



FULCRUM UTILITY SERVICES LIMITED ANNUAL REPORT AND ACCOUNTS 2018



CONNECTING THE NATION

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.

Strategic Report

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» See more at fulcrum.co.uk

TIMELINE OF THE YEAR

MAY 2017

14th consecutive award for health and safety secured

JUNE 2017

Applied for an Independent Distribution Network Operator (iDNO) licence

AUGUST 2017

Martin Harrison appointed as CEO

➔ Read more about Martin's first year on page 8

NOVEMBER 2017

Awarded iDNO licence

DECEMBER 2017

Announced entry into electric vehicle charging sector

JANUARY 2018

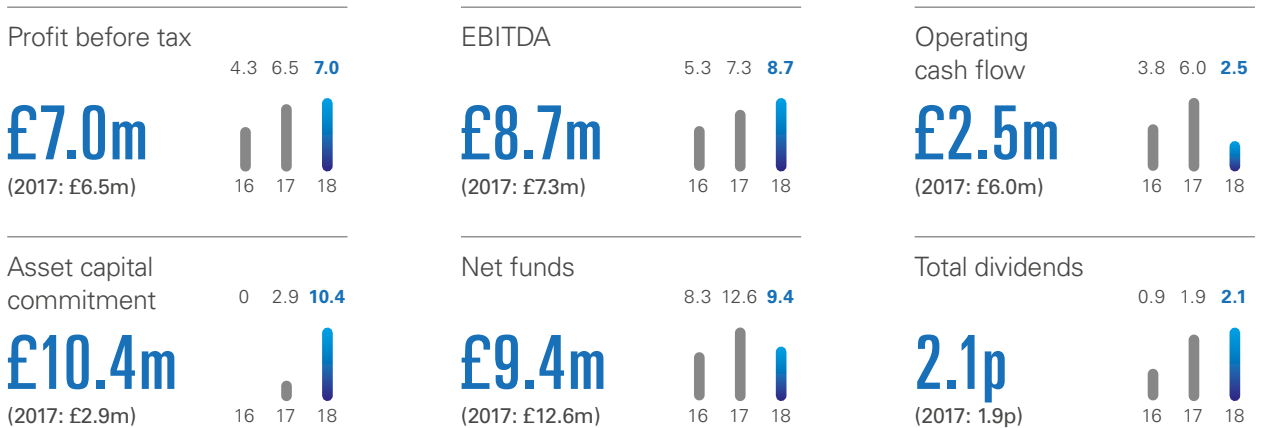
Third employee Sharesave scheme launched

Highlights

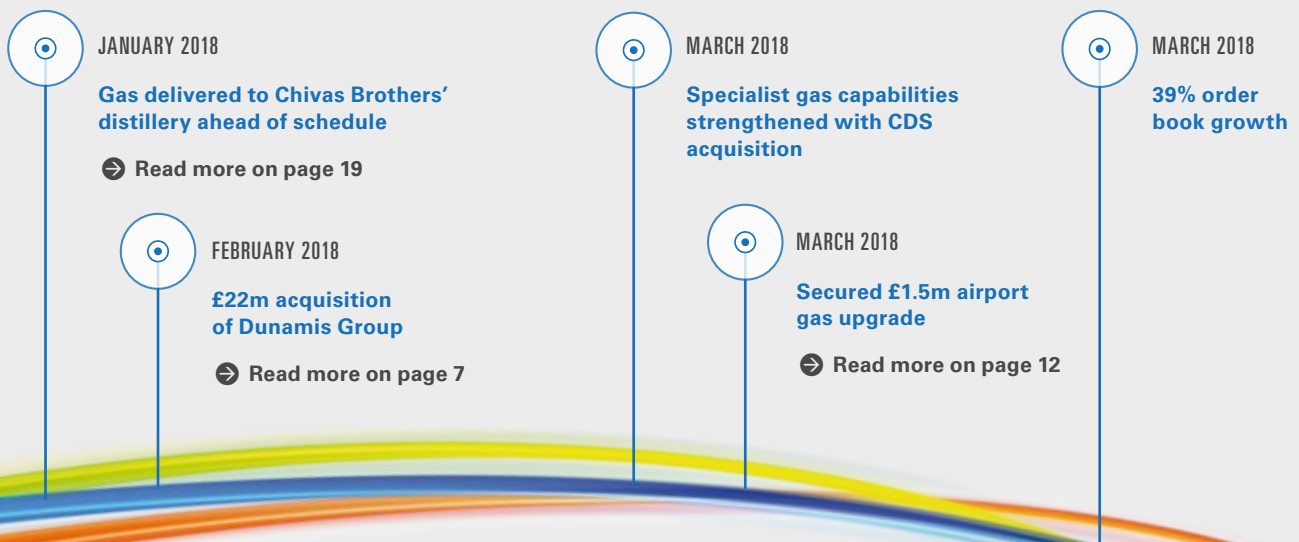
A TRANSFORMATIVE YEAR

FINANCIAL & OPERATIONAL HIGHLIGHTS

- Strong revenue growth, up 18.8% to £44.8m (2017: £37.7m)
- Record EBITDA, up 19.2% to £8.7m (2017: £7.3m)
- Profit before tax (before exceptionals), up 20.0% to £7.8m (2017: £6.5m)
- Basic earnings per share of 4.0p, up 21.2% (2017: 3.3p)
- Cash of £9.4m as at 31 March 2018 (2017: £12.6m)
- Final dividend 1.4p; FY2018 dividend totals 2.1p, up 10.5% (2017: 1.9p)
- Acquired Dunamis and CDS, expanding electrical and gas services and in-house capabilities
- Sustained growth in the order book, up 39% since March 2017 to £42.1m
- Electrical asset licence (iDNO) gained and operational
- Increased external utility asset purchase run rate to £10m p.a.
- New debt facility up to £20m underpins growth in utility asset ownership
- Implemented an end-to-end electric vehicle charging infrastructure solution
- Intention announced to become an accredited Meter Operator (MOP) to underpin our future plans for the installation and adoption of smart meters



➔ [Read the Chief Financial Officer’s statement on page 16](#)



Fulcrum at a glance

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

OUR STRATEGY

Our strategy is to increase our turnover and EBITDA by:

DESIGN & BUILD

Growing our gas, electricity and meter infrastructure sales across mainland UK.

We will grow our infrastructure business by:

- Ensuring we can offer the full range of utility services that our customers want
- Consistently providing a high level of customer service
- Challenging and streamlining our cost of delivery to be able to offer the most competitive prices
- Improving the Group's presence, profile and credibility in the market.

We will achieve our strategy through:

- Always delivering a safe, right first time service to our customers
- Sustained investment in people development
- Continually challenging internal and external constraints and simplifying the way we work to drive efficiencies
- Expanding in-house capabilities and upskilling our teams to deliver multi-utility work
- Being a high performing and cohesive team that constantly demonstrate the Fulcrum Spirit.

OWN & OPERATE

Creating long-term, secure income by increasing our ownership of gas, electricity and meter assets.

We will expand our asset base by:

- Offering competitive and sustainable gas pipeline, electric cable and meter asset values
- Acquiring assets from other external gas and electricity partners without Independent Gas Transporter (IGT), Independent Distribution Network Operator (IDNO) and Meter Asset Manager (MAM) licences.

OUR VALUES



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

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



We always put safety first and never compromise.

➔ **Read more about Fulcrum's commitment to safety on page 14**



We deliver the best performance through collaboration.

OUR SALES APPROACH

Our dedicated teams drive sales growth through the tailored targeting and servicing of our core routes to market: key accounts and technical sales, major projects, housing, electrical, meters and assets.

➔ See our progress and growth strategies for each on page 13



Key accounts and technical sales

A tailored, responsive and customer-centric sales service for high volume opportunities.

The team also identify, service and nurture the highest potential customers.



Major projects

A national sales force working with large contractors, developers and consultants to secure utility infrastructure contracts for major developments across the UK.



Housing

A national sales force and in-house gas, electricity and water experts servicing the UK's major home builders.



Electrical

In addition to delivering a new end-to-end infrastructure solution for Electric Vehicle (EV) charging, our specialist capabilities have expanded with the acquisition of Dunamis to include High Voltage connections, renewables, battery storage and the management and maintenance of private electrical networks.



Meters

The Group currently owns an estate of 6,400 "dumb" gas meters and in June 2018 announced our intention to gain Meter Operator (MOP) accreditation to underpin the installation and adoption of smart meters.



Assets

The Group holds an iGT and iDNO licence to enable to adoption and ownership of gas and electricity infrastructure across the UK. The Group's asset growth is accelerated via internally and externally built utility infrastructure.

OUR PERFORMANCE

April 2017 – March 2018

Profit before tax

£7.0m

(2017: £6.5m)

Fulcrum KPI reporting

RIDDOR incident rate

0.00

(2017: 0.00)

Fulcrum KPI reporting

Online initiated sales

£8.2m

(+16.6%)

Fulcrum web reporting

Customer satisfaction

78%

(2017: 73%)

78% of customers rated Fulcrum as "great" (9 or 10 out of 10)



We continuously move forward, innovate and improve.



We get things right first time, every time.



We operate with the highest standards.



We work as one team to make a difference.

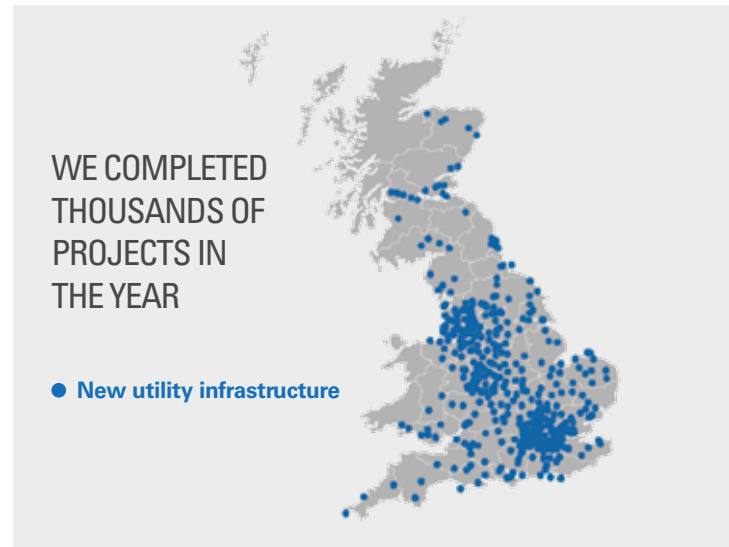
Fulcrum at a glance continued

CONNECTING THE NATION

The group offers gas, electricity, dual fuel, multi-utility and utility asset ownership solutions for every type of development across mainland UK. We have quickly expanded our in-house capabilities and share in the electric and specialist gas connections markets following the acquisitions of Dunamis and CDS. This enables our customers to benefit from more choice and the efficiencies of a truly co-ordinated delivery.



» See more at fulcrum.co.uk



DESIGN & BUILD



- Gas connections
- Specialist gas connections
- Electrical connections
- Electric vehicle charging infrastructure

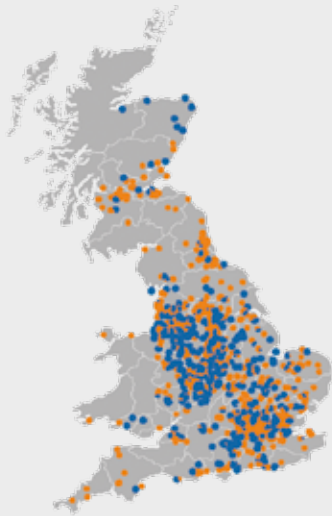


- Industrial & commercial electrical infrastructure
- High voltage electrical infrastructure
- Industrial & commercial electrical maintenance services



A GROWING ASSET BASE ACROSS THE UK

- New assets adopted in FY2018
- Assets adopted up to 31 March 2017






GROUP REVENUE BREAKDOWN



£40.4m Design & build: Fulcrum
 £2.4m Design & build: Dunamis
 £2.0m Own & operate

OWN & OPERATE

Assets adopted and owned by the Group generate income from the transportation of gas and electricity.

-  Gas asset ownership
-  Electrical asset ownership
-  Meter asset management

Fulcrum Pipelines Limited (FPL)

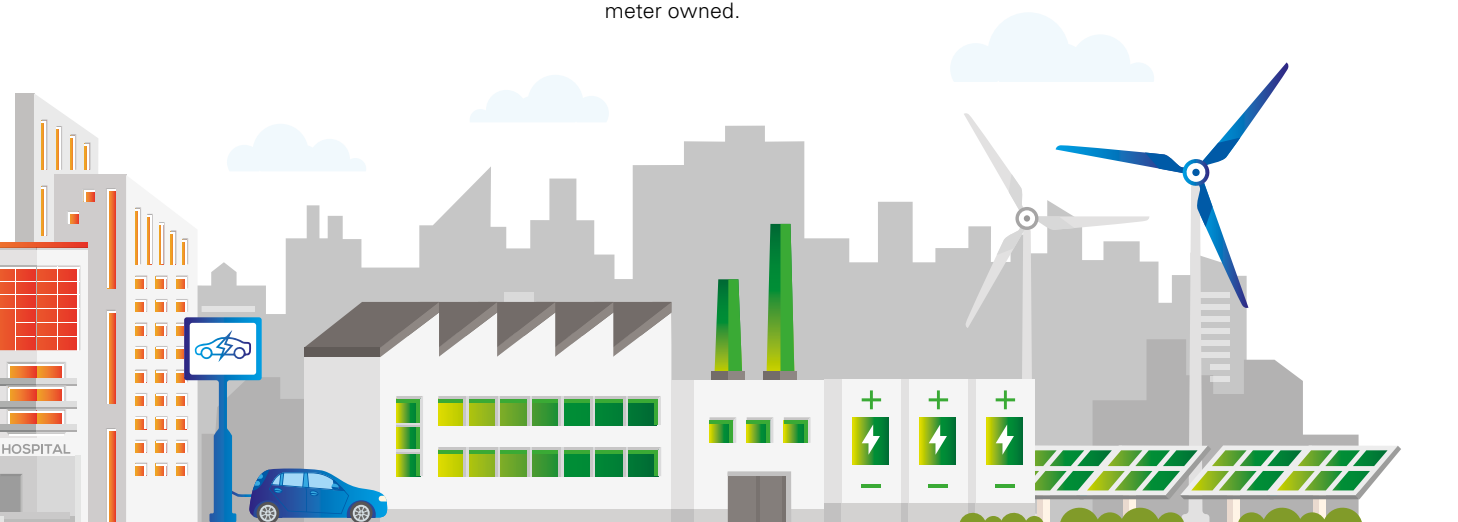
FPL is an Independent Gas Transporter (iGT), owning and operating gas infrastructure, adopted from both the group and external partners.

Meter asset management

As a Meter Asset Manager (MAM), FPL receives a rental income for each meter owned.

Fulcrum Electricity Assets Limited (FEAL)

FEAL is an Independent Distribution Network Operator (iDNO) and secured its licence to own and operate electricity infrastructure in November 2017.



Chairman's statement

ACCELERATING OUR GROWTH

This has been a milestone year for Fulcrum. We continued to reinforce our position, with strong organic growth in our core infrastructure and asset businesses, accelerated market share in electric and expansion of our in-house capabilities in specialist gas connections, following the acquisitions of Dunamis and CDS.

EBITDA

£8.7m

(2017: £7.3m)

Net funds

£9.4m

(2017: £12.6m)



Results

The Group demonstrated another year of strong performance, with revenues increasing by 18.8% to £44.8 million (2017: £37.7 million). Adjusted profit before tax, before allowing for exceptional items of £0.8 million, increased by 20% to £7.8 million (2017: £6.5 million) and profit before tax increased 6.6% to £7.0 million.

Our strong organic growth during the year has been supplemented by the successful acquisitions of The Dunamis Group Limited ("Dunamis") and CDS Pipe Services Limited ("CDS") in February and March, respectively. These acquisitions were significant milestones in the development of the Group and the Board is pleased to report that both businesses are integrating well, and have enhanced both our service offering and in-house capabilities. These acquisitions will grow our market leading position in both infrastructure delivery and utility asset ownership.

The results benefited from two months' contribution from Dunamis, acquired at the beginning of February. There was no contribution from CDS, having been acquired at the end of March. On a like-for-like basis, adjusting for the Dunamis acquisition, sales increased by 12.4% and adjusted EBITDA* increased by 19.1% to £8.7 million (2017: £7.3 million), while basic earnings per share of 4.0p was 21.2% higher than last year's (2017: 3.3p).

In November 2017, Fulcrum Electricity Assets Limited (FEAL) was granted an Independent Distribution Network Operator (iDNO) licence by the Office of Gas and Electricity Markets (Ofgem) and is now able to adopt and own electricity assets, complementing our gas asset offering.

To support the forecast growth in utility asset ownership (both gas and electric), via internal construction as well as external purchases, we agreed a new debt facility for up to £20.0 million with our existing bank, Lloyds Banking Group plc, replacing the previous £4.0 million facility that remained undrawn at the year end. This, together with the net cash as at 31 March 2018 of £9.4 million, leaves the Group well positioned for further growth.

Dividend

I am pleased to announce that the Board has recommended a final dividend of 1.4p per share (2017: 1.3p). This, combined with the interim dividend payment of 0.7p per share (2017: 0.6p), results in a full-year dividend of 2.1p per share (2017: 1.9p). The year-on-year dividend increase, 10.5%, is a demonstration of the Board's confidence in the future of the enlarged group.

Our aim is to operate a progressive dividend policy within the context of a broadly two times dividend cover. In determining dividend cover, we have regard to non-cash item inflows and exceptional items.

Board and corporate governance

There have been several changes to the Board in the year. In August 2017, Martin Harrison our then Chief Financial Officer was appointed as Chief Executive Officer, succeeding Martin Donnachie, who held the position since 2013. Martin Donnachie's leadership transformed Fulcrum into a market leader in the utility services industry and we are enormously grateful to him. As CFO, Martin Harrison worked closely with Martin Donnachie and played a pivotal role in its profitable growth.

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

Also in August, Ian Foster joined the Board as Chief Operating Officer. Ian has worked for Fulcrum for 14 years and has over 35 years' experience within the UK utilities industry.

Following the Dunamis acquisition in February, Hazel Griffiths (appointed as Chief Financial Officer in August) and Wayne Hayes, Chairman of Dunamis, were appointed to the Board. These appointments augmented the existing Board, which now comprises three executive and three non-executive directors.

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

Our people

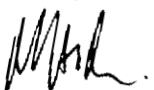
Fulcrum's success is a testament to the hard work of its employees and I would like to thank them all for their commitment and dedicated hard work throughout the year. The skillsets and experience of our people has expanded rapidly as we have invested in our work winning functions, the direct delivery model and acquired Dunamis and CDS. We remain committed to developing our people across all functions to achieve their goals and to making Fulcrum a desirable career choice.

Outlook

This has been a milestone year for Fulcrum. We continued to reinforce our position, with strong organic growth in our core infrastructure and asset businesses, accelerated market share in electric and expansion of our in-house capabilities in specialist gas connections, following the acquisitions of Dunamis and CDS. We are encouraged by our strong order book and growing pipeline of opportunities across the Group.

We remain focused on increasing our share of the utility services sector, asset ownership and a commitment to efficient operations and customer service, as well as making continued returns to shareholders through progressive dividends.

I would like to thank management, our employees, our contractors and our suppliers for their hard work and successes, which have contributed to this year's excellent performance. With the integration of the acquired businesses continuing as planned, the strong financial performance and investment in new opportunities, such as the ownership of electric assets and smart meters, we have a robust platform for continued growth in the coming year.



Philip Holder
Non-Executive Chairman
5 June 2018



FEBRUARY 2018

In February 2018, Fulcrum created one of the UK's leading gas and electrical infrastructure services groups with the £22m acquisition of the Dunamis Group.

The acquisition has enabled the Group to expand further into the electrical connections market, which is estimated to be worth in excess of £500 million per year.

This acquisition meets key strategic goals for the Group by accelerating future growth through the cross-selling of gas and electrical connection services, increasing electrical asset adoption opportunities and significantly expanding and extending the Group's direct delivery capability within the electrical infrastructure market.

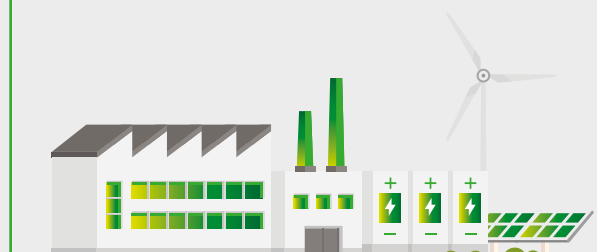
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SPECIALIST HIGH VOLTAGE DESIGN & BUILD CAPABILITIES



OPERATIONAL & MAINTENANCE SERVICES FOR OVER 200 SITES ACROSS THE UK



Chief Executive Officer's statement

A TRANSFORMATIVE YEAR

- Our strong organic growth has been enhanced by the successful acquisitions of Dunamis and CDS
- Sustained growth in the order book, up 39% since March 2017 to £42.8m (up 17% on a like-for-like basis, excluding acquisitions)
- Strengthened in-house capabilities in electrical infrastructure and specialist gas services
- Independent Distribution Network Operator (iDNO) licence gained

2018 review

This has been a transformative year for Fulcrum in which we continued to deliver against our strategy and strengthen our market position. We have driven strong organic growth in our core business and have expanded our in-house capabilities and share in the electric and specialist gas connections markets following the acquisitions of The Dunamis Group Limited ("Dunamis") and CDS Pipe Services Limited ("CDS").

We remain committed to safety, providing excellent customer service, enhancing our in-house multi-utility and infrastructure services capabilities and growing the utility asset base. The combination of the new £20.0 million debt facility and our net cash of £9.4 million positions us well for investing in new opportunities such as the ownership of electrical utility assets, electric vehicle charging and smart metering solutions. We have a robust platform for continued growth over the coming year and remain confident for the future.

Strong financial performance

Year-on-year revenue increased by £4.7 million or 12.5% to £42.4 million (2017: £37.7 million), benefiting from two months' contribution from Dunamis, acquired at the beginning of February. On a like-for-like basis, after adjusting for the Dunamis acquisition, sales revenue increased organically by 12.4%. Adjusted EBITDA for the Group increased 19% to a record £8.7 million (2017: £7.3 million). We continue to see an increase in the contribution from our gas transportation business, with revenues increasing by 33.3% year-on-year; our aim is to grow this business and expand our electrical asset ownership now that the Group's iDNO electrical asset licence is operational. Early enquiry levels from external independent connection providers for Fulcrum to adopt their electrical assets are encouraging. This expansion of electrical asset ownership allows us to broaden and increase our long-term income stream through the adoption of electrical assets.

In February 2018, we completed the acquisition of Dunamis, a leading electrical infrastructure company. The integration of Dunamis is progressing well, with management focusing on cross-selling opportunities within the enlarged group. In March 2018, we also acquired CDS, a utility business that provides a range of specialised engineering services to strengthen the Group's established direct delivery capabilities.

Our strategy to grow sales has been successfully executed, as evidenced by the 39% increase in the sales order book year-on-year (17% on a like-for-like basis excluding acquisitions) to £42.1 million, up from £30.3 million at 31 March 2017. The investment in our work winning functions is yielding results, and places the enlarged group in a strong position.

Delivering contracts safely, efficiently and profitably

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

➔ [Continue reading the Chief Executive Officer's statement on page 10](#)



Chief Executive Officer Q&A

Q&A

With Martin Harrison,
Fulcrum's Chief Executive Officer

1. How would you summarise the year for Fulcrum?

FY2018 has been a successful and transformative year for Fulcrum.

We continue to successfully execute the Group's strategy and are proud to once again demonstrate our ability to consistently deliver profitable performance as the UK's market-leading, independent utility infrastructure provider and utility asset owner.

We have driven strong organic growth and further strengthened our market position through expanding our ability to directly deliver multi-utility and specialist infrastructure services through the acquisition of the Dunamis Group and CDS. Similarly, the Group has progressively increased its ownership of reoccurring revenue generating utility assets. The Group's asset ownership capabilities have been expanded through securing our iDNO licence, which is now operational.

2. What makes Fulcrum stand out?

It is not only our national capability and breadth of service offering that differentiates Fulcrum from its competition.

Our aim is to be the UK's most trusted utility services partner and our approach to safety, people development and how we serve our customers not only underpins this aim but also sets us apart in the market.

We always put safety first and will not compromise on this. We aim to attract, develop and retain the best people so that we can meet and exceed our customers' expectations.

We remain focused on providing customer service excellence and whilst I am pleased that 78% of our customers rated us as great this year, we are passionate about improving our customers' experience and continue to push for ever higher levels of customer satisfaction.

3. How would you describe Fulcrum's performance over the last year?

Fulcrum has performed strongly again and I am proud of what has been achieved in the last year. We have driven strong growth in our core business and at the same time expanded our in-house capabilities to support future performance and growth.

Our strategy to grow sales also continues to be successfully executed, as demonstrated by the 39% increase in the sales order book at the year end, a 17% increase on a like-for-like basis excluding acquisitions.

4. What is the current market environment like?

The utility connections and utility asset ownership market is fragmented and we remain in a strong position with respect to the breadth of services we offer coupled with our national capability. This is a key differentiator for us and has been bolstered through the award of our iDNO licence and our recent acquisitions.

Our diverse, nationwide client base and established network of repeat customers helps de-risk the business and provides us with opportunities for growth. There remain many opportunities in each of our existing routes to market, and our dedicated sales teams continue to drive growth across all sales channels.

We are also very excited to be entering the developing electric vehicle charging infrastructure and smart metering markets and we see the introduction of these complementary services as the next logical step in the evolution of the Group's offering.

5. How important is the iDNO licence to the business?

The granting of the iDNO licence is an important strategic step for the Group and complements our existing gas asset owning ability. The licence also allows us to broaden and increase our long-term income stream through the adoption of electrical assets in addition to gas assets.

Our licence was granted in November 2017 and is now operational. Looking ahead to the next financial year, we believe our ability to adopt and own electrical assets will help deliver further profitable growth.

6. How transformative is the acquisition of the Dunamis Group?

The acquisition of the Dunamis Group has significantly expanded and extended our capabilities within the electrical infrastructure market. It also accelerates our future growth through the cross-selling of opportunities and provides increased levels of electrical asset adoption for the Group.

7. What does the future hold for Fulcrum?

We continue to move forward with confidence as we remain on course to deliver incremental value to all our stakeholders.

We are well on track with our stated ambition of being the UK's most trusted utility services partner. The outlook remains positive and the group continues to be well positioned.

I look forward to working with our people to help deliver sustained growth in 2019 and beyond.

Chief Executive Officer's statement continued

Delivering contracts safely, efficiently and profitably continued

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

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

In 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. The acquisitions of Dunamis and CDS increases our in-house electrical and specialist connections capabilities to further strengthen the Group's direct delivery capabilities.

Winning contracts in our chosen markets

In line with our aim of being the most trusted provider of utilities infrastructure services in the UK, we are committed to being the most customer-focused utility services partner. To gauge how well our customer centric approach is being received, we request feedback on our performance on every project we deliver, which we use to develop our services. We continue to achieve an encouraging result, with 78% of customers rating our service as 'great' (9 or 10 out of 10), an improvement of 5% on the prior year (2017: 73%), and whilst we are pleased that an increasing number of customers rated us as 'great' we continue to push for ever higher levels of customer satisfaction.

Our sales approach is well established, with dedicated teams covering our major routes to market. These include major projects, key accounts and technical sales, housing, electrical including renewables, and battery storage, electric vehicle charging and utility asset ownership.

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. During the year, to ensure that we can continue to meet our customers' expectations, a dedicated major projects team was established to service opportunities over £100k. Fulcrum continues to secure a broad base of gas, electricity, dual fuel and multi-utility projects. Some notable contract wins include:

- a £2.4m project to deliver new gas infrastructure to three Short Term Operating Reserve (STOR) sites across the UK. These sites will convert gas to electricity at times of peak demand;
- a £1.5m contract to install over 3km of gas infrastructure at an airport; and
- a £0.5m contract to install 1km of specialist gas infrastructure at the University of Sheffield.

With a focus on main contractors and mechanical and engineering consultants, the enlarged team of business development managers has grown the orders of major projects during the period and are consistently generating incremental quote opportunities.

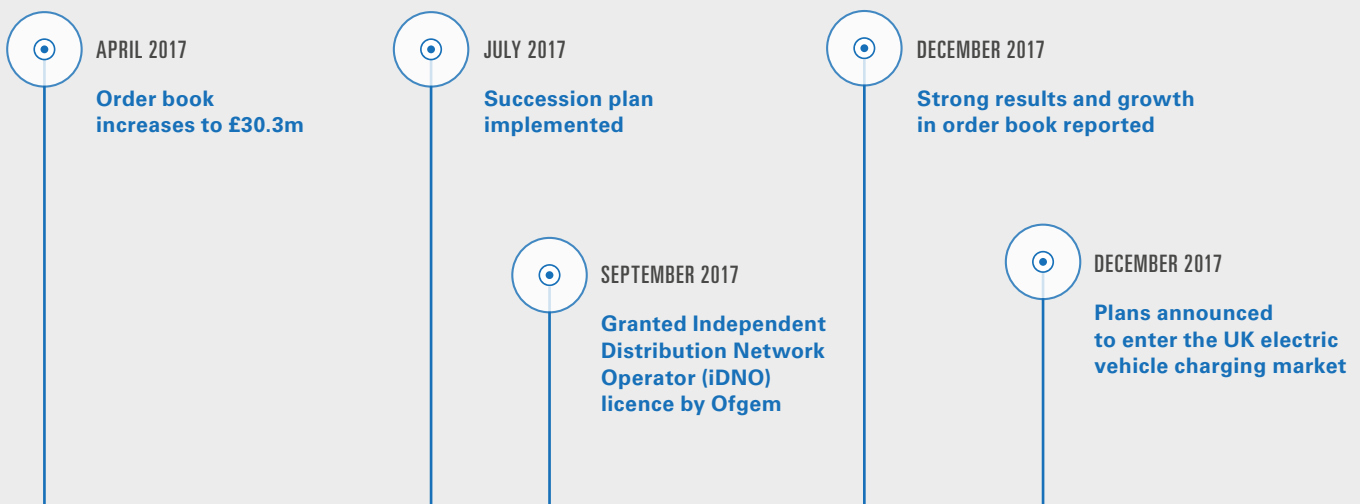
Key accounts and technical sales

Fulcrum's sustained emphasis on customer service excellence and listening to what our customers require has ensured strong levels of repeat revenues. Our dedicated and responsive key accounts team supports customers throughout the design to delivery process, providing tailored services that meet their individual needs.

We have delivered a 97% right first time service for British Gas, underlining our flexibility and delivery capabilities to meet this key customer's requirements. Due to the restrictive nature of the new proposed British Gas framework, Fulcrum has decided to decline the new framework. The Group made this decision as it views the terms within British Gas' new framework as restrictive to its future independent growth. This decision is not expected to have a material impact on the Group's sales, noting that the framework now represents less than 2% of expected Group revenues in FY2019.

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

A YEAR OF CONTINUED MOMENTUM



Within this route to market, our web-generated sales continue to grow, increasing by 17% year-on-year to £8.2 million, accounting for 18% of our total revenue. With our established and growing customer base, clearly focused work-winning approach, competitive pricing model, trusted delivery and a significant utility market to penetrate, we are confident that sales orders will continue to grow.

Housing

The housing market presents a significant opportunity to grow our sales. We are seeing the benefits of investing in our housing business development team, securing several significant multi-utility housing schemes in the period including:

- a £0.4m dual fuel contract to connect both gas and electricity at a new 164-plot housing development. Once completed, Fulcrum will adopt and own both the gas and electrical infrastructure; and
- a £0.2m dual fuel contract to install gas and electricity connections to 101 new homes as part of a new housing development in the South East.

Electricity including renewables and battery storage

The electrical infrastructure market is strategically important for Fulcrum, particularly given the increasing desire of customers to seek gas and electrical installation services from one provider. Fulcrum's ability to adopt and own electrical connections under an iDNO licence (in the same way it adopts gas connections under its IGT licence) will build a valuable portfolio of stable, secure, low risk and long-term income-generating assets.

The acquisition of Dunamis has significantly expanded and extended Fulcrum's capabilities and specialist knowledge in the electrical infrastructure services sector. Dunamis' core activities cover a range of electrical infrastructure services including the design of connections to the Distribution Network Operator's ("DNO") technical standard, accredited construction and installation up to 132kV and a comprehensive range of maintenance and operational services.

Fulcrum's Electric Vehicle (EV) charging service offers a joined-up solution to the UK's need to charge the growing number of electric vehicles. The Group is expanding its service offering to provide an EV charging infrastructure solution via a partnership with ChargePoint, a leading EV charging network. This holistic service includes the supply and installation of EV charging stations in addition to designing, constructing and owning the electrical infrastructure required to power them.

Utility asset ownership

There was encouraging growth in the utility assets secured from outside the Group, with the annualised run rate increasing to £10 million. The total committed external spend has increased from £2.9 million as at 31 March 2017 to £10.4 million as at 31 March 2018. The cash will be spent as these schemes are developed, increasing future transportation income.

The Group's iDNO electrical asset licence is operational and early enquiry levels from external independent connection providers for Fulcrum to adopt their electricity assets are encouraging. This allows us to broaden and increase our long-term income stream through the adoption of electrical assets in addition to gas assets. To support future growth in utility assets, we have agreed a new debt facility for up to £20.0 million with our existing bank, Lloyds Banking Group plc, replacing the previous £4.0 million facility that remained undrawn at the year end.

Having obtained our Meter Asset Manager (MAM) accreditation in October 2016, we are now exploring smart metering opportunities to increase our current service offering and are seeking to obtain our Meter Operator (MOP) accreditation that will underpin our future plans on the installation and adoption of smart meters.

Our people

The Group's employees are at the heart of all that we achieve. Our people are highly talented, successful and motivated individuals and are essential to the success of the Group. We are committed to ensuring that we have the right people working with us and we manage this process through a robust people strategy.

Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business and we believe that sustained investment in our people's development and welfare builds a stronger business.

Outlook

I am pleased with the Group's achievements over the past year, delivering on our strategic objectives. Our strong organic growth has been enhanced by the successful acquisitions of Dunamis and CDS, increasing the breadth of our customer base and expanding our capabilities in specialist electrical and gas connections.

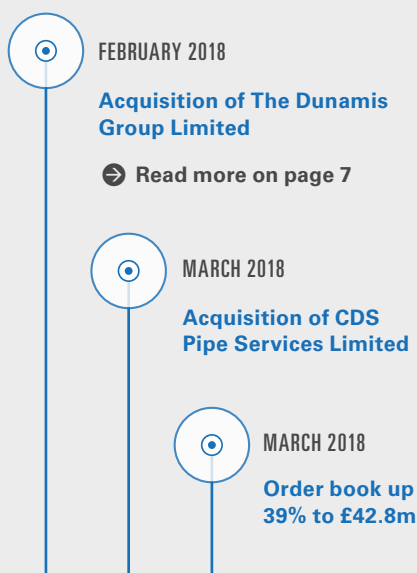
In the coming year, we remain focused on the strategic advantages afforded by our unique business model and customer offering. We will:

- continue to always put safety first;
- continue to focus on sales growth and enhancing our customer service;
- create long-term secure income by increasing our ownership of gas and electricity assets;
- maintain and improve operational disciplines;
- maximise returns on new initiatives such as EV charging and smart metering opportunities; and
- seek to continue to sustainably increase dividends.

We therefore remain confident in our ability to deliver incremental value to our stakeholders.



Martin Harrison
Chief Executive Officer
5 June 2018





£1.5M UPGRADE FOR AIRPORT GAS NETWORK



MARCH 2018

In March 2018, Fulcrum secured a £1.5m project to upgrade the gas network at an airport.

Fulcrum won the contract from the airport's operators and the project will support a future expansion at the airport.

Planned to take place over a six-month period, the project will see over 3km of gas infrastructure replace a single pipeline to airport buildings and hangers with individual supplies for each unit.

» See more case studies at fulcrum.co.uk



£1.5M PROJECT









3KM OF GAS INFRASTRUCTURE



Strategy

OUR TARGETED GROWTH STRATEGY

	DELIVERED THROUGH	PROGRESS IN 2017/18	PRIORITIES FOR 2018/2019
KEY ACCOUNTS AND TECHNICAL SALES 	<ul style="list-style-type: none"> Tailored key account management service Nurturing profitable relationships with repeat customers Prominent online visibility Responsive, customer-led technical sales service Customer service excellence 	<ul style="list-style-type: none"> Improved customer satisfaction levels Increased number of major and multi-utility contracts won 16.6% year-on-year online sales growth 	<ul style="list-style-type: none"> Increasing the number of major and multi-utility contracts won Implement agreements that further differentiate Fulcrum and incentivise repeat business Sustained emphasis on customer service excellence to drive repeat business and growth Continued investment in online marketing to stimulate growth Introduce more added value and differentiated online services
MAJOR PROJECTS 	<ul style="list-style-type: none"> National sales force Ability to deliver significant projects anywhere in mainland UK 	<ul style="list-style-type: none"> Secured contracts for major developments across mainland UK Acquired CDS to increase our in-house specialist connections capabilities New major projects division launched to drive improvements in customer satisfaction and efficiency Continued growth in pipeline of opportunities 	<ul style="list-style-type: none"> Continue to expand the pipeline of new opportunities Maximise dual fuel and maintenance cross-selling opportunities across the Group Develop and grow relationships with key construction companies
HOUSING 	<ul style="list-style-type: none"> In-house gas, electricity and water experts National sales force Cost-effective delivery model Asset ownership ability 	<ul style="list-style-type: none"> Expanded in-house gas, electricity and water expertise Increased investment in sales and delivery teams Secured dual fuel and multi-utility contracts for large developments across mainland UK 	<ul style="list-style-type: none"> Increasing housing activity by using cash to unlock large gas and electricity asset values Developing relationships with national House Builders
ELECTRICAL 	<ul style="list-style-type: none"> In-house capability in the Group 	<ul style="list-style-type: none"> Acquisition of the Dunamis Group rapidly expanded electrical design and build capabilities Secured Independent Distribution Network Operator (iDNO) licence to own and operate electrical infrastructure 	<ul style="list-style-type: none"> Secure a greater share in electricity market Maximise dual fuel and maintenance cross-selling opportunities across the Group
METERS 	<ul style="list-style-type: none"> In-house Meter Asset Manager (MAM) licence 	<ul style="list-style-type: none"> 257% growth in meter assets adopted and owned 	<ul style="list-style-type: none"> Gain Meter Operator (MOP) accreditation to underpin the installation and adoption of smart meters
ASSETS 	<ul style="list-style-type: none"> Adopting a mix of domestic, industrial and commercial gas pipeline and electrical infrastructure across mainland UK 	<ul style="list-style-type: none"> Secured iDNO licence to own and operate electrical infrastructure Increased adoption from external partners 	<ul style="list-style-type: none"> Continued growth of core business to build asset base Increase adoption from external gas and electricity partners Grow electrical asset ownership

Sustainability

COMMITTED TO CORPORATE RESPONSIBILITY

Our approach to corporate responsibility aligns with our aim of being the UK’s most trusted utility services partner.

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

SAFETY

We always put safety first and will not compromise on this.

The wellbeing of our customers, people, suppliers, the public and the environment is our number one priority.

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

We recognise and reward the people and teams who go above and beyond to demonstrate safe behaviours with our quarterly “Safety Champion” and annual “Safety Champion of Champions” awards.

Our safety policy

It is our policy to organise and maintain, so far as is reasonably practicable, safe working arrangements and to protect the environment from unnecessary damage whilst we achieve strong profit growth. We work in an industry that contains inherent risks so we ensure that safety comes first in all that we do and this is reflected in the spirit of which we operate and the plans we have put in place.

SAFE

In the year, Fulcrum launched SAFE, which describes the fundamental safety behaviours expected of all Fulcrum people.

SAFE in action

Speak up and challenge

- Report all unsafe activity or conditions.

Assess risks

- Look for hazards, plan and manage change.

Follow procedures

- Dig safe, drive safe and use correct personal protective equipment, tools and equipment. Only undertake tasks you have been trained to do.

Everyone’s responsibility

- Care about others’ safety and wellbeing as well as your own. Ensure you are fit and able to work.



CUSTOMER SERVICE

In line with our aim of being the most trusted utility services provider, we are committed to being the most customer-focused provider in the market.

We challenge ourselves each day to deliver for our customers and exceed their expectations.

We request feedback on our performance on every project we deliver to inform how we develop our services, and whilst we are pleased that an increasing number of customers rated us as “great” (78% of surveys completed scored us 9 or 10/10) in FY2018, we continue to push for ever higher levels of customer satisfaction.

To drive sustained emphasis on delivering great outcomes for our customers, we award people who have gone above and beyond in the name of customer service with quarterly “Customer Champion” awards and an annual “Customer Champion of Champions” award.

Customer satisfaction

78%  **rated us 9 or 10 out of 10**

(2017: 73%)

Fulcrum KPI reporting
(April 2017 – March 2018)

OUR PEOPLE

We aim to attract, recruit and retain the best people and we continually develop their capabilities so that we can meet and exceed our customers' expectations.

We are an equal opportunity employer and provide an inclusive environment for all our people.

Learning and development:

Our people are our greatest asset and we have continued to invest in their training and development across a wide range of disciplines including leadership, sales and service skills and technical qualifications. Our sustained investment in our people has supported the development of an increasingly skilled and multi-faceted workforce.

Reward and benefits:

We link reward to performance and recognise people who go above and beyond to truly demonstrate the Fulcrum Spirit. We have evolved our incentive schemes to drive a high performance culture and sales growth. We see our rewards and benefits package as a differentiator for attracting and retaining the best people in the industry.

After the success of the first two schemes in 2016 and 2017, Fulcrum launched a third ShareSave scheme for its employees in January 2018. Almost all employees are Shareholders in the business and 59% of all Fulcrum people in the Group are now enrolled in ShareSave schemes.

Participation in employee Sharesave scheme

59%



All employee composition

24%

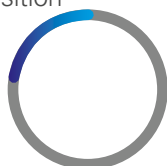
Female 63
Male 203



Senior management composition

22%

Female 6
Male 21



Board composition

17%

Female 1
Male 5



Employee engagement:

We continue to evolve our approach to employee engagement and launched a new people survey in the year. Its purpose is to achieve a greater understanding of employee experience to ensure Fulcrum remains a great place to work.

We have regular business-wide communications, including a monthly "Spirit" presentation led by our CEO, Martin Harrison, and supported by the Executive Team. This includes quarterly "Spirit Awards" that recognise high performing individuals and teams.

Our leaders and managers play a pivotal role in employee engagement and we have invested in leadership development that is focused on ensuring our people managers have the skills and tools they need to create highly motivated, high performing and engaged teams.



Spirit Award Winner, Hayley Rylance.

COMMUNITY AND CHARITY

In the year, our people elected to support two charities throughout 2018: The Sheffield Children's Hospital Charity and Bluebell Wood Children's Hospice. In addition to regular fundraising activities, both charities are supported by our "Community Spirit" initiative.



Community Spirit is a community-volunteering scheme which sees Fulcrum people provide a range of support activities for Bluebell Wood. We have already committed to over 120 hours of volunteering in 2018.

In support of



Registered Charity No. 505002



Chief Financial Officer's statement

DISCIPLINED GROWTH AND VALUE CREATION

The results for the year ended 31 March 2018 reflect a year of growth and expansion for our business. They demonstrate strong returns achieved through robust and sustainable organic growth which has been further enhanced by the successful acquisition of The Dunamis Group Limited ("Dunamis") and CDS Pipe Services Limited ("CDS").

Revenues and EBITDA increased

Total revenue increased by £7.1 million or 18.8% to £44.8 million (2017: £37.7 million). The results benefited from two months' contribution from Dunamis, acquired at the beginning of February. There was no contribution from CDS, having been acquired at the end of March. On a like-for-like basis, adjusting for the Dunamis acquisition, revenue increased by £4.7 million or 12.4%. Revenues from infrastructure services amounted to £40.4 million (2017: £36.2 million) and £2.0 million (2017: £1.5 million) from asset ownership.

The 33.3% growth in our asset ownership is encouraging. With its low costs to serve, this annuity income stream represents a secure and profitable component of the Group's future financial stability. The award of our iDNO licence in November 2017 has further enhanced this and allows us to adopt electrical assets in addition to gas and meter assets.

Adjusted EBITDA for the period has increased to £8.7 million (2017: £7.3 million). On a like-for-like basis, and adjusting for the Dunamis acquisition, adjusted EBITDA was £8.4 million an increase of £1.1 million or 15.1%.

Underlying performance

Profit before tax increased by £0.5 million to £7.0 million (2017: £6.5 million) largely due to the increase in revenues offset by £0.8 million of exceptional charges. The exceptional charges in the year of £0.8 million relate to adviser costs incurred with respect to the acquisitions of Dunamis and CDS (2017: £nil).

These results include both statutory and adjusted measures of performance, the latter of which, in management's view, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Our alternative performance measures (APMs) and key performance indicators (KPIs) are aligned to our strategy and together are used to measure the performance of our business and form the basis of the performance measures for remuneration.

Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods. The APMs used by the Group are:

- Adjusted EBITDA (£8.7m) – this is operating profit (£6.9m) excluding exceptional items (£0.8m), depreciation and amortisation (£0.9m) and equity-settled share based payment charges (£0.1m), a reconciliation of which is included on the face of the Consolidated Statement of Comprehensive Income.
- Adjusted Profit before Tax (£7.8m) – this is profit before tax (£7.0m) excluding exceptional items (£0.8m).

Strong returns and increased dividend

Basic earnings per share of 4.0p compared to 3.3p in 2017, with the increase largely due to the growth in revenue offset by the increased amortisation charge as a result of the acquisitions. Adjusted basic earnings per share, before charging exceptional items, has increased by 2.4% to 4.2p (2017: 4.1p).

The Group continues to maintain a progressive dividend policy. Our aim is to operate a policy within the context of broadly two times dividend cover. In determining dividend cover, non-cash item inflow and exceptional items are excluded. The cash generated during the year,



supported by the continued organic growth of our core business and the successful acquisitions, enables returns to be made to our shareholders whilst allowing for future investment and growth. As such, a final dividend of 1.4p per share (2017: 1.3p per share) has been proposed, giving a total dividend for the year of 2.1p per share (2017: 1.9p per share). This final dividend is expected to be paid on 26 October 2018 to shareholders on the register on 28 September 2018 with an ex-dividend date of 27 September 2018.

Net assets, funding and net debt

Net assets increased by £25.3 million during the period, reflecting the acquisition of Dunamis of £21.2 million (merger reserve established of £11.4 million and share premium increased by £9.8 million), retained profit for the period of £6.7 million and share based payment movements of £0.9 million, offset by the final 2016 dividend and 2017 interim dividend paid totalling £3.5 million. The acquisition of CDS completed on the 27 March 2018; however, the Company issued the share consideration payable on 4 April 2018. As such, £0.4 million consideration is held within accruals at the year end.

During the year, 7,775,940 ordinary shares were issued with a nominal value of £7,776 to employees exercising vested share options. The associated cash consideration for the exercise prices was £725,000. As at 31 March 2018, the issued share capital of the company was 210,656,308 ordinary shares with a nominal value of £210,656. The principal terms of the share option schemes are summarised in note 21.

During the year, our ownership of utility assets increased by £3.5 million to a total net book value of £15.4 million at 31 March 2018 (2017: £11.9 million). There was encouraging growth in the utility assets secured from outside the Group, with the capital commitment increasing by £7.5 million, from £2.9 million as at 31 March 2017 to £10.4 million as at 31 March 2018. To support the forecast growth in utility asset ownership of gas and electrical assets, the Group agreed a new debt facility of up to £20.0 million with our existing bank, Lloyds Banking Group plc. The facility replaces the previous £4.0 million facility that remained undrawn at the year end. The Group has complied with all the financial covenants relating to these facilities.

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 £2.5 million (2017: £6.0 million) or £5.1 million after adjusting for £2.6 million for the amounts paid in advance for the £4.2 million project, which as previously reported, funds are received post completion.

At 31 March 2018, the Group had net funds of £9.4 million (2015: £12.6 million), a £3.2 million decrease against the prior period (after excluding the £4.8 million paid in respect of the acquisitions, the movement was a positive £1.6 million), after the acquisition of Dunamis and CDS, the investment in utility asset ownership and dividend payment.

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 contractual obligations.

Summary

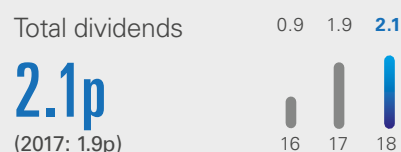
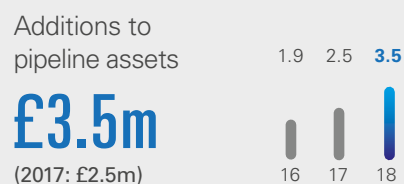
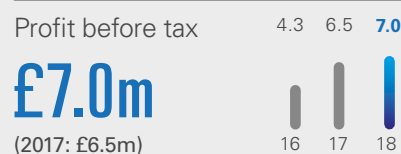
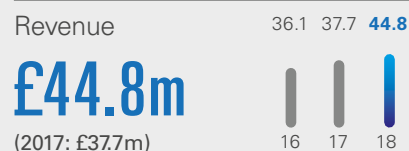
The financial performance of the Group was strong. We have continued to grow our core businesses, while broadening and deepening our service offering through the acquisition of Dunamis and CDS, and have secured funding to support the growth in utility asset ownership.



Hazel Griffiths
Chief Financial Officer
5 June 2018

“

THE GROWTH AND STRONG PERFORMANCE OF THE GROUP HAS CONTRIBUTED TO THE ACHIEVEMENT OF GREATER SHAREHOLDER VALUE.”





10/10 SERVICE FOR NEW BUSINESS CONNECTION

Pictured: The Showroom Ltd's Company Manager, Daksha Varsani, with Fulcrum Project Engineer, Mike Allen.



JANUARY 2018

A successfully completed project for The Showroom Ltd is representative of one of thousands of single utility connection projects Fulcrum delivers for businesses across the UK every year.

This online-generated enquiry was serviced by our responsive technical sales division, with a Sales Engineer making quick contact to fully understand requirements and deliver a customer-centric service that would secure the project. On order, the client was allocated a Project Engineer who was their single point of contact during delivery.

On completion of the works, the client scored Fulcrum 10/10 for all areas of delivery and customer satisfaction.

» See more case studies at fulcrum.co.uk



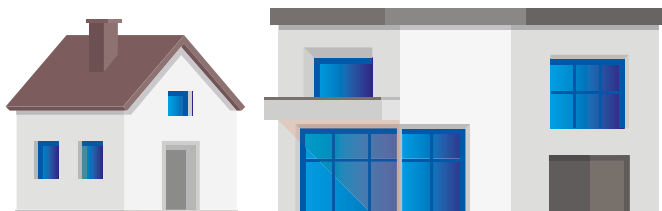
ONLINE-GENERATED PROJECT



COMPLETED ON TIME AND ON BUDGET



SCORED 10/10 FOR CUSTOMER EXPERIENCE AND OVERALL SATISFACTION





DISTILLERY CONNECTION COMPLETES AHEAD OF SCHEDULE

Pictured: Distillery Manager at Chivas Brothers, Trevor Buckley, and Fulcrum's Operations Business Development Manager, Stevie McGill.



£1.4M PROJECT



7.7KM PIPELINE



COMPLETED A MONTH EARLY



JANUARY 2018

Fulcrum continued their successful track record supporting the Scotch whisky industry with the completion of a new gas connection to Chivas Brothers' Allt-a-Bhainne distillery one month ahead of schedule.

The successful completion of the gas pipeline ahead of schedule is testament to the ingenuity and expertise of our team in the delivery of complex infrastructure projects.

“

THIS PROJECT MARKS ANOTHER MILESTONE IN OUR COMMITMENT TO USING LESS CARBON INTENSIVE ENERGY SOURCES AND REDUCING OUR CARBON FOOTPRINT. WE CONTINUALLY STRIVE FOR EXCELLENCE ON THIS FRONT, AND ARE THEREFORE DELIGHTED TO SEE THIS LATEST PROJECT DELIVERED AHEAD OF SCHEDULE.”

Gordon Buist, Director of Production, Chivas Brothers.

» See more case studies at fulcrum.co.uk

Board of Directors



Philip Holder (aged 69)

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 Harrison (aged 48)

Chief Executive 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.



Hazel Griffiths (aged 36)

Chief Financial Officer

Skills and Experience

Hazel joined the Group in September 2015 as Group Financial Controller. Prior to joining Fulcrum, Hazel held a series of senior leadership and transformational change management roles including Divisional Head of Finance at Hargreaves Plc and Change Manager at the Arcadia Group. Hazel began her career with KPMG, gaining a wide range of experience encompassing public companies, private equity owned businesses and private groups across a variety of sectors predominantly involved with property, construction and retail. In the seven years spent working at KPMG she gained cross-functional knowledge, having worked in audit and transactional services in the UK and Australia. Hazel is a member of the Institute of Chartered Accountants in England and Wales.



Stephen Gutteridge (aged 63)

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 Seaboard 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.



Ian Foster (aged 51)

Chief Operating Officer

Skills and Experience

Ian has over 34 years' experience in the utilities sector. From 1982 – 2003 Ian gained experience and industry knowledge working firstly in British Gas, where he gained a 1st Degree in Natural Gas Engineering and subsequently became a Chartered Engineer. Ian then held a number of leadership and senior management positions in National Grid Gas; in Engineering, Emergency, and Asset Management. Since 2003 Ian has held a number of senior management positions at Fulcrum including Design, Compliance and Regulation, Health and Safety, Asset Management, Operations and Sales. Ian is a member of the Institution of Gas Engineers and Managers.



Wayne Hayes (aged 56)

Non-Executive Director

Skills and Experience

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

Executive Committee



Richard Jupp (aged 54)

**Chief Operations Officer
(Dunamis)**

Skills and Experience

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



Carly Gilchrist (aged 32)

Asset Director

Skills and Experience

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



Craig Baugh (aged 35)

**Head of Marketing and
Customer Engagement**

Skills and Experience

Craig has been in the utility industry for 17 years, previously working for Transco and National Grid. He has spent the last 11 years specialising in sales, marketing, communications and customer engagement strategy. Craig is a member of the Chartered Institute of Marketing.

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 Harrison			
Ian Foster			—
Hazel Griffiths			—
Philip Holder			
Stephen Gutteridge			
Wayne Hayes		—	—
Martin Donnachie (resigned)			

Did not attend

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. Other Directors and Non-executives may be invited to attend.

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

Remuneration Committee

The Chairman of the Remuneration Committee is Stephen Gutteridge, with Philip Holder as the other Non-executive member. The Chief Executive Officer and Wayne Hayes may be invited to attend. The committee meets periodically as required and is responsible for overseeing the policy regarding executive remuneration and for approving the remuneration packages for the Group’s Executive Directors and Senior Management, including all personnel receiving a salary exceeding £100,000 per annum and/or a bonus potential of 50% of

salary (2017: £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. The Chairman is also available for discussions with shareholders as required or requested.

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 2018

Remuneration Committee

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

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

Policy on Executive Directors' remuneration

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

The Remuneration Committee believes that shareholders' interests are best served by providing Executives with remuneration packages which have a significant emphasis on performance related pay through long-term incentive schemes. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to retain and reward Executives of the calibre the Group requires.

The 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) plan and three SAYE schemes (see note 21). 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 Harrison	3,000,000	2,172,719	957,000
Ian Foster	—	1,073,826	750,000
Hazel Griffiths	—	—	—

Directors' emoluments

The remuneration of each of the Directors for the year ended 31 March 2018 is set out as follows:

	Salary, fees and bonus £'000	Other benefits £'000	Pension £'000	2018 total £'000	2017 total £'000
Executive					
Martin Harrison	270	13	10	293	216
Ian Foster*	173	10	6	189	—
Hazel Griffiths**	18	2	1	21	—
Martin Donnachie (resigned)***	201	6	4	211	331
Non-executive					
Philip Holder	72	4	—	76	71
Stephen Gutteridge	36	4	—	40	36
Wayne Hayes	6	1	—	7	—
Total	776	40	21	837	654

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

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

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

Group Directors' report

for the year ended 31 March 2018

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2018.

Registered office

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

Dividends

The Board has proposed a dividend in respect of FY2018 of 1.4p 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 J Harrison
 Ian Foster (appointed 31 July 2017)
 Hazel Griffiths (appointed 31 January 2018)
 Philip B Holder
 Stephen Gutteridge
 Wayne Hayes (appointed 5 February 2018)
 Martin T Donnachie (resigned 31 July 2017)

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 26 September 2018.

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 2017, 31 March 2018 and 26 May 2017. Further information about the Directors' interests is provided in the Remuneration Report.

	Number of ordinary shares		
	26 May 2018	31 March 2018	1 April 2017
Philip Holder	954,666	954,666	954,666
Stephen Gutteridge	214,166	214,166	249,166
Martin Harrison	208,054	208,054	208,054
Hazel Griffiths	39,311	39,311	—
Ian Foster	—	—	—
Wayne Hayes	4,883,935	4,883,935	—

Directors' indemnities and insurance

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

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

Statement of directors' responsibilities

The directors of Fulcrum Utility Services Limited (the directors) have accepted responsibility for the preparation of the Annual Report, Strategic Report, the Directors Report and the non-statutory consolidated accounts for the year ended 31 March 2018, which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. They have decided to prepare the non-statutory consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assessed the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of non-statutory

consolidated accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

The Company is incorporated in the Cayman Islands and domiciled in the UK. The Company is not required to prepare audited financial statements under Cayman 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 2018. 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 Harrison
 Chief Executive Officer
 5 June 2018

Principal risks and uncertainties




MANAGING RISK

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Group's strategic objectives. The Corporate Governance Report on pages 20 to 28 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. The risk factors described are not an exhaustive list or an explanation of all risks. Additional risks and uncertainties relating to the Group, including those that are not currently known to the Group or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business operations, results and/or financial condition:



Description	Mitigating actions	Risk change
Growth and strategy execution		
<p>The Board has adopted its strategy, as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.</p>	<p>The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.</p>	
Acquisitions		
<p>During the year the Group acquired two businesses, Dunamis and CDS. The challenges surrounding integrating different cultures, working practices and locations could impact team retention and performance. The inability to successfully integrate our acquisitions may adversely affect consumer and/or partner experience with a resulting impact on strategic cross-sell opportunities and the Group's future revenues. In addition, there is the possibility that the financial and operational control environments of acquired entities are not as established as those of the Group or those required when operating in a listed environment.</p>	<p>The enlarged Group is overseen by an experienced Executive Management Team to ensure harmonisation of strategy and objectives across the Group. The clear communication of the Group's vision, strategy and benefits of acquisitions to both partners and consumers aligns the teams. The Group is also forming functional teams where possible.</p>	
Retention and recruitment		
<p>Success depends on the continued retention and performance of the Group's valued employees. Skilled development, technical, operating, sales and marketing personnel are essential for the business to meet its strategic goals and the Group operates in markets with a high demand for high calibre personnel.</p>	<p>The Group has put in place suitable reward and recognition packages to all staff, comprising a blend of short and long-term incentives for senior managers and Executives. Appropriate staff development programmes are in place to assess, manage and develop the leadership skills of staff throughout the organisation. In addition, we invest in succession planning and improving learning and development, giving opportunities for employees to upgrade skills.</p>	

Description	Mitigating actions	Risk change
Macroeconomic conditions		
<p>The Group derives all its revenues from mainland UK and is therefore predominately dependent on the macroeconomic conditions in the UK. As the UK negotiates the terms of its exit from the European Union, there remains a degree of uncertainty on the outlook for the UK economy.</p>	<p>There has been no material change to the severity of this risk for the Group throughout the year. We continue to closely monitor the impact of the increased uncertainty on the UK economy and how this could impact the sectors in which we operate. The Group's multi-channel, multi-brand strategy and the increasingly diversified market position resulting from the Group's most recent acquisitions, creates a diverse revenue base which means it is well placed to minimise any negative impacts. We will continue to employ robust tendering processes to maintain strong cost control over Group sourcing.</p>	
Competitive environment and reliance on key customers		
<p>The business strategy relies fundamentally on the ability to increase revenues and ensuring that the cost base remains under control. However, the markets in which the Group operates are competitive. The actions of the Group's competitors, and/or our own inaction, can have a significant and adverse impact on the Group including those from organisations that may be larger and/or have greater capital resources.</p>	<p>Our increasingly diversified position, including the addition of Dunamis and CDS, has reduced our exposure to volatility in individual competitive markets. These risks are managed through the corporate planning and review processes.</p>	
Gas and electricity connections market and regulatory environment		
<p>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.</p>	<p>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.</p>	
<p>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. Fulcrum Pipelines Limited is specifically licensed by Ofgem, as an Independent Gas Transporter (IGT) and Fulcrum Electricity Assets Limited obtained an Independent Network Distribution Operator (iDNO) Licence during the year.</p>		
<p>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.</p>		
Health and safety		
<p>The health and safety of our employees, subcontractors, suppliers and customers is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.</p>	<p>We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group health and safety department to minimise the likelihood and impact of accidents.</p>	




Key

 No change
  Risk increased
  Risk decreased

Principal risks and uncertainties continued

Description	Mitigating actions	Risk change
Working capital management and funding		
<p>A changing mix of new contract sales, moving away from payments in advance toward credit terms, may place a strain on working capital as the volume of credit sales increases. The Group needs to ensure that it has the funding required to deliver on its strategy and future growth plans and that it manages its debt and cash balances effectively.</p>	<p>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.</p> <p>The Group has a £4.0 million revolving credit facility, this facility was undrawn at the year end and all covenants had been complied with. To support the forecast growth in utility asset ownership of gas and electricity assets, the Group agreed a new debt facility of up to £20.0 million with our existing bank, Lloyds Banking Group plc.</p>	
IT systems and cyber security		
<p>Fulcrum uses a range of computer systems across the Group. Outages and interruptions could affect the ability to conduct day-to-day operations, which could result in loss of sales and delays to cash flow. Key systems could be breached causing financial loss, data loss, disruption or damage. In addition, any theft or misuse of data held within the Group's systems could have both reputational and financial implications for the Group.</p>	<p>The Group's IT strategies are reviewed regularly to ensure they remain appropriate, with business continuity and disaster recovery testing performed. We have a dedicated internal IT support team who work closely with our external support providers to ensure that regular updates to technology, infrastructure, communications and application systems occur. The Group has advanced centralised hardware and software security in place to ensure protection of commercial and sensitive data. For new IT projects, external consultants are utilised in conjunction with internal project management. Restricting access to data, systems and code and ensuring all systems are secure and up to date.</p>	

Key

 No change
  Risk increased
  Risk decreased



Independent auditors' report

to Fulcrum Utility Services Limited

1. Our opinion is unmodified

We have audited the non-statutory financial statements of Fulcrum Utility Services Limited ("the Company") for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, and the related notes, including the accounting policies in note 1. The non-statutory financial statements have been prepared for the reasons set out in note 1.


In our opinion the non-statutory financial statements:

- give a true and fair view of the consolidated state of affairs of the Company as at 31 March 2018 and of its consolidated profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 17 November 2017. Our responsibilities are described below.

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

Materiality:	£385k (2017:£300k)
consolidated financial statements as a whole	4.9% (2017: 4.6%) of normalised profit before tax
Coverage	97% (2017:96%) of consolidated normalised profit before tax
Risks of material misstatement	vs 2017
Recurring risks	Revenue recognition on long term contracts with a value of more than £50k. 
New risks	Valuation of acquired intangible assets.

Independent auditors' report *continued*

to Fulcrum Utility Services Limited

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the non-statutory financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the non-statutory financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p>Revenue recognition on long term contracts with a value of more than £50,000. (£25.2 million; 2017: £15 million) <i>Refer to page 39 (accounting policy) and page 41 (financial disclosures).</i></p>	<p>Subjective estimate</p> <p>For contracts with an original contractually agreed value of more than £50,000 of revenue, revenue and margin is recognised in line with the stage of completion of the contract, by reference to costs incurred as a percentage of total expected costs.</p> <p>There is a level of judgement involved in determining this percentage completion as well as estimation in determining the expected outcome of the contract, both in terms of costs to complete and consideration to be received, resulting in a greater risk of error. The risk is specific to contracts which are ongoing at the year-end as changes to these estimates and judgements could give rise to material variances in the amount of revenue and margin recognised at the year end.</p>	<p>Using a variety of quantitative and qualitative criteria we selected a sample of contracts to assess and challenge the most significant contract estimates. These criteria included total project value, stage of completion and projected profitability. Our procedures included:</p> <p>Historical comparisons: evaluating the financial performance of contracts against budget and historical trends and investigating unexplained variances identified for a sample of open contracts at the previous year end, this included comparing profit percentages at the prior year end with the final outturn;</p> <p>Benchmarking assumptions: challenging the Company's judgement in respect of forecast contract out-turn, percentage completion, contingencies and settlements via agreement to third party certifications and confirmations and with reference to our own assessments of contract progress and historical outcomes. We met with relevant contract related staff to consider any judgments made on open contracts at the year-end.</p> <p>Test of detail: analysing the end of job forecasts on contracts tested and challenging the estimates within the forecasts;</p> <p>Test of detail: inspecting selected contract agreements for key clauses and considering whether these have been appropriately reflected in the amounts recognised;</p> <p>Assessing transparency: assessing the adequacy of the Company's disclosures in respect of the accounting policies on long-term contracts and judgements and estimates set out in note 39.</p>
<p>Valuation of acquired intangible assets. (£12 million; 2017: Nil) <i>Refer to page 38 (accounting policy) and pages 45, 50–51 (financial disclosures).</i></p>	<p>Subjective valuation</p> <p>The Dunamis Group was acquired in February 2018.</p> <p>The accounting for the acquisition involves judgement in respect of the recognition and valuation of intangible assets, in particular the brand and customer relationships, due to the inherent uncertainty involved in forecasting and discounting future cash flows upon which the intangible asset valuations are based.</p>	<p>Our procedures included:</p> <p>Assessing valuer's credentials: we assessed the competency of the independent valuer who was commissioned by the Company to value the brand and customer contracts.</p> <p>Sensitivity analysis: we performed sensitivity analysis over the key assumptions used in the brand and customer contract valuation to determine their impact upon the valuation;</p> <p>Benchmarking assumptions: we challenged the basis for the key assumptions used in the provisional valuation such as discount rate, growth rates and customer retention rates applied having regard to internal and external data;</p> <p>Assessing transparency: considered the adequacy of the Company's disclosures in respect of the provisional business combinations accounting and relevant judgements.</p>

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

Materiality for the consolidated financial statements as a whole was set at £385k (2017: £300k), determined with reference to a benchmark of normalised consolidated profit before tax (of which it represents 4.9% (2017:4.6%).

Normalised profit before tax is the profit before tax less Exceptionals in the period.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £19k, (2017: £15k) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Company's 13 (2017: 7) reporting components, we subjected three (2017: two) to full scope audits for consolidation purposes and 1 (2017: 0) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

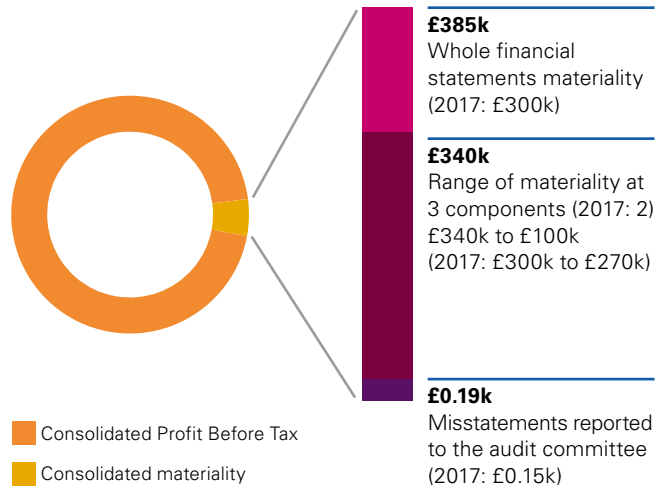
The components within the scope of our work accounted for the percentages of the consolidated results illustrated opposite. All work was performed by the Company audit team.

Normalised Consolidated Profit before tax

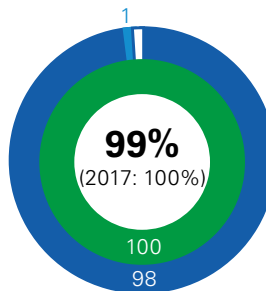
£7,789k (2017: £6,535k)

Consolidated materiality

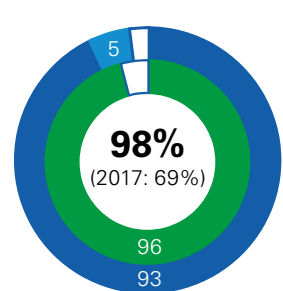
£385k (2017: £300k)



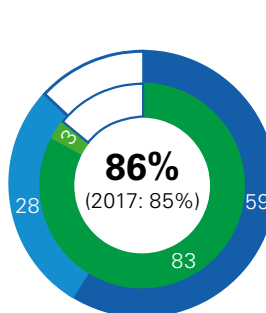
Consolidated revenue



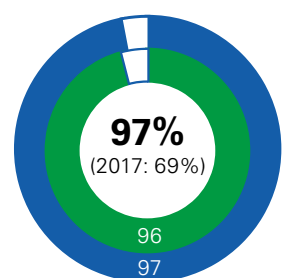
Consolidated profit before tax



Consolidated total assets



Consolidated profit before exceptional items and tax



- Full scope for consolidated audit purposes 2018
- Specific risk-focused audit procedures 2018
- Full scope for consolidated audit purposes 2017
- Specific risk-focused audit procedures 2017
- Residual components

Independent auditors' report *continued*

to Fulcrum Utility Services Limited

4. Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. Other information

The directors are responsible for the other information which comprises the Strategic Report, Corporate Governance Disclosures, Remuneration Report, Group Directors Report, and disclosures of Principal risks and Uncertainties ("other information"). Our opinion on the non-statutory financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

6. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the non-statutory financial statements, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Our audit work has been undertaken so that we might state to the Company those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.



Matthew Wilcox

for and on behalf of KPMG LLP

Chartered Accountants

1 Sovereign Street

Sovereign Square

Leeds

LS1 4DA

5 June 2018

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Revenue	3	44,847	37,736
Cost of sales		(28,370)	(22,358)
Gross profit		16,477	15,378
Administrative expenses		(9,570)	(8,906)
Operating profit	5	6,907	6,472
Analysed as:			
EBITDA before share based payments and exceptional items		8,656	7,321
Equity-settled share based payment charges	20	(35)	(213)
Exceptional items	4	(823)	—
Depreciation and amortisation	10,12	(890)	(636)
		6,908	6,472
Finance income		61	75
Finance expense		(2)	(12)
Profit before taxation		6,967	6,535
Taxation	7	250	(1,289)
Profit for the period attributable to equity holders of the parent		7,217	5,246
Other comprehensive income			
Items that will never be reclassified to profit:			
Revaluation of property, plant and equipment	24	334	280
Deferred tax on items that will never be reclassified to profit or loss	7	(62)	(9)
Total comprehensive income for the year		7,489	5,517
Profit per share attributable to the owners of the business			
Basic	9	4.0p	3.3p
Diluted	9	3.7p	2.8p

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016		156	15,233	3,079	—	(12,631)	5,837
Profit for the year		—	—	—	—	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
Profit of the year	24	—	—	—	—	7,216	7,216
Revaluation surplus	23	—	—	334	—	—	334
Revaluation reserve transfer	23	—	—	(8)	—	8	—
Deferred tax liability	7,23	—	—	(62)	—	—	(62)
Transactions with equity shareholders							
Equity-settled share based payment	20	—	—	—	—	35	35
Dividends	8,22	—	(3,494)	—	—	—	(3,494)
Issue of new shares	21,22	44	10,435	—	11,347	—	21,826
Balance at 31 March 2018		211	21,042	3,607	11,347	94	36,301

Consolidated balance sheet

as at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	10	16,025	12,297
Intangible assets	12	27,797	2,567
Deferred tax assets	7	2,194	1,921
		46,016	16,785
Current assets			
Inventories	13	4,114	1,647
Trade and other receivables	14	15,289	7,129
Cash and cash equivalents	15,17	9,431	12,561
		28,834	21,337
Total assets		74,850	38,122
Current liabilities			
Trade and other payables	16	(35,525)	(26,991)
Provisions	19	(98)	—
		(35,623)	(26,991)
Non-current liabilities			
Deferred tax liabilities	7	(2,926)	(685)
		(2,926)	(685)
Total liabilities		(38,549)	(27,676)
Net assets		36,301	10,446
Equity			
Share capital	22	211	167
Share premium	23	21,042	14,101
Revaluation reserve	24	3,607	3,343
Merger reserve		11,347	—
Retained earnings	25	94	(7,165)
Total equity		36,301	10,446

The financial statements were approved by the Board of Directors on 5 June 2018 and were signed on its behalf by:



Hazel Griffiths
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March 2018

	Notes	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash flows from operating activities			
Profit before tax for the year		6,966	6,535
Adjustments for:			
Depreciation	10	532	362
Amortisation of intangible assets	11	358	278
Capitalisation of pipeline assets	10	(2,611)	(2,518)
Finance income		(61)	(75)
Finance expense		2	12
Equity-settled share based payment charges	21	35	213
Increase in trade and other receivables	14	(6,174)	(466)
Increase in inventories	13	(1,396)	(244)
Increase in trade and other payables	16	4,830	1,936
Decrease in provisions for exceptional items	19	(23)	(98)
Cash inflow from operating activities		2,458	5,935
Interest received		61	75
Interest paid		(2)	(12)
Net cash inflow from operating activities		2,517	5,998
Cash flows from investing activities			
Acquisition of external utility assets		(920)	—
Acquisition of property, plant and equipment	10	(170)	(381)
Acquisition of intangibles	11	(955)	(248)
Acquisition of subsidiaries, net of cash acquired	30	(10,587)	—
Net cash outflow from investing activities		(12,632)	(629)
Cash flows from financing activities			
Dividends paid	8	(3,494)	(1,963)
Proceeds from issue of share capital	23,30	10,479	832
Net cash outflow from financing activities		6,985	(1,131)
(Decrease)/Increase in net cash and cash equivalents		(3,130)	4,238
Cash and cash equivalents at 1 April 2017		12,561	8,323
Cash and cash equivalents at 31 March 2018	15,18	9,431	12,561

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 2018 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 2018. There is no requirement to provide parent company information so this has not been presented.

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

Basis of preparation

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

Going concern

The Group's business activities, together with the factors likely to affect future development, performance and position, are set out in the Strategic Report on pages 1 to 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Report on pages 29 to 52. In addition, note 26 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 2018 the Group had net assets of £36.0 million (2017: £10.4 million), including cash of £9.4 million (2017: £12.6 million) as set out in the consolidated balance sheet on page 35, and a revolving credit facility of £4.0 million that was undrawn at the year end (2017: £4.0 million), and so would be in a position to pay its obligations as they arise. The Group has agreed a new debt facility for up to £20.0 million with our existing bank, Lloyds Banking Group plc, replacing the previous £4.0 million facility. In the year ended 31 March 2018, the group generated a profit of £6.9 million and had net cash outflows of £3.1 million after investing £11.6 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.

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.

Revenue recognition and profit recognition on contracts

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

Other intangible assets

Other intangible assets, including customer relationships and brands that are acquired by the Group and have finite useful lives, are measured at fair value less accumulated amortisation and any accumulated impairment loss.

Notes to the consolidated financial statements *continued*

1. Accounting policies *continued*

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.

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.

1. Accounting policies continued

Impairment continued

Non-financial assets continued

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.

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 revenue recognised on maintenance contracts, revenue is recognised throughout the duration of the contract.

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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Revenue continued

Transportation revenue

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.

Adoption of pipeline assets

Revenue recognised following the adoption of pipeline assets (included within Infrastructure Services revenue) is recognised at the point the asset is constructed in accordance with IFRIC 15. The value at which the revenue is recognised is the fair value of the asset held with the corresponding entry to tangible fixed 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Classification of financial instruments issued by the Group

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

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

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

Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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 2018)
- IFRS 16: Leases (effective date 1 January 2019)

1. Accounting policies continued

Changes in accounting policy and disclosures continued

New standards, amendments and interpretations that are in issue but not yet effective continued

The adoption of IFRS 15 is not expected to have a material impact on the financial statements.

The adoption of IFRS 9 and IFRS 15 may have an impact on the financial statements, however, a detailed analysis of the effect is not yet possible. The adoption of these standards is not expected to have a material effect on the financial statements.

2. Operating segments

The Board has been identified as the Chief Operating Decision Maker (CODM) as defined under IFRS 8: Operating Segments. The Directors consider there to be three operating segments, infrastructure services, gas transportation and Dunamis which was acquired in the year. 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 and electricity services are provided under the iDNO licence granted from Ofgem in November 2017. Dunamis offers a range of electrical infrastructure services including the design of connections to the Distribution Network Operator's ("DNO") technical standard, accredited construction and installation up to 132kV and a comprehensive range of maintenance and operational services.

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 2018				Year ended 31 March 2017		
	Infrastructure Services £'000	Gas Transportation £'000	Dunamis £'000	Total Group £'000	Infrastructure Services £'000	Gas Transportation £'000	Total Group £'000
Reportable segment revenue	40,469	1,951	2,427	44,847	36,237	1,499	37,736
Underlying EBITDA	6,813	1,583	260	8,656	6,340	981	7,321
Share based payment charge	(35)	—	—	(35)	(213)	—	(213)
Depreciation and amortisation	(263)	(411)	(44)	(718)	(350)	(286)	(636)
Reportable segment operating profit before exceptional items	6,515	1,172	216	7,903	5,777	695	6,472
Exceptional items	(823)	—	—	(8,234)	—	—	—
Reporting segment operating profit	5,692	1,172	216	7,080	5,777	695	6,472
Finance income	27	32	2	61	48	27	75
Finance expense	(2)	—	—	(2)	(12)	—	(12)
Profit before tax	5,717	1,204	218	7,139	5,813	722	6,535

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 £5.2 million or 11.6% (2017: £7.3 million or 19.3%) of the Group's total revenues for the period.

3. Revenue

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Services revenue	38,683	34,139
Adoption of assets	4,213	2,235
Transportation revenue	1,951	1,362
Total revenue	44,847	37,736

4. Exceptional items

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Restructuring costs	29	—
Acquisition costs in respect of The Dunamis Group Limited	686	—
Acquisition costs in respect of CDS PSL Holdings Limited	108	—
	823	—

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

Notes to the consolidated financial statements continued

5. Operating profit

Included in operating profit are the following charges:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Amortisation of intangible assets	358	278
Depreciation of property, plant and equipment: owned	527	362
Depreciation of property, plant and equipment: leased	6	172
Operating leases – plant and machinery	713	651
Operating leases – land and buildings	234	225
Amounts receivable by the auditors, KPMG LLP, and their associates in respect of:		
Auditors' remuneration:		
Audit of the Group financial statements	79	46
Amounts receivable by auditors and their associates in respect of:		
– Audit of financial statements of subsidiaries of the Company	23	27
– Taxation compliance services	25	12
– Other tax advisory services	50	—
– Other advisory services	115	—

6. Staff numbers and costs

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Wages and salaries	10,628	9,796
Social security costs	1,231	957
Other pension costs	308	281
Share based payments	35	213
	12,202	11,247

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

	2018	2017
Number of employees		
Operational	109	100
Support	102	97
	211	197

Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on pages 24 and 25.

7. Taxation

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Current tax	23	—
Deferred tax	(273)	(1,289)
Total tax credit	(250)	(1,289)

Deferred tax has been recognised in respect of tax losses carried forward that are expected to be utilised against future taxable profits. Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. 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 £12.4 million (2017: £12.1 million) of tax losses of which a deferred tax asset of £2.2 million has been recognised. During the period £0.8 million of the deferred tax asset was utilised against taxable profits, with an additional £0.2 million deferred tax asset being recognised.

7. Taxation continued

Reconciliation of effective tax rate

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit before taxation	6,966	6,535
Tax using the UK corporation tax rate of 19% (2017: 19%)	(1,324)	(1,242)
Non-deductible expenses	(9)	(42)
Capital allowances in excess of depreciation	412	132
Effect of change in rate of corporation tax	(76)	88
Tax deductions for share options	431	—
Recognition of tax effect of previously unrecognised tax losses	816	(225)
Total tax credit/(charge)	250	(1,289)

The Group incurred corporation tax profits in the period of approximately £3.8 million (2017: £6.0 million).

Movement in deferred tax balances

	31 March 2018		31 March 2017	
	Deferred tax assets £'000	Deferred tax liabilities £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
At 1 April 2017	1,921	(685)	3,210	(676)
Recognised in profit or loss				
Tax losses carried forward	(904)	—	(1,761)	—
Effect of change in rate of corporation tax	(76)	—	88	—
Newly recognised deferred tax asset	1,253	(6)	384	—
Released tax asset/(liability)	—	1	—	—
Recognised in other comprehensive income				
Effect of change in rate of corporation tax	—	—	—	37
Revaluation of property, plant and equipment	—	(57)	—	(46)
Acquisition of subsidiaries	—	(2,179)	—	—
At 31 March 2018	2,194	(2,926)	1,921	(685)

8. Dividends

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Equity dividend:		
Paid during the year:		
Final dividend in respect of 2016: 0.6p per share	—	964
Interim dividend in respect of 2017: 0.6p per share	—	999
Final dividend in respect of 2017: 1.3p per share	2,271	—
Interim dividend in respect of 2018: 0.7p per share	1,223	—
Total dividends	3,494	1,963

After the balance sheet date, a final dividend of 1.4p per qualifying ordinary share was proposed by the Board. The dividends have not been provided for.

Notes to the consolidated financial statements continued

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 178,652,474 (2017: 161,021,297). 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 192,539,653 (2017: 186,666,736). The earnings per share from continued operations were as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit per share		
Basic	4.0p	3.3p
Adjusted basic	4.2p	4.1p
Diluted basic	3.7p	2.8p
Diluted adjusted basic	3.9p	3.5p

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

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit for the period		
Profit for the period attributable to shareholders	7,216	5,246
Add exceptional items	823	—
(Less)/Add deferred tax asset recognised	(515)	1,289
Adjusted profit for the period attributable to shareholders	7,524	6,535

10. Property, plant and equipment

	Pipelines £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 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
Additions	3,531	110	60	3,701
Disposals	—	—	—	—
Acquisition of subsidiary	—	225	—	225
At 31 March 2018	15,836	821	1,077	17,734
Accumulated depreciation				
At 1 April 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)
Depreciation charge for the period	(402)	(51)	(79)	(532)
Revaluation	334	—	—	334
Disposals	—	—	—	—
At 31 March 2018	(436)	(426)	(847)	(1,709)
Net book value				
At 31 March 2018	15,400	395	230	16,025
At 31 March 2017	11,937	111	249	12,297
At 1 April 2016	9,419	36	25	9,480

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 2018 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.

11. Capital commitments

During the year ended 31 March 2018 the Group entered into a contract to purchase property, plant and equipment in the form of pipelines for the amount of £10.4 million (2017: £2.9 million).

12. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 April 2016	2,225	2,353	4,578
Additions	—	248	248
At 31 March 2017	2,225	2,601	4,826
Additions	22,496	936	23,432
Acquisition of subsidiary	—	19	19
At 31 March 2018	24,721	3,556	28,277
Accumulated amortisation and impairment			
At 1 April 2016	—	(1,981)	(1,981)
Amortisation for the period	—	(278)	(278)
At 31 March 2017	—	(2,259)	(2,259)
Amortisation for the period	—	(150)	(150)
At 31 March 2018	—	(2,409)	(2,409)
Net book value			
At 31 March 2018	24,721	1,147	25,868
At 31 March 2017	2,225	342	2,567
At 1 April 2016	2,225	372	2,597

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). The goodwill held by the Group relates to either the infrastructure services CGU, Dunamis which has two CGUs or the CDS CGU. The recoverable amount of goodwill has been calculated with reference to its value in use.

As part of the assessment of the recoverability of goodwill, 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 2.0%. The key assumptions of this calculation are shown below:

	Year ended 31 March 2018	Year ended 31 March 2017
Period on which management-approved forecasts are based	3 years	3 years
Growth rate applied beyond approved forecast period	2.0%	1.5%
Discount rate	8.8%–20.1%	6.5%

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

13. Inventories

	31 March 2018 £'000	31 March 2017 £'000
Work in progress	4,114	1,647

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 £26.2 million (2017: £16.7 million). There have been no write-downs in the year (2017: nil).

14. Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Trade receivables	5,834	4,322
Other receivables	596	170
Prepayments and accrued income	8,859	2,637
	15,289	7,129

Notes to the consolidated financial statements continued

14. Trade and other receivables continued

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 24% (2017: 32%) 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 2018		31 March 2017	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
Ageing trade receivables				
Not past due	2,806	—	2,442	—
Past due less than one month	2,643	—	1,236	—
Past due one to two months	308	—	232	—
More than two months past due	217	(140)	518	(106)
	5,974	(140)	4,428	(106)

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

	31 March 2018 £'000	31 March 2017 £'000
At 1 April 2017	106	106
Impairment loss charged	101	—
Impairment loss reversed	(67)	—
At 31 March 2018	140	106

15. Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Cash at bank and on hand	9,431	12,561

16. Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Trade payables	5,992	2,779
Accruals and deferred income	26,799	22,430
Other payables	2,734	1,782
	35,525	26,991

Of the £26.5 million accruals and deferred income, £20.0 million (2017: £14.5 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

17. Borrowings

The Group had no borrowings at 31 March 2018 (2017: £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.

18. Reconciliation to net funds

	31 March 2018 £'000	31 March 2017 £'000
Cash and cash equivalents	9,431	12,561
Net funds	9,431	12,561

19. Provisions

	31 March 2018 £'000	31 March 2017 £'000
At 1 April 2017	—	98
Utilised during the period	—	(98)
Warranty provision	65	—
Provision created during the period	33	—
At 31 March 2018	98	—

The provision for the period relates to warranty provisions inherited from the acquisition of The Dunamis Group Limited. Previous provisions relate to a restructuring provision in respect of the costs of vacated Group properties and dilapidations.

20. Pension benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £250,566 (2017: £281,455).

21. Share based payments

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

	EMI 2015 option plan	ESS 2015 option plan	GSS 2016 option plan	EMI 2016 option plan
Status	Existing plan	Existing plan	Existing plan	Existing plan
Grant date	19 January 2015	27 March 2015	7 March 2016	7 March 2016
Number of options	5,006,335	9,513,845	3,913,000	3,243,149
Exercise price	7.75p	14.00p	28.125p	28.125p
Vesting criteria	Average share price of 12.75p over 20 consecutive working days	Average share price of 24.0p over 20 consecutive working days	Average share price of 40.0p over 20 consecutive working days	Average share price of 40.0p over 20 consecutive working days
Volatility	30.00%	29.30%	56.60%	56.60%
Dividend yield	nil	nil	2.49%	2.49%
Option life	3 years	3 years	1 year*	1 year*
Annual risk free rate	0.74%	0.41%	0.45%	0.45%
Outstanding at the beginning of the year	3,500,000	7,301,077	3,656,000	2,226,273
Exercised during the year	(500,000)	(3,567,988)	(1,730,000)	(1,977,952)
Outstanding at the end of the year	3,000,000	3,733,089	1,926,000	248,421
Exercisable at the end of the year	3,000,000	3,733,089	1,926,000	248,421
		SAYE 2016 option plan	SAYE 2017 option plan	SAYE 2018 option plan
Status		Existing plan	Existing plan	New plan
Grant date		3 February 2016	3 February 2017	5 February 2018
Number of options		2,678,416	513,000	750,240
Exercise price		22.1p	50.0p	50.0p
Vesting criteria		Maturity date of 1 March 2019	Maturity date of 1 March 2020	Maturity date of 1 March 2021
Volatility		56.60%	119.6%	230.1%
Dividend yield		2.49%	1.92%	3.20%
Expected life		3 years	3 years	3 years
Annual risk free rate		0.45%	0.11%	0.74%
Outstanding at the beginning of the year		2,678,416	513,000	—
Granted during the year		—	—	750,240
Outstanding at the end of the year		2,678,416	513,000	750,240
Exercisable at the end of the year		—	—	—

* The life of these GSS and EMI schemes is 3 years. Management have assessed the expected life of these options to be 1 year.

Notes to the consolidated financial statements continued

21. Share based payments continued

The fair value of the options granted, was 26.0p 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 £35,000 (2017: £213,000) in relation to equity-settled share based payment transactions in the statement of comprehensive income. These options have been credited against retained earnings reserve.

22. Share capital

	31 March 2018 £'000	31 March 2017 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	500	500
Allotted, issued and fully paid		
210,656,308 (2017: 167,241,899) ordinary shares of £0.001 each	211	167

23. Share premium

	31 March 2018 £'000	31 March 2017 £'000
At 1 April 2017	14,101	15,233
Dividends paid	(3,494)	(1,964)
Shares issued	10,435	832
At 31 March 2018	21,042	14,101

24. Revaluation reserve

	31 March 2018 £'000	31 March 2017 £'000
At 1 April 2017	3,343	3,079
Revaluation in the period	334	280
Revaluation reserve transfer	(8)	(7)
Recognition of deferred tax liability	(62)	(9)
At 31 March 2018	3,607	3,343

25. Merger reserve

	31 March 2018 £'000	31 March 2017 £'000
At 1 April 2017	—	—
Issue of shares	11,347	—
At 31 March 2018	11,347	—

26. Retained earnings

	31 March 2018 £'000	31 March 2017 £'000
At 1 April 2017	(7,165)	(12,631)
Retained profit in the period	7,216	5,246
Revaluation reserve transfer	8	7
Equity-settled share based payment transactions	35	213
At 31 March 2018	94	(7,165)

27. 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 creditworthiness of new customers is assessed by taking into account their financial position, past experience and other factors. It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group, 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.

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. To support the forecast growth in utility asset ownership of gas and electricity assets, the Group agreed a new debt facility of up to £20.0 million with our existing bank, Lloyds Banking Group plc. The facility replaces the previous £4.0 million facility that remained undrawn at the year end. 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 (2017: £4.0 million) revolving credit facility and has no market debt.

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.

28. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other operating leases	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Less than one year	271	225	559	519
Between one and five years	924	901	722	295
	1,195	1,126	1,281	814

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

29. Related parties

The Group has a related party relationship with its subsidiaries and with its key management personnel. Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on pages 24 and 25.

Ian Foster's connected party is a director of TQM Ltd. In the year ended 31 March 2018, TQM provided consulting services to the value of £8k.

Notes to the consolidated financial statements *continued***30. Acquisition of subsidiary undertaking – The Dunamis Group Limited**

On 5 February 2018, the Group acquired all of the shares in The Dunamis Group Limited (Dunamis) for total consideration of £22.0 million. This was satisfied by a placing of 17,376,000 new ordinary shares at 60p per share (the Placing), to raise gross proceeds of £10.4 million, the issue of £11.4 million of consideration shares to the Sellers, cash from Group's existing cash reserves of £3.0 million.

Dunamis' core activities cover a range of electrical infrastructure services including the design of connections to the Distribution Network Operator's (DNO) technical standard, accredited construction and installation up to 132kV and a comprehensive range of maintenance and operational services. The business has a 100 per cent track record of completing connections on schedule over its history.

The Acquisition will significantly expand and extend Fulcrum's capabilities and specialist knowledge in the electrical infrastructure services sector, creating one of the UK's leading gas and electrical infrastructure services groups. Dunamis offers a full range of fully accredited services and outstanding technical excellence in relation to the design, construction and ongoing contracted maintenance of power installations and related grid connections. In addition to the expansion and extension of Fulcrum's capabilities, there are significant cross-selling opportunities between the gas and electrical connections activities of the two businesses.

In the two months to 31 March 2018 the subsidiary contributed net profit of £0.2 million to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2017, Group revenue would have been an estimated £16.1 million and net profit would have been an estimated £2.0 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2017.

The value of the assets and liabilities of Dunamis at the date of acquisition were:

	Book Value £'000	Adjustments £'000	Fair Value £'000
Non-current assets			
Intangible assets – goodwill	11,490	(159)	11,331
– other	19	12,063	12,082
Property, plant and equipment	104	—	104
	11,613	11,904	23,517
Current assets			
Inventories	970	—	970
Trade and other receivables	1,770	—	1,770
Cash and cash equivalents	3,249	—	3,249
	5,989	—	5,989
Total assets	17,602	11,904	29,506
Current liabilities			
Deferred tax liability	25	2,051	2,076
Trade and other payables	3,199	—	3,199
	3,224	2,051	5,275
Total liabilities	3,224	2,051	5,275
Net assets	14,378	9,853	24,231

The goodwill is attributable to the skills and technical talent of Dunamis' workforce and the synergies expected to be achieved from integrating the companies into the Group's existing business.

Measurement of fair value

The relief-from-royalty method and multi-period excess earning method have been used when establishing the fair value of the intangible assets. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the brands being owned. The multi-period excess earnings method considers the present value of the net cash flows expected to be generated by the customer relationships, by excluding any cash flows relating to contributory assets.

The fair value of Dunamis' intangible assets (brands and customer relationships) has been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at that date of acquisition, then the accounting for the acquisition will be revised.

30. Acquisition of subsidiary undertaking – The Dunamis Group Limited continued

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £'000
Net identifiable assets and liabilities at the acquisition	13,006
Consideration paid	
Cash	12,714
Deferred consideration – Paid in cash	129
Equity instruments issued	11,366
Total consideration	24,209

The contingent consideration of £0.1 million was settled before the year end as the conditions were met.

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Goodwill	
Consideration transferred	22,000
Consideration for net cash at completion	2,337
Fair value of identifiable net assets	(13,006)
Goodwill	11,331

Acquisition related costs

The Group incurred acquisition related cost of £0.6 million, related to adviser fees. These costs have been disclosed as exceptional items in the Group's Consolidated Statement of Comprehensive Income.

31. Acquisition of subsidiary undertaking – CDS PSL Holdings Limited

On 27 March 2018, the Group acquired all of the shares in CDS PSL Holdings Limited ("CDS") for total consideration of £1.9 million. This was satisfied by a placing of 671,142 new Ordinary Shares at 60.7 pence per share, to raise gross proceeds of £0.4 million and cash from the Group's existing cash reserves of £1.5 million.

CDS is a utility business that provides a range of specialised engineering services. Fulcrum has previously subcontracted such specialist elements of its projects to CDS and this acquisition brings these engineering capabilities in-house to strengthen the Groups direct delivery capabilities.

The value of the assets and liabilities of CDS at the date of acquisition were:

	Book Value £'000	Adjustments £'000	Fair Value £'000
Non-current assets			
Intangible assets – goodwill	—	695	695
– other (provisional)	—	544	544
Property, plant and equipment	126	—	126
	126	1,239	1,365
Current assets			
Inventories	101	—	101
Trade and other receivables	216	—	216
Cash and cash equivalents	450	—	450
	767	—	767
Total assets	893	1,239	2,132
Current liabilities			
Deferred tax liability	17	92	109
Trade and other payables	166	—	166
	183	92	275
Total liabilities	183	92	275
Net assets	710	1,147	1,857

The goodwill is attributable to the skills and technical talent of CDS's workforce and the synergies expected to be achieved from integrating the companies into the Group's existing business.

Notes to the consolidated financial statements *continued***31. Acquisition of subsidiary undertaking – CDS PSL Holdings Limited** *continued***Measurement of fair value**

The relief-from-royalty method and multi-period excess earning method have been used when establishing the fair value of the intangible assets. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the brands being owned. The multi-period excess earnings method considers the present value of the net cash flows expected to be generated by the customer relationships, by excluding any cash flows relating to contributory assets.

The fair value of CDS's intangible assets (brands and customer relationships) has been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at that date of acquisition, then the accounting for the acquisition will be revised.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised values on acquisition £'000
Net identifiable assets and liabilities at the acquisition	710
Consideration paid	
Cash	993
Equity instruments issued*	407
Total consideration	1,400

* The acquisition completed on the 27 March 2018 however, the shares were issued by the London Stock Exchange on 4 April 2018 as such, this amount is held within Accruals at the year end.

There was no contingent consideration.

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Goodwill	
Consideration transferred	1,400
Consideration for net cash at completion	457
Fair value of identifiable net assets	(1,162)
Goodwill	695

Acquisition related costs

The Group incurred acquisition related cost of £0.2 million, related to adviser fees. These costs have been disclosed as exceptional items in the Group's Consolidated Statement of Comprehensive Income.

32. Subsequent events

To support the forecast growth in utility asset ownership of gas and electricity assets, the Group agreed a new debt facility of up to £20.0 million with our existing bank, Lloyds Banking Group plc. The facility replaces the previous £4.0 million facility that remained undrawn at the year end. The Group has complied with all the financial covenants relating to these facilities.

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Independent Distribution Network Operator (iDNO)

Fulcrum Electricity Assets Limited

Utility Infrastructure Providers (UIP)

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The Dunamis Group Limited

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Matrix Network (Eastern) Limited

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