chief Financial Officer

Skills and Experience

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

Stephen Gutteridge (aged 62)

Non-executive Director

Skills and Experience

Stephen has over 35 years' experience in energy and utilities, beginning with Shell in marketing and oil trading. In 1988 he joined Amerada Hess, managing its oil trading and its UK gas businesses. From 1992 to 1997 he was Managing Director of Supply at Seeboard plc. Stephen held Executive and Non-executive positions in Ferguson International, the International Petroleum Exchange and CORGI. He was Chairman of Star Energy, a UK oil and gas storage operator from IPO through to its acquisition by Petronas; Chairman of President Petroleum; a Non-executive Director and Chairman of TQ Group, which was successfully sold to Pearson in 2011 and Chairman of Nighthawk Energy.

Other Appointments

He is currently a Non-executive Director of BCA Marketplace.

Executive Committee

From left to right:

Craig Baugh, Head of Marketing and Customer Engagement; Kevin Walpole, Sales Director; Carly Gilchrist, Head of Operations Support; Martin Donnachie, Chief Executive Officer; Martin Harrison, Chief Financial Officer; Ian Foster, Operations Director; and Hazel Griffiths, Group Financial Controller.

Corporate governance report

COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

The Board

Philip Holder (Chairman)

Martin Donnachie

Martin Harrison

Stephen Gutteridge

↓

Audit Committee

Philip Holder (Chairman)

Stephen Gutteridge

↓

Remuneration Committee

Stephen Gutteridge (Chairman)

Philip Holder

Statement by the Directors on Compliance with the Code of Best Practice

As an AIM-listed company, Fulcrum Utility Services Limited is not required to comply with the provisions of the UK Corporate Governance Code ("the Combined Code") that applies to companies with a premium London Stock Exchange listing. However, the Board recognises the importance and value of good corporate governance procedures and accordingly have selected those elements of the Combined Code that they consider relevant and appropriate to the Group, given its size and structure. An overview of the Group's corporate governance procedures is given opposite.

The Board

The Group is controlled through a Board of Directors, which at 31 March 2017 comprised a Non-executive Chairman, two Executive Directors and one other Non-executive Director, for the proper management of the Group. The Chairman is Philip Holder and the Chief Executive Officer is Martin Donnachie.

Of the Non-executive Board members, Philip Holder and Stephen Gutteridge are considered to be independent. The Board operates both formally, through Board and committee meetings, and informally, through regular contact amongst Directors and senior executives. There is a schedule of matters that are specifically referred to the Board for its decision, including approval of interim and annual financial results, setting and monitoring of strategy and examining acquisition possibilities. The Board is supplied with information in a timely manner, in a form and quality appropriate to enable it to discharge its duties.

The Directors can obtain independent professional advice at the Group's expense in the performance of their duties as Directors.

Board and Committee Meeting Attendance

The table below sets out the attendance at Board and committee meetings by presence or by telephone of individual Directors:

	Full Board	Audit Committee	Remuneration Committee
Martin Donnachie	10 of 10	2 of 2	3 of 3
Stephen Gutteridge	10 of 10	2 of 2	3 of 3
Philip Holder	10 of 10	2 of 2	3 of 3
Martin Harrison	10 of 10	2 of 2	3 of 3

Board Committees

The Board Committees comprise the Audit Committee and the Remuneration Committee.

Audit Committee

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

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

Remuneration Committee

The Chairman of the Remuneration Committee is Stephen Gutteridge, with Philip Holder as the other Non-executive member. 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 management, including all personnel receiving a salary exceeding £100,000 per annum (2016: £100,000 per annum). It is also responsible for reviewing incentive schemes for the Group as a whole.

Nominations Committee

As the Board is small, there is and will be no separate Nominations Committee and the appointment of new Directors is considered by the Board as a whole.

Shareholder Communication

The Board is committed to maintaining good communication with shareholders. The Executive Directors maintain a regular dialogue with the analysts and institutional investors to discuss the Group's performance and future prospects.

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

The Annual General Meeting will provide an opportunity for shareholders to address questions to the Chairman and the Board directly. Published information, including regulatory news, is available on the Group's website, www.fulcrumutilityserviceslimited.co.uk.

Risk Management and Internal Controls

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

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

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

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

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

REMUNERATION REPORT

for the year ended 31 March 2017

Remuneration Committee

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

The Board determines the remuneration of each of the Non-executive Directors with the support of external professional advice if required. No Director participates in any discussion regarding his 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 main components of Executive Directors' remuneration, which can be mirrored with certain senior executives, are basic salary, annual performance related bonus and share options.

Basic Annual Salary

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

Annual Bonus Payments

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

Share Option Incentives

The Group operates Enterprise Management Incentive (EMI), an Employee Shareholder Status (ESS), a Growth Share Scheme (GSS) plans and two SAYE schemes (see note 20). 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 from 1 January 2016.

Directors' Interests in Share Options

	EMI	ESS	GSS
Martin Donnachie	—	3,567,988	1,473,000
Martin Harrison	3,000,000	2,172,719	957,000

Directors' Emoluments

The remuneration of each of the Directors for the year ended 31 March 2017 is set out as follows:

	Salary, fees and bonus £'000	Other benefits £'000	Pension £'000	**2017 total £'000**	2016 total £'000
Executive					
Martin Donnachie	302	15	14	**331**	285
Martin Harrison	196	12	8	**216**	182
Non-executive					
Philip Holder	69	2	—	**71**	64
Stephen Gutteridge	34	2	—	**36**	32
Total	601	31	22	**654**	563

GROUP DIRECTORS' REPORT

for the year ended 31 March 2017

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

Registered Office

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

Dividends

The Board has proposed a dividend in respect of FY2017 of 1.3p per share, subject to shareholder approval at the AGM.

Directors

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

Martin Donnachie

Martin Harrison

Philip Holder

Stephen Gutteridge

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 "Reach" briefings contain detailed information on the Group's operational performance for the previous month, as well as updates on customer activity.

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

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

Annual General Meeting

The Annual General Meeting of the Group is to be held on 27 September 2017.

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

Directors' Interests

The Directors and their connected parties held interests in the following number of ordinary shares at 1 April 2016, 31 March 2017 and 26 May 2017. Further information about the Directors' interests is provided in the Remuneration Report.

	Number of ordinary shares		
	26 May 2017	**31 March 2017**	1 April 2016
Martin Donnachie	**3,654,433**	**3,654,433**	479,433
Philip Holder	**954,666**	**954,666**	1,016,666
Stephen Gutteridge	**249,166**	**249,166**	369,166
Martin Harrison	**208,054**	**208,054**	208,538

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 these non-statutory consolidated accounts for the year ended 31 March 2017, 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 (IFRSs) as adopted by the EU.

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepared the non-statutory consolidated accounts on the going concern basis as they believe that the Group will continue in business.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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 Island 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 2017. The Directors have requested KPMG LLP (KPMG) to undertake a non-statutory audit of the Company's consolidated financial statements in order to discharge their obligations under AIM Rule 19. The audit report issued by KPMG has therefore been addressed to the Company and not the members, as would be the case with a statutory audit.

Statement of Disclosure of Information to Auditors

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 auditors are unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board

Martin Donnachie
Chief Executive Officer
6 June 2017

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Group's strategic objectives. The Corporate Governance Report on pages 17 and 23 describes the systems and processes through which the Directors manage and mitigate risks. The Board recognises that the nature and scope of the risks can change and so regularly reviews the risks faced by the Group as well as the systems and processes in place to mitigate them. The principal risks to achieving the Group's objectives are set out below:

Description	Mitigating actions	Risk change
GROWTH AND STRATEGY EXECUTION		
It is possible that the growth of the business could take longer than expected, or that the anticipated improvements in financial performance may not be realised in full.	To mitigate this risk, the Group operates comprehensive annual strategic planning and budgeting processes, together with regular financial reforecasts. Detailed monthly reporting and analysis of actual performance against the business plan ensures that corrective actions can be taken on a timely basis if necessary.	→
DEPENDENCE ON KEY EXECUTIVES AND PERSONNEL		
In common with many smaller companies, the Group's future success is substantially dependent upon recruiting, retaining and motivating key executives with relevant industry experience.	The Group has put in place suitable executive and senior management incentive schemes linked to the successful delivery of our strategy. Appropriate staff development programmes are in place to assess, manage and develop the leadership skills of all staff throughout the organisation. In addition, a regular talent management/succession planning exercise is completed for the key members of our teams.	→
RISKS RELATING TO OPERATING IN A COMPETITIVE MARKET		
The business strategy relies fundamentally on the ability to increase revenues and ensuring that the cost base is kept under control. However, the markets in which the Group operates are competitive. The Group faces significant competition, including from organisations that may be larger and/or have greater capital resources. The Group cannot predict the pricing or promotional activities of its competitors or their effect on its ability to market and sell its services. In order to ensure that its services remain competitive, the Group may be required to reduce its prices as a result of price reductions by its competitors. This could adversely affect the Group's results. There are no assurances that the strength of the Group's competitors will not improve or that the Group will win any additional market share from its competitors, or maintain its existing market share. Existing and/or increased competition could adversely affect the Group's market share and materially affect its business, financial condition and operating results.	These risks are managed through the corporate planning and review processes as outlined in the growth and strategy execution section above.	→

Description	Mitigating actions	Risk change
RISKS RELATING TO THE GAS CONNECTIONS MARKET		
Operating in the gas industry carries with it inherent risks, such as reliance on ageing infrastructure, potential injury to, or loss of, human life or equipment, as well as the risk of downtime or low productivity caused by weather interruptions or equipment failures. Losses could result from litigation or interruption of the Group's business should these risks materialise. There are also associated regulatory risks relating to the Group's reliance on a number of different licences which it requires in order to carry out the design and project management of connections to gas pipelines. In addition, Fulcrum Pipelines Limited is specifically licensed by Ofgem as an Independent Gas Transporter (IGT). This brings with it the risk that the regulatory environment could change, which may have a direct and significant impact on the Group's regulated activities.	The Group seeks to reduce the risk of losses arising from these circumstances through careful planning, robust operational guidelines and the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements.	→
RELIANCE ON KEY CUSTOMERS		
A relatively small number of long-term commercial contracts exist between the Group and its customers.	The relationship between the Group and many of its customers is not regulated by a contract. Instead, the majority of the Group's business with customers is based on purchase orders and an acceptance by customers of the Group's standard terms and conditions. The drive for customer service excellence will help to promote repeat customer revenues, further complemented by our established national position with a broad service offering and in-house design and build expertise.	→
RELIANCE ON SIGNIFICANT SUPPLIERS		
The Group does rely upon one nominated subcontractor for the operational delivery in the South of England and as such the Group is exposed to the risk that the financial performance of this supplier may fluctuate or deteriorate in the future and that this could have an adverse impact on the operational or financial performance of the Group.	In order to manage this risk, the Group will regularly and jointly review the performance of the subcontractor against the contract.	→
CONTINUITY OF FINANCING FACILITIES		
In November 2015, the business entered into a revolving credit facility which replaced the asset backed financing agreement with Lloyds Bank plc. At the year end, this facility was not utilised.	Sustained improvement in financial performance, the provision of regular management information and maintaining good working relationships with the Group's bankers will remain important in the future.	→
CHANGING MIX OF SALES		
A changing mix of new contract sales, moving away from payments in advance toward credit terms, may place a strain on working capital as the volume of credit sales increases.	In granting commercial credit terms, careful attention is paid to the timing of cash receipts and payments over the period of contract delivery. Where necessary, a deposit is requested from customers prior to commencing work and invoicing milestones with customers are matched where possible to the invoicing patterns with contractors.	→
MANAGEMENT OF FINANCIAL RESOURCES INCLUDING LIQUIDITY RISK AND CAPITAL RISK MANAGEMENT		
Disclosure of all the treasury risks can be found in note 25 to the financial statements.		

Key

→ No change ↗ Risk increased ↘ Risk decreased

INDEPENDENT AUDITORS' REPORT

to Fulcrum Utility Services Limited

We have audited the non-statutory consolidated accounts of Fulcrum Utility Services Limited for the year ended 31 March 2017 set out on pages 25 to 44. These non-statutory accounts have been prepared for the reasons set out in note 1 to the non-statutory accounts and on the basis of the financial reporting framework of International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our report has been prepared for the Group solely in connection with the preparation by the Directors of non-statutory consolidated financial statements prepared to support compliance with the AIM Rules for Companies ("AIM Rules"). It has been released to the Group on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Group's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Group determined by the Group's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Group for any purpose or in any context. Any party other than the Group who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the Directors are responsible for the preparation of the non-statutory accounts, which are intended by them to give a true and fair view. Our responsibility is to audit, and express an opinion on, the non-statutory accounts in accordance with the terms of our engagement letter dated 23 November 2016 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Non-Statutory Accounts

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

In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited non-statutory accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Non-Statutory Accounts

In our opinion the non-statutory accounts:

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of its profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

David Morritt
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square,
Sovereign Street,
Leeds,
LS1 4DA
6 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 £'000	Restated* year ended 31 March 2016 £'000
Revenue	3	**37,736**	36,109
Cost of sales		**(22,358)**	(23,124)
Gross profit		**15,378**	12,985
Administrative expenses		**(8,906)**	(8,748)
Operating profit	5	**6,472**	4,237
Analysed as:			
EBITDA before share based payments and exceptional items		**7,321**	5,301
Equity-settled share based payment charges	20	**(213)**	(314)
Exceptional items	4	**—**	(4)
Depreciation and amortisation	10,11	**(636)**	(746)
		6,472	4,237
Finance income		**75**	31
Finance expense		**(12)**	(10)
Profit before taxation		**6,535**	4,258
Taxation	7	**(1,289)**	476
Profit for the period attributable to equity holders of the parent		**5,246**	4,734
Other comprehensive income			
Items that will never be reclassified to profit:			
Revaluation of property, plant and equipment	23	**280**	694
Deferred tax on items that will never be reclassified to profit or loss	7	**(9)**	(64)
Total comprehensive income for the year		**5,517**	5,364
Profit per share attributable to the owners of the business			
Basic	9	**3.3p**	3.1p
Diluted	9	**2.8p**	2.7p

* See note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2015		154	16,182	2,449	(17,693)	1,092
Profit for the year		—	—	—	4,734	4,734
Revaluation surplus	23	—	—	708	—	708
Revaluation reserve transfer	23	—	—	(14)	14	—
Deferred tax liability	7, 23	—	—	(64)	—	(64)
Transactions with equity shareholders						
Equity-settled share based payment	20	—	—	—	314	314
Dividends	8, 22	—	(1,087)	—	—	(1,087)
Issue of new shares	21, 22	2	138	—	—	140
Balance at 31 March 2016		**156**	**15,233**	**3,079**	**(12,631)**	**5,837**
Profit of the year	24	**—**	**—**	**—**	**5,246**	**5,246**
Revaluation surplus	23	**—**	**—**	**280**	**—**	**280**
Revaluation reserve transfer	23	**—**	**—**	**(7)**	**7**	**—**
Deferred tax liability	7, 23	**—**	**—**	**(9)**	**—**	**(9)**
Transactions with equity shareholders						
Equity-settled share based payment	20	**—**	**—**	**—**	**213**	**213**
Dividends	8, 22	**—**	**(1,964)**	**—**	**—**	**(1,964)**
Issue of new shares	21, 22	**11**	**832**	**—**	**—**	**843**
Balance at 31 March 2017		**167**	**14,101**	**3,343**	**(7,165)**	**10,446**

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Property, plant and equipment	10	**12,297**	9,480
Intangible assets	11	**2,567**	2,597
Deferred tax assets	7	**1,921**	3,210
		16,785	15,287
Current assets			
Inventories	12	**1,647**	1,403
Trade and other receivables	13	**7,129**	6,663
Cash and cash equivalents	14,17	**12,561**	8,323
		21,337	16,389
Total assets		**38,122**	31,676
Current liabilities			
Trade and other payables	15	**(26,991)**	(25,065)
Provisions	18	**—**	(98)
		(26,991)	(25,163)
Non-current liabilities			
Deferred tax liabilities	7	**(685)**	(676)
		(685)	(676)
Total liabilities		**(27,676)**	(25,839)
Net assets		**10,446**	5,837
Equity			
Share capital	21	**167**	156
Share premium	22	**14,101**	15,233
Revaluation reserve	23	**3,343**	3,079
Retained earnings	24	**(7,165)**	(12,631)
Total equity		**10,446**	5,837

The financial statements were approved by the Board of Directors on 6 June 2017 and were signed on its behalf by:

M J Harrison

Martin Harrison
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Cash flows from operating activities			
Profit before tax for the year		**6,535**	4,258
Adjustments for:			
Depreciation	10	**362**	447
Amortisation of intangible assets	11	**278**	299
Profit on disposal of property, plant and equipment	5	**—**	(1)
Capitalisation of pipeline assets	10	**(2,518)**	(1,886)
Finance income		**(75)**	(31)
Finance expense		**12**	10
Equity-settled share based payment charges	20	**213**	314
Exceptional items	4	**—**	4
Increase in trade and other receivables	13	**(466)**	(2,823)
Increase in inventories	12	**(244)**	(114)
Increase in trade and other payables	15	**1,936**	3,448
Decrease in provisions for exceptional items	18	**(98)**	(137)
Cash inflow from operating activities		**5,935**	3,788
Interest received		**75**	31
Interest paid		**(12)**	(7)
Net cash inflow from operating activities		**5,998**	3,812
Cash flows from investing activities			
Additions to tangibles	10	**(381)**	(56)
Additions to intangibles	11	**(248)**	(59)
Net cash outflow from investing activities		**(629)**	(115)
Cash flows from financing activities			
Dividends paid	8	**(1,963)**	(1,087)
Proceeds from issue of share capital	22	**832**	138
Repayment of finance lease liabilities		**—**	(171)
Net cash outflow from financing activities		**(1,131)**	(1,120)
Increase in net cash and cash equivalents		**4,238**	2,577
Cash and cash equivalents at 1 April 2016		**8,323**	5,746
Cash and cash equivalents at 31 March 2017	14,17	**12,561**	8,323

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 2017 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 2017. There is no requirement to provide parent company information so this has not been presented.

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

Basis of Preparation

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

Change in Accounting Policy

During the year the Board has considered the accounting for recognition of assets that are adopted by the Group, where those assets are acquired at their "fair value" on adoption, in accordance with IFRIC 18: *Transfers of assets from customers* (first applied 31 March 2011). IFRIC 18 requires that assets are treated as additions to Property Plant and Equipment at their "fair value", with a consequent adjustment to revenue. The Group has previously treated these asset additions in accordance with IFRIC 18, with an adjustment being made to cost of sales, rather than revenue. The Board has concluded on consideration of the accounting that it is more appropriate in achieving a relevant presentation to include the adjustment within revenue. This will ensure that the impact of the application of IFRIC 18 is clearer in the financial statements. The impact of this change is to increase revenue in the prior year by £1.6 million, with an offsetting adjustment within cost of sales. The restatement has no impact on the reported gross profit, profit for the year and net assets as at 31 March 2016.

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 8 to 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 14 and 15. In addition, note 25 to the financial statements includes the Group's processes for managing its capital and its exposure to credit and liquidity risks.

As at 31 March 2017 the Group had net assets of £10.4 million (2016: £5.8 million), including cash of £12.6 million (2016: £8.3 million) as set out in the Consolidated Balance Sheet on page 27, and an unused revolving credit facility of £4.0 million (2016: £4.0 million), and so would be in a position to pay its obligations as they arise. In the year ended 31 March 2017, the Group generated a profit of £5.2 million and had net cash inflows of £4.2 million.

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

Basis of Consolidation

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

Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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:

Goodwill

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

Pipeline Assets

Recognition and valuation of the pipeline assets, including whether any of the assets have suffered impairment.

Revenue Recognition

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

Share Based Payments

Valuation of share based payment, due to the initial estimates of the value of share options and subjective nature of the inputs into the valuation model.

Deferred Tax Asset

Some of the Group's deferred tax assets rely on an estimate of taxable profits over five years. Given the time period involved there is an increased level of estimate and judgement.

Property, Plant and Equipment

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

Pipeline assets are initially recognised at fair value in accordance with IFRIC 18. Assets are revalued annually with changes in the fair value accounted through the revaluation reserve.

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

Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives are as follows:

Pipelines	40 years
Fixtures and fittings	2 and 5 years
Computer equipment	3 and 5 years

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

Business Combinations

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

Acquisitions on or After 1 January 2010

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

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

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

1. Accounting Policies continued

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of software is recognised in the income statement on a straight-line basis over the estimated useful life of five years.

Impairment

Financial Assets (Including Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

Inventories

Work in progress is valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable costs to complete and variable selling expenses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Accounting Policies continued

Employee Benefits continued

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.

Revenue

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

Conveyance of gas is recognised as "transportation revenue" from the date the meter is connected and made available for use and is based on gas volumes.

Revenue recognised following the adoption of pipeline assets (included within infrastructure services revenue) is recognised at the point the asset is adopted by the Group. The value at which the revenue is recognised is the fair value of the asset held with the corresponding entry to tangible assets.

Exceptional Items

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

1. Accounting Policies continued

Taxation continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Classification of Financial Instruments Issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and Other Receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and Other Payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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.

Changes in Accounting Policy and Disclosures

New Standards, Amendments and Interpretations that Are in Issue but Not Yet Effective

The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- IFRS 9: Financial Instruments (effective date 1 January 2018)
- IFRS 15: Revenue from Contracts with Customers (effective date 1 January 2017)
- IFRS 16: Leases (effective date 1 January 2019)

The adoption of IFRS 15 and IFRS 16 may have an impact on the financial statements when introduced; however, a detailed analysis of the effect is not yet possible. The adoption of other standards is not expected to have a material effect on the financial statements.

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 services and gas transportation. Fulcrum's infrastructure services provides utility infrastructure and connections services and the pipeline business comprises both the ownership of gas infrastructure assets and the safe and efficient conveyance of gas through its gas transportation networks. Gas transportation services are provided under the IGT licence granted from Ofgem during June 2007.

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

	Year ended 31 March 2017			Restated year ended 31 March 2016		
	Infrastructure Services £'000	Gas Transportation £'000	Total Group £'000	Infrastructure Services £'000	Gas Transportation £'000	Total Group £'000
Reportable segment revenue	36,237	1,499	37,736	35,049	1,060	36,109
Underlying EBITDA	6,340	981	7,321	4,829	472	5,301
Share based payment charge	(213)	—	(213)	(314)	—	(314)
Depreciation and amortisation	(350)	(286)	(636)	(522)	(224)	(746)
Reportable segment operating profit before exceptional items	5,777	695	6,472	3,993	248	4,241
Exceptional items	—	—	—	(4)	—	(4)
Reporting segment operating profit	5,635	695	6,472	3,989	248	4,237
Finance income	48	27	75	25	6	31
Finance expense	(12)	—	(12)	(10)	—	(10)
Profit before tax	5,813	722	6,535	4,004	254	4,258

The Group derives all of its revenue from the UK and all of the Group's customers are based in the UK. Revenues from the largest customer of the Group's Infrastructure Services segment represent £7.5 million or 19.3% (2016 restated: £6.4 million or 17.7%) of the Group's total revenues for the period.

3. Revenue

	Year ended 31 March 2017 £'000	Restated year ended 31 March 2016 £'000
Services revenue	34,139	33,446
Adoption of assets	2,235	1,603
Transportation revenue	1,362	1,060
Total revenue	37,736	36,109

4. Exceptional Items

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Relocation and property costs	—	(122)
Restructuring costs and provisions	—	126
	—	4

Relocation and property costs arose in the prior year as a result of a reassessment of dilapidation costs associated with moving the Group's head office from Rotherham to Sheffield in 2011.

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

5. Operating Profit

Included in operating profit are the following charges:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Amortisation of intangible assets	**278**	299
Depreciation of property, plant and equipment: owned	**362**	263
Depreciation of property, plant and equipment: leased	**—**	172
Operating leases – plant and machinery	**651**	689
Operating leases – land and buildings	**225**	208
Profit on disposal of property, plant and equipment	**—**	(1)
Amounts receivable by the auditors, KPMG LLP, and their associates in respect of:		
Auditors' remuneration:		
Audit of the Group financial statements	**46**	46
Amounts receivable by auditors and their associates in respect of:		
– Audit of financial statements of subsidiaries of the Company	**27**	14
– Taxation compliance services	**12**	10
– Other tax advisory services	**—**	8

6. Staff Numbers and Costs

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Wages and salaries	**9,796**	8,766
Social security costs	**957**	840
Other pension costs	**281**	269
Share based payments	**213**	314
	11,247	10,189

Payroll costs set out above for 2016 exclude staff severance costs resulting from the Group's strategy to realign its cost base. These costs have been treated as exceptional and are disclosed in note 4.

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

Number of employees	2017	2016
Operational	**100**	99
Support	**97**	97
	197	196

Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. Taxation

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Current tax	**—**	—
Deferred tax	**(1,289)**	476
Total tax (charge)/credit	**(1,289)**	476

Deferred tax has been recognised in respect of tax losses carried forward that are expected to be utilised against future taxable profits. Reductions in the UK corporate tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

The deferred tax assets at balance sheet date have been calculated based on these rates.

The Group has a further £12.1 million (2016: £18.1 million) of tax losses of which a deferred tax asset of £1.9 million has been recognised. During the period £1.8 million of the deferred tax asset was utilised against taxable profits, with an additional £0.4 million deferred tax asset being recognised.

Reconciliation of Effective Tax Rate

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit before taxation	**6,535**	4,258
Tax using the UK corporation tax rate of 19% (2016: 20%)	**(1,242)**	(853)
Non-deductible expenses	**(42)**	(74)
Capital allowances in excess of depreciation	**132**	—
Effect of change in rate of corporation tax	**88**	130
Recognition of tax effect of previously unrecognised tax losses	**(225)**	1,273
Total tax (charge)/credit	**(1,289)**	476

The Group incurred corporation tax profits in the period of approximately £6.0 million (2016: £3.6 million).

Movement in Deferred Tax Balances

	31 March 2017		31 March 2016	
	Deferred tax assets £'000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
At 1 April 2016	**3,210**	**(676)**	2,734	(612)
Recognised in profit or loss				
Tax losses carried forward	**(1,761)**	**—**	606	—
Effect of change in rate of corporation tax	**88**	**—**	(130)	—
Newly recognised deferred tax asset	**384**	**—**	—	—
Recognised in other comprehensive income				
Effect of change in rate of corporation tax	**—**	**37**	—	61
Revaluation of property, plant and equipment	**—**	**(46)**	—	(125)
At 31 March 2017	**1,921**	**(685)**	3,210	(676)

8. Dividends

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Equity dividend:		
Paid during the year:		
Dividend paid in respect of 2015: 0.6p per share	—	619
Interim dividend in respect of 2016: 0.3p per share	—	468
Final dividend in respect of 2016: 0.6p per share	**964**	—
Interim dividend in respect of 2017: 0.6p per share	**999**	—
Total dividends	**1,963**	1,087

After the balance sheet date, a final dividend of 1.3p per qualifying ordinary share was proposed by the Directors. The dividends have not been provided for.

9. Earnings per Share (EPS)

Basic earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, which were 161,021,297 (2016: 155,062,292). Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, providing a figure of 186,666,736 (2016: 177,810,228). The earnings per share from continued operations were as follows:

Profit per share	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Basic	**3.3p**	3.1p
Underlying basic	**4.1p**	2.7p
Diluted basic	**2.8p**	2.7p
Diluted underlying basic	**3.5p**	2.4p

The calculation of the basic and diluted earnings per share is based upon the following data:

Profit for the period	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit for the period attributable to shareholders	**5,246**	4,734
Add exceptional items	—	4
Add/(less) deferred tax asset recognised	**1,289**	(476)
Adjusted profit for the period attributable to shareholders	**6,535**	4,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Property, Plant and Equipment

	Pipelines £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2015	7,901	318	750	8,969
Additions	1,886	50	6	1,942
Disposals	—	—	(2)	(2)
At 31 March 2016	**9,787**	**368**	**754**	**10,909**
Additions	2,518	118	263	2,899
Disposals	—	—	—	—
At 31 March 2017	**12,305**	**486**	**1,017**	**13,808**
Accumulated depreciation				
At 1 April 2015	(622)	(289)	(550)	(1,461)
Depreciation charge for the period	(224)	(43)	(180)	(447)
Revaluation	478	—	—	478
Disposals	—	—	1	1
At 31 March 2016	**(368)**	**(332)**	**(729)**	**(1,429)**
Depreciation charge for the period	(280)	(43)	(39)	(362)
Revaluation	280	—	—	280
Disposals	—	—	—	—
At 31 March 2017	**(368)**	**(375)**	**(768)**	**(1,511)**
Net book value				
At 31 March 2017	**11,937**	**111**	**249**	**12,297**
At 31 March 2016	9,419	36	25	9,480
At 1 April 2015	7,279	29	200	7,508

The last external valuation of the pipeline assets was performed during the financial year ended 31 March 2014. The valuation performed for the year ended 31 March 2017 was completed internally and based on the same principles as the external valuation. When performing the valuation, management has used judgement in assessing the key assumptions used in the valuation model including asset life and occupancy rates. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13 and the pipeline assets are the only financial assets that are held at fair value in the financial statements. Within the £2,518,000 additions in the year is £280,000 which has been included within the revaluation reserve.

11. Intangible Assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 April 2015	2,225	2,294	4,519
Additions	—	59	59
At 31 March 2016	**2,225**	**2,353**	**4,578**
Additions	—	248	248
At 31 March 2017	**2,225**	**2,601**	**4,826**
Accumulated amortisation and impairment			
At 1 April 2015	—	(1,682)	(1,682)
Amortisation for the period	—	(299)	(299)
At 31 March 2016	**—**	**(1,981)**	**(1,981)**
Amortisation for the period	—	(278)	(278)
At 31 March 2017	**—**	**(2,259)**	**(2,259)**
Net book value			
At 31 March 2017	**2,225**	**342**	**2,567**
At 31 March 2016	2,225	372	2,597
At 1 April 2015	2,225	612	2,837

Goodwill brought forward at the start of the year relates to the acquisition of Fulcrum Group Holdings Limited on 8 July 2010. The carrying amount of the intangible asset is allocated across cash-generating units (CGUs). All of the goodwill held by the Group is considered to fall in the CGU of infrastructure services. The recoverable amount of goodwill has been calculated with reference to its value in use.

The Group prepares cash flow forecasts derived from the most recent three year financial budgets approved by management and extrapolated for three years using a conservative estimated growth rate of 1.5%. The key assumptions of this calculation are shown below:

	Year ended 31 March 2017	Year ended 31 March 2016
Period on which management-approved forecasts are based	**3 years**	3 years
Growth rate applied beyond approved forecast period	**1.5%**	1.5%
Discount rate	**6.5%**	7.1%

No reasonable possible change in the assumptions noted above would lead to an impairment charge being required.

12. Inventories

	31 March 2017 £'000	31 March 2016 £'000
Work in progress	**1,647**	1,403

Work in progress balances reflect direct works costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. Inventories recognised as cost of sales in the period amounted to £16.7 million (2016: £17.0 million). There have been no write-downs in the year (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. Trade and Other Receivables

	31 March 2017 £'000	31 March 2016 £'000
Trade receivables	**4,322**	3,654
Other receivables	**170**	212
Prepayments and accrued income	**2,637**	2,797
	7,129	6,663

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 other than with one customer which represents approximately 32% (2016: 28%) of trade receivables. The credit risk associated with this receivable is managed through the Group's standard credit processes. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

	31 March 2017		31 March 2016	
Ageing trade receivables	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
Not past due	**2,442**	**—**	2,836	—
Past due less than one month	**1,236**	**—**	315	—
Past due one to two months	**232**	**—**	167	—
More than two months past due	**518**	**(106)**	442	(106)
	4,428	**(106)**	3,760	(106)

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

	31 March 2017 £'000	31 March 2016 £'000
At 1 April 2016	**106**	163
Impairment loss charged	**—**	(26)
Impairment loss reversed	**—**	(31)
At 31 March 2017	**106**	106

14. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2016 £'000
Cash at bank and on hand	**12,561**	8,323

15. Trade and Other Payables

	31 March 2017 £'000	31 March 2016 £'000
Trade payables	**2,779**	2,068
Accruals and deferred income	**22,430**	20,568
Other payables	**1,782**	2,429
	26,991	25,065

Of the £22.4 million accruals and deferred income, £14.5 million (2016: £13.7 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

16. Borrowings

The Group had no borrowings at 31 March 2017 (2016: £nil). In November 2015, the Group secured a £4.0 million revolving credit facility (£1.0 million plus an accordion option of £3.0 million) which remains undrawn. This replaces the previous £4.0 million (unused) invoice discounting facility.

17. Reconciliation to Net Funds

	31 March 2017 £'000	31 March 2016 £'000
Cash and cash equivalents	**12,561**	8,323
Net funds	**12,561**	8,323

18. Provisions

Restructuring provisions	31 March 2017 £'000	31 March 2016 £'000
At 1 April 2016	**98**	235
Utilised during the period	**(98)**	(141)
Provision created during the period	**—**	4
At 31 March 2017	**—**	98

The restructuring provision relates to the costs of vacated Group properties and dilapidations.

19. Pension Benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £281,455 (2016: £268,502).

20. Share Based Payments

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

	EMI 2014 option plan	EMI 2015 option plan	EMI 2015 option plan	ESS 2015 option plan
Status	Existing plan	Existing plan	Existing plan	Existing plan
Grant date	12 February 2014	19 January 2015	27 March 2015	27 March 2015
Number of options	11,550,000*	5,006,335	946,430	9,513,845
Exercise price	7.00p	7.75p	10.88p	14.00p
Vesting criteria	Average share price of 12.0p over 20 consecutive working days	Average share price of 12.75p over 20 consecutive working days	Average share price of 15.88p over 20 consecutive working days	Average share price of 24.0p over 20 consecutive working days
Volatility	40.80%	30.00%	29.30%	29.30%
Dividend yield	nil	nil	nil	nil
Option life	3 years	3 years	3 years	3 years
Annual risk free rate	1.12%	0.74%	0.41%	0.41%
Outstanding at the beginning of the year	5,776,000	4,405,000	946,430	9,253,845
Exercised during the year	(5,776,000)	(905,000)	(946,430)	(1,952,768)
Outstanding at the end of the year	—	3,500,000	—	7,301,077
Exercisable at the end of the year	—	3,500,000	—	7,301,077

* Includes 428,586 unapproved options held by Martin Donnachie.

The fair value of the options granted was 1.7p per option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. Share Based Payments continued

	GSS 2016 option plan	EMI 2016 option plan	SAYE 2016 option plan	SAYE 2017 option plan
Status	Existing plan	Existing plan	Existing plan	New plan in year
Grant date	7 March 2016	7 March 2016	3 February 2016	3 February 2017
Number of options	3,913,000	3,243,149	2,678,416	513,000
Exercise price	28.125p	28.125p	22.1p	50.0p
Vesting criteria	Average share price of 40.0p over 20 consecutive working days	Average share price of 40.0p over 20 consecutive working days	Maturity date of 1 March 2019	Maturity date of 1 March 2020
Volatility	56.60%	56.60%	56.60%	119.60%
Dividend yield	2.49%	2.49%	2.49%	1.92%
Expected life	1 year*	1 year*	3 years	3 years
Annual risk free rate	0.45%	0.45%	0.45%	0.11%
Outstanding at the beginning of the year	3,913,000	3,243,149	2,678,416	513,000
Granted during the year	(257,000)	(1,016,876)	—	—
Outstanding at the end of the year	3,656,000	2,226,273	2,678,416	513,000
Exercisable at the end of the year	3,656,000	2,226,273	—	—

* The life of the GSS and EMI schemes issued in the year is three years. Management has assessed the expected life of these options to be one year.

The fair value of the options granted was 2.8p per option.

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

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

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

In the year, the Group recognised total expense before tax of £213,000 (2016: £314,000) in relation to equity-settled share based payment transactions in the statement of comprehensive income. These options have been credited against retained earnings reserve.

21. Share Capital

	31 March 2017 £'000	31 March 2016 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	**500**	500
Allotted, issued and fully paid		
167,241,899 (2016: 156,387,862) ordinary shares of £0.001 each	**167**	156

22. Share Premium

	31 March 2017 £'000	31 March 2016 £'000
At 1 April 2016	**15,233**	16,182
Dividends paid	**(1,964)**	(1,087)
Shares issued	**832**	138
At 31 March 2017	**14,101**	15,233

23. Revaluation Reserve

	31 March 2017 £'000	31 March 2016 £'000
At 1 April 2016	**3,079**	2,449
Revaluation in the period	**280**	708
Revaluation reserve transfer	**(7)**	(14)
Recognition of deferred tax liability	**(9)**	(64)
At 31 March 2017	**3,343**	3,079

24. Retained Earnings

	31 March 2017 £'000	31 March 2016 £'000
At 1 April 2016	**(12,631)**	(17,693)
Retained profit in the period	**5,246**	4,734
Revaluation reserve transfer	**7**	14
Equity-settled share based payment transactions	**213**	314
At 31 March 2017	**(7,165)**	(12,631)

25. Financial Risk Management

The Group's principal financial instruments are cash, trade receivables and payables. The Group does not have any financial instruments that are measured at fair value on a recurring basis. The fair values of all financial instruments are equal to their book values (see notes 13, 14 and 15) and there is no difference between the carrying amount and contracted cash flows. All contracted cash flows are due within one year.

Credit Risk

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers. Over half of the Group's customers pay in advance of works commencing, with the remaining profile consisting of established listed businesses. The credit worthiness of new customers is assessed by taking into account their financial position, past experience and other factors. It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group, other than one customer, for which the risk of failure is considered to be minimal based on current market conditions and performance.

The Group has a policy of ensuring cash on deposits are made with the primary objective of security of the principal. Deposits are held with Lloyds Bank plc, which is rated A+ by Fitch and A by Standards and Poor.

These credit ratings are regularly monitored to ensure that they meet the required minimum criteria set by the Board through the treasury policy.

Liquidity Risk

Liquidity risk is the risk that the 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. The Group's policy is to maintain an undrawn revolving credit facility in order to provide the flexibility required in the management of the Group's liquidity. The Group's liquidity requirements are continually reviewed and additional facilities put in place as appropriate.

Liquidity forecasts are produced on a regular basis and include the expected cash flows that will occur on a daily, weekly, monthly and quarterly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium-term. The Group holds a combination of short and medium-term deposits and a £4.0 million revolving credit facility committed to November 2018. These committed facilities are deemed to be sufficient to meet projected liquidity requirements.

Market Risk

The Group may be affected by general market trends which are unrelated to the performance of the Group itself such as fluctuations in interest rates. The Group is currently not exposed to interest rate risk as it has not drawn down on its £4.0 million (2016: £4.0 million) revolving credit facility and has no market debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25. Financial Risk Management continued

Capital Risk

The Group defines capital as total equity. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure which optimises the cost of capital. 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.

26. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other operating leases	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Less than one year	**225**	229	**519**	529
Between one and five years	**901**	901	**295**	688
	1,126	1,130	**814**	1,217

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

27. Capital Commitments

During the year ended 31 March 2017 the Group entered into a contract to purchase property, plant and equipment in the form of pipelines for the amount of £2.9 million (2016: £nil).

28. Related Parties

The Group has a related party relationship with its subsidiaries and with its Directors. Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 20.

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GROUP TRADING COMPANIES

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Fulcrum Pipelines Limited

Group Shared Service Provider

Fulcrum Group Holdings Limited

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