Unaudited Interim Results for 6m ended 30 Sep 2014

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FULCRUM UTILITY SERVICES LIMITED

Unaudited interim results for the six months ended 30 September 2014

Fulcrum Utility Services Limited ("Fulcrum", "the Company" or "the Group"), the UK based energy solutions company, today announces its interim results for the six months ended 30 September 2014.

Financial summary

	Unaudited Six months ended 30 September 2014	Unaudited Restated Six months ended 30 September 2013	Year on year movement
	£m	£m	£m
Revenue	16.8	19.5	(2.7)
Gross margin % (1)	27.1%	25.7%	1.4%
Administrative expenses before exceptional items (1)	(4.2)	(5.7)	1.5
Underlying EBITDA (2)	0.9	0.3	0.6
Operating profit / (loss) before exceptional items	0.3	(0.7)	1.0
Loss before tax	(0.2)	(3.4)	3.2
Net funds	5.5	0.3	5.2
Earnings per share			
Basic	(0.1)p	(2.2)p	2.1p
Adjusted Basic (3)	0.2p	(0.5)p	0.7p

Notes

(1) As disclosed in the Annual Report and Accounts to 31 March 2014 the costs of certain site-based operations staff have been categorised as cost of sales, rather than overheads, as the directors are of the opinion that this is a more appropriate presentation. Accordingly, the results for the six months ended 30 September 2013 have been restated to re-allocate the cost of site based operations staff from overheads to cost of sales. This restatement has not affected the EBITDA.

(2) Underlying EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments charges and exceptional items.

(3) Adjusted basic earnings per share are earnings per share before exceptional items.

Financial Highlights

- Fulcrum reported underlying operating profits for the first time
- Underlying EBITDA more than doubled to £0.9 million (2013: £0.3 million)
- Overhead costs reduced by £1.5 million year on year, as a result of turnaround and transition activities
- Cash of £0.5 million was generated in the period and net funds stand at £5.5 million

Operational Highlights

- The Business is fully on track with its transition strategy
- The new streamlined, fully branded operating model was implemented as planned to deliver an enhanced proposition to customers
- The British Gas framework contract has been extended for one year with an option to extend for a further year
- Martin Harrison was appointed as Chief Financial Officer in September

Martin Donnachie, CEO of Fulcrum, said:

"The six months to 30 September 2014 has seen Fulcrum transition to a profitable business model that offers an enhanced proposition for our customers.

"The actions taken during the period represent a significant stage in Fulcrum's journey to become the UK's most trusted utilities service provider. Implementing our new operating model provides us with a unique streamlined
end-to-end nationwide service and customers, such as British Gas, have welcomed the clear ownership and improved communication.

"Our cost base is now in a position where we can produce consistent profits at the levels of turnover we are currently delivering. The remainder of 2014 will see the conclusion of the transition phase of Fulcrum's development and the focus will move to driving growth in 2015."

Enquiries

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Notes to Editor

Fulcrum is an energy solutions company based in Sheffield, UK. The Company's primary business is the provision of unregulated utility connection services to the residential, commercial and industrial markets throughout the UK. These range from the design, installation or alteration of connections for single site properties to large complex
multi-site projects. Through its subsidiary, Fulcrum Pipelines Limited, Fulcrum is also licensed as an Independent Gas Transporter, operating pipelines used to transport gas to homes and commercial properties from the main UK gas network.

BUSINESS AND OPERATING REVIEW

The six months ended 30 September 2014 has been a period of transition for Fulcrum following the completion of the turnaround activities in March. It is pleasing to see the cost savings from transition activity being realised as anticipated, and as a result, Fulcrum is now generating underlying operating profits for the first time.

The transition activities to improve service delivery in the period represent a significant milestone in Fulcrum's journey to become the UK's most trusted utilities service provider. The changes to our operating model have enhanced our proposition to customers who now have a single point of contact from initial enquiry to the point of delivery through one brand. These changes have allowed us to be more responsive to customers and to increase Fulcrum's competiveness in key markets.

Over the course of the six month period the number of people directly engaged by Fulcrum reduced from 179 to 118 as a result of the turnaround activity and the change in operating model.

Fulcrum is now well positioned, with a customer focused and profitable business model, to drive the next stage of the transition phase focussing on activities that include improving sales performance and driving high value opportunities.

The Group also announced the appointment of Martin Harrison as Chief Financial Officer on 16 September 2014.

Sales

Customers have experienced a more streamlined service with clearer lines of ownership and improved communication as a result of the changes made to the operating model. Service delivery has been a key reason for strong levels of repeat business and new contracts won, and the order book remains strong. Importantly, quality of earnings has improved as we have focused on more selective bidding, increasing our margins. New contracts won in the period include the following:

- The installation of gas, water and electricity connections to a new mixed use development in Crosshands, Llanelli, West Wales. The £0.7 million project will involve the construction of over 3 kilometres of gas, water and electricity infrastructure.
- The appointment by OCO Ltd, as part of The Improving Homes Scheme for Lambeth Living, to design and install two gas infrastructure projects with a combined value over £0.5 million
- A six figure contract to convert an animal food processing plant to natural gas via the installation of a new 1.5 kilometre gas pipeline
- The construction of gas infrastructure to a new mixed use development in London on behalf of Ardmore Construction Ltd. The six figure installation will see gas connected to 124 domestic properties and 5 retail units

In November Fulcrum signed a one year extension to its framework contract with British Gas Business ("BGB") to continue to provide new connections to British Gas customers across England, Scotland and Wales to November 2015, with an option to extend for a further year until November 2016.

Fulcrum is the only independent utilities infrastructure provider covering the whole of Britain and with our national coverage and end-to-end operating model through a single brand we are well placed to grow in a number of markets. Looking ahead, investment is planned to bring new people into the sales team, improve sales performance and drive high value opportunities. Fulcrum's ability to deliver technical engineering, design, project management, consultancy and audit services across gas and multi-utility connections should produce a wealth of opportunities.

Operations

Delivering a safe, right first time service for customers is a key differentiating factor in the markets we serve and we have made significant steps forward during the six months ended 30 September 2014.

The transition activity that has taken place has focused on service delivery and the operating model has changed to remove duplication and provide customers with a more streamlined service.

On 1 July 2014 we entered into an alliance with McNicholas to deliver an enhanced proposition to customers across England and Wales. For customers, this change in operating model means fewer people involved in each individual project, leading to clearer ownership and improved communication.

The removal of duplication in project delivery through the Alliance resulted in restructuring of roles within Fulcrum. In July 2014 Fulcrum launched an employee consultation process in respect of a proposed reduction of 32 people. The conclusion of this process resulted in 11 redundancies and

21 transferring to the Alliance. The financial impact in 2014/15 is expected to be broadly neutral as the cost savings will be matched by exceptional costs, with savings expected to be achieved in subsequent years.

Fulcrum operated safely during the period without a lost time injury and we continue to work together with key suppliers to prioritise the safety of all people engaged in our projects.

Outlook

Fulcrum has a solid order book and is now operating a profitable business model at its current level of turnover.

The transition phase, that has been the focus of the business during the last six months, is expected to be completed during the remainder of 2014. The business should then be in a position to drive performance and focus on increasing sales in 2015 with the most exciting growth areas being multi-utility projects, the housing market and major projects. Fulcrum will also be in a position to explore more strategic areas for development as appropriate.

FINANCIAL REVIEW

These interim results report the financial performance of the Group for the six months ended 30 September 2014 and for the comparative period to 30 September 2013.

Results and proforma comparison with previous periods

Financial summary

	Unaudited Six months ended 30 September 2014	Unaudited Restated Six months ended 30 September 2013	Year on year movement
	£m	£m	£m
Revenue	16.8	19.5	(2.7)
Gross profit (1)	4.5	5.0	(0.5)
Gross margin % (1)	27.1%	25.7%	1.4%
Administrative expenses before exceptional items (1)	(4.2)	(5.7)	1.5
Underlying EBITDA (2)	0.9	0.3	0.6
Operating profit / (loss) before exceptional items	0.3	(0.7)	1.0
Net funds	5.5	0.3	5.2

Notes

(1) As disclosed in the Annual Report and Accounts to 31 March 2014 the costs of certain site-based operations staff have been categorised as cost of sales, rather than overheads, as the directors are of the opinion that this is a more appropriate presentation. Accordingly, the results for the six months ended 30 September 2013 have been restated to re-allocate the cost of site based operations staff from overheads to cost of sales. This restatement has not affected the EBITDA.

(2) Underlying EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share based payments charges and exceptional items.

Revenue

Overall reported revenue for the period was £16.8 million against £19.5 million in the same period of the prior year. Revenue from infrastructure services was £17.1 million (2013: £19.5 million), a reduction of £2.4 million. Included in 2013's revenue was £4.2 million from the Speyside distilleries contract (2014: £nil). Excluding Speyside distilleries resulted in a like for like increase in revenue of £1.8 million (11.5%).

Revenue from pipeline operations was £0.4 million for the six months ended 30 September 2014. This compares with £0.8 million in the same period of the prior year which included some £0.5 million of revenue from the domestic pipeline assets disposed of on 9 October 2013.

Gross profit

Reported gross profit for the period was £4.5 million, representing a decrease of £0.5 million over the prior period gross profit of £5.0 million as a result of the lower revenue due to the one-off distilleries contract in the prior year, partially offset by stronger margins on work won.

The gross margin of 27.1% in the period was 1.4% higher than the prior year margin of 25.7% and benefitted from a move to more selective bidding and the efficiencies associated with changing the project delivery operating model.

Administrative expenses

Excluding exceptional items, administrative expenses totalled £4.2 million (2013: £5.7 million), a reduction of 25.6%, which reflected the completion of the turnaround phase, progress made to date during the transition phase, and the associated reduction in the cost base.

Exceptional items for the period were £0.5 million (2013: £2.7 million) reflecting a charge of £0.9 million for costs associated with changing the operating model and a credit of £0.4 million arising from the reassessment of dilapidations costs.

Share based payments charges reduced to £37,000 from £216,000 in the prior period. During the period there had been one scheme in operation, the "EMI option plan". In the prior period there were three schemes in operation, all of which have been cancelled or have reached the end of the vesting period.

EBITDA and operating loss

Underlying EBITDA, before exceptional items and share based payments was £0.9 million for the six months ended 30 September 2014 (2013: £0.3 million) and the loss before tax for the period was £0.2 million (2013: loss of £3.4 million).

The loss per ordinary share for the period was 0.1 pence (2013: loss of 2.2 pence). Adjusted earnings per share, before charging exceptional items, were a profit of 0.2 pence (2013: loss of 0.5 pence).

Financing income and expense

Net finance expense totalled £29,000 during the period (2013: £64,000).

Taxation

During the period the Group's profits for corporation tax were approximately £0.3 million compared to losses of approximately £2.0 million in the prior period. The total sum of accumulated losses carried forward from prior periods amounted to approximately £18.6 million as at 30 September 2014.

Deferred tax assets totalling £0.5 million have been recognised at 30 September 2014 (2013: £0.5 million). The future levels of profitability have been reconsidered and the deferred tax asset is deemed to be appropriate.

Deferred tax liabilities totalling £0.6 million have been recognised at 30 September 2014 (2013: £nil) in respect of the revaluation of the industrial and commercial pipeline assets.

Cash flow and financing

Operating cash flow

Operating activities in the period generated cash of £1.3 million (2013: £1.3 million), and comprised the following:

- Underlying EBITDA for the period of £0.9 million (2013: £0.3 million);
- Exceptional cash costs totalling £1.1 million (2013: £1.0 million); and
- Working capital inflows of £1.5 million (2013: inflows of £2.0 million).

Investing activities

Capital expenditure for the period amounted to £0.7 million (2013: £0.9 million), all of which was investment in pipeline assets.

Cash and borrowings

As at 30 September 2014 the Group had net funds of £5.5 million compared to £4.9 million as at 31 March 2014 and £0.3 million as at 30 September 2013.

Cash balances at 30 September 2014 were £5.8 million (2013: £1.9 million), less amounts drawn on financing facilities of £nil (2013: £1.0 million) and less amounts due in respect of finance leases of £0.3 million (2013: £0.6 million).

During the second half of the financial year ending 31 March 2014, net proceeds of £5.9 million were received from the disposal of domestic pipeline assets.

Principal risks and uncertainties

The risks and uncertainties faced by the Group as disclosed in the Annual Report and Accounts to 31 March 2014 remain valid, being growth and strategy execution, dependence on key executives and personnel, risks relating to operating in a competitive market, risks relating to the gas connections market, reliance on key customers, reliance on significant suppliers, continuity of financing facilities, changing mix of sales, change in balance of contract value and management of financial resources including liquidity risk and capital risk management.

Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Consolidated Interim Statement of Comprehensive Income

	Note	***Unaudited***	*Unaudited Restated **	*Audited*
		Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
		£'000	£'000	£'000
Revenue		**16,763**	19,456	38,285
Cost of sales		**(12,222)**	(14,463)	(28,794)
Gross profit		**4,541**	4,993	9,491

Administrative expenses		**(4,712)**	(8,313)	(13,874)
Operating loss		**(171)**	(3,320)	(4,383)
Analysed as:				
EBITDA before share based payments and exceptional items		**870**	263	607
Equity settled share based payment charges	9	**(37)**	(216)	(115)
Depreciation and amortisation		**(504)**	(717)	(1,200)
Operating profit / (loss) before exceptional items		**329**	(670)	(708)
Exceptional items	7	**(500)**	(2,650)	(3,675)
Operating loss		**(171)**	(3,320)	(4,383)
Finance expense		**(29)**	(64)	(105)
Loss before tax		**(200)**	(3,384)	(4,488)
Taxation		**-**	-	30
Loss for the period attributable to equity holders of the parent		**(200)**	(3,384)	(4,458)
Other comprehensive income - Items that will never be reclassified to profit or loss:				
Revaluation of property, plant and equipment		**-**	3,075	3,061
Deferred tax arising on revaluation		**-**	-	(612)
Total comprehensive loss		**(200)**	(309)	(2,009)
Loss per share attributable to the owners of the business				
Basic and diluted	6	**(0.1)p**	(2.2)p	(2.9)p

The above consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

* As disclosed in the Annual Report and Accounts to 31 March 2014 the costs of certain site-based operations staff have been categorised as cost of sales, rather than overheads, as the directors are of the opinion that this is a more appropriate presentation. Accordingly, the results for the six months ended 30 September 2013 have been restated to re-allocate the cost of site based operations staff from overheads to cost of sales. This restatement has not affected the EBITDA.

Consolidated Interim Statement of Changes in Equity

	Note	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2013		**154**	**16,182**	**-**	**(16,226)**	**110**
Loss for the period ended 30 September 2013		-	-	-	(3,384)	(3,384)
Other comprehensive income for the period		-	-	3,075	-	3,075
Transactions with equity shareholders:						
Equity-settled share based payment transactions	9	-	-	-	216	216
Balance at 30 September 2013		**154**	**16,182**	**3,075**	**(19,394)**	**17**
Loss for the period ended 31 March 2014		-	-	-	(1,074)	(1,074)
Other comprehensive income for the period		-	-	(14)	-	(14)
Recognition of deferred tax on revalued assets		-	-	(612)	-	(612)
Transactions with equity shareholders:						
Equity-settled share based payment transactions	9	-	-	-	(101)	(101)
Balance at 31 March 2014		**154**	**16,182**	**2,449**	**(20,569)**	**(1,784)**
Loss and total comprehensive loss for the period ended 30 September 2014		-	-	-	(200)	(200)
Transactions with equity shareholders:						
Equity-settled share based payment transactions	9	-	-	-	37	37
Balance at 30 September 2014		**154**	**16,182**	**2,449**	**(20,732)**	**(1,947)**

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Interim Balance Sheet

	Note	***Unaudited***	*Unaudited*	*Audited*
		30 September 2014	30 September 2013	31 March 2014
	Note	**£'000**	£'000	£'000
Non-current assets				
Property, plant and equipment		**6,820**	5,892	6,353
Intangible assets		**3,095**	3,647	3,359
Deferred tax assets		**538**	508	538
		10,453	10,047	10,250
Current assets				
Inventories		**1,321**	3,345	1,974
Trade and other receivables		**4,101**	5,801	5,346
Cash and cash equivalents		**5,782**	1,867	5,326
Assets held for sale		**-**	5,906	-
		11,204	16,919	12,646
Total assets		**21,657**	26,966	22,896
Current liabilities				
Trade and other payables		**(21,904)**	(24,496)	(22,245)
Borrowings	8	**(311)**	(1,213)	(274)
Provisions		**(777)**	(925)	(1,378)
		(22,992)	(26,634)	(23,897)
Non-current liabilities				
Borrowings	8	**-**	(315)	(171)
Deferred tax liabilities		**(612)**	-	(612)
Total liabilities		**(23,604)**	(26,949)	(24,680)
Net (liabilities) / assets		**(1,947)**	17	(1,784)
Equity attributable to equity holders of the parent				
Share capital		**154**	154	154
Share premium		**16,182**	16,182	16,182
Revaluation reserve		**2,449**	3,075	2,449

Retained earnings	**(20,732)**	(19,394)	(20,569)
Total (deficit) / surplus on equity	**(1,947)**	17	(1,784)

The above consolidated interim balance sheet should be read in conjunction with the accompanying notes.

Consolidated Interim Cash flow Statement		***Unaudited***	*Unaudited*	*Audited*
		Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
	Note	**£'000**	£'000	£'000
Cash flows from operating activities				
Loss before tax for the period		**(200)**	(3,384)	(4,488)
Adjustments for:				
Depreciation		**240**	443	656
Amortisation of intangible assets		**264**	274	544
Loss on sale of property, plant and equipment		**-**	17	51
Impairment of assets held for sale	7	**-**	1,493	1,364
Finance expense		**29**	64	105
Equity settled share based payment charges	9	**37**	216	115
Exceptional items	7	**500**	1,157	2,311
Decrease in trade and other receivables		**1,245**	1,891	2,346
Decrease / (increase) in inventories		**653**	(1,856)	(485)
(Decrease) / increase in trade and other payables		**(341)**	2,056	(195)
(Decrease) / increase in provisions		**(1,101)**	(1,030)	(1,731)
Net cash generated from operations		**1,326**	1,341	593
Interest paid		**(29)**	(64)	(103)
Net cash generated from operating activities		**1,297**	1,277	490
Cash flows from investing activities				
Additions to property, plant and equipment		**(707)**	(854)	(1,408)
Additions to intangibles		**-**	(12)	(12)
Proceeds from sale of property, plant and equipment		**-**	-	5,884
Net cash (used in) / generated from investing activities		**(707)**	(866)	4,464
Cash flows from financing activities				

Amounts repaid on financing facilities	**-**	(336)	(1,293)
Repayment of finance lease liabilities	**(134)**	(119)	(246)
Net cash used in financing activities	**(134)**	(455)	(1,539)
Net increase / (decrease) in cash and cash equivalents	**456**	(44)	3,415
Cash and cash equivalents at 1 April 2014	**5,326**	1,911	1,911
Cash and cash equivalents at 30 September 2014	**5,782**	1,867	5,326

The above consolidated interim cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

Fulcrum Utility Services Limited is a limited company incorporated in the Cayman Islands and domiciled in the UK.
The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company has its primary listing on the Alternative Investment Market (AIM) on the London Stock Exchange.

The condensed consolidated interim financial information, including the financial information for the year ended 31 March 2014 set out in this interim financial information, does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The information for the period ended 31 March 2014 is derived from the non-statutory accounts for that financial period. The non-statutory accounts for the year ended 31 March 2014 were approved on 3 June 2014 and have been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified and did not draw attention to any matters by way of emphasis of matter.

This condensed consolidated interim financial information is unaudited and was approved for issue on
2 December 2014. The condensed consolidated interim financial information has been reviewed by the Group's auditors and their Independent Review Report is set out in this document.

2. Basis of preparation

The condensed consolidated interim financial information for the period ended 30 September 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union.

The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The accounting policies adopted in the condensed consolidated interim financial information are consistent with those set out in the Annual Report and Accounts for the year ended 31 March 2014, except as described in note 4.

3. Going concern

As highlighted in the financial review the Group had net funds at 30 September 2014 of £5.5 million. The Group had not drawn on its available financing facilities.

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

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

Therefore, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to enable it to continue in existence for the foreseeable future and, accordingly, the consolidated financial statements have been prepared on a going concern basis.

4. Accounting policies

The principal accounting policies of the Group are consistent with those set out in the Group's 2014 Annual Report and Accounts, except as described below.

The following standards and amendments to standards became effective in the current period and were not applied in the Group's 2014 Annual Report and Accounts.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The adoption of these standards and amendments has not had a material impact on the financial statements, but may give rise to additional disclosures in the year-end financial statements.

In preparing these condensed consolidated interim financial statements the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended 31 March 2014.

5. Segmental analysis (unaudited)

The determination of the Group's operating segments is based on the business units for which information is reported to the Board of Directors. The Group has two reportable segments, as described below.

Fulcrum's Infrastructure Services business provides utility infrastructure and connections services. This comprises the operating segments of "Unregulated gas connections" and "Multi-utility connections" which have been aggregated in accordance with the criteria of IFRS 8.

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

Information regarding the operations of each reportable segment is included in the following tables. Segment operating profit / (loss) before exceptional items is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. The information provided to the Board of Directors includes management accounts comprising profit or loss for each segment and other financial and non financial information used to manage the business on a consolidated basis.

The "unallocated" segment comprises the elimination of inter-segmental transactions, the operating costs of the central service provider, and depreciation and amortisation on all centrally held assets.

5. Segmental analysis (continued)

Six months ended 30 September 2014

	Infrastructure Services	Pipelines	Unallocated	Total Group
	£'000	£'000	£'000	£'000
Reportable segment revenue	17,101	366	(704)	16,763
Underlying EBITDA	1,120	144	(394)	870
Share based payment charges	-	-	(37)	(37)
Depreciation and amortisation	-	(107)	(397)	(504)
Reportable segment operating profit/(loss) before exceptional items	**1,120**	**37**	**(828)**	**329**
Exceptional items	(500)	-	-	(500)
Reportable segment operating profit/(loss)	620	37	(828)	(171)
Finance expense	-	-	(29)	(29)
Profit/(loss) before tax	**620**	**37**	**(857)**	**(200)**

Six months ended 30 September 2013

	Infrastructure Services Restated	Pipelines Restated	Unallocated Restated	Total Group
	£'000	£'000	£'000	£'000
Reportable segment revenue	19,529	781	(854)	19,456
Underlying EBITDA (1)	312	434	(483)	263
Share based payment charges	-	-	(216)	(216)
Depreciation and amortisation	-	(268)	(449)	(717)
Reportable segment operating profit/(loss) before exceptional items	**312**	**166**	**(1,148)**	**(670)**
Exceptional items	-	(1,493)	(1,157)	(2,650)
Reportable segment operating profit/(loss)	312	(1,327)	(2,305)	(3,320)
Finance expense	-	-	(64)	(64)
Profit/(loss) before tax	**312**	**(1,327)**	**(2,369)**	**(3,384)**

Notes

(1) The operating costs of the central service providers, net of amounts recharged to the other operating segments, are reported within Underlying EBITDA in the "unallocated" column. In the prior period, at the half year, these costs were presented within the other operating segments. Accordingly, the results for the six months ended 30 September 2013 have been restated to re-allocate the costs of the central service providers from the other operating segments to the "unallocated" segment. This restatement has not affected the Total Group Underlying EBITDA.

5. Segmental analysis (continued)

Year ended 31 March 2014

	Infrastructure Services	Pipelines	Unallocated	Total Group
	£'000	£'000	£'000	£'000
Reportable segment revenue	38,345	1,056	(1,116)	38,285
Underlying EBITDA	969	468	(830)	607
Share based payment charges	-	-	(115)	(115)
Depreciation and amortisation	-	(347)	(853)	(1,200)
Reportable segment operating profit/(loss) before exceptional items	**969**	**121**	**(1,798)**	**(708)**
Exceptional items	(1,147)	(1,371)	(1,157)	(3,675)
Reportable segment operating loss	(178)	(1,250)	(2,955)	(4,383)
Finance expense	-	-	(105)	(105)
Loss before tax	**(178)**	**(1,250)**	**(3,060)**	**(4,488)**

Major items in the unallocated column comprise:

- Reportable segment revenues: the elimination of inter-segmental revenues relating to pipeline assets;
- Underlying EBITDA: the operating costs of the central service providers;
- Depreciation and amortisation: amounts charged on all centrally held assets;
- Exceptional items: amounts not directly related to the other operating segments

Geographic segments

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

Major customer

Revenues from the largest customer of the Group's Infrastructure Services segment represent £2,884,000 (six months ended 30 September 2013: £3,376,000, year ended 31 March 2014: £6,171,000) of the Group's total revenues.

6. Earnings per share (unaudited)

Earnings per share have been calculated by dividing the profit / (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period. Earnings per share have been calculated as follows:

	Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
	Number '000	Number '000	Number '000
Weighted average number of ordinary shares in issue	**154,307**	154,307	154,307

Profit / (loss) for the period	**Six months ended 30 September 2014**	Six months ended 30 September 2013	Year ended 31 March 2014
	£'000	£'000	£'000
Loss for the period attributable to shareholders	**(200)**	(3,384)	(4,458)
Add exceptional items	**500**	2,650	3,675
Less deferred tax asset recognised	**-**	-	(30)
Adjusted profit / (loss) for the period attributable to shareholders	**300**	(734)	(813)

Profit / (loss) per share	**Six months ended 30 September 2014**	Six months ended 30 September 2013	Year ended 31 March 2014
Basic	**(0.1)p**	(2.2)p	(2.9)p
Adjusted basic	**0.2p**	(0.5)p	(0.5)p

In accordance with IAS 33 'Earnings per share' diluted earnings per share is taken as being equal to basic earnings per share as, where the Group has recorded a loss the effect of including share options is anti-dilutive.

7. Exceptional items (unaudited)

	Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
	£'000	£'000	£'000
Relocation and property costs	**(402)**	-	124
Impairment of pipeline assets upon classification as held for sale	**-**	1,493	1,364
Costs associated with restructuring activities and changing the operating model	**902**	1,157	2,187
	500	2,650	3,675

The release of relocation and property costs arose as a result of a reassessment in the current period of dilapidation costs associated with moving the Group's head office from Rotherham to Sheffield in 2011.

Costs associated with restructuring activities and changing the operating model relate to staff severance costs and external consultancy costs.

8. Borrowings (unaudited)

	30 September 2014	30 September 2013	31 March 2014
Current	**£'000**	£'000	£'000
Finance lease liabilities	**311**	256	274
Invoice discounting liabilities	**-**	957	-
	311	1,213	274

	30 September 2014	30 September 2013	31 March 2014
Non-current	**£'000**	£'000	£'000
Finance lease liabilities	**-**	315	171

8. Borrowings (continued)

Finance lease liabilities are payable as follows:

	30 September 2014	30 September 2013	31 March 2014
	£'000	£'000	£'000
Future minimum lease payments:			
- Less than one year	**339**	326	325
- Two to five years	**-**	339	177
	339	665	502
Interest:			
- Less than one year	**(28)**	(70)	(51)
- Two to five years	**-**	(24)	(6)
	(28)	(94)	(57)
Present value of minimum lease payments:			
- Less than one year	**311**	256	274
- Two to five years	**-**	315	171
	311	571	445

9. Share based payments (unaudited)

	Six months ended 30 September 2014	Six months ended 30 September 2013	Year ended 31 March 2014
	£'000	£'000	£'000
Management participation shares	**-**	73	73
Marwyn participation option	**-**	74	74
Fulcrum share option plan	**-**	69	(42)
EMI option plan	**37**	-	10
Total equity settled share based payments	**37**	216	115

During the period there has been one scheme in operation, the "EMI option plan", details of which are set out in the Group's 2014 Annual Report and Accounts. In the prior period there were three schemes in operation, all of which have been cancelled or have reached the end of the vesting period.

10. Related party transactions (unaudited)

The Company has paid Marwyn Capital LLP fees of £44,000 (2013: £91,000) during the six month period ending 30 September 2014 pursuant with the ongoing corporate finance advisory agreement. No amounts were owing to Marwyn Capital LLP at 30 September 2014 (2013: £148,000).

There are no amounts due from related parties on any trading accounts.

11. Seasonality (unaudited)

Gas connections sales are subject to seasonal variations with peak demand in the third and fourth quarters of the calendar year. This is due to seasonal weather conditions and holiday periods.

INDEPENDENT REVIEW REPORT TO FULCRUM UTILITY SERVICES LIMITED

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 30 September 2014 which comprises the Consolidated Interim Statement of Comprehensive Income, Consolidated Interim Statement of Changes in Equity, Consolidated Interim Balance Sheet, Consolidated Interim Cash Flow Statement and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

2 December 2014

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