

POWERING A NET-ZERO FUTURE

Fulcrum Utility Services Limited Annual Report and Accounts 2020



CONNECTING THE UK ON ITS JOURNEY TO NET ZERO

VISION

To play an essential part in the UK's net-zero and smart energy revolution

CONTENTS

Strategic report

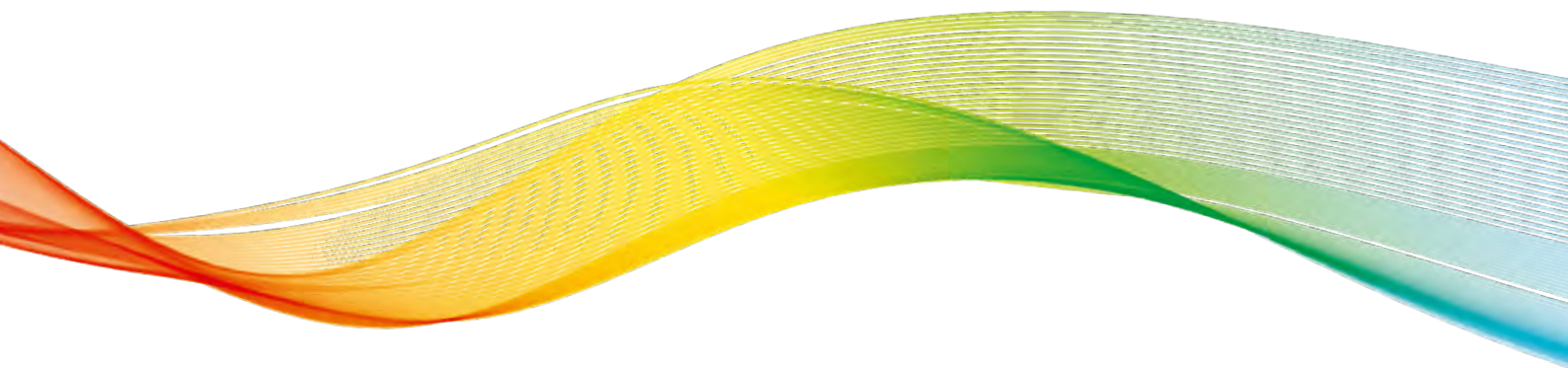
- 1 Highlights
- 2 Fulcrum at a glance
- 4 Investment proposition
- 6 Chairman's statement
- 10 Our business model
- 12 Stakeholder engagement
- 15 Chief Executive Officer's statement
- 18 Group Chief Operating Officer's statement
- 22 Key performance indicators
- 24 Risk management
- 29 Sustainability report

Corporate governance

- 34 Board of Directors
- 36 Executive Committee
- 37 Chairman's introduction to governance
- 39 Corporate governance report
- 44 Remuneration report
- 45 Group Directors' report

Financial statements

- 47 Independent auditor's report
- 50 Consolidated statement of comprehensive income
- 51 Consolidated statement of changes in equity
- 52 Consolidated balance sheet
- 53 Consolidated cash flow statement
- 54 Notes to the consolidated financial statements
- IBC Advisers and Group trading companies



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

HIGHLIGHTS

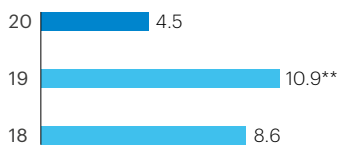
Revenue

£46.1m



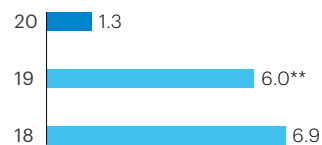
Adjusted EBITDA from continuing operations*

£4.5m



Profit before tax

£1.3m



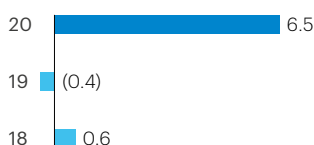
Total dividends per share

Nil***



Free cash flow****

£6.5m



Net assets

£46.3m



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

** Restated for IFRS 16.

*** Given the current economic uncertainty and the unquantifiable impact of COVID-19 on the Group's trading environment, the Group is prioritising maintaining the strength of its balance sheet and its cash reserves. As a result, the Group will not pay a dividend in respect of the financial year ended 31 March 2020.

**** Free cash flow is operating cash flow less net capital expenditure.

Financial performance

- Revenue down 5.8% to £46.1 million (2019: £48.9 million)
- Adjusted EBITDA from continuing operations* down £6.4 million to £4.5 million (2019: £10.9 million**)
- Profit before tax of £1.3 million (2019: £6 million**)
- Net cash inflows from operations of £1.7 million (2019: £11.8 million)
- Free cash flow**** of £6.5 million (2019: (£0.4) million)
- Adjusted earnings per share of 2.3p (2019: 3.4p**) and basic earnings per share of 0.7p (2019: 2.3p**)
- Net cash of £6 million as at 31 March 2020 (2019: £3.8 million)
- Net assets per share up 1.5% to 20.8p

Operational highlights

- Sustained growth in the Group order book, up 9% since March 2019 to £66.2 million (2019: £60.5 million)
- Growth in the housing order book, up 24% to £25 million
- Strengthened smart metering operations, with 22% growth in the order book
- Sustained improvement in H2 (despite the impact of COVID-19) with revenue up 36% (H2: £26.6 million vs H1: £19.5 million) and adjusted EBITDA from continuing operations* up 115% (H2: £3.1 million vs H1: £1.4 million)
- Expanded the Group's direct delivery model into South East England and London
- Executed the sale of its domestic asset portfolio and order book for a gross consideration of £48 million, supporting a strong balance sheet and the generation of surplus cash in the future. The first tranche of assets was sold on 31 March 2020 for a gross consideration of £17.9 million, enabling the Group to become debt free
- Established a strategic relationship with ESP, opening the opportunity to compete on larger projects
- Continued to manage the business through COVID-19 well, providing essential works whilst putting the safety and wellbeing of our people, our customers and the communities we work in first and foremost
- Despite the impact of COVID-19, trading in the new financial year has seen continual improvement month on month and is expected to return to pre-COVID-19 levels in Q2 of FY21

FULCRUM AT A GLANCE

OUR BUSINESS AT A GLANCE

WE OPERATE ACROSS FOUR KEY SECTORS



HOUSING

Offering

- Multi-utility installation services to connect new homes

Customers we work with



INDUSTRIAL AND COMMERCIAL

Offering

- Multi-utility connections of all sizes for I&C projects, renewable energy generating infrastructure and Electric Vehicle (EV) charging infrastructure

Customers we work with



SMART METERING

Offering

- Meter exchange and meter ownership services

Customers we work with



MAINTENANCE AND OWNERSHIP

Offering

- Electrical maintenance and asset ownership services

Customers we work with



OUR FOUR SPECIALIST BUSINESSES



Services

- Design and build of multi-utility connections for housing and I&C developments
- Design and build of EV charging infrastructure
- Smart meter exchange programmes and meter ownership
- Utility infrastructure asset ownership



Services

- High-Voltage (HV) and renewable electrical connections, up to and including 132kV
- Specialist electrical design



Services

- Design and build of complex and specialist gas infrastructure



Services

- Maintenance for electrical systems and renewable energy generating infrastructure
- Design and build of electricity distribution infrastructure

Read more about our business model on pages 10 and 11

WHAT DIFFERENTIATES US

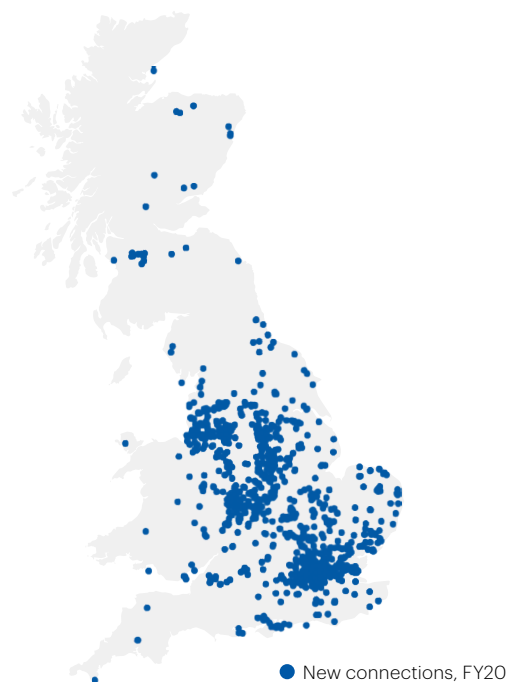
- 1 In-house capability to design and build utility infrastructure of all complexities
- 2 National coverage, with a direct delivery model
- 3 An exceptional safety record and commitment to health, safety and wellbeing
- 4 Commitment to high-quality service to customers, delivered in a responsible and increasingly efficient and sustainable way
- 5 Strong technical expertise and experience across all market sectors
- 6 Innovative and flexible utility adoption solutions that deliver long-term value for customers

13,000
new connections

0.00
RIDDOR rate

89%
of customers
rated our service
as "great"
(9 or 10 out of 10)

WHERE WE WORK



Read more about our strategic priorities on pages 4 and 5

INVESTMENT PROPOSITION

REASONS TO INVEST

OUR VISION

To play an essential part in the UK's zero carbon and smart energy revolution.

OUR MISSION

To support our customers on their net-zero journeys and through the smart energy revolution. We do this through our capability, experience and strategic relationships to deliver innovative, added value utility infrastructure solutions for our customers and their projects.

A STRONG, VALUES-LED CULTURE

Six core values keep the Fulcrum Spirit alive throughout everything we do – the Spirit of heart, mind and commitment to be the best, for all our stakeholders.



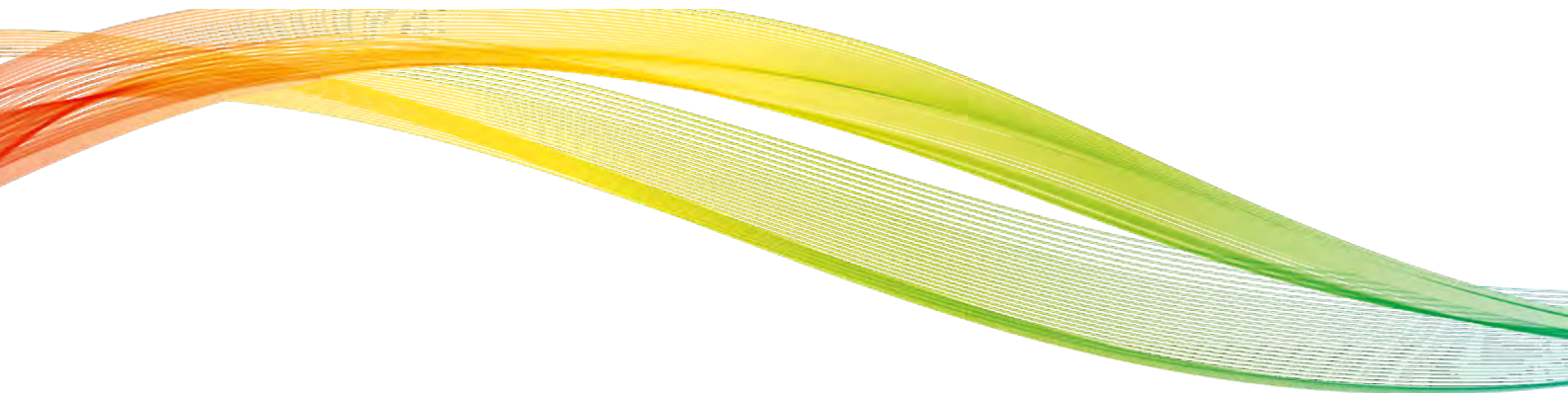
Six values that express the spirit of Fulcrum and its people:

Safe | Partnership | Improvement | Reliability | Integrity | Together

1

OPERATES IN MARKETS THAT WILL GROW SIGNIFICANTLY THROUGH INVESTMENT IN ENERGY INFRASTRUCTURE, ELECTRIC VEHICLE (EV) CHARGING AND HOUSING

- + To reach net zero by 2050, four times more electricity is needed on the grid to support the shift to clean power sources
- + Significant need for new utility infrastructure to power the rapidly growing number of electric vehicles
- + Commitment to deliver an average of 300,000 new homes each year by the mid-2020s
- + 30 million domestic meters to exchange by mid-2025



STRATEGIC PRIORITIES

1

OPTIMISE THE BUSINESS FOR THE UK'S NET-ZERO REVOLUTION

Offer a full product portfolio that meets all our customers' current needs and their needs as they move to a net-zero future

2

GROW MARKET SHARE, REVENUES AND PROFITABILITY SIGNIFICANTLY

Growth across all sectors is underpinned by the Group's capabilities and the UK's growing energy needs in the attractive markets it serves

2

STRONGLY POSITIONED TO GROW MARKET SHARE

- + The Group's diverse and strategically important capabilities are essential to achieving net zero
- + Currently, low market share across several attractive growth markets and geographies presents a substantial opportunity for expansion

3

CASH GENERATIVE

- + Debt free at 1 April 2020. Net cash of £6 million at 31 March 2020
- + Sale of domestic gas assets to ESP will generate surplus cash
- + Strong financial discipline

4

STRONG ORDER BOOK

- + Year-on-year order book growth of 9%
- + £66.2 million order book at 31 March 2020

5

HIGH BARRIERS TO ENTRY

- + The specialist, technical and regulated nature of the Group's operations means there are high barriers to entry for new competitors

6


LED BY A NEW, HIGHLY EXPERIENCED MANAGEMENT TEAM

- + Experienced executive management team, supported by a highly trained, competent and market-leading workforce who are committed to delivering sustainable shareholder value
- + A renewed Board with substantial shareholder representation

3

GENERATE SURPLUS CASH WITH A STRONG BALANCE SHEET

The cash-generative nature of the Group's services and payment profile of the asset sale to ESP, provide significant visibility over medium-term cash flows

 Read more about the Group's significant net-zero opportunity on page 8

4

BECOME A "TIMES TOP 100" EMPLOYER

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

CHAIRMAN'S STATEMENT



There is a substantial long-term opportunity for the Group to significantly grow its revenues across markets that have attractive long-term drivers, given the UK's net-zero and smart energy revolution.

Our Non-Executive Board is also enhanced and now includes substantial shareholder representation.

Philip Holder

Non-Executive Chairman



A YEAR OF STRATEGIC REPOSITIONING

Results

The 2020 financial year was a period of refocusing and repositioning the business to create stronger foundations that will enable the Group to capitalise on the utility infrastructure needs of a net-zero future.


This repositioning was undertaken against a backdrop of uncertain and challenging market conditions which is reflected in a disappointing financial performance.

Reported revenue was £46.1 million, down 5.8% on FY19. Profit before tax was £1.3 million and adjusted EBITDA from continuing operations was £4.5 million.

Business performance was impacted in the first half of the year due to uncertain market conditions, the ongoing Capacity Market suspension and certain inefficiencies within the business.

These inefficiencies and the action taken to improve productivity are explained later in the Operational Review. Despite a substantial improvement in the second half of the year in a more certain market, the impact of COVID-19 impeded business operations towards the end of the financial year.

Although market conditions affected business performance, there is a substantial long-term opportunity for the Group to grow its revenues across markets that have attractive long-term drivers given the UK's net-zero and smart energy revolution. This significant opportunity is clear and recently reinforced by, for example, Ofgem's proposal for a five year investment programme of £25 billion, with potential for an additional £10 billion or more, to transform Britain's energy networks to deliver emissions-free green energy.

 Read more about the opportunities for our business in a net-zero future on pages 8 and 9

The Group is well positioned to support the UK's infrastructure requirements in an evolving energy landscape, with strategically critical capabilities and the Group will continue to focus its capabilities on enabling the UK to transition to a net-zero economy. This includes delivering services and solutions that are contributing to a greener future, such as designing and building utility infrastructure solutions to power and maintain renewable energy generating infrastructure, including battery storage sites, wind farms, solar farms and Electric Vehicle (EV) charging infrastructure.

The growth in electric vehicles in the UK is particularly exciting and I believe the Group has the specialist capabilities, skills and expertise needed to secure a significant share of this market as the country rapidly expands its EV charging network.

Delivering smart meter exchange programmes is another vital element of the net-zero and smart energy revolution and progress was made on developing our smart metering business in the year, positioning the Group well to take a share of the 30 million meters to exchange in the UK by mid-2025.


Equally, there is a highly attractive opportunity for growth in the UK housing market, as evidenced by the UK government's commitment to build an average of 300,000 new homes each year by the mid-2020s. Although the Group has delivered sustained growth in its housing order book, up 24% in the year to £25 million, we are a relatively small player and a substantial share of the market is still available to us.

Asset sale

The sale of the Group's existing and contracted domestic gas assets, announced in the year, realises substantial value for the Company. With a total gross consideration currently expected to be approximately £48 million in cash, the successful completion of the first tranche of the sale significantly strengthened our balance sheet. The sale of the first tranche of assets is now complete, with total proceeds of £17.9 million against an original cost to the Group of £10.7 million, which has subsequently been revalued at £12.8 million. This has resulted in a total gain, before expenses of disposal, of £5.1 million. The cash proceeds from the asset sale, coupled with robust financial discipline, will support a strong balance sheet and the generation of surplus cash in the future.

The Group's core growth strategy is now focused on its design and build activities in support of a net-zero revolution, as well as selectively adopting asset infrastructure where desirable.

Our relationship with ESP also enhances the Company's capabilities and competitiveness in strategically important sectors.

 Read more about our business model on pages 10 and 11

Dividend

Given the current economic uncertainty and the ongoing unquantifiable impact of COVID-19 on the short-to-medium-term trading environment, the Group is prioritising maintaining a strong balance sheet and cash reserves. As a result, the Group will not pay a dividend in respect of the financial year ended 31 March 2020. The Board will continue to keep its dividend policy under review.

Board and corporate governance


In October 2019, we announced the departure of the Chief Executive, Martin Harrison, who stepped down with immediate effect.

Daren Harris joined the Company and its Board as Chief Financial Officer in June 2019 and was appointed as Chief Executive Officer in January 2020. Daren was joined on the Board in January 2020 by Terry Dugdale, Group Chief Operating Officer, who has been with the business since March 2019. The combined and complementary expertise that both Daren and Terry have across the

independent multi-utility, contracting and energy services sectors is significant and will be invaluable in the delivery of the Group's refocused strategy and long-term growth.

Our Non-Executive Board was also enhanced after the year end, and now includes substantial shareholder representation. Wayne Hayes, Non-Executive Director, retired from the Board at post year end and I would like to thank him for the contribution he made to the Group. Jennifer Babington was appointed as a Non-Executive Director in May 2020 and her specialist knowledge in green investments will assist the Group to capitalise on decarbonisation opportunities. Jonathan Turner and Jeremy Brade were appointed as Non-Executive Directors in June 2020 following the establishment of Relationship Agreements with Harwood Capital LLP and The Bayford Group. Jonathan and Jeremy are, or represent organisations which are, the two largest single investors in the business and the Group is delighted to have access to their insight, experience and skills on the Board.

Fulcrum remains committed to the highest standards of corporate governance as it connects the UK on its journey to a net-zero future. The Board plays an active role in guiding the Group and leading its strategy and we are determined to ensure that we have a diverse mix of skills, capabilities and experience to steer the Group forward in an evolving energy landscape.


 Read more about our governance from page 34

Our people

Our people are critical to the Group's success. They are talented individuals and we have a responsibility to support and nurture them. In the year, we bolstered the Group's capabilities with some strategically important appointments and expanded our workforce to underpin our future growth. The Board is very proud of how our people have responded to, and adapted, during the COVID-19 pandemic. They have demonstrated true resilience and tenacity whilst delivering essential services to our customers. We are committed to bringing out the best in our people and aim to operate as a "Times Top 100" employer to ensure that we retain and recruit the very best. On behalf of the Board, I would like to thank all our employees for their continued hard work, commitment and contribution.

Stakeholder engagement

The Board recognises the fundamental importance of stakeholder engagement to the long-term success and sustainability of our business, and that effective engagement and collaboration will be crucial in supporting the UK's net-zero revolution. Fulcrum is committed to developing effective dialogue and relationships with all stakeholder groups and the Board is committed to continually developing our business using learnings from the interactions we have with them.

 Read more about stakeholder engagement on pages 12 to 14

Current trading and outlook

Despite the impact of COVID-19, trading in the new financial year has seen continual improvement month on month and is expected to return to pre-COVID-19 levels in Q2 of FY21.

As at 31 March 2020, the Group recorded its highest ever order book, up 9% year on year to £66.2 million, and has seen continued growth, reaching £68 million at 30 June 2020. The Board believes that, despite the current economic conditions and uncertainty created by COVID-19, the political and legal commitment to decarbonise the UK to achieve a net-zero future, the substantial opportunity to design and build electrical networks to power the nation's electric vehicles, the commitment to build an average of 300,000 new homes each year by the mid-2020s and the obligation to exchange 30 million domestic meters by mid-2025, present significant tailwinds and offer some very exciting growth opportunities for the Group. The Board is confident that the Group has a robust plan in place to capitalise on the UK's energy infrastructure revolution and that it is strongly positioned to grow as it executes its strategy to play an essential part in the UK's net-zero and smart energy revolution. However, given the ongoing market uncertainties resulting from COVID-19, the Board will not be issuing guidance for the Group's 2021 financial year at this time.



Philip Holder
Non-Executive Chairman
6 August 2020

CHAIRMAN'S STATEMENT CONTINUED

THE SIGNIFICANT LONG-TERM OPPORTUNITY OF A NET-ZERO FUTURE

Q&A WITH PHILIP HOLDER

Q Why does the UK's net-zero commitment present a significant growth opportunity for the business?

In June 2019 the UK announced that it would pass a net-zero emissions law and confirmed a target of net zero for UK greenhouse gas emissions by 2050. Net zero means that the UK's total greenhouse gas emissions would be equal to or less than the emissions the UK has removed from the environment. Achieving this means a significant change for the country. Our industry will play an important part in achieving net zero, as how our customers heat and power their developments impacts the level of emissions produced. The significance of our role is reflected in Ofgem's announcement in July 2020, which proposes a five year investment programme of £25 billion, with potential for an additional £10 billion or more, to transform Britain's energy networks to deliver emissions-free green energy. As part of this announcement, Ofgem stated that to reach net zero by 2050, the UK needs:

1. four times more electricity on the grid to support the shift to clean power sources; and
2. all cars and vans to be electric by 2050.

A need for more renewable energy generating infrastructure:

There will be a shift to using more electricity to heat developments, the need for more renewable energy generating infrastructure, including battery storage sites, wind farms and solar farms, and substantial growth in electric vehicles (EVs), which will in turn create the need for more infrastructure to power them. The Group already has the strategically critical capabilities, skills and experience to design, build, own and maintain the specialist electrical infrastructure needed to power these types of energy generating developments and we are very strongly positioned to benefit from the UK's need for more of these in order to achieve net zero.

The rapid expansion of the Electric Vehicle (EV) charging network:

The growth of electric vehicles in the UK is particularly exciting and the Group is poised to capitalise on this rapidly developing market. New diesel, petrol and hybrid cars are proposed to be banned by 2035, new electric models are coming to market frequently, and many car manufacturers are committing to only building electric cars much sooner than the 2035 deadline. Considering this, it is very clear that the future of mobility in the UK is electric and there is a significant need for new utility infrastructure to power the nation's EVs. Fulcrum has been building a strong brand and presence in the EV charging infrastructure sector and I believe the Group has the specialist capabilities, skills and expertise needed to play a substantial part, and secure a significant share in, designing, building and maintaining the UK's future EV charging network.

30 million meters to make smart:

The smart energy revolution is also a critical component of a net-zero future and there are 30 million domestic meters to exchange in the UK by mid-2025. We are now suitably positioned to substantially grow in this sector, having built a growing order book of meter exchanges and a reputation of quality and responsiveness with the UK's energy suppliers.

The Board is excited about the various growth opportunities that a net-zero revolution presents to the Group and we have a robust strategy in place to capitalise on this.

All cars and vans need to be electric by

2050

(source: Ofgem)

New diesel, petrol and hybrid cars are proposed to be banned by

2035

(source: Department for Transport)



4x

more electricity needed on the grid to support the shift to clean power sources (source: Ofgem)

Q What is the role of gas and the gas network in a net-zero future?

The UK's gas network plays a fundamentally important role in its net-zero future and Ofgem predicts that to achieve net zero, by 2035, almost all replacement heating systems will need to be low carbon or ready for hydrogen.

"Gas Goes Green", launched in March 2020, is an important development in demonstrating this point, and it is the gas networks' plan to deliver net zero by ensuring that homes and businesses across the UK are connected to the world's first net-zero gas network.

Gas Goes Green state that there is no realistic scenario whereby the UK can achieve net-zero carbon emissions by 2050 without utilising hydrogen or biomethane via the gas network. Hydrogen also offers the prospect of hydrogen powered vehicles as an alternative to electric powered vehicles in the future.


The Future Homes Standard is expected to mandate the end of fossil fuel heating systems in all new houses from 2025, but does not prohibit the use of clean energy, such as hydrogen or biomethane. Using electricity to heat homes instead has an economic impact on developers and homeowners, with the cost of energy from electricity being more than the cost of gas for customers. We are closely monitoring how this develops and are working collaboratively with developers to ensure the mix of utilities we provide to heat and power their developments is future-proofed.

Q Does net zero present any other opportunities?

Positioning the business for a low carbon future is a strategic priority for the business and we have focused our efforts on this in the year. Part of this commitment is to play a substantial role in the expansion of the EV charging network and the growth needed in renewable energy generating infrastructure and to ensure the Group is able offer a full "green" product portfolio, including renewable energy generating solutions such as heat pumps, that will give our customers greener choices to power and heat their projects. We are exploring renewable product options to complement our multi-utility infrastructure solutions and are engaging customers on potential trial schemes.

We also commit to reducing our own carbon impact by reducing the emissions from our own operations and we take our responsibility to do this seriously.

The Board believes that, despite the current economic conditions and uncertainty created by COVID-19, the commitment to achieve a net-zero future will see many exciting growth opportunities for the Group.

 Read more on how we are accelerating the UK's net-zero revolution in our Sustainability Report on pages 29 to 33

OUR BUSINESS MODEL

HOW WE CREATE VALUE

We have developed a business model that creates value for all our stakeholders.

We now have a much more focused design and build strategy, complemented by the selective adoption of multi-utility infrastructure assets where appropriate.

OUR STRENGTHS

SERVING ATTRACTIVE MARKETS

- Operating in attractive markets that will grow and be driven by the net-zero 2050 target
- Significant potential to grow market share in existing markets and to expand into geographies with limited presence and market share

MOTIVATED AND TALENTED PEOPLE

- Highly skilled, engaged and customer focused people
- Expanded and increasingly efficient direct delivery workforce
- Strong people development and succession planning focus
- Experienced and dedicated leadership team

STRONG CUSTOMER RELATIONSHIPS

- High proportion of repeat customers with growth and cross-selling potential
- A significant opportunity to target new customers

STRONG STRATEGIC RELATIONSHIPS

- The combined strengths of Fulcrum and ESP will support the winning of contracts previously unobtainable to the Group
- Innovative adoption solutions provide added customer value

HOW WE MAKE MONEY

CUSTOMERS

New opportunities

- Secured through new business development activity and maintaining existing customer relationships

Multi-utility infrastructure proposal

- Optimum, customer-led and competitive design, build and adoption solution proposed
- Cross-selling where possible to maximise project revenue

Added value from ESP relationship

- ESP's market leading Asset Values (AVs), balance sheet strength and innovative adoption solutions strengthen Fulcrum's proposal
- ESP provides Fulcrum with new design and build opportunities



Delivered with



Six core values keep the Fulcrum Spirit alive throughout everything we do.

SAFE

We always put safety first and never compromise.

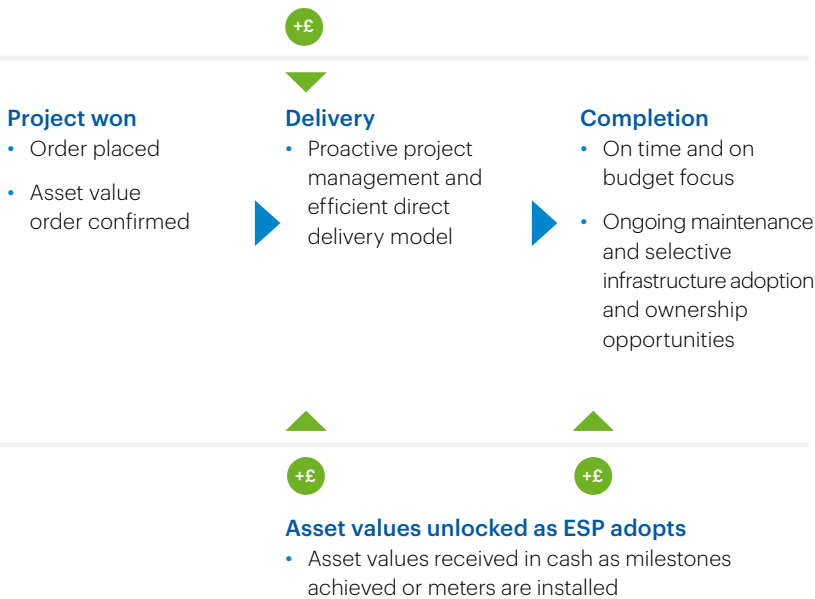
PARTNERSHIP

We deliver the best performance through collaboration.

VALUE CREATED

Competitive and cash positive payment profiles

- Fulcrum's stronger balance sheet and an ESP adoption, enables more attractive payment profiles for larger contracts



BUSINESS PERFORMANCE

- Strong order book at £66.2 million, up 9% year on year

PEOPLE

- A high-performance culture where everyone's contribution is valued and rewarded
- More career and personal development opportunities

CUSTOMERS

- Strong customer relationships generate repeat business
- A broad multi-utility product offering, delivered by a single provider, makes the delivery process easier for the customer and supports effective cross-selling

SHAREHOLDERS

- Sale of gas assets to ESP will generate surplus cash
- Revenue growth and sustainable margins support share price growth

IMPROVEMENT

We continuously move forward, innovate and improve.

RELIABILITY

We get things right first time, every time.

INTEGRITY

We operate with the highest standards.

TOGETHER

We work as one team to make a difference.

STAKEHOLDER ENGAGEMENT

STRONG RELATIONSHIPS ACROSS ALL STAKEHOLDER GROUPS

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

It is our aim to develop proactive, open and increasingly effective dialogue and relationships with all our stakeholder groups and we are committed to continually learning, improving and developing our business using findings and benefits from the engagement and interaction we have with them.

Key to strategic priorities:

- 1 Optimise the business for the UK’s net-zero revolution
- 2 Grow market share, revenues and profitability significantly
- 3 Generate surplus cash with a strong balance sheet
- 4 Become a “Times Top 100” employer



PEOPLE

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Why we engage

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

- To develop a highly skilled team and a high-performing culture
- To ensure our people are healthy, happy and work together in a diverse and rewarding workplace
- To recruit and retain a motivated and engaged workforce, who are critical to the Group’s success

How we engage


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

Developments in FY21

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

Key engagement topics

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

 Read more about how we engage our people in our Sustainability Report on pages 29 to 33

SHAREHOLDERS

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Why we engage

We aim to provide clarity and communicate with transparency to all our shareholders

- To provide clarity and secure support for the strategic plans for the business
- To keep our shareholders regularly updated on our progress and performance

How we engage


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

Developments in FY21

- Introducing a Capital Markets Day (depending on COVID-19)
- Improved corporate website and new contract business news flow

Key engagement topics

- Group strategy, governance and business performance
- Business news and developments
- Environmental, Social and Governance (ESG) initiatives

 Read more about our ESG initiatives in our Sustainability Report on pages 29 to 33

CUSTOMERS

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Why we engage

We aim to have open and collaborative relationships with all our customers

- To generate opportunities for the Group
- To develop strong customer relationships
- To secure feedback to remain commercially competitive and to enhance service
- To identify emerging market and customer trends and opportunities

How we engage

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

Developments in FY21

- Customer effort and performance surveys
- Customer focus groups

Key engagement topics

- Support and advice on the best utility solutions for their projects
- Identifying the level of opportunity and our competitive position
- Changes in regulation and policy that impact their developments
- Navigating changes in the energy landscape
- Reducing carbon impact through greener alternatives

COMMUNITIES

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Why we engage

We support our local communities and the communities we work in

- To give back to our communities
- To be a responsible employer and give our people the opportunity to support great causes

How we engage

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

Developments in FY21

- Linking with local authorities, schools and universities to develop stronger, mutually beneficial community partnerships
- Introducing charitable giving through salary sacrifice

Key engagement topics

- Ways we can best give back and support these causes
- Apprenticeships and graduate recruitment opportunities

STAKEHOLDER ENGAGEMENT CONTINUED

SUPPLY CHAIN AND STRATEGIC RELATIONSHIPS

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)**Why we engage**

We develop collaborative relationships and partnerships that provide added value to all our stakeholders

- To ensure the successful delivery of all our customers' projects
- To underpin our business expansion and growth
- To expand our capabilities and offering
- To ensure we remain competitive

How we engage

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

Developments in FY21

- Utilise relationship with ESP to secure increasingly larger housing, I&C and EV charging developments
- Evaluating the green credentials of the supply chain as part of our ESG plans

Key engagement topics

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

GOVERNMENT AND REGULATORY BODIES

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)**Why we engage**

We proactively engage with government and regulatory bodies to keep informed, and ahead, in an evolving landscape

- To forward plan, to inform our strategies and remain competitive
- To influence the formulation and delivery of policies that affect our sectors, customers and business

How we engage

- We are members of, and participate in, a variety of industry forums, bodies and groups including the Independent Networks Association (INA), Energy and Utilities Alliance (EUA), the Renewable Energy Association (REA) and House Builders Federation (HBF)
- Industry body representation and attendance at round tables and working groups provide a platform to engage and influence government bodies, including the Department for Business, Energy and Industrial Strategy (BEIS) and Ofgem

Developments in FY21

- Regular market assessment process in place to ensure that we remain aware, and at the forefront of, developments that affect our markets
- Increased involvement in industry forums

Key engagement topics

- Regulation and policy
- Industry obligations, targets and progress monitoring
- Industry and sector performance
- Emerging or anticipated policies
- Key deliverables that will support the journey to net zero

STATEMENT BY THE DIRECTORS IN RELATION TO THEIR STATUTORY DUTY IN ACCORDANCE WITH SECTION 172(1) COMPANIES ACT 2006

The Directors and the Board as a whole consider that they have acted in a way that would be most likely to ensure the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a) to (f) of the Act) in decisions taken during the year ended 31 March 2020. The Directors fulfil their duty by ensuring that there is a robust governance structure and process running through all aspects of the Group's operations. The Group's culture of strong governance is described in more detail on pages 37 to 46.

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

The Group's focus on ESG is also particularly relevant to our stakeholders and this is explained in detail in our Sustainability Report on pages 29 to 33.

CHIEF EXECUTIVE OFFICER'S STATEMENT

A YEAR OF REFOCUS FOR A NET-ZERO FUTURE



There are many exciting opportunities for the business to grow and to provide long-term, sustainable value for shareholders, by taking advantage of the UK's energy infrastructure growth.

Daren Harris

Chief Executive Officer

2020 review

Since joining the business in the year, I have been impressed by its growth potential in an evolving and exciting market. The UK is now on a journey to net zero by 2050 and the Group will play an important supporting role in the achievement of this.

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

This strategic refocusing has been undertaken against the backdrop of difficult market conditions, a lower margin project mix and underperformance in the business. Performance in the first half of the year was impacted by a period of ongoing economic uncertainty, created

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

Positively, at the year end, the Group recorded its highest value order book, up 9% to £66.2 million, demonstrating the Group's work-winning ability in difficult market conditions. Significant orders in the year included a £3.2 million contract to install new high-voltage electrical infrastructure for two 50MW gas peaking plants in North East England; a £2.4 million contract to provide over 6km of new gas, water and electrical infrastructure to a new sustainable mixed-use residential, retail and commercial development in the East Midlands; and a £1.8 million contract to install new electrical infrastructure as part of a major regeneration scheme in South East London.



CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Strategy

The market for the design, installation and ownership of utility infrastructure has evolved significantly in the last few years and continues to develop.

Importantly, there are several crucial government obligations and commitments that will support our growth and we have developed a strategy to ensure we are positioned to capitalise on these. A key driver of the Group's strategy is the UK government's target to achieve net zero by 2050, and the associated need for increased electrification and renewable energy generation in a decarbonised energy system. Furthermore, the need for a significantly expanded EV charging network to power the UK's electric vehicles and the government's commitment to build an average of 300,000 new homes each year by the mid-2020s presents a significant growth opportunity and the Group is focusing its strategy on capturing further market share in these sectors. In addition, the Group seeks to expand its foothold within the smart metering market, capitalising on the obligations on energy suppliers to exchange approximately 30 million meters by mid-2025. The strategy for FY21 has been approved and supported by the renewed Board and we continue to monitor developments in a market evolving at pace to inform our strategic priorities.

We continue to be in regular engagement with industry bodies and are an active member of the Independent Networks Association (INA), to proactively lobby government and regulators and to identify changes in policy or legislation that may influence our future activity.

Financial performance and results

Total revenue decreased by £2.8 million to £46.1 million (2019: £48.9 million) predominantly due to the impact of COVID-19, as described above. Infrastructure revenues were particularly impacted, falling £4.1 million to £41.8 million (2019: £45.9 million). This, however, was offset by utility asset ownership revenues which delivered a £1.3 million increase to £4.3 million (2019: £3 million).

Adjusted EBITDA from continuing operations* for the period decreased to £4.5 million, broadly in line with management expectations (2019: £10.9 million**).

This reduction was due to a combination of lower revenues, a dilution of the gross margin as a result of the mix of work and investment in the overheads to deliver improvements and lay the foundations for future growth.

Basic earnings per share reduced to 0.7p compared to 2.3p** in 2019. Adjusted basic earnings per share, before charging exceptional items, have decreased to 2.3p from 3.4p** in 2019.

Sale of assets to ESP

The asset sale yields substantial value for our existing and contracted domestic gas assets and has significantly strengthened our balance sheet. The Group used the proceeds from the first tranche of the sale to repay its existing debt of £10 million in full, leaving the business debt free as at 1 April 2020, other than lease obligations, and with net cash balances of £6 million at close of business on 31 March 2020.

Liquidity and net cash

The Group has always placed a high priority on cash generation and the active management of working capital, resulting in a positive operating cash flow from trading activities of £1.7 million. As at 31 March 2020, the Group had net cash of £6 million (2019: £3.8 million), a £2.2 million increase against the prior period. Net cash inflow from investing activities was £4.8 million, benefiting from the £16.8 million of receipts from the disposal of utility assets, offset by investment in utility assets of £11.5 million.

Net cash inflow from financing activities of £2.7 million was predominantly due to increased borrowings of £7 million, offset by £3.3 million in dividend payments and £0.9 million in lease and interest payments relating to IFRS 16. The £10 million revolving credit facility with Lloyds Banking Group was fully paid off on 1 April 2020 from the proceeds of the asset sale. The cash proceeds from the asset sale, coupled with robust financial discipline, will enable Fulcrum to maintain a strong balance sheet and will support the generation of surplus cash in the future.

We are also in advanced discussions around a further facility that will improve the Group's liquidity position and a further announcement will be made in due course.

Reserves and net assets

Net assets increased by £1 million during the year, reflecting the utility asset net revaluation increase of £2.9 million, and retained profit for the period of £1.6 million, offset by the final 2019 dividend totalling £3.3 million. Net assets per share at 31 March 2020 were 20.8p per share (2019: 20.5p).

As at 31 March 2020, the issued share capital of the Company was 221,117,945 ordinary shares (2019: 221,303,106) with a nominal value of £221,118. At the end of the year, the Group operated a Growth Share Scheme (GSS) plan and three SAYE schemes. The principal terms of the remaining share option scheme are summarised in note 19 of the financial statements.

Summary

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

Despite the impact of COVID-19, trading in the new financial year has seen continual improvement month on month and is expected to return to pre-COVID-19 levels in Q2 of FY21 and, as at 31 March 2020, the Group recorded its highest ever order book, up 9% year on year to £66.2 million, and has seen continued growth, reaching £68 million at 30 June 2020.

The successful execution of our strategy is now supported with our strongest ever order book, greater balance sheet strength, new strategic relationships, improved capabilities and an enhanced management team. We are strongly positioned to grow and to provide long-term, sustainable value for shareholders.



Daren Harris
Chief Executive Officer
6 August 2020

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

** Restated for IFRS 16.

Q&A

WITH DAREN HARRIS

Q A lot has happened at Fulcrum in the past year, including your appointment as Chief Executive; what was it like and what was it that excited you about the Company?

The year has not gone as I expected. The first half of the year from a trading perspective was difficult. We saw improvements in the second half and some strategically important developments, including the lifting of the Capacity Market and the domestic asset sale, and then, just when everything seemed to have settled down, the worldwide COVID-19 pandemic came along to test our resolve.

Despite all this, what keeps me focused and excited is the opportunity to significantly grow the business. Fundamentally, this means being active in attractive markets with skills, products or capabilities that customers want to buy. And this is where Fulcrum finds itself. The government has set a clear target for the UK to be net zero by 2050 and, with its capabilities and experience, Fulcrum is strongly positioned to benefit from this.

Since joining the business, the Fulcrum team has been enhanced, with the expansion of our workforce, capabilities and several new strategically important appointments, including several talented and experienced people that Terry or I have worked with in our earlier careers. I am confident that we have a strong, skilled and experienced team committed to the successful execution of our strategy and delivering value for our stakeholders.

Q Can you explain the benefits of the asset sale to ESP?

There are several immediate and longer-term benefits from the sale of our assets to ESP:

1. The transaction realises substantial value. The first tranche of domestic assets, which is projects that were complete at the end of September 2019, realised total proceeds of £17.9 million (against an original cost to the Group of £10.7 million, which has subsequently been revalued to £12.8 million).
2. Our new relationship with ESP enhances the Company's work-winning capabilities and competitiveness in some segments of the market. Our combined strengths will support the winning of contracts that would previously been unobtainable to the Group.

Q What is Fulcrum's strategy and why do you believe it will deliver shareholder value?

To capitalise on the opportunities available to the Group as the UK decarbonises in readiness for a net-zero future, we have defined a strategy to ensure that we are strongly positioned to do this:

- We will deliver significant revenue growth through the expansion of our operations across the markets we serve. Fulcrum's limited market share, its diverse capabilities and

the growing infrastructure needs of the UK means it is well placed to achieve this.

- We will maintain a strong balance sheet and generate surplus cash. The cash-generative nature of our services and the profile of the sale of our assets to ESP support this.
- We will ensure we are positioned for success in a net-zero future. We are already strongly positioned but will continue to develop and diversify, for example by including greener, renewable energy generating products.
- To underpin the successful execution of our plans, we will continue to improve our management information, systems and processes and will recruit and retain the best talent. We will nurture a high-performance culture and have set out our ambition to be a "Times Top 100" employer.

Q Clearly COVID-19 had an impact on the end of the financial year and into 2020; how have you mitigated the risks associated with the pandemic?

I am incredibly proud of how the business and its people responded during the COVID-19 pandemic and we have played an essential role in connecting and maintaining vital energy generating infrastructure. We took prompt action to conserve cash and sought to ensure that our decisions struck a fair balance between the needs of our stakeholders. Fulcrum is able to operate effectively and be "COVID-secure", but we recognise the potential impact of COVID-19, and an economic downturn, on our operations.

Risks associated with an economic downturn are mitigated by our limited market share and the Group's diversified position across multiple sectors, which reduces our exposure to volatility in individual markets. Maintaining strength in our balance sheet, our strong order book and the proceeds from the asset sale to ESP support this.

As we continue to operate in a COVID-19 world, we are monitoring events closely with regular Board oversight, to evaluate risks and impacts and design appropriate response strategies.

Q Looking ahead, what is the outlook for the Company?

There are many exciting opportunities for the business to grow and to provide long-term, sustainable value for shareholders, by taking advantage of the UK's energy infrastructure growth.

I am confident that the Group's diverse capabilities strongly position it to benefit from this revolution and that our balance sheet strength, new strategic relationships and our strong management team will underpin the successful execution of our strategy.

For the financial year to 31 March 2021 it is difficult to be as certain, as the fog of COVID-19 continues to blow across the battlefield. We will run the business by trying to balance the short-term uncertainty and threat of further COVID-19 disruption with the need to ensure we capture a substantial share of the opportunity that a net-zero future presents.

Fulcrum is a fundamentally robust business with a strong order book, supported by current and future cash receipts from the sale of domestic assets to ESP. These factors give me, and the rest of the Board, confidence that the Group is well positioned to prosper in the long term.

GROUP CHIEF OPERATING OFFICER'S STATEMENT

Operational review

BUILDING A STRONGER PLATFORM FOR FUTURE GROWTH



The Group continues to invest in the business and its operations to improve operational capacity and drive efficiencies.

Terry Dugdale

Group Chief Operating Officer



Operational performance

In the year, we placed a significant emphasis on improving our operational capabilities, processes and management information to drive efficiencies and deliver better performance. This included the expansion of the Group's direct delivery model into South East England and London, bolstering our smart metering operations and increasing our in-house multi-utility capabilities. This was all done with a sustained focus on better operational productivity to improve our capacity and overall efficiency.

Despite the UK economic uncertainty in the period, the Group saw a substantial increase in order inflow in the second half of the year, securing a variety of large contracts and demonstrating the Group's competitiveness in difficult market conditions.

Delivering contracts safely, efficiently and profitably

Maintaining the highest standards of health and safety remains our highest priority. A safety-first strategy is in place to ensure zero harm and, although this is well embedded into our culture and operations, we are never complacent, and are committed to continuous improvement in health and safety performance.

In the period, we received the Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction, which

recognises 17 years of health and safety excellence and demonstrates our commitment to the health and safety of our people, our customers and the communities we work in.

We also remain committed to using customer feedback to improve, innovate and differentiate the business as customer needs and expectations evolve, and we have seen sustained improvements in the percentage of customers who rated our service as "great" (9 or 10 out of 10), reaching 89% this year (2019: 80%). We continue to push for ever higher levels of customer satisfaction and we will be implementing new ways of measuring customer satisfaction during this year.

The Group continues to look for ways to improve operational capacity and drive efficiencies that will improve customer experience and support the optimisation of profits in the long term. This is underpinned by a culture of continuous improvement and our aim to simplify, standardise and ensure that we always deliver the best and most competitive service. During the year we improved resource management, scheduling efficiency and stock management, following investment in our planning and operational delivery functions. We also recruited some of the industry's best talent to lead our operational improvement initiatives and we are already seeing the positive outcomes of their contribution.



Housing

Fulcrum both designs and builds the utility networks on new housing sites and connects them to the local distribution network and these networks are now adopted by ESP as part of the adoption relationship we have with them. The size of the housing opportunities varies from 10 plots to over 1,000 plots and it is the higher end of this market that our relationship with ESP will help unlock for the Group.

Despite challenging economic conditions, our housing order book increased by 24%, to £25 million, in the year and there is a clear and significant opportunity for further growth. In addition to the UK government's commitment to build an average of 300,000 new homes each year by the mid-2020s, we have a low market share, estimated at under 5%, with limited presence in some parts of the UK and therefore the opportunity to increase our presence in this market is clear.

To ensure we maximise our share in this strategically important market, we have been bolstering our sales teams and operations in support of our future expansion. This has included more multi-skilled direct delivery resources, and improved planning and delivery processes which are focused on building in efficiency whilst ensuring we deliver customer service excellence.

There remains uncertainty for many homebuilders following the announcement

that the Future Homes Standard is expected to mandate the end of fossil fuel heating systems in all new houses from 2025 and we continue to monitor developments closely. Using electricity to heat homes instead of gas has an economic impact on developers and homeowners, with the cost of energy from electricity being higher than the cost of energy from gas. Gas Goes Green is the UK network operators' new gas network plan to deliver net zero and its aim is ensuring that homes and businesses across the UK are connected to the world's first net zero gas network, utilising hydrogen and biomethane instead of natural gas. We are working closely with various industry stakeholders to ensure we stay informed and involved in how this initiative develops. Using this insight, we are working collaboratively with developers to help them navigate the utility needs of their projects now, and in the future, by providing support and advice on their obligations and long-term heating options as we move towards net zero.

Industrial and commercial

Fulcrum designs and builds a complete range of I&C gas and electricity networks from small commercial connections to EV charging infrastructure and highly specialist gas and high-voltage (132kV) electricity supplies through the Group's established Dunamis and CDS brands. In the year, the Group secured a variety of significant I&C contracts and we

continued to invest in our in-house electrical capabilities and expertise to maximise cross-selling opportunities and enhance our competitiveness.

Fulcrum's I&C electrical capability includes design and build directly to and from the national transmission network. This includes sites that reinforce the network by generating electricity where needed, such as solar farms and battery storage sites. We also provide gas infrastructure to sites that generate electricity. As the UK decarbonises its energy, there will be growth in renewable energy generation, a move to distributed generation and battery powered sites and growth in electric vehicle demand. Our diverse electrical capabilities and experience place us in a very strong position to grow our share in this sector.

In terms of EV charging infrastructure, we have prioritised the targeting of specialist, high-powered and complex EV charging customers and have been selectively tendering on the most attractive opportunities in a rapidly developing market. The continued growth of EVs in the UK is exciting and the Group is well positioned to capitalise on this. Fulcrum has been building a strong presence in the EV charging infrastructure sector and I am confident that we have the specialist capabilities and expertise needed to secure a significant share in the substantial opportunities available to deliver the UK's future EV charging network.

GROUP CHIEF OPERATING OFFICER'S STATEMENT CONTINUED

Operational review continued

Smart metering

Smart meters are an integral part of a decarbonised energy system and will play an important part in achieving net zero in the UK by enabling demand-side energy management. The smart meter rollout deadline for the UK is expected to be 1 July 2025 and there are an estimated 30 million domestic meters that need to be exchanged by then.

The Group's smart metering business made progress in the year, establishing several additional Meter Asset Manager (MAM) and Meter Operator (MOP) agreements with a variety of energy suppliers, and the business grew its order book of meters to be exchanged to 110,000. Fulcrum has quickly established a reputation in the market for responsiveness, flexibility and service excellence and this is supporting our ability to identify and successfully secure incremental supplier agreements.

Operationally, we focused on creating a strong platform for our smart metering growth by establishing a robust and scalable smart metering team and

infrastructure and by implementing industry leading smart metering IT systems to support this. Our focus for FY21 is to diversify the business and its service offering, in particular exploring the opportunity to become a Meter Asset Provider (MAP) and to further execute our smart metering growth plans.

Maintenance and ownership

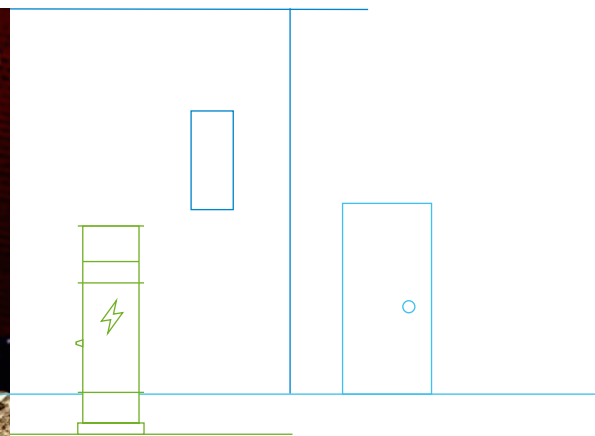
The expected growth in electrical infrastructure in a decarbonised energy system presents another attractive growth opportunity for the Group. The electrical systems and networks that will power the nation will require maintaining and, via our established Maintech Power brand, we have the specialist capabilities to do this. Maintech has focused on delivering reliability and customer excellence and has supplied proactive maintenance and emergency response services to essential sites throughout COVID-19. Maintech has limited market share and currently operates in specific regional markets, presenting the opportunity for future geographic expansion.

Summary

Whilst many improvements have been implemented in the year, there remains more to do to ensure that the business is well positioned to take full advantage of the future opportunities that are available to us. We will continue to focus on improving operational efficiency and expanding our sales and operational capabilities, systems, processes and capacity to support this. These improvements will be implemented sustainably and with strong governance to ensure that we maintain a culture of zero harm, deliver customer excellence and can guarantee we are able to offer the complete range of utility infrastructure solutions essential to achieving the UK's net-zero future.



Terry Dugdale
Group Chief Operating Officer
6 August 2020



EV CHARGING Q&A

WITH TERRY DUGDALE

Q How has the Electric Vehicle (EV) charging infrastructure market been developing in the year?

The EV charging market has been developing at pace. With sustained electric vehicle uptake, attractive tax incentives for company car users to choose electric options and government proposals for all new vehicles to be electric by 2035, it is clear that electric vehicles will play a huge part in the UK's net-zero future.

The current focus for many EV stakeholders has been a solution that provides immediate charging infrastructure in the most cost-effective way, resulting in many installations providing adequate EV charging facilities for the short term, but will become obsolete in time.

Barriers to entry for this type of immediate short-term solution are lower, and there are now many companies offering these services, including local electricians, contractors and electrical services businesses. This has seen this type of EV infrastructure become commoditised and margins tighten.

Q What progress has Fulcrum made in the year on its EV charging service?

This year we have been focusing on building a strong brand in the sector and developing a robust platform for our future growth as the EV charging market expands rapidly. We have done this by recruiting EV industry specialists across sales and operations, selectively tendering on, and securing, the most attractive EV charging opportunities, developing relationships with strategically important EV charging customers and ensuring we have a clear and focused strategy that aligns with our capabilities and profit expectations. We have also worked with ESP on customer-led adoption solutions that help provide greater customer value.

Q How is the Group executing its EV charging strategy in a developing market?

As part of our EV growth strategy, we have segmented the infrastructure needs of EV charging customers into four types of solution and are prioritising the more attractive opportunities that better fit with the Group's capabilities. Right now, these are generally more significant, longer-term schemes, with lower levels of competition due to their technical complexity. This generally results in more attractive margins.

These segments are:

1. Infrastructure for high-powered charging facilities and charging hubs

These are longer-term, complex and often significant projects that currently have the best fit with our capabilities and strategic priorities.

2. Connections to support large scale charging rollout programmes, providing charging facilities for national brands in retail and leisure

These opportunities will become increasingly attractive as EV car uptake grows and more significant infrastructure is needed.

3. Providing charging facilities for the homes of new housing developments

This mainly involves us providing technical support and advice to our homebuilder customers to ensure the electrical networks we design and build for them are flexible and futureproofed for the EV charging needs of future homeowners.

4. One-off destination charging and workplace charging

Currently, many immediate charging needs are being fulfilled by a connection to existing electricity supplies, which can be completed by electricians and electrical contractors. These opportunities will also become increasingly attractive as EV car uptake grows and more significant infrastructure is needed.

Q What are the priorities for the Group in the EV charging market in FY21?

In FY21, we will continue to build relationships with important EV stakeholders, expand our in-house delivery capabilities and focus on securing the most attractive EV charging infrastructure contracts. The Board considers the EV market a really exciting opportunity for the Group and its attractiveness will continue to grow as the UK's need for more significant EV charging infrastructure increases. We are very confident that, with our specialist electrical capabilities, skills and experience, we are strongly positioned to benefit from the EV charging infrastructure needs of our net-zero future.

The Group has also continued to expand the use of electric vehicles as part of its sustainable approach.

 [Read more on page 31](#)

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

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

Key to strategic priorities:

- 1 Optimise the business for the UK’s net-zero revolution
- 2 Grow market share, revenues and profitability significantly
- 3 Generate surplus cash with a strong balance sheet
- 4 Become a “Times Top 100” employer

Financial KPIs

Revenue

£46.1m



Link to strategic priorities

- 1
- 2
- 3
- 4

Definition

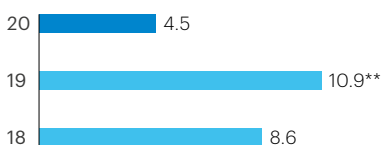
The total amount the Group earns from its utility operations.

Performance

Revenues decreased by £2.8 million (2019: £48.9 million), principally due to the impact of site closures in March caused by COVID-19.

Adjusted EBITDA from continuing operations*

£4.5m



Link to strategic priorities

- 1
- 2
- 3
- 4

Definition

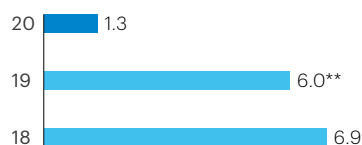
Operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges.

Performance

Adjusted EBITDA from continuing operations is down by £6.4 million (2019: £10.9 million**) due to a lower blended gross margin relating to the mix of work and investment in overheads to accommodate future growth.

Profit before tax

£1.3m



Link to strategic priorities

- 1
- 2
- 3
- 4

Definition

Profit before tax arising from ongoing operations.

Performance

Profit before tax is down by £4.7 million (2019: £6 million), broadly in line with the lower EBITDA.

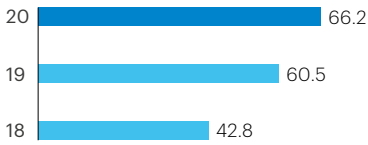
* Adjusted EBITDA from continuing operations is operating profit excluding the impact of exceptional items, depreciation, amortisation and equity-settled share based payment charges.

** Restated for IFRS 16.

Financial KPIs

Group order book

£66.2m



[Link to strategic priorities](#)

- 1
- 2
- 3
- 4

Definition

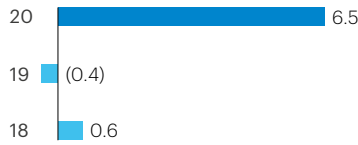
The amount of secured utility work representing the construction value and the utility asset value.

Performance

The Group order book increased by 9% year on year, to its highest recorded level.

Free cash flow

£6.5m



[Link to strategic priorities](#)

- 1
- 2
- 3
- 4

Definition

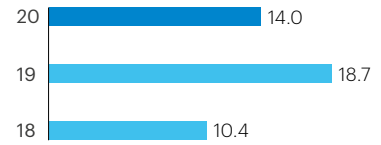
Free cash flow is operating cash flow less net capital expenditure.

Performance

The free cash flow increased by £6.9 million, principally due to the proceeds from the sale of utility assets.

External asset commitment

£14.0m



[Link to strategic priorities](#)

- 1
- 2
- 3
- 4

Definition

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

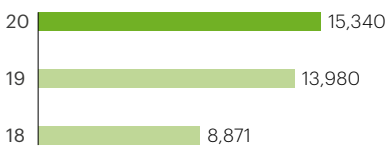
Performance

External asset commitments decreased in line with the sale of utility assets to ESP and a more selective asset adoption strategy.

Non-financial KPIs

Number of new domestic utility assets adopted by the Group

15,340



[Link to strategic priorities](#)

- 1
- 2
- 3
- 4

Definition

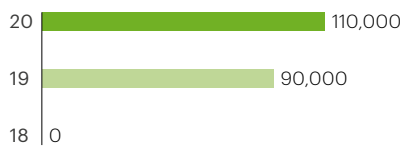
The number of domestic utility connections adopted by the Group.

Future reporting

For FY21, this KPI will show the number of domestic utility connections adopted by ESP.

Smart meters in the order book to exchange

110,000



[Link to strategic priorities](#)

- 1
- 2
- 3
- 4

Definition

The number of meters the Group is contracted to exchange to smart meters.

Performance

The smart meter order book was bolstered with a number of new smart meter exchange agreements with energy suppliers.

Customers who rated us as "great"

89%



[Link to strategic priorities](#)

- 1
- 2
- 3
- 4

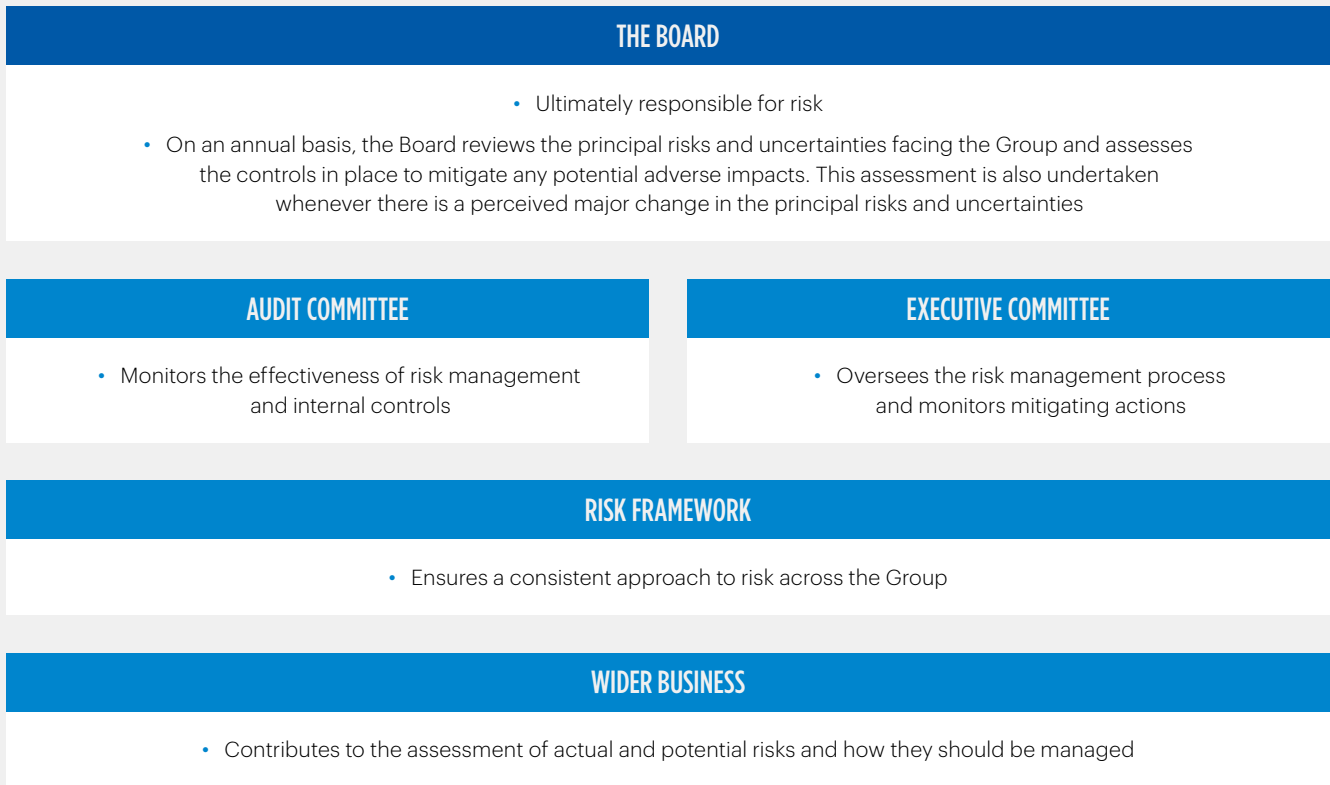
Definition

The percentage of customers who scored the Group 9 out of 10 or 10 out of 10 for customer service.

Performance

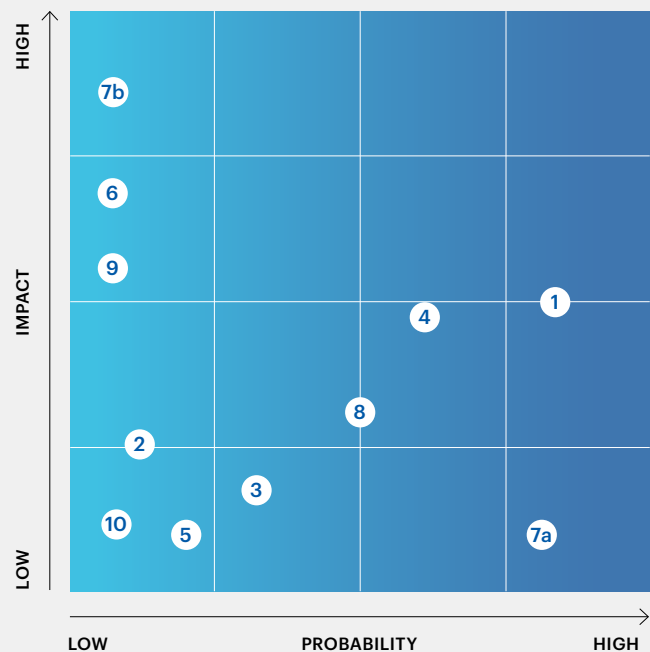
There was sustained improvements in the percentage of customers who rated the Group's service as "great" in the year.

RISK MANAGEMENT



Risk heatmap – mapping considers impact and probability post risk mitigation

- | | |
|--|--|
| 1 COVID-19 | 7 Health and safety |
| 2 Growth and strategy execution | 7a Potential for minor accidents that could lead to potential injury |
| 3 Retention and recruitment | 7b Significant injury or loss of life |
| 4 Macroeconomic conditions (other than COVID-19) | 8 Working capital management and funding |
| 5 Competitive environment and reliance on key customers | 9 IT systems and cyber security |
| 6 Utility infrastructure market and regulatory environment | 10 Brexit |



The Board considers risk assessment, identification of mitigating actions and related internal controls to be fundamental to achieving the Group's strategic objectives. The Corporate Governance Report on pages 39 to 43 describes the systems and processes through which the Directors manage and mitigate risk.

Our principal risks

The Board recognises that the nature and scope of the Group's risks can change, so it regularly reviews the risks faced as well as the systems and processes in place to mitigate them. The principal risks to achieving the Group's objectives are set out below. The risk factors described are not an exhaustive list or an explanation of all risks. Additional risks and uncertainties relating to the Group, including those that are not currently known to the

Group or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business operations, results and/or financial condition.

Risks within the Company's control

In its Annual Report and Accounts for the year ended 31 March 2019, the Company reported on the principal risks and uncertainties affecting the Group and actions taken to mitigate these risks. This report has been updated, with new risks included, together with an update on mitigating actions.

COVID-19

The COVID-19 pandemic has become a principal risk for the business and is detailed below.

Key to strategic priorities:

- 1** Optimise the business for the UK's net-zero revolution

2 Grow market share, revenues and profitability significantly
- 3** Generate surplus cash with a strong balance sheet

4 Become a "Times Top 100" employer

COVID-19

Link to strategic priorities: **1** **2** **3** **4** **Risk status:** New

Description

There is a risk that:

- The recent outbreak and global spread of COVID-19 has a significant and prolonged impact on the UK economy and may disrupt our supply chain and our customers' projects and adversely impact our operations.
- The temporary emergency public safety measures which the UK government introduced, continue for an extended period of time, increasing pressure on our operations due to an economic downturn.

Mitigating actions

The safety and wellbeing of our people, customers and the communities we work in continues to be our number one priority. In line with the measures introduced by the UK government, we took our responsibility to safeguard the wellbeing of our field based people and the communities they work in seriously, by postponing the delivery of all non-essential utility connection and infrastructure works. Works were fully remobilised in line with government advice and utility works are now delivered under COVID-secure guidelines.

The proceeds from the sale of the Group's domestic customer gas connection assets and associated meters to ESP, significantly strengthen the Group's balance sheet and we continue to have strong relationships with our bank and are in advanced discussions regarding the provision of new facilities. We are also backed by our retained, regulated asset base and its recurring income, to support the Group's longer-term needs. The Board continues to monitor the situation closely and explore further actions as necessary to support the Group's liquidity.

Regarding the impact of an economic downturn, our Executive Committee is monitoring events closely with regular Board oversight, to evaluate impact and design appropriate response strategies. Risks associated with an economic downturn are mitigated by our limited market share in key sectors. Our wide breadth of offering and diversified position, across multiple sectors, also reduce our exposure to volatility in individual markets.

RISK MANAGEMENT CONTINUED

Key to strategic priorities:

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

Growth and strategy execution

Link to strategic priorities: 1 2 3 4

Risk status: = No change

Description

There is a risk that:

- The strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.

Mitigating actions

The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive 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. The Group maintains a close watch on, and assesses, the relevant market drivers that influence the Group's strategic priorities to ensure that its growth strategy remains relevant and appropriate.

Retention and recruitment

Link to strategic priorities: 1 2 3 4

Risk status: = No change

Description

There is a risk that:

- The Group loses its valued and talented employees.

Mitigating actions

The Group has put in place competitive reward and recognition packages to all, comprising a blend of short and long-term incentives for senior managers and Executives. Employee development programmes are in place to assess, manage and develop the leadership skills of employees throughout the organisation. In addition, we invest in succession planning and improving learning and development, giving opportunities for employees to upgrade skills. The Group's culture and approach to employee engagement continue to be differentiators in attracting and retaining talent.

Macroeconomic conditions (other than COVID-19)

Link to strategic priorities: 1 2 3 4

Risk status: = No change

Description

There is a risk that:

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

Mitigating actions

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

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

The Group also continues to work towards a more balanced revenue base to reduce reliance on specific utility services in an evolving energy landscape.

Competitive environment and reliance on key customers

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Risk status: = No change

Description

There is a risk that:

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

Mitigating actions

Our wide breadth of offering and diversified position across multiple sectors reduce our exposure to volatility in individual competitive markets. The variety and volume of customers serviced mean that the Group is also not reliant on any customer. These risks are managed through the corporate planning and review processes. To ensure that we remain competitive, we monitor market developments and pursue feedback from customers on the competitiveness of all tenders and bids.

Considering the specialist, technical and regulated nature of the Group's operations and the market in which it operates, there are high barriers to entry for new competitors.

Utility infrastructure market and regulatory environment

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Risk status: = No change

Description

There is a risk that:

- The inherent risks from operating in the utility infrastructure market, such as reliance on ageing infrastructure as well as the risk of downtime or low productivity caused by interruptions or equipment failures, are realised.
- The Group loses one or more of its licences, which it requires in order to carry out the design, build, project management, ownership and maintenance of utility infrastructure.
- The regulatory environment could change, which may have a direct and significant impact on the Group's regulated activities.

Mitigating actions

The Group seeks to reduce the risk of losses arising from these circumstances through careful planning, robust operational guidelines and the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements. The Group also maintains proactive engagement with a variety of government and regulatory bodies to keep informed, and ahead, in an evolving market landscape.

Health and safety

Link to strategic priorities: [1](#) [2](#) [3](#) [4](#)

Risk status: = No change

Description

There is a risk that:

- Accidents on our sites could lead to potential injury to, or loss of, human life, reputational damage and financial penalties.

Mitigating actions

We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group health and safety team to minimise the likelihood and impact of accidents. We have also developed and sustained a strong "safety-first" culture which has delivered improvements in behavioural safety and safety performance.

RISK MANAGEMENT CONTINUED

Key to strategic priorities:

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

Working capital management and funding

Link to strategic priorities: 1 2 3 4

Risk status: = No change

Description

There is a risk that:

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

Mitigating actions

The proceeds from the sale of the Group's domestic customer gas connection assets and associated meters to ESP significantly strengthen the Group's balance sheet. Proceeds from the first tranche of the sale were also used repay existing debt of £10 million in full, leaving the business debt free as at 1 April 2020, other than operating lease obligations. In granting commercial credit terms, careful attention is paid to the timing of cash receipts and payments over the period of contract delivery. Where necessary, a deposit is requested from customers prior to commencing work and invoicing milestones with customers are matched where possible to the invoicing patterns of our supply chain.

We also continue to have strong relationships with our bank and are in advanced discussions regarding the provision of new facilities.

IT systems and cyber security

Link to strategic priorities: 1 2 3 4

Risk status: = No change

Description

There is a risk that:

- Computer systems outages and interruptions could affect the ability to conduct day-to-day operations, which could result in loss of sales and delays to cash flow.
- Key systems could be breached causing financial loss, data loss, disruption or damage and any theft or misuse of data held within the Group's systems and this could have both reputational and financial implications for the Group.

Mitigating actions

The Group's IT strategies are reviewed regularly to ensure they remain appropriate, with business continuity and disaster recovery testing performed. We have a dedicated internal IT support team which works closely with our external support advisers to ensure that regular updates to technology, infrastructure, communications and application systems occur. The Group has advanced centralised hardware and software security in place to ensure protection of commercial and sensitive data. For new IT projects, our technology advisers are utilised in conjunction with internal project management, restricting access to data, systems and code and ensuring all systems are secure and up to date.

Brexit

Link to strategic priorities: 1 2 3 4

Risk status: — Reduced

Description

There is a risk that:

- Fulcrum could be impacted by the UK's leaving the European Union by the end of 2020, particularly the supply chain for goods sourced from within the EU.
- Additional timescales, tariffs or import costs related to sourcing materials from the EU would create additional customer cost and could introduce delays in delivery.

Mitigating actions

The Group continues to monitor and assess the impact of various scenarios in relation to Brexit. We consider the impact of EU-sourced materials on every applicable project and manage this to ensure customer expectations on potential cost and time impact are managed. The Group has updated its customer terms accordingly to provide protection.

SUSTAINABILITY REPORT

OUR SUSTAINABLE APPROACH



Fulcrum takes its environmental, social and governance (ESG) responsibilities seriously and is committed to being a sustainable business that is prepared for, and supports, a net-zero future. To deliver its vision, the Group has developed a sustainability strategy that details the actions we take, and will take, to ensure we do the best we can for our people, our environment and our future.

Daren Harris
Chief Executive Officer



OUR FOUR STRATEGIC PILLARS:



DELIVERING VALUE TO OUR CUSTOMERS

Understand our customers’ needs, build relationships through trust and transparency and utilise our expertise to offer long-term value.

[Read more on page 30](#)



ACCELERATING THE UK’S NET-ZERO REVOLUTION

Deliver critical infrastructure to meet the nation’s and customers’ net-zero carbon ambitions and manage climate related risks.

[Read more on page 31](#)



OPERATING RESPONSIBLY

Run our operations responsibly to drive efficiencies, minimise our impact on the environment, promote integrity and achieve industry leading safety performance.

[Read more on page 32](#)



ENGAGING OUR PEOPLE

Develop highly skilled teams, which are healthy and happy and work together in a diverse and rewarding workplace.

[Read more on page 33](#)

SUSTAINABILITY REPORT CONTINUED



DELIVERING VALUE TO OUR CUSTOMERS



What this means to us

- We want to be the best for service in our industry and we always aim to build long-term and successful relationships with our customers.
- Customer service excellence is integrated into our values and is core to the way we approach our work.
- We develop relationships through trust and transparency, to ensure we deliver the best possible service, continually improve and identify ways to achieve competitive advantage.
- We make significant investments in specialist skills and knowledge to ensure we have the capability to deliver critical infrastructure to support our customers' low carbon ambitions.

Customers who rated service as "great"

89%

(rated us 9 or 10 out of 10 for service)

Repeat business

58%

Be transparent and responsive to customer and stakeholder feedback

Building trust, through engaging and operating with honesty and transparency, is crucial to developing the customer relationships that will underpin business growth and this is a fundamental element of the Group's values and service excellence culture.

We engage customers on every project to understand how well we delivered for them. Its purpose is to capture feedback on how we performed, and that feedback is used to inform improvements in how we deliver for our customers, identify ways we can provide added value and understand our competitive position. For customers with higher volumes of repeat business, we also have regular performance review meetings to discuss our service in depth and identify opportunities to enhance our offer to them.

We have seen sustained improvements in the percentage of customers who rated our service as "great" (9 or 10 out of 10), reaching 89% this year. To incentivise great service and customer relationships, we recognise employees who are praised by, or go above and beyond for, our customers with quarterly "Spirit" awards and "Instant Recognition" awards.

Continually improve in-service delivery and respond to evolving customer needs

We are committed to using customer feedback to improve, innovate and differentiate the business as customer needs and expectations evolve.

In FY21, we will also be reporting sentiment using the net promoter score (NPS) system. The NPS scoring system provides a better indication of whether customers would use us again and recommend us. To ensure that we always secure an accurate representation of customer sentiment, it will be validated through new qualitative customer surveys and regular performance meetings. We are also building stronger, more collaborative relationships with key customers and the bodies that represent their industries, to ensure that we remain prepared to meet their evolving needs in a changing energy landscape.

As we move towards a net-zero future, there is some uncertainty around how our customers will be obliged to heat and power their developments, and this is an emerging concern for them. We are making it clear that we are here to help and support by monitoring industry developments and providing advice on how changes in energy regulation may impact their developments now and in the future.

Develop our capabilities, experience and strategic partnerships

Fulcrum's electricity and gas capabilities put us in a strong position to support customers by coordinating their utility infrastructure and energy requirements to achieve time and cost efficiencies and we continue to develop our multi-utility service offering to enhance this.

We are also exploring emerging green technologies that will complement more traditional utility infrastructure to power and heat developments and see this as key to supporting a net-zero revolution.

Our strategic relationship with ESP provides added customer value by enabling us to compete on larger sites for customers who have trusted us with their smaller developments. The innovative adoption solutions we can offer collaboratively give developers greater choice and provide options for long-term customer value, for example by reducing ongoing network or energy charges.

Utilise our expertise to support our customers' low-carbon transition

As the energy landscape in the UK changes, we will help our customers by providing support and advice on their obligations as we move towards a net-zero future. We are committed to enabling our customers to reduce their carbon impact by using our expertise and breadth of offering to introduce "green options" for their development. These are alternative utility infrastructure solutions that will achieve a lower carbon impact.



ACCELERATING THE UK'S NET-ZERO REVOLUTION



What this means to us

- By connecting the nation in a sustainable way, we are helping the UK meet its net-zero carbon targets and ultimately reduce the impact of climate change.
- Through the diversification of our services we are working to identify innovative solutions that will drive the nation's low carbon transition.
- Through the appropriate governance and risk-management processes, we seek to actively manage the physical and transitional climate related risks for our business and we are proactively reducing the carbon emissions in our business operations.

Reduction in fuel consumption

8%

Support the UK's net-zero carbon goals

Our industry has an important role to play in enabling the UK to deliver its net-zero revolution, and we take our responsibility to support this seriously. We are excited by the opportunities this transformation presents and are committed to using our utility infrastructure knowledge and capabilities to play a part in supporting the UK to achieve its net-zero ambitions.

We commit to do this by reducing our own carbon impact, by helping our customers deliver vital energy infrastructure that supports a net-zero future and by enabling our customers to make more informed, "greener" choices in how they heat and power their developments.

Through our broad capabilities and experience, we are strongly positioned to support the UK to achieve its net-zero ambitions. We are already delivering services and solutions that are contributing to a greener future, such as designing and building electric vehicle charging infrastructure, delivering smart meter exchange programmes and providing solutions to power and maintain renewable energy generating infrastructure, including battery storage sites, wind farms and solar farms.

Reducing the carbon impact of their operations is becoming increasingly important to our customers, especially as their awareness of impending or future obligations increases. Our knowledge and capabilities can help them select options for their new developments that also consider carbon impact, as well as engineering and cost.

To support the smart energy revolution, we provide flexible and customer-centric smart meter exchange programmes nationally and this has seen us become the supplier of choice for many emerging or specialist energy suppliers. We are engaging priority UK energy suppliers with our services to support them to achieve their smart meter obligations in an efficient way and our scalable delivery model positions us strongly to do this.

Reduce carbon emissions from our business operations

We commit to reducing our own carbon impact by reducing the emissions from our operations and we take our responsibility to do this seriously.

In the year, we focused heavily on planning and operational efficiency to ensure that the carbon impact from our activity is minimised and began trials on electric excavators as an alternative to diesel powered ones. We have also been working collaboratively with our fleet provider on plans to increase the number of electric company cars and have several incentives, including free electric vehicle charging facilities at our head office, to support uptake.

To ensure that we robustly identify our carbon footprint, and track and measure the success of our carbon reduction plans, we have commissioned the Carbon Trust to implement its "Footprint Manager" data collection and reporting service to enable us to include relevant data required by the Streamlined Energy and Carbon Reporting regulations. This data is in the process of being collated and once available will be included in future years.



We see this as the first step in a collaborative relationship with the Carbon Trust, whose capabilities and experience in reducing carbon impact will enable us to develop the Group's carbon reduction roadmap and will support us in enabling our customers to make greener choices to do the same.

Invest in sustainable product innovation

Positioning the business for a net-zero future is a strategic priority for the Group. This means we commit to offer a full product portfolio, including renewable energy generating options, that will give our customers greater and unceasingly greener choices to power and heat their projects. We are already exploring renewable product options that will complement a more traditional multi-utility infrastructure package and are engaging customers on potential trial schemes.

SUSTAINABILITY REPORT CONTINUED



OPERATING RESPONSIBLY



What this means to us

- We don't just "do the right thing" – we are committed to reducing our impact on the environment, managing our supply chain more effectively and ensuring we actively manage our code of conduct policies to minimise any risks to the business and our wider stakeholders.
- Running our operations effectively and considerately is essential for driving efficiencies, saving costs and protecting resources.
- We are constantly striving to develop a zero-harm workplace, and we aim to achieve industry leading safety performance which is firmly embedded within our culture.
- We are proud to support the local communities where we operate. We actively support volunteering, encouraging our employees to take part in fundraising activities and give time to local causes.

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

17

Volunteering hours

127

RIDDOR incident rate

0.00

Donated in charitable giving

£5,200

Build a zero-harm culture

The wellbeing of our people, our customers and the communities we work in is our highest priority. We always put safety first and never compromise.



A safety-first strategy is in place to ensure zero harm and although this is well embedded into our culture and operations, we are never complacent. Core to our values is the Spirit of "SAFE", which underpins all activity and empowers our people to challenge anything unsafe.

We have a dedicated compliance function, invest in regular compliance and safety training and have robust safety processes and systems in place. These, coupled with a strong focus on behavioural safety and stringent audit regimes, ensure we maintain zero harm.

The execution of our safety strategy resulted in a 0.00 RIDDOR incident rate and being awarded our 17th consecutive RoSPA Gold Award in the year.

Manage our resources in a responsible way

It is our aim to always manage our resources responsibly. In the year we improved resource management, scheduling efficiency and stock management. We also introduced measures to minimise waste and reduce single-use plastics across our operations. Working with the Carbon Trust, we will monitor and accurately measure the positive impact of managing our resources in ever increasingly responsible ways.

Engage our supply chain to become more sustainable

Our focus in FY21 will be to reduce the carbon impact across our supply chain, as well as our own operations, and sub-contractor and supplier sustainability credentials will play an increasingly important part in our pre-qualification and selection processes.

Engage with external bodies to identify evolving regulation and shape future policy

We engage with, are members of and have senior representation on, several relevant industry bodies and groups, including the Independent Networks Association (INA), the Energy and Utilities Alliance (EUA), the Renewable Energy Association (REA) and the House Builders Federation (HBF). Industry body representation and participation provide a platform for industry collaboration, to share insight and to engage and influence government bodies on future policy, and we take a proactive and collaborative approach to this.

Promote integrity and reduce compliance risk

Integrity is one of our core Spirit values and we expect, and nurture, integrity in everything we do. We set clear expectations on how our people behave and operate and this is set out in our code of conduct. We also provide additional training and coaching on areas including data security and anti-bribery, to ensure that we remain compliant on specific focus areas.

Give back to the community

We are committed to giving back to our communities and supporting charitable causes, and we encourage and enable our people to take part in volunteering and fundraising activities. Through our "Community Spirit" initiative, the Group has established a partnership with Bluebell Wood Children's Hospice and Bury Drop In, a local homeless charity. We support them, along with several national charities, through a variety of volunteering and fundraising initiatives. In the year, our people spent 127 hours volunteering and we donated £5,200 in total from fundraising activities.



ENGAGING OUR PEOPLE



What this means to us

- We have a strong values-led culture and we encourage everyone to live by our values and behaviours. We achieve this by providing an engaging, diverse and supportive environment where people want to work, develop and learn from each other.
- Through our employee engagement programme, we actively respond to employee concerns to ensure we engage, reward, recognise and retain our people.
- We are also deeply committed to supporting a range of initiatives to safeguard the physical and mental wellbeing of our people. We listen to every voice and ensure we proactively respond to all employee feedback and needs.

Employee engagement score
(out of a maximum of 5)

3.7

Male employees

77%

Female employees

23%

Engage with our employees

It is vital that we have a truly engaged workforce as our people are critical to the Group's success. A culture of positive engagement supports us to recruit and retain the best and most talented people, develop a high-performance culture and, importantly, ensure our people are healthy, happy and work together in a diverse and rewarding workplace.

To support employee engagement, we promote a culture of regular open, clear and transparent communications across multiple channels. This includes a weekly business update from the leadership team and daily updates using a social media collaboration tool, Workplace.

Employee feedback is vital to identifying how happy and motivated our people are and we capture this through regular one to ones with line managers, employee forums and a biannual People Survey. The most recent survey recorded overall engagement at 3.7 out of 5. We explore all feedback in detail and use it to inform our engagement plans and priorities. The People Survey is being redeveloped in FY21 to match "Times Top 100" employer criteria and will be supported with new "Pulse Surveys", intended to take the temperature of the business at more regular intervals.

Rewards and benefits

We aim to have a culture where everyone's contribution is valued and rewarded. We offer competitive packages with attractive and flexible benefits, including annual sharesave (SAYE) schemes, to recruit and retain the best people. We have built a strong external business network and we are constantly monitoring external standards to ensure our rewards and benefits remain attractive and competitive.

Develop skills and talent

We are committed to having a culture that focuses on bringing out the best in our people. It is crucial to us to be able to offer all our people a clear career path. We put a strong emphasis on identifying talent and succession planning activities, and every person in the Group has a personal development plan, supported with training, coaching and professional development opportunities. In FY21 we are introducing a new online learning management system (LMS) that will be available to all people to enhance their skills for both structured development and flexible learning.

We have an apprenticeship programme in place to foster and develop new talent and plan to expand our scheme in FY21; we also offer work experience and have provided opportunities to local schools and communities and the families of our employees.

Foster a diverse and inclusive culture

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

In the year, we enhanced our recruitment processes to ensure that we always demonstrate our consistent, diverse and inclusive approach to recruitment.

Support physical and mental wellbeing

We are deeply committed to supporting the physical and mental wellbeing of our people. We have developed a strong zero-harm culture and enhanced our commitment to mental and emotional wellbeing in the year. We introduced our first fully trained mental health first aider and it is our plan to expand the number of mental health first aiders in the business in FY21. We also have access to more specialist mental wellbeing services via an external partner, offer a 24/7/365 wellbeing solution, by providing support through our employee assistance programme, delivered mental fitness workshops, and ongoing mental fitness support, in the year.

Encourage everyone to live by our values

We nurture a strong, values-led culture and we set clear expectations on how we operate in line with our values and behaviours. Values play an important part in our recruitment and selection processes and we measure our people's performance against our values, rewarding positive examples with "Spirit" awards and "Instant Recognition" awards. We are also investing in a new behavioural mapping initiative to ensure expectations are always clear and we drive consistency in behaviour for all employees.

BOARD OF DIRECTORS


- EXECUTIVE
- NON-EXECUTIVE

Committee membership key:

- A Audit Committee
- R Remuneration Committee
- Chair of Committee

PHILIP HOLDER

NON-EXECUTIVE CHAIRMAN



Appointed to the Board
25 January 2011

Board Committees

A R

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.

Skills


- Strategic business management in the gas, electricity and water sectors.

Meetings attended



DAREN HARRIS

CHIEF EXECUTIVE OFFICER



Appointed to the Board
24 June 2019

Experience

Daren joined the Company and its Board as Chief Financial Officer on 24 June 2019, bringing significant experience gained in various senior and board level roles in the construction, contracting, electrical engineering and energy services sectors. Prior to joining the Group, he was Group Finance Director of the Byrne Group, a construction services provider which during his tenure achieved turnover in excess of £300 million, and Group Finance Director of NG Bailey, a £400 million turnover engineering and services business. Daren is a member of the Institute of Chartered Accountants in England and Wales.

Skills

- Strategic leadership.
- Commercial and financial leadership.

Meetings attended



Daren joined the Board on 24 June 2019

STEPHEN GUTTERIDGE

NON-EXECUTIVE DIRECTOR



Appointed to the Board
25 January 2011

Board Committees

A R

Experience

Stephen has over 35 years' experience in energy and utilities, beginning with Shell in marketing and oil trading. In 1988, he joined Amerada Hess, managing its oil trading and its UK gas businesses. From 1992 to 1997 he was Managing Director of Supply at 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.

Skills


- Strategy.
- Remuneration policy.
- Corporate governance.

Meetings attended



TERRY DUGDALE

GROUP CHIEF OPERATING OFFICER



Appointed to the Board
29 January 2020

Experience

Terry has over 29 years' experience in the multi-utility contracting sector and has held several senior positions in the utility industry. From 2014 to 2019, Terry was a Trading Director of Wolseley Infrastructure companies, where he specialised in identifying and implementing business alignment and growth strategies and successfully doubled revenues and increased margins in various divisions. Previously, he spent two years as Operations Director at Future Energy Group and was UK Construction Manager at GTC for five years, establishing its direct labour organisation during his tenure. Terry has an established track record of driving innovation and performance in the operational delivery of utility infrastructure in the independent multi-utility contracting sector. He is an Incorporated Engineer and member of the Institute of Gas Engineers and Managers and the Institute of Directors.

Skills


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

Meetings attended



Terry joined the Board on 29 January 2020

JEREMY BRADE
NON-EXECUTIVE DIRECTOR



Appointed to the Board
12 June 2020

Experience

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

Skills


- Strategic development and investment in utility and energy.

Meetings attended



Jeremy was appointed after all meetings had taken place

JONATHAN TURNER
NON-EXECUTIVE DIRECTOR



Appointed to the Board
12 June 2020

Experience

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

Skills

- Strategy and innovation in the energy and property sectors.

Meetings attended



Jonathan was appointed after all meetings had taken place

JENNIFER BABINGTON
NON-EXECUTIVE DIRECTOR



Appointed to the Board
1 May 2020

Experience

Jennifer has extensive experience in law, finance and industry. Having commenced her career as a corporate finance lawyer at Norton Rose Fulbright, she later moved into the renewable energy and infrastructure sector as Legal Counsel of Element Power Limited, a UK based renewables company, overseeing its wind and solar developments in Northern Europe. Following this, Jennifer served as the Chief of Staff at the UK Green Investment Bank, the UK government's green investment fund, established to commercialise green investments in the UK, and was responsible, amongst other things, for advising its Chief Executive on strategy. Jennifer has a Master's degree in Jurisprudence from Oxford University.

Skills


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

Meetings attended



Jennifer was appointed after all meetings had taken place

WAYNE HAYES
NON-EXECUTIVE DIRECTOR



Retired
30 April 2020

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. 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.

Meetings attended



- Martin Harrison attended six meetings
- Hazel Griffiths attended two meetings

EXECUTIVE COMMITTEE



RICHARD JUPP

DIVISIONAL MANAGING DIRECTOR – DUNAMIS AND MAINTECH

Experience

Richard has been in the electricity industry for almost 40 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.

Skills

- Extensive electricity industry and operational knowledge.
- Proven record of compliant delivery.



ANDY HIRST

GROUP BUSINESS DEVELOPMENT DIRECTOR

Experience

Andy has worked in the construction industry supply chain for 26 years and has held various senior sales and business development roles. Prior to joining Fulcrum as Group Business Development Director, Andy was a Trading Director of Wolseley Infrastructure companies.

Skills

- Business development strategy and growth.
- Customer retention and growth strategies.
- Developing high-performing sales teams and cultures.



TIM HOUTBY

DIRECTOR OF SMART METERING

Experience

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

Skills

- Sector knowledge and strategy.
- Smart metering government legislation.
- Leadership of innovative teams with a track record of delivery.



CARLY GILCHRIST

ASSET DIRECTOR

Experience

Carly has been in the utility industry for over 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 sits on the Board of the Gas Industry Safety Group, chairs the Independent Networks Association regulation sub-committee and was the gas industry's Young Person of the Year in 2015 and Manager of the Year in 2019.

Skills

- Asset strategy and management.
- Transformational change leadership.
- Industry regulation and governance.



CRAIG BAUGH

DIRECTOR OF STRATEGY AND MARKETING

Experience

Craig has been in the utility industry for 19 years, previously working for Transco and National Grid. He has spent the last 13 years specialising in strategy, marketing, communications and stakeholder engagement.

Skills

- Strategic planning.
- Marketing strategies.
- Stakeholder engagement and communications.
- Public relations expertise.



JO THOMPSON

HEAD OF PEOPLE AND CULTURE

Experience

Jo is an experienced people and culture specialist. She has developed and implemented HR strategies and has a strong track record of leading cultural change initiatives. Jo has been with the Group for eight years and is a trained mental wellbeing first aider.

Skills

- Employee engagement.
- Cultural change strategy.
- Employment law.
- Mental health and wellbeing adviser.



IAN PATTISON

INTERIM CHIEF FINANCIAL OFFICER

Experience

Ian has held senior financial roles at Clugston Group, Cintas Document Management, Cape plc and Boeing (Australia). A qualified accountant with an MBA from a leading business school in Australia. Ian has also completed CFO assignments in the modular construction sector.

Skills

- Finance, accounting, risk and corporate strategy.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

A CULTURE OF STRONG CORPORATE GOVERNANCE

We are committed to maintaining high standards of corporate governance that ensure our continued integrity and development.

Fulcrum remains dedicated to the highest standards of corporate governance as it connects the UK on its journey to a net-zero future.

The Board and its Committees play an active role in guiding the Group and leading its strategy and we are determined to ensure that we have a diverse mix of skills, capabilities and experience to steer the Group forward in an evolving energy landscape. In a business continuing to develop at pace, we maintain a culture of strong governance that underpins and encourages growth, whilst ensuring effective controls and safeguards are in place.

The values and ethical standards of the Group rest upon the principles of its "Spirit" values, Safe, Partnership, Improvement, Reliability, Integrity and Together, and the Board seeks to promote and exemplify these values in how it discharges its responsibilities. These principles are both ethically based and commercially essential to delivering our strategy and growth and to the long-term success of the Group.

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

The Company's shares are quoted on the Alternative Investment Market of the London Stock Exchange (AIM) and the Company is subject to the continuing requirements of the AIM Rules. The Company is required to apply a recognised corporate governance code and to report on how it complies with that code. The Board has elected to adopt the QCA Corporate Governance Code. The Board is aware of its responsibility for overall corporate governance, and for supervising the general affairs and business of the Company. Exceptions to compliance with the QCA Code are provided in the "Compliance" section that follows.

Changes to our Board

As Chairman, I am responsible for the leadership and effective working of the Board and for ensuring that it fulfils its responsibilities to all the Group's stakeholders. I am also responsible for promoting a culture of openness and debate, in addition to ensuring productive relations between Executive and Non-Executive Directors.

On 1 October 2019, we announced the departure of Chief Executive Martin Harrison, who stepped down with immediate effect. His successor, Daren Harris, joined the Company and its Board as Chief Financial Officer on 24 June 2019 and was appointed as Chief Executive on 29 January 2020. Daren brings significant experience, gained in various senior and board level roles in the construction, contracting, electrical engineering and energy services sectors, to the Group. The Group's senior team was also strengthened with the appointment of Terry Dugdale as Chief Operating Officer in 2019. Terry has an established track record of driving innovation and performance in operational delivery in the independent multi-utility contracting sector and he was appointed to the Board as an Executive Director on 29 January 2020.



CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

DELIVERING STRONG GOVERNANCE

Changes to our Board continued

The combined expertise that Daren and Terry have across the independent multi-utility, contracting and energy services sectors are complementary and will be invaluable in delivering the Group's strategy and long-term growth at an exciting time for our end user markets.

Wayne Hayes, Non-Executive Director, retired from the Board and all business activity on 30 April 2020 for personal reasons.

Jennifer Babington was appointed as Non-Executive Director with effect from 1 May 2020. Her specialist knowledge in the renewables sector and green investments space is particularly exciting and will assist the Group in capitalising on the significant long-term electrical opportunities available to us as the UK decarbonises its energy.

Jonathan Turner and Jeremy Brade were appointed as Non-Executive Directors on 12 June 2020 following the establishment of Relationship Agreements with Harwood Capital LLP and The Bayford Group.

Jeremy has been investing in UK smaller companies for 19 years and has deep experience of serving on the boards of private and listed companies and developing their strategies to enhance value for all shareholders.

Jonathan is the owner and Chief Executive of The Bayford Group, Fulcrum's largest shareholder, and which comprises a diverse number of entrepreneurial companies predominantly in the energy and property sectors.

Jonathan and Jeremy are, and represent organisations which are, substantial shareholders in the business and the Group is delighted to now have their insight, experience and skills on the Board.

The breadth of knowledge and diverse experience of each new appointment will further enhance the Board and its independent judgement and will complement the next phase of the Group's strategic development and growth.

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

Board transition plan

The Company has agreed a transition plan of the Board, whereby two new independent Non-Executive Directors may be appointed to the Board prior to the conclusion of the Company's Annual General Meeting in 2021, one of whom will assume the role of Chairman.

It has also been agreed that Stephen Gutteridge (Non-Executive Director) and I, as Chairman, will remain on the Board until the conclusion of the Company's Annual General Meeting in 2021 and three months following the appointment of both new independent Directors.

Stakeholder engagement

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

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

More information on how the Board engages with our stakeholders is on pages 12 to 14.



Philip Holder
Non-Executive Chairman
6 August 2020

THE BOARD

Philip Holder (Chairman)
Martin Harrison (stepped down 1 October 2019)
Hazel Griffiths (resigned 31 May 2019)
Stephen Gutteridge
Wayne Hayes (retired 30 April 2020)

Daren Harris (appointed 24 June 2019)
Terry Dugdale (appointed 29 January 2020)
Jennifer Babington (appointed 1 May 2020)
Jonathan Turner (appointed 12 June 2020)
Jeremy Brade (appointed 12 June 2020)

AUDIT COMMITTEE

Philip Holder (Chairman)
Stephen Gutteridge

REMUNERATION COMMITTEE

Stephen Gutteridge (Chairman)
Philip Holder

CORPORATE GOVERNANCE REPORT

RECOGNISING THE QCA CODE

Compliance

The Board recognises the value and importance of high standards of corporate governance and observes the requirements of the Corporate Governance Code published by the Quoted Companies Alliance (QCA). The Board believes that the application of the QCA Code will support the Company's medium to long-term success by ensuring that strong corporate governance procedures are in place. The intention of the Board is to use and communicate the principles of the QCA Code in order to create a positive corporate culture and to mitigate business risks.

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

- **Nomination Committee:** The Company does not have a separate Nomination Committee as the Board is small and relatively stable. Any appointments are for the matter of the Board as a whole.
- **Audit Committee:** The roles and responsibilities of the Audit Committee can be found within "Principle 9" and a separate Audit Committee Report is not produced.
- **Board evaluation:** There has been no formal evaluation of the Board. It is anticipated that this will occur in the future.

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

Fulcrum is a multi-utility infrastructure and services provider operating across the whole of mainland UK. The Group's main business is the design, build, ownership and maintenance of energy connections and their related utility infrastructure.

The Group operates across the housing, industrial and commercial, smart metering and maintenance and ownership sectors and its services range from the design, installation, modification, ownership and maintenance of utility infrastructure for projects of all sizes and complexity. Fulcrum is also a Meter Asset Manager (MAM) and Meter Operator (MOP), owning and operating meter assets across mainland UK. The business is also licensed as an Independent Gas Transporter (iGT) and Independent Distribution Network Operator (iDNO), owning and operating gas and electrical assets that connect properties to the main UK gas and electricity networks.

Business model

Our vision:

To play an essential part in the UK's zero carbon and smart energy revolution.

Our strategic objectives:

- Optimise the business for the UK's net-zero revolution.
- Grow market share, revenues and profitability significantly.
- Generate surplus cash with a strong balance sheet.
- Become a "Times Top 100" employer.

Fulcrum utilises its strengths, capabilities and resources to provide long-term, sustainable value for all its stakeholders. Our full investment proposition can be found on pages 4 and 5.

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

The Board is committed to establishing and maintaining positive relations with the Company's shareholders as they provide good perspectives on corporate governance matters and strategy, amongst other things. As Chief Executive, Daren Harris has responsibility for maintaining appropriate communications with shareholders and analysts, advised by the Group's nominated adviser and broker, Cenkos Securities PLC, joint broker, N+1 Singer, and financial PR consultants, Capital Market Communications (Camarco) Ltd. The Company maintains regular dialogue with investors to discuss the Group's performance and strategy, through regular results roadshows, Annual General Meetings and other corporate events. The Non-Executive Chairman and all other members of the Board are also available for discussions with shareholders as required or requested.

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

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

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

More information on how the Board engages with our stakeholders is on pages 12 to 14.

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

The Board understands that the success of the Group relies on creating and maintaining strong relationships with a wide variety of stakeholders, including our employees, suppliers and customers.

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

The Group's sustainability strategy on pages 29 to 33 in the Strategic Report of the Group's Annual Report provides further details on the Group's commitment to sustainability and corporate responsibility and more information on how the Group engages with our stakeholders is on pages 12 to 14.

CORPORATE GOVERNANCE REPORT CONTINUED

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

The Group's employees are at the heart of all that we achieve and we are committed to ensuring that we have the right people working with us and we manage this process through a robust people strategy. Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business and we believe that sustained investment in our people's development and welfare builds a stronger business. We maintain communication with our employees through a number of formats, including individual one-to-one sessions, team meetings, weekly business updates and whole Group "Spirit" updates. We continue to evolve our approach to employee engagement and undertake a biannual people survey. Its purpose is to achieve a greater understanding of employee experience and engagement and to drive workforce related decisions.

Safety is paramount in our organisation. Our "SAFE" initiative details the fundamental safety behaviours expected of all Fulcrum people and this is communicated to all employees through both formal corporate communications and informal discussions and reminders. It is our policy to organise and maintain safe working arrangements for all and to protect the environment from unnecessary damage. The industry in which Fulcrum operates contains inherent safety risks, so our continued focus on implementing and encouraging safe working practices is fundamentally important to the Company. We remain committed to demonstrating excellence in all areas of health, safety, environmental, engineering and quality management in all our working environments and displaying the spirit of "SAFE" at all times.

We continually challenge internal and external constraints with the aim of simplifying the way we work, embedding systems and automation to drive efficiencies and encouraging our people to propose innovative ways of working. We continue to streamline internal processes and deliver improved operational productivity to help drive down the cost of delivery to enhance our competitiveness.

We remain committed to being the most customer-focused utility services partner. To gauge how well we perform, we request feedback on every project we deliver, which we use to develop our services. We continue to achieve an encouraging result, with 89% of customers rating our service as "great" (9 or 10 out of 10) (2019: 80%).

We work as one team, in partnership with our suppliers and sub-contractors to share knowledge and expertise and improve working practices. We are in regular dialogue with our suppliers and sub-contractor base and are committed to ensuring the integrity of our supply chain, which we confirmed in our anti-slavery and anti-human trafficking statement. This can be found on our website, <https://investors.fulcrum.co.uk/modern-slavery-statement>.

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

The Directors are responsible for the Group's internal control systems and for reviewing their effectiveness, whilst management takes on the role of implementing these policies. It should be recognised that the Group's internal control systems are 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, clear authorisation and review procedures, 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.

Regarding risk management specifically, the Audit Committee receives reports as and when required from management and the external auditor concerning the system of internal control and any material control weaknesses. The external auditor provides management with useful control environment insight through formal identification of any specific control recommendations, as well as being well placed to bring to management's attention any "hot topic" matters that may be relevant. 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.

The Group has a reasonably wide range of customers and suppliers across its markets. This diverse approach reduces the Company's reliance on individual businesses, making the Company more resilient to any potential issues with its supply chain, customers or specific markets.

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

The Board currently comprises of the Non-Executive Chairman, two Executive Directors and four other Non-Executive Directors. The Executive Directors are supported by independent Non-Executive Directors with wide-ranging experience. Board profiles are provided on pages 34 and 35 along with details on the Board's composition on page 38.

Of the Non-Executive Board members, Philip Holder, Stephen Gutteridge and Jennifer Babington are all considered to be independent. Jonathan Turner and Jeremy Brade are not considered to be independent due to their substantial shareholdings. The Board is satisfied that it has a suitable balance between independence and knowledge of the Group, to enable it to discharge its duties and responsibilities effectively.

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

The Board is supported by both an Audit Committee and a Remuneration Committee. The Audit Committee has a key role in overseeing the Group's risk management and internal control systems, as well as challenging the integrity of the Group's financial results and announcements. The Remuneration Committee ensures that the Group's remuneration policy is appropriate to encourage and reward the contributions made by senior executives whilst taking into account the views of shareholders.

The Board meets regularly (at least nine times a year), and there is contact between meetings to progress the Company's business. Attendance by Directors at meetings of the Board and various Committees is set out in the "Board of Directors" section on pages 34 and 35. Following the acquisition of Dunamis, Board meetings are also held at subsidiary offices. These visits include meeting with employees and updates from senior leaders.

The Executive Directors are expected to devote the whole of their time, attention and ability to their duties, whereas the Non-Executives have a lesser time commitment.

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

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

The Board consists of the Non-Executive Chairman, Philip Holder, four Non-Executive Directors in Stephen Gutteridge, Jennifer Babington, Jonathan Turner and Jeremy Brade and two Executive Directors in Daren Harris and Terry Dugdale. The Board is satisfied that between the Directors, it has an appropriate balance of industry, financial and public market experience to operate effectively. Company secretarial services are outsourced to TMF Global Services (UK) Limited.

The Board makes decisions regarding the appointment and removal of Directors. Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association, which stipulate that all Directors must stand for re-election at least once every three years and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. Therefore, in the current year, Philip Holder, Stephen Gutteridge, Terry Dugdale, Jennifer Babington, Jonathan Turner and Jeremy Brade will all offer themselves for re-election.

CASE STUDY

AN ENHANCED BOARD WITH SUBSTANTIAL SHAREHOLDER REPRESENTATION

Post year end, the Group's Board was bolstered with the appointment of three new Non-Executive Directors, each bringing new and diverse skills, experience and ideas that complement the next phase of the Group's strategic development and growth.

Jennifer contributes specialist knowledge in renewables and in green investments which provides essential insight in assisting the Group to capitalise on the opportunities available to us as the UK decarbonises its energy. She has strong credentials in legal and strategic counsel, along with experience in developing and implementing sustainability strategies to deliver strong environmental, social and governance (ESG).

Jonathan owns and is the Chief Executive of The Bayford Group, the Group's largest shareholder. Bayford comprises several entrepreneurial companies across the energy and property sectors and Jonathan has over 30 years' experience in the energy markets. He is also a substantial shareholder in Fulcrum.

Jeremy has been investing in smaller UK companies for 19 years and has served on the boards of a diverse range of private and listed companies to develop their strategies and enhance value for all stakeholders. Jeremy represents Harwood Capital LLP, which is a substantial shareholder in the business.



CORPORATE GOVERNANCE REPORT CONTINUED

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

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

The biographies of the current Directors are provided in the "Board of Directors" section on pages 34 and 35 and on our website, <https://investors.fulcrum.co.uk/who-we-are/board-directors>.

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

The composition of the Board was refreshed during FY20, with Martin Harrison and Hazel Griffiths leaving their roles and Daren Harris and Terry Dugdale joining the Board as Executive Directors. After the year end, Wayne Hayes also retired as Non-Executive Director and Jennifer Babington, Jonathan Turner and Jeremy Brade joined in the same capacity. The Board has, to date, informally reviewed the effectiveness of its performance as a unit, as well as that of its Committees and the individual Directors. A formal internal evaluation of the Board's performance and that of its two principal Committees will be performed in due course by the Senior Non-Executive Director and an evaluation of the performance of individual Directors will be undertaken.

The review will include:

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

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

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

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

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

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

To monitor and promote a healthy corporate culture, the Board clearly communicates the Group's strategic objectives, values and expectations to its people. In particular, the Board promotes a culture that has a clear focus on safety, customer service and people. The Board aims to lead by example and do what is in the best interest of the Company and regularly meets with employees.

Our leaders and managers play a pivotal role in employee engagement and we have invested in leadership development that is focused on ensuring our people managers have the skills and tools they need to create highly motivated, high-performing and engaged teams. We continue to evolve our approach to employee engagement and undertake biannual people surveys. Their purpose is to achieve a greater understanding of employee experience.

The Group's core values are endorsed by our "Spirit" values, being: Safe, Partnership, Improvement, Reliability, Integrity and Together. These values are promoted by the Board and are visible on internal publications, as well as being incorporated in regular business-wide communications.

The Board continually monitors the Group's corporate culture and considers whether it is still aligned with the Group's business model and strategy, as well as with wider ethical expectations of stakeholders. This happens through regular communications with all stakeholders and observing best practice throughout the industry. At present, the Board considers the Group's corporate culture to embody sound ethical values and behaviours and believes its strategies to be appropriate for the needs of the business.

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

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

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

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

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



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

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 auditor. It also reviews, prior to publication, the interim results, the preliminary announcement and the Annual Report and Accounts.

The Chairman of the Remuneration Committee is Stephen Gutteridge, with Philip Holder as the other Non-Executive member. The Chief Executive and other members of the Board may be invited to attend. The Committee meets periodically as required and is responsible for overseeing the policy regarding Executive remuneration and for approving the remuneration packages for the Group's Executive Directors and senior management, including all personnel receiving a salary exceeding £100k per annum and/or a bonus potential of 50% of salary (2019: same). It is also responsible for reviewing incentive schemes for the Group as a whole.

The Board believes that the Group's governance framework is currently appropriate for its size and complexity but continues to monitor the suitability of its procedures, which will evolve as the Group grows.

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

The Group communicates with shareholders through the Annual Report and Accounts, full year and half year announcements, the Annual General Meeting, regulatory news and one-to-one meetings with existing or potential new shareholders throughout the year. Principles 2 and 3 describe our approach to stakeholder engagement in more detail and more information on how the Board engages with our stakeholders is on pages 12 to 14.

A range of corporate information is available to shareholders, investors and the public on the Group's corporate website: <https://investors.fulcrum.co.uk>.

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2020

Remuneration Committee

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

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

Policy on Executive Directors' remuneration

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

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

of 50% of salary (2019: same). It is also responsible for reviewing incentive schemes for the Group as a whole.

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

Basic annual salary

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

Annual bonus payments

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

Share option incentives

During the year, three of the Group's share schemes, an Enterprise Management Incentive (EMI), an Employee Shareholder Status (ESS) and a Growth Share Scheme (GSS) plan, fully vested. At the end of the year the Group operated a Growth Share Scheme (GSS) plan and four SAYE schemes (see note 19 of the financial statements). The Committee has responsibility for supervising the schemes and the grant of share options under the schemes.

Additional benefits

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

Directors' emoluments

The remuneration of each of the Directors for the year ended 31 March 2020 is set out as follows:

	2020			2020 total £'000	2019 total £'000
	Salary, fees and bonus £'000	Other benefits £'000	Pension £'000		
Executive					
Daren Harris	166	8	–	174*	–
Terry Dugdale	33	2	1	36**	–
Martin Harrison	247	6	6	259***	316
Hazel Griffiths	51	3	2	56****	179
Non-Executive					
Philip Holder	142	4	–	146*****	80
Stephen Gutteridge	41	4	–	45	44
Wayne Hayes	36	4	–	40	40
Total	849	38	14	901	659

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

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

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

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

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

GROUP DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

Registered office

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

Dividends

The Board does not propose to pay a final dividend in respect of FY20.

Directors

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

Daren Harris (appointed 24 June 2019)

Terry Dugdale (appointed 29 January 2020)

Martin Harrison (resigned 1 October 2019)

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

Philip Holder

Stephen Gutteridge

Wayne Hayes (retired from the Board on 30 April 2020)

Jennifer Babington (appointed 1 May 2020)

Jeremy Brade (appointed 12 June 2020)

Jonathan Turner (appointed 12 June 2020)

Employees

The Group's executive management regularly delivers Company-wide briefings on the Group's strategy and performance. These briefings contain details of the Group's

financial performance where appropriate. In addition, weekly business updates contain information on the Group's operational performance, as well as updates on customer activity.

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

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

Substantial shareholdings

The Company's issued share capital comprises ordinary shares of £0.001 each which are listed on AIM, a market operated by the London Stock Exchange (AIM: FCRM). As at 31 March 2020, the issued share capital of the Company was £222,118 comprising 222,117,945 ordinary shares of £0.001 each. Details of the issued share capital of the Company, together with movements in the issued share capital during the year, can be found in note 18 to the financial statements. In accordance with AIM Rule 26, the Company discloses substantial shareholdings on its website: <https://investors.fulcrum.co.uk/investors/aim-rule-26>.

Annual General Meeting

The Annual General Meeting of the Group is to be held on 23 September 2020.

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

Directors' interests

The Directors and their connected parties held interests in the following number of ordinary shares at 31 March 2020, 31 March 2019 and 1 April 2018. Further information about the Directors' interests is provided in the Remuneration Report.

	Number of ordinary shares		
	31 March 2020	31 March 2019	1 April 2018
Philip Holder	1,054,666	954,666	954,666
Stephen Gutteridge	149,166	119,166	214,166
Wayne Hayes	4,883,935	4,883,935	4,883,935

GROUP DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2020

Auditor

The audit was last tendered in 2012 and, in line with good governance, the Audit Committee conducted a full audit tender process during 2019. The outcome of the tender was that Cooper Parry Group Limited was appointed as auditor in respect of the year ending 31 March 2020.

Directors' indemnities and insurance

Fulcrum Utility Services Limited indemnifies its officers and officers of its subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of Directors' and officers' insurance. The insurance policy indemnifies individual Directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

Statement of Directors' responsibilities

The Directors of Fulcrum Utility Services Limited ("the Directors") have accepted responsibility for the preparation of the Annual Report, the Strategic Report, the Directors' Report and the non-statutory consolidated accounts for the year ended 31 March 2020, which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit for that period. They have decided to prepare the non-statutory consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU").

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

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

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of non-statutory consolidated accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Company is incorporated in the Cayman Islands and domiciled in the UK. The Company is not required to prepare audited financial statements under Cayman Islands company law; however, the Company is required under AIM Rule 19 to provide shareholders with annual audited consolidated financial statements for the year ended 31 March 2020. The Directors have requested Cooper Parry Group Limited to undertake a non-statutory audit of the Company's consolidated financial statements in order to discharge their obligations under AIM Rule 19.

Statement of disclosure of information to auditor

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

Going concern

After making enquiries, we, the Directors, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. We therefore continue to adopt the going concern basis in preparing the financial statements. The basis on which this conclusion has been reached is set out on page 54 which is incorporated by reference here.

On behalf of the Board



Daren Harris
Chief Executive Officer
6 August 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FULCRUM UTILITY SERVICES LIMITED

Opinion

We have audited the non-statutory financial statements of Fulcrum Utility Services Limited ("the parent company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, and the notes to the non-statutory financial statements, including a summary of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("IFRSs as adopted by the EU").

In our opinion, the Group non-statutory financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Emphasis of matter

We draw attention to the accounting policy in note 1, which refers to the global Coronavirus pandemic. Our opinion is not modified in respect of this matter.

Key audit matters

We identified the key audit matters described below as those which were most significant in the audit of the non-statutory financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matter in the context of the non-statutory financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Going concern and impairment consideration relating to Coronavirus Matter

During March 2020, the potential impact of Coronavirus became significant. As a result, management (including the Board and Audit Committee) invested a significant amount of time to fully consider the implications on the Group. Management considered implications for the Group's going concern assessment, impairment considerations in relation to assets held and appropriate disclosure in the Annual Report and accounts, by adjusting the forecasts based on prudent assumptions to model potential impacts.

Response

We reviewed management's revised forecast including levers available to management to mitigate the impacts. Based on the information available at the time of the directors' approval of the financial statements and our signing of our audit opinion, we consider the forecasts to be reasonable whilst noting that the impact of Coronavirus on future sales and other inputs is currently difficult to quantify precisely.

We challenged management on the key assumptions included in the scenarios and confirmed that management's mitigating actions are within their control. We considered the potential impact on the balance sheet, specifically around trade and other receivables, inventory, intangible assets and right of use assets and do not consider there to be any indicators of material impairment as at the balance sheet date or subsequently (for disclosure only). We reviewed management's disclosures in relation to the Coronavirus potential impact and found them to be consistent with the forecast scenarios performed.

Revenue Recognition on contracts ongoing at the year end Matter

Revenue is recognised based on progress towards satisfaction of performance obligations included in the contracts undertaken, by reference to costs incurred as a percentage of total expected costs. There is judgement involved in determining the percentage completion as well as in estimating the expected outcome of the contract, both in terms of costs to complete and consideration to be received, resulting in a greater risk of error. The risk is specific to contracts which are incomplete at the year end as changes to these estimates and judgements could give rise to material variances in the amount of revenue recognised at the year end.

Given the above, there is a risk that revenue is not accounted for appropriately.

Response

Using a variety of quantitative and qualitative criteria we selected a sample of contracts to assess and challenge the most significant contract assumptions. These criteria included total project value and % completion. Our procedures included:

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF FULCRUM UTILITY SERVICES LIMITED

Key audit matters continued Goodwill impairment assessment Matter

The Group has a material goodwill balance which is required to be tested for impairment on an annual basis in accordance with International Accounting Standard 36 'Impairment of Assets' (IAS 36). Total goodwill at year end was £14.3m. Goodwill has been tested by reference to its value in use. Valuations of this nature are inherently subjective and involve a high degree of estimation, for example over future cash flows of the group, discount rates applied to those cash flows and terminal growth rates. This gives rise to an increased risk of error in the calculation of value in use and therefore in the overall impairment assessment.

Response

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

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

Based on our audit procedures performed we found the model itself, the methodology, the forecasts and the assumptions used in the calculation were appropriate and we concluded that there was no impairment of goodwill. We also found that the related sensitivity disclosures in the financial statements were appropriate.

Valuation of utility assets and assets under construction Matter

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

Utility assets are subject to annual revaluation. An independent, third party valuation was previously completed as at 31 March 2019 and an internal valuation has been performed by management to determine the fair value of completed utility assets held at 31 March 2020.

The fair value requires significant judgement over the choice of valuation methodology to apply, as well as significant estimation, particularly over the key assumptions of the estimated price and the volume of gas transportation.

Response

Our procedures included:

- Holding discussions with management to determine the valuation methodology used and challenging the appropriateness of the valuation basis selected. We engaged external valuation specialists to act as auditor's experts to assist us in critically assessing the methodology used in the valuation appraisal.
- With the assistance of the auditor's expert, challenging management on key judgements affecting utility asset valuations, such as income multiples and useful economic lives.
- Comparing key underlying financial data inputs to the utility asset valuation by benchmarking these to independent market data, such as published gas transportation prices.
- Assessing the methodology used by management in determining fair value and obtaining evidence of the inputs and assumptions used in the calculation, agreeing inputs to external, third party evidence where possible, such as published gas transportation prices.
- For Utility assets under construction, assessing the percentage of completion for a sample of contracts ongoing at the year end through obtaining support for the estimate of the total costs to complete and agreeing a sample of costs to date to supporting documentation, such as purchase invoices or payroll records.
- Assessing the adequacy of the Group's disclosures in respect of the valuation techniques and significant unobservable inputs employed in the valuation set out in note 12.

Materiality

The materiality for the Group non-statutory financial statements as a whole was set at £252,000. This has been determined with reference to a benchmark of the Group's normalised profit before tax, taken as an average over the last 3 years, which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 5% of Group normalised profit before tax averaged over the last 3 years.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £13,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group assets, liabilities, revenues and profit before taxes which each component represented. From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the non-statutory financial statements of the parent company, Fulcrum Utility Services Limited, and of the Group's material trading subsidiaries, providing 95% coverage of revenues and 89% of profit before tax for these components.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 46, the Directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 for the audit of the non-statutory financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the parent company's members, as a body, and solely in connection with the requirement of Rule 19 of the AIM Rules for Companies ("AIM Rules") that the Group publish annual audited accounts which must be sent to its shareholders and the requirements of Rules 20 and 26 of the AIM Rules that any document provided to shareholders be made available by the Group on a website.

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

Cooper Parry Group Limited**Chartered Accountants****Statutory Auditor**

Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA
6 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Revenue	2,4	46,101	48,905
Cost of sales – underlying		(31,955)	(29,653)
Cost of sales – exceptional items	5	(1,766)	(883)
Total cost of sales		(33,721)	(30,536)
Gross profit		12,380	18,369
Administrative expenses – underlying		(13,611)	(11,831)
Administrative expenses – exceptional items	5	(870)	(411)
Total administrative expenses		(14,481)	(12,242)
Operating (loss)/profit	6	(2,101)	6,127
Profit on sale of subsidiary – exceptional items	5	3,886	–
Net finance (expense)/income	8,15	(472)	(173)
Profit before taxation		1,313	5,954
Taxation	9	243	(1,042)
Profit for the period attributable to equity holders of the parent		1,556	4,912
Other comprehensive income			
Items that will never be reclassified to profit:			
Revaluation of utility assets	22	3,036	11,380
Surplus arising on utility assets internally adopted in the year	12	951	1,100
Reversal of prior increase of utility assets	22	(1,086)	(2,544)
Deferred tax on items that will never be reclassified to profit or loss	9	(321)	(1,848)
Total comprehensive income for the year		4,136	13,000
Profit per share attributable to the owners of the business			
Basic	11	0.7p	2.3p
Diluted	11	0.7p	2.2p

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

Operating (loss)/profit		(2,101)	6,127
Equity-settled share based payment charges	19	(6)	115
Exceptional items within operating (loss)/profit	5	2,636	1,294
Depreciation and amortisation	12,14,15	4,019	3,388
Adjusted EBITDA from continuing operations		4,548	10,924
Surplus arising on sale of domestic utility assets	5	3,886	–
Adjusted EBITDA including sale of domestic utility assets		8,434	10,924

The consolidated statement of comprehensive income and profit per share for year ended 31 March 2019 have been restated to reflect the impact of IFRS 16 "Leases". Refer to notes 1 and 32.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020


	Notes	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings Restated £'000	Total equity Restated £'000
Balance at 31 March 2018	32	211	21,042	4,649	11,347	(819)	36,430
Total comprehensive income for the period							
Profit for the year	24	-	-	-	-	4,912	4,912
Revaluation surplus on independent valuation	22	-	-	11,380	-	-	11,380
Surplus arising on utility assets internally adopted in the year	22	-	-	1,100	-	-	1,100
Exceptional items – fixed asset impairment	22	-	-	(2,544)	-	-	(2,544)
Deferred tax liability	9,22	-	-	(1,848)	-	-	(1,848)
Transactions with equity shareholders							
Equity-settled share based payment	19	-	-	-	-	115	115
Dividends	10,21	-	(4,738)	-	-	-	(4,738)
Capital transfer	21,24	-	(16,605)	-	-	16,605	-
Issue of new shares	20,21	10	511	-	-	-	521
Balance at 31 March 2019	32	221	210	12,737	11,347	20,813	45,328
Total comprehensive income for the period							
Profit for the year	24	-	-	-	-	1,556	1,556
Revaluation surplus on internal revaluation	22	-	-	3,036	-	-	3,036
Surplus arising on utility assets internally adopted in the year	22	-	-	951	-	-	951
Disposal of previously revalued assets	5,22,24	-	-	(3,071)	-	3,071	-
Depreciation on previously revalued assets	22,24	-	-	(307)	-	307	-
Exceptional items – fixed asset impairment	22	-	-	(1,086)	-	-	(1,086)
Deferred tax liability	9,22	-	-	(321)	-	-	(321)
Transactions with equity shareholders							
Equity-settled share based payment	19	-	-	-	-	(6)	(6)
Dividends	10,21	-	-	-	-	(3,331)	(3,331)
Capital transfer	21,24	-	-	-	-	-	-
Issue of new shares	20,21	1	179	-	-	-	180
Balance at 31 March 2020		222	389	11,939	11,347	22,410	46,307

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	31 March 2020 £'000	31 March 2019 Restated £'000
Non-current assets			
Property, plant and equipment	12	38,820	39,314
Intangible assets	14	25,522	27,069
Right-of-use asset	15	2,720	2,591
Deferred tax assets	9	1,784	1,729
		68,846	70,703
Current assets			
Contract assets	16	12,279	9,132
Inventories		446	607
Trade and other receivables	17	6,826	6,392
Cash and cash equivalents	28	15,973	6,824
		35,524	22,955
Total assets		104,370	93,658
Current liabilities			
Trade and other payables	25	(11,909)	(10,848)
Contract liabilities	26	(27,905)	(26,343)
Borrowings	27	(10,000)	(3,000)
Current lease liability	15	(772)	(754)
Provisions	29	(58)	(96)
		(50,644)	(41,042)
Non-current liabilities			
Non-current lease liability	15	(2,226)	(2,102)
Deferred tax liabilities	9	(5,193)	(5,186)
		(7,419)	(7,288)
Total liabilities		(58,063)	(48,330)
Net assets		46,307	45,328
Equity			
Share capital	20	222	221
Share premium	21	389	210
Revaluation reserve	22	11,939	12,737
Merger reserve	23	11,347	11,347
Retained earnings	24	22,410	20,813
Total equity		46,307	45,328

The financial statements were approved by the Board of Directors on 6 August 2020 and were signed on its behalf by:


Daren Harris

Chief Executive Officer

Company number FC030006

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Cash flows from operating activities			
Profit for the period after tax		1,556	4,912
Tax (credit)/charge	9	(243)	1,042
Profit for the period before tax		1,313	5,954
Adjustments for:			
Depreciation	12,15	2,228	1,776
Amortisation of intangible assets	14	1,791	1,612
Exceptional items – fixed asset impairment	5	1,766	883
Net finance expense	8	472	173
Equity-settled share based payment charges	19	(6)	115
Profit on disposal of utility assets	5	(3,886)	–
Loss on disposal of assets – other		3	–
(Increase)/decrease in contract assets	16	(3,147)	1,245
Decrease in trade and other receivables		916	385
Decrease/(increase) in inventories		162	(399)
Decrease in trade and other payables		(1,072)	(376)
Increase in contract liabilities	26	1,562	443
Decrease in provisions	29	(38)	(2)
Cash inflow from operating activities		2,064	11,809
Tax paid		(410)	(42)
Net cash inflow from operating activities		1,654	11,767
Cash flows from investing activities			
Acquisition of external utility assets		(5,030)	(3,566)
Utility assets internally adopted (gross construction cost less impairment)		(6,475)	(7,374)
Acquisition of plant and equipment	12	(98)	(376)
Acquisition of intangibles	14	(326)	(884)
Proceeds on disposal of utility assets	5	16,756	–
Proceeds on disposal of assets – other		5	–
Finance income received	8	3	13
Net cash inflow/(outflow) from investing activities		4,835	(12,187)
Cash flows from financing activities			
Dividends paid	10	(3,331)	(4,738)
Borrowings	27	7,000	3,000
Interest paid and banking charges (non-IFRS 16)		(273)	(73)
IFRS 16 – principal payments	15	(797)	(784)
IFRS 16 – interest payments	15	(119)	(113)
Proceeds from issue of share capital		180	521
Net cash inflow/(outflow) from financing activities		2,660	(2,187)
Increase/(decrease) in net cash and cash equivalents		9,149	(2,607)
Cash and cash equivalents at beginning of year		6,824	9,431
Cash and cash equivalents at end of year	28	15,973	6,824

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 2020 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 2020. 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. These policies have been consistently applied to all the years presented unless otherwise stated. The Group has applied IFRS 16 "Leases" for the first time, the impact of which is shown on pages 59 and 60 and in note 32.

Going concern

The Group's business activities, together with the factors likely to affect future development, performance and position, are set out in the Strategic Report on pages 2 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Statement on pages 15 and 16. In addition, note 30 to the financial statements includes the Group's processes for managing its capital and its exposure to credit and liquidity risks.

At 31 March 2020 the Group had net assets of £46.3 million (2019 restated: £45.3 million), including net cash of £6.0 million (2019: £3.8 million) as set out in the consolidated balance sheet on page 52 and note 28. In the year ended 31 March 2020, the Group generated a profit after tax of £1.5 million and had net cash inflows of £9.1 million after investing £5.0 million in external utility assets, £3.3 million paid in dividends and receiving £7.0 million of borrowings.

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

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

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

Therefore, considering the impact of COVID-19 on the business, a range of potential downside planning scenarios have been developed, including a significant reduction to 2020/21 revenues across the Group, reflecting a protracted period of lockdown and a further severe but plausible downside scenario of a second lockdown later in the same financial year. Reverse stress testing has been conducted to identify the theoretical loss of revenue and liquidity that the Group could manage without impacting its viability which would in turn impact upon the Company.

The Directors have been very proactive in their response to COVID-19 and have introduced significant measures to preserve cash and minimise costs, for example utilising the Coronavirus Job Retention Scheme (CJRS) whilst still allowing the business to function.

This approach provides the Directors with reasonable comfort that the Group's going concern has been assessed to a severity level which more than accommodates the current assessment of the shape and scale of the economic impact of the COVID-19 pandemic, and, having undertaken this review, the Directors have a reasonable expectation that the Company has adequate resources to fund its operations for a period of 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

1. Accounting policies continued

Basis of consolidation

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

Accounting estimates and judgements

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

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following areas:

- Note 4: Revenue recognition on contracts – For longer projects the stage of completion of the works is assessed when considering recognition of revenue. Use of this percentage completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. See revenue recognition policy for further details.
- Note 9: Deferred tax – The Group recognises a deferred tax asset for tax losses carried forward which requires an estimation of the forecast profitability of the relevant entities.
- Note 12: Utility asset valuation, including assets under construction – Assets are revalued annually. These calculations require the use of estimates, as detailed in note 12.
- Note 14: Goodwill and other intangibles – The Group tests annually whether tangible and intangible fixed assets have suffered any impairment, based on discounted future cash flows of the assets and the total business of the Group. These calculations require the use of estimates, as detailed in note 14.
- Note 15: Leases – Management exercises judgement in determining whether a contract meets the definition of a lease, as well as considering the likelihood of certain options being taken up such as break clauses. Judgement is also required in the calculation of the Group's incremental borrowing rate.
- Note 17: Recoverability of trade receivables – Trade and other receivables are recognised to the extent that they are considered to be recoverable. The Group's calculation of expected credit losses involves the use of judgements, as detailed in note 17.

Property, plant and equipment

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

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

Depreciation is recognised on a straight-line basis from the date assets are available for use, over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Utility assets (excluding meters)	40 years
Classic domestic meters	Fully depreciated by December 2024
Classic industrial and commercial meters	5 years
Fixtures and fittings	2–5 years
Computer equipment	3–5 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Intangible assets

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

Following initial recognition, intangible assets are measured at cost at the date of acquisition less any amortisation and any impairment losses.

Amortisation costs are included within the administrative expenses disclosed in the consolidated statement of comprehensive income.

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

Intangible assets are amortised over their useful lives as follows:

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

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

Goodwill

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

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

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

Impairment

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

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

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

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

Inventories

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

Employee benefits

Pension plans

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

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

1. Accounting policies continued**Employee benefits** continued**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.

Segmental reporting

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

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

Revenue

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

For longer projects, revenue is recognised over time. Revenue is estimated based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are recognised only to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised as an expense immediately. Infrastructure revenue is recognised excluding VAT and other indirect taxes. An accrual is made for infrastructure revenue in respect of work completed where invoices are yet to be generated. When payment is received in advance of the provision of services, these receipts are recorded as deferred income.

Utility asset ownership revenue

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

Contract costs

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

Exceptional items

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Taxation continued

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

Financial assets

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

The Group classifies its financial assets in the following measurement categories:

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

Recognition and derecognition

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

Measurement

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

Cash and cash equivalents

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

Trade and other receivables

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

Financial liabilities

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

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

Classification

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

Recognition

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

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Due to their short-term nature, carrying value is considered to approximate fair value.

Interest-bearing borrowings

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

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

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

1. Accounting policies continued

Financial liabilities continued

Non-derivative financial instruments

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

Impairment

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

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

Lease accounting

Group as lessee

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

Lease liability – initial recognition

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

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

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

Lease liability – subsequent measurement

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

Lease liability – remeasurement

The lease liability is remeasured where:

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

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

Right-of-use asset – initial recognition

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

Right-of-use asset – subsequent measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Lease accounting continued

Impairment

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

Short-term leases and low value assets

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

The Group as lessor

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

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

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

IFRS 16 "Leases"

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

Impact on financial statements

Upon transition to IFRS 16 at 31 March 2018, the Group recognised an opening right-of-use asset of £2.9 million and a lease liability of £3.1 million. Including adjustments for related balances that existed under IAS 17, the retained earnings of the Group on transition reduced by £0.1 million.

The Group's lease liabilities relate to properties and vehicles. The lease liability under IFRS 16 is lower than that shown in the operating lease commitment note previously presented (in accordance with IAS 17) primarily due to the discounting of the future payments.

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

The impact on the consolidated statement of comprehensive income was a decrease in profit before taxation for the year ending 31 March 2020 of £10,000 (2019: decrease of £15,000). Operating profit increased by £109,000 in the year ended 31 March 2020 (2019: increase of £98,000) as the depreciation on right-of-use assets was lower than the IAS 17 rental charge. Interest costs charged to the income statement increased by £119,000 in the year ended 31 March 2020 (2019: increase of £113,000) with the addition of higher finance costs on the newly recognised lease liability.

The Group's adjusted EBITDA from continuing operations increased by £916,000 in the year ended 31 March 2020 (2019: increase of £897,000) as a result of the IAS 17 rental charges no longer being shown in the consolidated statement of comprehensive income.

There was no impact on net cash flows, although the presentation of the consolidated cash flow statement changed, with an increase in cash inflows from operating activities in the year ended 31 March 2020 of £916,000 (2019: £897,000) being offset by a corresponding increase in net cash outflows from financing activities.

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

Full details of the transitional impact on adoption of IFRS 16 are presented in note 32.

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

- Amendments to IFRS 9 "Financial Instruments" – Prepayment features with negative compensation
- Annual improvements to IFRS standards 2015–2017 cycle
- IFRIC 23 "Uncertainty over Income Tax"

2. Operating segments

The Board has been identified as the chief operating decision-maker (CODM) as defined under IFRS 8 "Operating Segments". The Directors consider there to be two operating segments, Infrastructure: Design and Build and Utility assets: Own and Operate. Fulcrum's Infrastructure: Design and Build segment provides utility infrastructure and connections services. Utility assets: Own and Operate comprises both the ownership of gas, electrical and meter assets and the safe and efficient conveyance of gas and electricity through its transportation networks. Gas transportation services are provided under the iGT licence granted from Ofgem in June 2007 and electricity services are provided under the iDNO licence granted from Ofgem in November 2017.

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

2. Operating segments continued

	Year ended 31 March 2020			Year ended 31 March 2019 Restated		
	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Reportable segment revenue	41,848	4,253	46,101	45,921	2,984	48,905
Adjusted EBITDA from continuing operations*	2,341	2,207	4,548	9,131	1,793	10,924
Share based payment charge	6	-	6	(115)	-	(115)
Depreciation and amortisation	(2,887)	(1,132)	(4,019)	(2,687)	(701)	(3,388)
Reportable segment operating (loss)/profit before exceptional items	(540)	1,075	535	6,329	1,092	7,421
Cost of sales – exceptional items	-	(1,766)	(1,766)	-	(883)	(883)
Administrative expenses – exceptional items	(832)	(38)	(870)	(396)	(15)	(411)
Reporting segment operating (loss)/profit	(1,372)	(729)	(2,101)	5,933	194	6,127
Profit on sale of subsidiary – exceptional items	-	3,886	3,886	-	-	-
Net finance expense	(219)	(253)	(472)	-	(173)	(173)
(Loss)/profit before tax	(1,591)	2,904	1,313	5,933	21	5,954

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

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

	Year ended 31 March 2020			Year ended 31 March 2019 Restated		
	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Assets reported by segment:						
Property, plant and equipment	481	38,339	38,820	720	38,594	39,314
Goodwill and brand and customer relationships	23,940	-	23,940	25,293	-	25,293
Other intangible assets	842	740	1,582	332	1,444	1,776
Right-of-use asset	2,720	-	2,720	2,591	-	2,591
Deferred tax assets	1,364	420	1,784	1,383	346	1,729
Contract assets	11,906	373	12,279	8,827	305	9,132
Inventories	446	-	446	607	-	607
Trade and other receivables	26,959	2,902	29,861	26,496	1,433	27,929
Cash and cash equivalents	1,024	14,949	15,973	5,381	1,443	6,824
Total assets	69,682	57,723	127,405	71,630	43,565	115,195

	Year ended 31 March 2020			Year ended 31 March 2019 Restated		
	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Liabilities reported by segment:						
Trade and other payables	(7,320)	(27,624)	(34,944)	(8,458)	(23,927)	(32,385)
Contract liabilities	(27,383)	(522)	(27,905)	(26,143)	(200)	(26,343)
Borrowings	-	(10,000)	(10,000)	-	(3,000)	(3,000)
Current lease liability	(772)	-	(772)	(754)	-	(754)
Provisions	(58)	-	(58)	(96)	-	(96)
Non-current lease liability	(2,226)	-	(2,226)	(2,102)	-	(2,102)
Deferred tax liability	(2,299)	(2,894)	(5,193)	-	(5,186)	(5,186)
Total liabilities	(40,058)	(41,040)	(81,098)	(37,554)	(32,313)	(69,867)

The totals shown above for both trade and other receivables and trade and other payables differ to the consolidated balance sheet as a result of an intercompany balance of £23,035k (2019: £21,537k) owed by the Utility assets: Own and Operate segment to the Infrastructure: Design and Build segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Alternative Performance Measures

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

Alternative Performance Measure	Definition
Adjusted revenue	Adjusted revenue is Group revenue after adding asset value revenue previously credited to revenue, now credited to cost of sales under IFRS 15.
Adjusted EBITDA from continuing operations	Operating (loss)/profit excluding exceptional items, amortisation and depreciation and equity-settled share based payments.
Adjusted profit before taxation	Profit before taxation excluding amortisation of acquired intangibles and exceptional items included within cost of sales and administrative expenses.
Net assets per share	Net assets divided by the number of shares in issue at the financial reporting date.

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

(a) Adjusted revenue

	31 March 2020 £'000	31 March 2019 £'000
Revenue	46,101	48,905
Adjusted for:		
Asset value revenue previously credited to revenue prior to adoption of IFRS 15, now credited to cost of sales (see note 1)	6,707	8,151
Like-for-like adjusted revenue	52,808	57,056

(b) Reconciliation of operating (loss)/profit to "adjusted EBITDA from continuing operations"

	31 March 2020 £'000	31 March 2019 Restated £'000
Operating (loss)/profit	(2,101)	6,127
Adjusted for:		
Exceptional items within operating (loss)/profit (note 5)	2,636	1,294
Amortisation and depreciation	4,019	3,388
Equity-settled share based payments	(6)	115
Adjusted EBITDA from continuing operations	4,548	10,924

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

	31 March 2020 £'000	31 March 2019 Restated £'000
Profit before tax	1,313	5,954
Adjusted for:		
Exceptional items included in cost of sales	1,766	883
Exceptional items included in administrative expenses	870	411
Amortisation of acquired intangibles	1,356	1,354
Adjusted profit before tax	5,305	8,602

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

	31 March 2020 £'000	31 March 2019 Restated £'000
Net assets at end of period	46,307	45,328
Issued shares at end of period	222,118	221,303
Net assets per share	20.8p	20.5p

4. Revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Infrastructure revenue	41,848	45,921
Utility asset ownership revenue	4,253	2,984
Total revenue	46,101	48,905

(a) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographic market, service lines and timing of revenue recognition.

The table also includes a reconciliation of the disaggregated revenue with the Group reportable segments (see note 2):

£'000	Infrastructure services		Utility assets	
	2020	2019	2020	2019
Primary geographic markets				
United Kingdom	41,848	45,921	4,253	2,984
	41,848	45,921	4,253	2,984
Service line				
Service revenue on long-term contracts	21,097	25,125	-	-
Service revenue on short-term contracts	20,196	20,268	-	-
Maintenance contracts	555	528	-	-
Utility asset ownership	-	-	4,253	2,984
	41,848	45,921	4,253	2,984
Timing of revenue recognition				
Services transferred over time	41,848	45,921	4,253	2,984
	41,848	45,921	4,253	2,984

(b) Contracting balances

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Receivables, which are included in "trade and other receivables"	3,744	3,972
Contract assets	12,279	9,132
Contract liabilities	27,905	26,343

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. Exceptional items

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Exceptional items included in cost of sales	1,766	883
Exceptional items included in administrative expenses	870	411
Profit on sale of subsidiary – exceptional items	(3,886)	–
	(1,250)	1,294

(a) Exceptional items included in cost of sales

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fixed asset impairment	1,766	883
	1,766	883

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

(b) Exceptional items included in administrative expenses

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Restructuring costs	641	276
One-off legal and adviser costs	229	135
	870	411

Restructuring costs relate to employee exit and severance costs.

(c) Profit on sale of subsidiary

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit on sale of subsidiary	(3,886)	–
	(3,886)	–

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

	Year ended 31 March 2020 £'000
Consideration – proceeds received	(16,756)
Consideration – retention (receivable in September 2021)	(500)
Consideration – deferred (received 30 June 2020)	(670)
Total consideration	(17,926)
Net book value of assets acquired	9,724
Revaluation in prior periods	3,071
Legal costs relating to the transaction	1,245
	(3,886)

Some of the disposed utility assets had previously been revalued in accordance with the Group policy. Upon disposal, this gave rise to a transfer between the revaluation reserve and retained earnings of £3,071,000.

6. Operating (loss)/profit

Included in operating (loss)/profit are the following charges:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Amortisation of intangible assets	1,791	1,612
Depreciation of property, plant and equipment	1,419	975
Depreciation of right-of-use asset	809	801
Amounts receivable by the auditor and its associates in respect of:		
Audit fees:		
Audit of the Group financial statements	120	91
The audit of the Company's subsidiaries pursuant to legislation	80	73
Total fees for the audit of the Group and its subsidiaries	200	164
Non-audit fees:		
– Audit related services	–	9

Fees paid to firms of accountants other than the Group's auditor and its affiliated entities for non-audit services for the year ended 31 March 2020 amounted to £30k (2019: £25k).

7. Staff numbers and costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries	13,098	13,028
Social security costs	1,391	1,405
Other pension costs	423	553
Share based payments	(6)	115
	14,906	15,101

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

	2020	2019
Number of employees		
Operational	145	121
Support	149	125
	294	246

Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 44.

8. Finance costs and finance income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Finance costs		
Finance costs on lease liability	(119)	(113)
Finance costs paid in respect of revolving credit facility	(319)	(72)
Banking charges	(37)	(1)
Total finance costs	(475)	(186)
Finance income		
Bank interest receivable	3	13
Total finance income	3	13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Taxation

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Current tax	128	620
Deferred tax	(371)	422
Total tax charge	(243)	1,042

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19.0%. Deferred tax balances have been adjusted accordingly and are calculated on the basis that they will unwind at 19.0%.

The Group has £9.3 million (2019: £10.0 million) of tax losses for which deferred tax assets of £1.8 million (2019: £1.7 million) have been recognised. During the period £0.1 million of the deferred tax asset was utilised against taxable profits. The deferred tax asset is expected to be recovered over 12 years. The Group also has unrecognised tax losses of £1.8 million (2019: £1.4 million), for which no deferred tax asset is recognised as there is insufficient certainty over whether the losses will reverse.

Reconciliation of effective tax rate

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Profit before taxation	1,313	5,954
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	(249)	(1,131)
Non-taxable items	535	(37)
Capital allowances in excess of depreciation	-	-
Effect of change in rate of corporation tax	(62)	(109)
Tax deductions for share options exercised	16	788
Adjustment to tax charge in respect of previous year's corporation tax	(128)	(122)
Adjustment to tax charge in respect of previous year's deferred tax	219	(431)
Release of previously recognised losses	(88)	-
Total tax charge	243	(1,042)

Movement in deferred tax balances

	31 March 2020		31 March 2019	
	Deferred tax assets £'000	Deferred tax liabilities £'000	Deferred tax assets Restated £'000	Deferred tax liabilities £'000
At beginning of period	1,729	(5,186)	2,223	(3,411)
Recognised in profit or loss				
Adjustment in respect of previous years	-	219	(203)	(228)
Tax losses utilised	(49)	-	(258)	-
Effect of change in rate of corporation tax	200	(263)	(26)	(54)
Newly recognised deferred tax liability	-	-	-	98
Origination/reversal of other timing differences	(7)	358	(7)	-
Released tax liability	-	-	-	257
Release of previously recognised losses	(89)	-	-	-
Recognised in other comprehensive income				
Revaluation of property, plant and equipment	-	(321)	-	(1,848)
At the end of the period	1,784	(5,193)	1,729	(5,186)

10. Dividends

In the year ended 31 March 2020, the following dividends were paid:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Equity dividend		
Paid during the year:		
Final dividend in respect of 2018: 1.4p per share	–	3,085
Interim dividend in respect of 2019: 0.75p per share	–	1,653
Final dividend in respect of 2019: 1.5p per share	3,331	–
Total dividends	3,331	4,738

No interim dividends were declared and no final dividends are proposed relating to the year ended 31 March 2020.

11. Earnings per share (EPS)

(a) Basic earnings per share

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

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Profit for the year used for calculation of basic EPS	1,556	4,912
Exceptional items included in cost of sales	1,766	883
Exceptional items included in administration expenses	870	411
Remove tax relief on exceptional items	(501)	(246)
Amortisation of intangibles	1,356	1,354
Profit for the year used for calculation of adjusted EPS	5,047	7,315

Number of shares ('000):

	31 March 2020 Number of shares	31 March 2019 Number of shares
Weighted average number of ordinary shares for the purpose of basic EPS	221,907	217,205
Effect of potentially dilutive ordinary shares	4,901	9,838
Weighted average number of ordinary shares for the purpose of diluted EPS	226,808	227,043
EPS		
Basic	0.7p	2.3p
Diluted basic	0.7p	2.2p
Adjusted basic	2.3p	3.4p
Adjusted diluted basic	2.2p	3.2p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Property, plant and equipment

(a) Reconciliation of carrying amount

	Utility assets £'000	Utility assets under construction £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 April 2018	25,042	9,524	821	1,077	36,464
Additions	3,566	17,343	234	142	21,285
Assets completed in period	19,922	(19,922)	-	-	-
Asset uplift to revaluation reserve	-	1,100	-	-	1,100
Revaluation	11,380	-	-	-	11,380
At 31 March 2019	59,910	8,045	1,055	1,219	70,229
Additions	6,019	17,672	10	88	23,789
Assets completed in period	18,338	(18,338)	-	-	-
Asset uplift to revaluation reserve	-	951	-	-	951
Revaluation	3,036	-	-	-	3,036
Disposals	(13,721)	-	-	(31)	(13,752)
At 31 March 2020	73,582	8,330	1,065	1,276	84,253
Accumulated depreciation					
At 1 April 2018	(8,332)	(6,938)	(426)	(847)	(16,543)
Depreciation charge for the period	(694)	-	(165)	(116)	(975)
Hickman Shearer impairment	(3,428)	-	-	-	(3,428)
Impairment	-	(9,969)	-	-	(9,969)
Assets completed in period	(12,780)	12,780	-	-	-
At 31 March 2019	(25,234)	(4,127)	(591)	(963)	(30,915)
Depreciation charge for the period	(1,112)	-	(126)	(181)	(1,419)
Impairment from internal revaluation	(2,852)	-	-	-	(2,852)
Impairment	-	(11,197)	-	-	(11,197)
Assets completed in period	(11,749)	11,749	-	-	-
Disposals	927	-	-	23	950
At 31 March 2020	(40,020)	(3,575)	(717)	(1,121)	(45,433)
Net book value					
At 31 March 2020	33,562	4,755	348	155	38,820
At 31 March 2019	34,676	3,918	464	256	39,314
At 1 April 2018	16,710	2,586	395	230	19,921

Utility assets include £0.5 million (2019: £1.2 million) of meter assets valued at cost less depreciation to date.

Disposals include utility assets with a net book value of £12,795,000 owned by one of the Group's former subsidiaries, Gas Newco 1 Ltd. The Group's equity holding in the subsidiary was disposed of on 31 March 2020. See note 5.

(b) Measurement of fair values

The fair value of utility assets (excluding meters) at 31 March 2020 was determined internally and was based upon the same principles as the external valuation, which was last performed by independent specialist valuers at 31 March 2019. When performing its valuation, management has used judgement in assessing the key assumptions used in the valuation model including asset life and occupancy rates. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13. The utility assets and utility assets under construction are the only financial assets that are held at fair value in the financial statements.

(c) Impairment loss

Following the valuation of the utility asset estate an impairment charge of £2.9 million (2019: £3.4 million) was recorded. £1.1 million (2019: £2.5 million) of the loss was offset against the revaluation reserve (see note 22) as it related to amounts previously revalued upwards. The remaining £1.8 million (2019: £0.9 million) has been included in the consolidated statement of comprehensive income as an exceptional item.

13. Capital commitments

The Group has entered into contracts to purchase property, plant and equipment in the form of utility assets from external parties; at 31 March 2020 the balance was £14.0 million (2019: £18.7 million).

14. Intangible assets

Reconciliation of carrying amount	Goodwill £'000	Brand and customer relationships £'000	Software and development costs £'000	Total £'000
Cost				
At 31 March 2018	14,251	12,607	3,556	30,414
Additions	-	-	884	884
At 31 March 2019	14,251	12,607	4,440	31,298
Additions	-	-	326	326
Disposals	-	-	(91)	(91)
At 31 March 2020	14,251	12,607	4,675	31,533
Accumulated amortisation and impairment				
At 31 March 2018	-	(208)	(2,409)	(2,617)
Amortisation for the period	-	(1,354)	(258)	(1,612)
At 31 March 2019	-	(1,562)	(2,667)	(4,229)
Amortisation for the period	-	(1,356)	(435)	(1,791)
Disposals	-	-	9	9
At 31 March 2020	-	(2,918)	(3,093)	(6,011)
Net book value				
At 31 March 2020	14,251	9,689	1,582	25,522
At 31 March 2019	14,251	11,045	1,773	27,069
At 31 March 2018	14,251	12,399	1,147	27,797

(a) Amortisation

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

(b) Impairment testing

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

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

As at 31 March 2019 and 31 March 2020	Fulcrum £'000	Dunamis £'000	CDS £'000	Total £'000
Goodwill	2,225	11,331	695	14,251

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

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

The pre-tax cash flows that these projections produced were discounted at pre-tax discount rates based on the Group's beta adjusted cost of capital reflecting management's assessment of specific risks related to each cash-generating unit. Pre-tax discount rates of between 7.2% and 9.0% (2019: between 8.2% and 13.3%) have been used in the impairment calculations which the Directors believe fairly reflect the risks inherent in each of the CGUs. The terminal cash flows are extrapolated in perpetuity using a growth rate of 2.0% (2019: 2.0%). This is prudently aligned with the inflation rate and is not considered to be higher than the long-term industry growth rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Intangible assets continued**(b) Impairment testing** continued

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

15. Leases

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

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

	31 March 2020 £'000	31 March 2019 £'000
Right-of-use assets		
Land and buildings	1,234	1,481
Plant and machinery	1,486	1,110
Total	2,720	2,591

	31 March 2020 £'000	31 March 2019 £'000
Additions to right-of-use assets	938	508

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

	31 March 2020 £'000	31 March 2019 £'000
Depreciation on right-of-use assets		
Land and buildings	247	236
Plant and machinery	562	565
Total	809	801

	Land and buildings		Plant and machinery	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Maturity of lease liabilities				
Less than one year	212	236	560	518
Between one and five years	943	914	971	634
In more than five years	312	554	–	–
Total	1,467	1,704	1,531	1,152

	31 March 2020 £'000	31 March 2019 £'000
Other impact on profit and loss		
Finance costs on leases	119	113
Expense on short-term and low value leases	97	127
Total	216	240

	31 March 2020 £'000	31 March 2019 £'000
Cash flows in respect of leases		
IFRS 16 – principal payments	797	784
IFRS 16 – interest payments	119	113
Cash outflows relating to short-term and low value leases	97	127
Total	1,013	1,024

16. Contract assets

	31 March 2020 £'000	31 March 2019 £'000
Work in progress	4,204	3,227
Contract receivables	8,075	5,905
Total	12,279	9,132

The work in progress balances reflect direct work costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. There have been no write-downs in the year (2019: nil) – contract receivables relate to infrastructure revenue completed but not invoiced.

17. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	3,744	3,972
Other receivables and prepayments	3,082	2,420
Total	6,826	6,392

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

The Group applies a simplified approach in calculating expected credit losses. The credit risk associated with this receivable is managed through the Group's standard credit processes. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

	31 March 2020		31 March 2019	
	Gross £'000	Impairment £'000	Gross £'000	Impairment £'000
Ageing of trade receivables				
Not past due	1,020	–	1,122	–
Past due less than one month	1,223	–	2,131	–
Past due one to two months	755	–	456	–
More than two months past due	759	(13)	276	(13)
Total	3,757	(13)	3,985	(13)

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

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the period	13	140
Impairment losses charged	67	–
Impairment losses reversed	(67)	(127)
At the end of the period	13	13

Information about the Group's exposure to credit and market risk is included in note 30.

18. Pension benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £423,000 (2019: £553,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. 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:

	GSS 2018 option plan	SAYE 2016 option plan	SAYE 2017 option plan	SAYE 2018 option plan	SAYE 2019 option plan
Status	Existing plan	Existing plan	Existing plan	Existing plan	Existing plan
Grant date	3 August 2018	3 February 2016	3 February 2017	5 February 2018	5 February 2019
Number of options	3,944,064	2,678,416	513,000	749,520	3,992,769
Exercise price	£nil	22.1p	50.0p	50.0p	35.1p
Vesting criteria	Hurdle one: Average share price of 100.0p over 20 consecutive working days Hurdle two: Average share price of 130.0p over 20 consecutive working days	Maturity date of 1 March 2019	Maturity date of 1 March 2020	Maturity date of 1 March 2021	Maturity date of 1 March 2022
Volatility	236.8%	56.6%	119.6%	230.1%	281.3%
Dividend yield	3.17%	2.49%	1.92%	3.20%	4.90%
Option life	3 years	3 years	3 years	3 years	3 years
Annual risk free rate	0.82%	0.45%	0.11%	0.74%	1.61%
Outstanding at the beginning of the year	3,228,987	1,725,772	513,000	168,120	3,992,769
Exercised during the year	-	(930,778)	(10,900)	(4,500)	-
Lapsed during the year*	(660,940)	(775,447)	(434,780)	(43,380)	(1,926,135)
Outstanding at the end of the year	2,568,047	19,547	67,320	120,240	2,066,634
Exercisable at the end of the year	-	19,547	67,320	-	-

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

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

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

The weighted average share price during the year ended 31 March 2020 was 25.8p.

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

In the year, the Group recognised a £6,000 credit before tax (2019: £115,000 charge) in relation to equity-settled share based payment transactions in the statement of comprehensive income, with the opposite entry being to the retained earnings reserve. The credit for the year is a result of a significant increase in the number of options lapsing in the year, reducing the amount of options expected to eventually vest.

20. Share capital

	31 March 2020 £'000	31 March 2019 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	500	500
Allotted, issued and fully paid		
222,117,945 (2019: 221,303,106) ordinary shares of £0.001 each	222	221

Ordinary shareholders are entitled to dividends as declared. During the year 814,839 ordinary shares (2019: 10.6 million ordinary shares) were issued with a nominal value of £815 (2019: £10,647) to employees exercising vested share options. The shares issued in the year had a nominal value of £0.001 each and were issued at £0.221 each.

21. Share premium

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the period	210	21,042
Dividends paid	–	(4,738)
Capital transfer to retained earnings	–	(16,605)
Shares issued	179	511
At the end of the period	389	210

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

22. Revaluation reserve

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

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the period	12,737	4,649
Revaluation in the period (note 12)	3,036	11,380
Surplus arising on utility assets internally adopted in the year (note 12)	951	1,100
Disposal of previously revalued assets (note 5)	(3,071)	–
Asset impairment	(1,086)	(2,544)
Depreciation on previously revalued assets	(307)	–
Recognition of deferred tax liability (note 9)	(321)	(1,848)
At the end of the period	11,939	12,737

23. Merger reserve

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

	31 March 2020 £'000	31 March 2019 £'000
At the beginning and end of the period	11,347	11,347

24. Retained earnings

	31 March 2020 £'000	31 March 2019 Restated £'000
At the beginning of the period	20,813	(819)
Retained profit in the period	1,556	4,912
Dividends paid	(3,331)	–
Capital transfer*	–	16,605
Equity-settled share based payment transactions	(6)	115
Depreciation on previously revalued assets	307	–
Disposal of previously revalued assets	3,071	–
At the end of the period	22,410	20,813

* See note 21: share premium for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Trade and other payables

	31 March 2020 £'000	31 March 2019 Restated £'000
Trade payables	5,593	5,881
Other payables	6,316	4,966
	11,909	10,847

26. Contract liabilities

	31 March 2020 £'000	31 March 2019 £'000
Contract liabilities	27,905	26,343
	27,905	26,343

Of the £27.9 million contract liabilities balance, £18.6 million (2019: £20.9 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

Information about the Group's exposure to liquidity risks is included in note 30.

27. Interest-bearing loans and borrowings

On 4 June 2018, the Group entered into a three year revolving credit facility agreement with Lloyds Banking Group for up to £20 million. The facility supported the forecast growth in utility asset ownership of gas and electricity assets by the Group, with drawdowns secured against the acquired utility assets. The facility was structured as an "accordion" facility, with £10.0 million committed at 31 March 2020. The facility was subsequently settled in full on 1 April 2020.

(a) Changes in liabilities arising from financing activities

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the period	3,000	–
New borrowings	7,000	3,000
At the end of the period	10,000	3,000

(b) Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity	31 March 2020 £'000	31 March 2019 £'000
Borrowings	GBP	LIBOR + 2.0%	2021	10,000	3,000

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

28. Reconciliation to net funds

	31 March 2020 £'000	31 March 2019 £'000
Cash and cash equivalents	15,973	6,824
Borrowings	(10,000)	(3,000)
Net funds	5,973	3,824

29. Provisions

	31 March 2020 £'000	31 March 2019 £'000
At the beginning of the period	96	98
Utilised during the period	(38)	(2)
Provision created during the period	-	-
At the end of the period	58	96

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

30. Financial risk management

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

- market risk;
- liquidity risk;
- capital risk; and
- credit risk.

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes.

The Board has overall responsibility for risk management of the Group and agrees policies for managing the risks associated.

Market risk

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

Interest rate risk

The Group's interest rate risk generally arises from its borrowing facility. The Group agreed a debt facility of up to £20.0 million with Lloyds Banking Group plc, on 4 June 2018, to support the forecast growth in utility asset ownership of gas and electricity assets. At 31 March 2020 £10.0 million was drawn at an interest rate of 2.0% plus LIBOR and the facility was subsequently settled in full on 1 April 2020. Therefore, the Group is not exposed to significant interest rate risk.

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

Liquidity risk

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

Liquidity forecasts are produced on a regular basis and include the expected cash flows that will occur on a weekly, monthly and quarterly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term.

To support the forecast growth in utility asset ownership of gas and electricity assets, the Group agreed a debt facility of up to £20.0 million in June 2018. At 31 March 2020 the Group had drawn down £10.0 million from the facility to fund the acquisition of utility assets, with the loan being secured against the acquired assets. As outlined in the interest rate risk section above, the facility was repaid in full on 1 April 2020.

The Group's close working capital management is deemed to be sufficient to meet projected liquidity requirements.

Cash deposits

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

Capital risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Financial risk management continued**Credit risk**

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

31. Related parties

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

In the year, purchases totalling £60,817 were made by the Group to companies in which key management personnel held significant interests. The purchases were for equipment hire and sub-contracting services used in the ordinary course of business.

32. Impact of transition to IFRS 16

Impact on profit for the year ended 31 March 2020	Notes	Year ended 31 March 2020 Excluding IFRS 16 £'000	IFRS 16 adjustments £'000	Year ended 31 March 2020 £'000
Revenue		46,101	–	46,101
Cost of sales – underlying	(i)	(32,020)	65	(31,955)
Cost of sales – exceptional items		(1,766)	–	(1,766)
Total cost of sales		(33,786)	65	(33,721)
Gross profit		12,315	65	12,380
Administrative expenses – underlying	(i)	(13,655)	44	(13,611)
Administrative expenses – exceptional items		(870)	–	(870)
Total administrative expenses		(14,525)	44	(14,481)
Operating loss		(2,210)	109	(2,101)
Profit on sale of subsidiary – exceptional items		3,886	–	3,886
Net finance expense	(i)	(353)	(119)	(472)
Profit before taxation		1,323	(10)	1,313
Taxation		250	(7)	243
Profit for the period attributable to equity holders of the parent		1,573	(17)	1,556

Impact on profit for the year ended 31 March 2019	Notes	Year ended 31 March 2019 Excluding IFRS 16 £'000	IFRS 16 adjustments £'000	Year ended 31 March 2019 Restated £'000
Revenue		48,905	–	48,905
Cost of sales – underlying	(i)	(29,708)	55	(29,653)
Cost of sales – exceptional items		(883)	–	(883)
Total cost of sales		(30,591)	55	(30,536)
Gross profit		18,314	55	18,369
Administrative expenses – underlying	(i)	(11,874)	43	(11,831)
Administrative expenses – exceptional items		(411)	–	(411)
Total administrative expenses		(12,285)	43	(12,242)
Operating profit		6,029	98	6,127
Net finance expense	(i)	(60)	(113)	(173)
Profit before taxation		5,969	(15)	5,954
Taxation		(1,035)	(7)	(1,042)
Profit for the period attributable to equity holders of the parent		4,934	(22)	4,912

32. Impact of transition to IFRS 16 continued

Balance sheet impact at 31 March 2020	Notes	31 March 2020 Excluding IFRS 16 £'000	IFRS 16 adjustments £'000	31 March 2020 £'000
Non-current assets				
Property, plant and equipment		38,820	-	38,820
Intangible assets		25,522	-	25,522
Right-of-use asset	(ii)	-	2,720	2,720
Deferred tax assets		1,769	15	1,784
		66,111	2,735	68,846
Current assets				
Contract assets		12,279	-	12,279
Inventories		446	-	446
Trade and other receivables		6,826	-	6,826
Cash and cash equivalents		15,973	-	15,973
		35,524	-	35,524
Total assets				
		101,635	2,735	104,370
Current liabilities				
Trade and other payables	(iv)	(12,009)	100	(11,909)
Contract liabilities		(27,905)	-	(27,905)
Borrowings		(10,000)	-	(10,000)
Current lease liability	(iii)	-	(772)	(772)
Provisions		(58)	-	(58)
		(49,972)	(672)	(50,644)
Non-current liabilities				
Non-current lease liability	(iii)	-	(2,226)	(2,226)
Deferred tax liabilities		(5,193)	-	(5,193)
		(5,193)	(2,226)	(7,419)
Total liabilities				
		(55,165)	(2,898)	(58,063)
Net assets				
		46,470	(163)	46,307
Equity				
Share capital		222	-	222
Share premium		389	-	389
Revaluation reserve		11,939	-	11,939
Merger reserve		11,347	-	11,347
Retained earnings		22,573	(163)	22,410
Total equity				
		46,470	(163)	46,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. Impact of transition to IFRS 16 continued

Balance sheet impact at 31 March 2019	Notes	31 March 2019 Excluding IFRS 16 £'000	IFRS 16 adjustments £'000	31 March 2019 Restated £'000
Non-current assets				
Property, plant and equipment		39,314	–	39,314
Intangible assets		27,069	–	27,069
Right-of-use asset	(ii)	–	2,591	2,591
Deferred tax assets		1,707	22	1,729
		68,090	2,613	70,703
Current assets				
Contract assets		9,132	–	9,132
Inventories		607	–	607
Trade and other receivables		6,392	–	6,392
Cash and cash equivalents		6,824	–	6,824
		22,955	–	22,955
Total assets		91,045	2,613	93,658
Current liabilities				
Trade and other payables	(iv)	(10,946)	98	(10,848)
Contract liabilities		(26,343)	–	(26,343)
Borrowings		(3,000)	–	(3,000)
Current lease liability	(iii)	–	(754)	(754)
Provisions		(96)	–	(96)
		(40,385)	(657)	(41,042)
Non-current liabilities				
Non-current lease liability	(iii)	–	(2,102)	(2,102)
Deferred tax liabilities		(5,186)	–	(5,186)
		(5,186)	(2,102)	(7,288)
Total liabilities		(45,571)	(2,759)	(48,330)
Net assets		45,474	(146)	45,328
Equity				
Share capital		221	–	221
Share premium		210	–	210
Revaluation reserve		12,737	–	12,737
Merger reserve		11,347	–	11,347
Retained earnings		20,959	(146)	20,813
Total equity		45,474	(146)	45,328

32. Impact of transition to IFRS 16 continued

Balance sheet impact at 31 March 2018	Notes	31 March 2018 Excluding IFRS 16 £'000	IFRS 16 adjustments £'000	31 March 2018 Restated £'000
Non-current assets				
Property, plant and equipment		19,921	-	19,921
Intangible assets		27,797	-	27,797
Right-of-use asset	(ii)	-	2,883	2,883
Deferred tax assets		2,194	29	2,223
		49,912	2,912	52,824
Current assets				
Contract assets		10,377	-	10,377
Inventories		209	-	209
Trade and other receivables		6,777	-	6,777
Cash and cash equivalents		9,431	-	9,431
		26,794	-	26,794
Total assets		76,706	2,912	79,618
Current liabilities				
Trade and other payables	(iv)	(10,743)	96	(10,647)
Contract liabilities		(25,900)	-	(25,900)
Borrowings		-	-	-
Current lease liability	(iii)	-	(716)	(716)
Provisions		(98)	-	(98)
		(36,741)	(620)	(37,361)
Non-current liabilities				
Non-current lease liability	(iii)	-	(2,416)	(2,416)
Deferred tax liabilities		(3,411)	-	(3,411)
		(3,411)	(2,416)	(5,827)
Total liabilities		(40,152)	(3,036)	(43,188)
Net assets		36,554	(124)	36,430
Equity				
Share capital		211	-	211
Share premium		21,042	-	21,042
Revaluation reserve		4,649	-	4,649
Merger reserve		11,347	-	11,347
Retained earnings		(695)	(124)	(819)
Total equity		36,554	(124)	36,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**32. Impact of transition to IFRS 16** continued**(i) Statement of comprehensive income**

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

The impact of removing the lease costs in the year ended 31 March 2020 was a credit to cost of sales of £632,000 (2019: £628,000) and a credit to administrative expenses of £284,000 (2019: £269,000). Under IFRS 16 the right-of-use asset is depreciated over the lease term, and consequently a depreciation charge of £567,000 was incurred within cost of sales in the year ended 31 March 2020 (2019: £573,000) alongside a further depreciation charge of £242,000 in administrative expenses (2019: £228,000).

In addition, debits that had previously been taken through the statement of comprehensive income relating to lease incentives were reversed, leading to a £2,000 decrease to administrative expenses in the year ended 31 March 2020 (2019: £2,000 decrease).

Under IFRS 16, finance costs are charged on the lease liability, which resulted in a finance charge in the year ended 31 March 2020 of £119,000 (2019: £113,000).

The net impact of the above adjustments to profit before tax for the year ended 31 March 2020 was a charge of £10,000 (2019: £15,000).

(ii) Right-of-use asset

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

(iii) Lease liability

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

(iv) Working capital

Under IAS 17, the Group held a balance within working capital that related to certain lease incentives. The balance of £100,000 at 31 March 2020 (2019: £98,000) is no longer recognised under IFRS 16 as all payments, lease incentives and related costs are reflected in either the right-of-use asset or the lease liability.

(v) Taxation

A deferred tax asset of £29,000 was recognised on transition to IFRS 16 representing the timing difference on the amounts taken to reserves. The deferred tax asset created at the point of transition will unwind over the average life of the leases held at the date of transition.

(vi) Cash flow statement

The impact of transition to IFRS 16 had no impact on net cash flows. However, the presentation of the consolidated cash flow statement changed, with an increase in cash inflows from operating activities in the year ended 31 March 2020 of £916,000 (2019: £897,000) being offset by a corresponding increase in net cash outflows from financing activities.

ADVISERS

Nominated adviser and broker

Cenkos Securities PLC

6.7.8 Tokenhouse Yard

London

EC2R 7AS

Joint corporate broker

N+1 Singer Capital Markets Limited

1 Bartholomew Lane

London

EC2N 2AX

Financial PR adviser

Capital Market Communications (Camarco) Limited

107 Cheapside

London

EC2V 6DN

Auditor

Cooper Parry Group Limited

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby

DE74 2SA

Solicitors to the Company as to English law

Shoosmiths LLP

Witan Gate House

500-600 Witan Gate West

Milton Keynes

MK9 1SH

Solicitors to the Company as to Cayman Islands law

Maples and Calder

11th Floor

200 Aldersgate Street

London

EC1A 4HD

Registrars

Link Market Services (Guernsey) Limited

Longue Hougue House

St. Sampson

Guernsey

GY2 4JN

Channel Islands

Bankers

Lloyds Banking Group

1st Floor

14 Church Street

Sheffield

S1 1HP

GROUP TRADING COMPANIES

Independent Gas Transporter (iGT)

Fulcrum Pipelines Limited

Independent Distribution Network Operator (iDNO)

Fulcrum Electricity Assets Limited

Meter Asset Provider (MAP)

Fulcrum Smart Metering Limited

Meter Operator (MOP)

Fulcrum Metering Services Limited

Utility Infrastructure Providers (UIPs)

Fulcrum Infrastructure Services Limited

CDS Pipe Services Limited

Independent Connection Providers (ICPs)

The Dunamis Group Limited

Dunamis Infrastructure Services Limited

Matrix Professional Services Limited

Matrix Network (Eastern) Limited

Maintenance Services Provider

Maintech Power Services Limited



WORLD
LAND
TRUST™

www.carbonbalancedpaper.com
CBP004074



Fulcrum Utility Services Limited's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material.

This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.

Produced by

designportfolio



Fulcrum

2 Europa View
Sheffield Business Park
Sheffield
South Yorkshire
S9 1XH

T: 03330 146 466
E: enquiries@fulcrum.co.uk
W:
www.fulcrum.co.uk
<https://investors.fulcrum.co.uk>
www.dunamisgroup.co.uk