1 August 2022

FULCRUM UTILITY SERVICES LIMITED

("Fulcrum" or "the Group")

Final results for the year ended 31 March 2022 ("FY22")

Headlines:

- Revenue up 31.2% to £61.8 million (2021: £47.1 million)
- Adjusted EBITDA[1] of £0.5 million (2021: £0.1 million)
- Loss before tax of £14.2 million (2021: £11.5 million)[2]
- Cash outflow from operating activities of £7.6 million (2021: £2.4 million)
- Adjusted earnings per share of (1.4)p (2021: (0.9)p) and basic earnings per share of (5.2)p (2021: (4.6)p)
- Net cash of £11.2 million as at 31 March 2022 (2021: £1.5 million net debt)
- Debt facility headroom of £10 million as at 31 March 2022 (2021: £4.3 million)
- Net assets of £45.9 million (2021: £35.4 million)

[1]Adjusted EBITDA is operating loss excluding the impact of exceptional items, other net gains, depreciation, amortisation and equity-settled share-based payment charges.
[2] Includes £10.6 million of exceptional items (2021: £8.5 million), including £5.6 million for onerous contracts (2021: £nil)

Commenting on the full year results, Antony Collins, Chief Executive Officer, said:

"I was delighted to have the opportunity to join the Group in January 2022. Whilst, as with most businesses, Fulcrum is not without challenges, I strongly believe the business has the essential capabilities to be successful in an exciting and growing marketplace.

"Despite the significant challenges presented to the Group this year, including the impact of the UK's energy crisis and wider, very difficult trading conditions, I am confident that Fulcrum can grow and be successful in several exciting and growing markets. At the same time, the new executive team is identifying improvement opportunities and ensuring optimal performance to deliver long-term, sustainable growth for the benefit of all shareholders.

"The Group's medium to long-term growth also remains underpinned by strong market drivers and government stimulus. These, I believe, position Fulcrum well to benefit from the UK's transition to a low carbon economy and a net-zero future."

This announcement contains inside information.

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Notes to Editors:
Fulcrum is a multi-utility infrastructure and services provider. The Group operates nationally with its head office in Sheffield, UK. It designs, builds, owns, and maintains utility infrastructure and offers smart meter exchange programmes. https://investors.fulcrum.co.uk/

Chair's statement

As has been widely reported, FY22 was a challenging year for the UK's energy infrastructure sector and Fulcrum has not been immune to this. Whilst the Group initially experienced a strong recovery from the impact of Covid-19 and positive progress was made in the first half of the year, the impact of difficult market conditions is reflected in the Group's overall performance for the full year.

Results

It was pleasing that Fulcrum's first half financial performance was in line with management's expectations, and significantly ahead of the first half of the prior year. The Group also secured a strong succession of its largest ever contract wins.

Notwithstanding this positive start to the year, with the Group's diverse business operations initially helping to insulate it from the energy crisis, the sustained turbulence in the energy market, coupled with wider market issues of supply chain pressure and cost inflation in materials and labour, along with exceptional costs, significantly affected the Group's profitability in the final quarter of the year.

Revenue for the year ended 31 March 2022 was slightly ahead of market expectations at £61.8 million, representing year-on-year growth of 31.2%, with adjusted EBITDA for the same period at £0.5 million. Adjusted EBITDA is operating loss of £13.7 million, excluding the impact of exceptional items of £10.6 million (including £5.6 million for onerous contracts), other net gains of £0.3 million, depreciation and amortisation of £3.3 million and an equity-settled share-based payment charge of £0.6 million.

I would like to express my personal thanks to all of our people for their hard work, efforts and resilience in what has been another year of difficult market conditions.

Impact of the UK's energy crisis and challenging trading conditions

Since the Group's successful fundraise in December 2021, the UK energy market has continued to experience considerable turbulence. Predominantly, this affected the performance and profitability of the Group's meter exchange operations.

Wider market issues of supply chain pressure and cost inflation in materials and labour also weighed on the profitability of the Group's multi-utility contracting operations, especially in its major electrical and multi-utility projects, which are inherently complex and longer term in nature.
The Board expects that whilst the challenges in the energy market and the difficult market conditions continue, the Group's order book will also soften, and this is reflected in the order book value of £48 million[1] as at 31 March 2022. We have put appropriate actions and controls in place to mitigate risk and protect the business whilst the UK's energy crisis and challenging market conditions prevail.

[1]Orderbook value excluding metering's onerous contracts

A refocus on our core strategy

The Group has refocused its attention on its core multi-utility contracting and asset ownership growth strategy and the Board has put in place a new executive team to execute it.

The Board believes that there is a significant opportunity for the Group to grow its multi-utility contracting operations across the housing and industrial & commercial, including electric vehicle connections, sectors. The Board further believes that the Group's essential and niche capabilities position it well for future growth and that this belief is underpinned by the long-term strategic tailwinds of the UK's utility and energy infrastructure needs now, and for its net-zero future.

The Group's network of utility assets, valued in excess of £36 million as at 31 March 2022, continue to generate recurring income and provide attractive and predictable long-term returns. The Board continues to believe that additional asset ownership presents a significant growth opportunity for the Group.

To support the execution of our asset growth strategy, Fulcrum announced on 15 December 2021 that it had raised gross proceeds of £20.05 million by way of a conditional placing and subsequently raised gross proceeds of approximately £1.2 million through an open offer. The Board is grateful for the continued support of existing investors. We are mindful that, whilst presenting risks, the current instability in the energy market produces opportunities for the Group to acquire additional asset portfolios at attractive valuations and as such the Board is continuing to identify and review potential asset acquisition opportunities.

At the same time, the Board is mindful of maintaining balance sheet strength, and supporting the Group's liquidity remains a priority. As such, the Group became debt free in the year, and all planned tranches of the asset sale to ESP were also successfully delivered.

Changes to our team
The Board appointed Antony Collins as CEO in January 2022. Antony has a strong background in business turnaround and his focus has been to improve business operations and refocus the Group on its core utility infrastructure and asset ownership growth strategy and, since joining Fulcrum, he has put in place a strong and experienced executive team to lead the Group. Stuart Crossman joined the Group in January 2022 as COO and is a Chartered Engineer with over 40 years in multi-utilities and has vast experience in asset management, operational performance and health and safety and Jonathan Jager joined the Group as CFO in February 2022. Jonathan is a highly experienced CFO with over 20 years' experience of developing high performing finance functions within the energy sector.

The new team is focused on executing the Group’s core multi-utility and utility asset growth strategy and the Board is pleased to report that business improvements are being delivered that will both protect the business in the current market climate and support the Group’s long-term, sustainable growth.

ESG and sustainability
We are committed to using our capabilities to support the UK’s net-zero revolution, and to also reduce the impact of the Group’s operations on climate change. Fulcrum remains on its journey to be carbon neutral by 2030.

Dividend
Considering the full year performance and the continuing turbulence in the Group’s core markets, the Board will not be recommending the payment of a dividend in respect of the financial year ended 31 March 2022 but will continue to keep its dividend policy under review.

Outlook
Despite the current difficult trading conditions and the UK’s energy crisis, market fundamentals, supported by government stimulus that underpins the UK's transition to a low carbon economy, remain strong and, the Board believes, continue to provide significant and strategic growth opportunities for the Group across the diverse sectors it operates in.

Whilst the Board is mindful of the ongoing volatility in the UK energy market, we are confident that the Group remains well positioned to successfully grow in the long term. Fulcrum has the essential experience and capabilities needed to support the expansion of the UK's energy infrastructure, which is needed now, and to achieve our net-zero future. The Board remains excited by the opportunities this presents.

Jennifer Babington
Non-executive Chair
1 August 2022

Chief Executive Officer's statement

2022 review
I was delighted to have the opportunity to join the Group in January 2022. Whilst, as with most businesses, Fulcrum is not without challenges, I strongly believe the business has the essential capabilities to be successful in an exciting and growing marketplace.

In the year under review, the Group began to recover from the impact of Covid-19 and, in line with its stated growth strategy, secured several of its largest ever contracts.

However, the sustained effects of the UK's energy crisis and wider market issues of supply chain pressure and cost inflation presented significant challenges to the Group's operations. This affected the profitability of the Group's multi-utility contracting business and its meter exchange operations, particularly in the final quarter of the year.

Since joining the business, my immediate priority has been to protect and improve margins and refocus the Group on its core utility infrastructure and asset ownership growth strategy. To support me in doing this, the Board and I also appointed a new, highly experienced, executive team to lead the Group.

Acting quickly to protect the business, the executive team has identified contracts where performance and profitability were materially affected by adverse market conditions and agreed to mutually terminate them to protect the business by mitigating their impact on the Group and its performance.

Delivering growth in core markets
In line with the Board's strategy, the new executive team is actively reviewing the Group's activities to ensure it performs optimally, identifying opportunities to improve profitability, and ensuring Fulcrum remains focused on delivering its core strategy and achieving sustainable growth for the benefit of all shareholders.

Despite the challenges presented by the current difficult trading conditions, Fulcrum has, I believe, the essential capabilities required to be successful and achieve long-term growth in what are exciting and growing markets.

In terms of its core multi-utility contracting and asset ownership growth strategy:

1. The Group is well established and has a diverse multi-utility contracting business. It operates across a variety of sectors, nationally, and is one of only a few businesses that can deliver all sizes and complexity of utility infrastructure, including high voltage electrical infrastructure, designed, and delivered through the Group's Dunamis business. The limited market share that the Group has in each of these markets presents a sizeable opportunity for growth.
2. The Group's network of utility assets, valued in excess of £36 million as at 31 March 2022, continues to generate recurring income and provide attractive and predictable long-term returns. Additional asset ownership presents a significant growth opportunity for the Group and, whilst presenting risks, the current instability in the energy market produces opportunities to acquire additional asset portfolios at attractive valuations.

To underpin the execution of our core growth strategy, in December 2021 gross proceeds of £20.05 million were raised by way of conditional placing and gross proceeds of approximately £1.2 million were through an open offer. We also successfully completed the planned tranches of the asset sale to ESP for a total consideration of £6.7 million in the year.

Progress on asset growth strategy

Further to the successful fundraise, the Group is pleased to confirm that, in line with its asset growth strategy, it acquired an Industrial & Commercial gas meter asset portfolio on 29 July 2022.

This acquisition, at a consideration of £0.6 million, follows a due diligence process and provides the Group with additional assets that generate recurring income and provide attractive and predictable returns. The Group also continues to search for, and review, potential additional asset acquisition opportunities and is at varying stages of discussion and due diligence with several prospects.

Financial performance and results
Total revenue increased year on year by £14.7 million to £61.8 million (2021: £47.1 million) as the business recovered well from the impacts of Covid-19. Infrastructure revenues were 33% higher than the previous year at £57.6 million (2021: £43.4 million). Utility asset ownership revenues were 14% higher than the previous year at £4.2 million (2021: £3.7 million).

The Group incurred an operating loss of £13.7 million for the year (2021: £11.2 million). This loss includes exceptional costs of £10.6 million (2021: £8.5 million), depreciation and amortisation of £3.3 million (2021: £3.7 million), a share-based payment charge of £0.6 million (2021: £0.4 million) offset by other net gains of £0.3 million (2021: £1.4 million). Exceptional costs include the income statement impact of the impairment of our utility asset portfolio of £1.9 million (2021: £1.9 million) as a result of an independent, external valuation of those assets at year end, £2.3 million impairment of intangible assets (2021: £4.9 million) and £5.6 million of onerous contracts (2021: £nil) related to losses from the Group's smart meter exchange and management contracts with energy suppliers and the loss for a complex, high voltage infrastructure project. Other net gains of £0.3 million (2021: £1.4 million) relate to the profit on sale of utility assets to ESP and related enhanced payments from ESP as the Group met certain trigger points in respect of new domestic connection wins.

Adjusted EBITDA[1] for the year increased to £0.5 million from £0.1 million in the prior year. Adjusted EBITDA was affected by a dilution of the gross margin, particularly as cost of materials were impacted by significant inflationary effects, and the impact of the turbulent energy sector making trading conditions more challenging in the second half of the year and predominantly in the last quarter of the year. However, mobilisation on larger projects improved as expected as customers regained confidence post Covid-19, resulting in increasing revenues in the year, whilst fixed operational costs continued. Administrative expenses (excluding exceptional items) reduced by 5%, as the business applied greater cost controls on discretionary spending.

[1]Adjusted EBITDA is operating loss excluding the impact of exceptional items, other net gains, depreciation, amortisation, and equity-settled share-based payment charges

Liquidity and net cash
The Group's trading performance for the year has resulted in a cash outflow from operating activities of £7.6 million (2021: £2.4 million). The Group places a high priority on cash generation and the active management of working capital. As at 31 March 2022, the Group had net cash of £11.2 million (2021: £1.5 million net debt).
Net cash inflow from investing activities was £1.4 million (2021: £3.8 million outflow), benefiting from £7 million of net receipts (£6.5 million received for planned tranche sales and an enhanced payment milestone of £0.6 million) from the disposal of utility assets (2021: £5 million), partly offset by investment in utility and other assets of £5.6 million (2021: £8 million).

Net cash inflow from financing activities of £13.4 million (2021: £5.7 million outflow) was predominantly due to the successful share issue that raised a net £20.6 million, less the net repayment of the Revolving Credit Facility (RCF) totalling £5.7 million, and £1.4 million in lease and interest payments (2021: £1.2 million). Net cash outflow from exceptional items was £1.6 million (2021: £1.2 million). The cash proceeds from further asset sales, along with our prudent financial discipline, will enable Fulcrum to maintain a strong balance sheet and will support the generation of cash in the future.

Reserves and net assets
Net assets increased by £10.5 million during the year to £45.9 million (2021: £35.4 million), primarily resulting from increasing contract assets to £20.2 million (2021: £15.6 million) and an improved cash balance of £11.2 million (2021: £3.9 million). The Group received a net revaluation gain on the utility asset portfolio of £1.9 million (2021: £3.8 million net impairment). Net assets per share at 31 March 2022 were 11.5p per share (2021: 15.9p). As at 31 March 2022, the issued share capital of the Company was 399,313,458 ordinary shares (2021: 222,117,945) with a nominal value of £339,313 (2021: £222,118). At the end of the year, the Group operated one Save As You Earn (SAYE) scheme.

Housing
The Group designs, installs and delivers new electricity, gas, water and fibre connections to provide a complete multi-utility service for homebuilders across mainland UK. Fulcrum is a well-established brand in the housing market and works with various UK housebuilders of all sizes, with the Group's expertise and credibility offering added value and reassurance for developers.
The Group's multi-utility infrastructure expertise has become increasingly vital to homebuilders of all sizes, as we offer advice and support on how to ensure new utility infrastructure is designed and installed to meet emerging needs, like EV charging, powering energy generating infrastructure such as heat pumps, and meeting regulatory requirements, like the Future Homes Standard. The essential support we provide to homebuilders saw Fulcrum win the "Highly Commended" title in the Subcontractor/Service Provider of the Year category at the Housebuilder Awards 2021.

We selectively tender on new opportunities in line with our margin strategy and, in the year, secured a healthy flow of new contract wins, including some of the Group's largest ever new housing developments. Adversely, these larger sites were the most affected by the ongoing difficult trading conditions of supply chain pressure and cost inflation in materials and labour, by being inherently more complex and more long-term in nature.
Mid to long-term market drivers remain strong in the housing sector. The UK's current undersupply of housing remains well documented and bridging the housing gap is supported by strong government incentives. This presents substantial potential growth opportunities for the Group.

Industrial and commercial (I&C) including electric vehicle (EV) and high voltage (HV) connections
The Group provides multi-utility infrastructure for all sizes and complexities of I&C and EV projects. The Group's ability to design and build I&C multi-utility and EV charging infrastructure of all sizes and complexities, particularly niche high voltage (132kV) electricity infrastructure, delivered through the Group's Dunamis business, is an important differentiator for the Group. Fulcrum also selectively adopts and owns I&C gas and electricity utility assets in line with our asset growth strategy.

The Group used its capabilities to secure a variety of major multi-utility and EV charging infrastructure projects in the period, supporting projects of national significance. These were selectively tendered on in line with the Group's margin strategy but, like the large housing contracts secured, these were most severely impacted by supply chain pressure and cost inflation by being significantly complex, and longer-term contracts. As part of our ongoing business improvement review, we identified a materially loss-making complex, high voltage infrastructure project which has been provided for within exceptional items in cost of sales.

The I&C market, including EV connections, presents some hugely exciting opportunities for the Group and medium to long-term market growth drivers are very strong. Electricity is a key enabler in decarbonising the economy cost effectively by 2050, and demand for electrical infrastructure to power the EV charging network, renewable energy generating equipment and battery storage infrastructure, essential to transition to net zero, is expected to grow rapidly.

This increased need for more electrical infrastructure is essential to transition to net zero, and Fulcrum remains one of a limited number of businesses in the UK with the essential capabilities required to facilitate this.

Maintenance and ownership
The Group's ability to adopt, own and maintain the UK's essential utility infrastructure is fundamental to our growth strategy.

The utility assets we own continue to provide a healthy recurring income and deliver attractive and predictable long-term returns, and we continued to adopt additional I&C utility assets in the year, adding them to our income generating portfolio.

Additional utility asset ownership presents a significant growth opportunity for the Group and, whilst we are cognisant that the current market conditions present risk, the current instability in the market also presents opportunities to acquire asset portfolios at attractive valuations.

Additionally, the current and future proceeds from the asset sale agreement with ESP provide the Group with additional financial strength that underpins our asset ownership growth ambitions and the execution of our strategy.

Our high voltage electrical maintenance capabilities, delivered though our Maintech Power business, are niche, and will be essential to maintain the additional electrical and renewable energy generating infrastructure the UK needs to achieve net zero.

Smart metering
The UK's energy crisis has presented considerable challenges for our smart metering operations in the year, affecting the performance and profitability of the Group's various smart meter exchange and management contracts.

The sustained volatility and turbulence in the market affected the performance and profitability of the Group's smart meter exchange and management contracts with energy suppliers. The contracts were deeply impacted in the second half of the year, primarily resulting from the insolvency of several of the Group's other, smaller energy supplier customers and one of the Group's labour-only sub-contractors.
After the year end, we agreed to mutually terminate contracts affected by the UK energy crisis to protect the business by mitigating their impact on the Group and its performance.

Delivering contracts safely
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.

Antony Collins
Chief Executive Officer
1 August 2022

Consolidated statement of comprehensive income

for the year ended 31 March 2022

	Notes	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Revenue		**61,846**	47,054
Cost of sales – underlying		**(50,149)**	(35,211)
Cost of sales – exceptional items	4	**(5,422)**	(2,050)
Total cost of sales		**(55,571)**	(37,261)
Gross profit		**6,275**	9,793
Administrative expenses – underlying		**(15,094)**	(15,912)
Administrative expenses – exceptional items	4	**(5,202)**	(6,400)
Total administrative expenses		**(20,296)**	(22,312)
Other net gains	5	**330**	1,353
Operating loss	6	**(13,691)**	(11,166)
Net finance expense		**(496)**	(293)
Loss before taxation		**(14,187)**	(11,459)
Taxation	7	**765**	1,178
Loss for the year attributable to equity holders of the parent		**(13,422)**	(10,281)
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of utility assets	10	**4,252**	1,569
Surplus arising on utility assets internally adopted in the year	10	**57**	338
Impairment of previously revalued utility assets		**(477)**	(3,548)
Deferred tax on items that will never be reclassified to profit or loss		**(1,083)**	560
Total comprehensive expense for the year		**(10,673)**	(11,362)
Loss per share attributable to the owners of the business			
Basic	9	**(5.2)p**	(4.6)p
Diluted	9	**(5.1)p**	(4.5)p

Adjusted EBITDA 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		**(13,691)**	(11,166)
Equity-settled share-based payment charge		**639**	436
Other net gains	5	**(330)**	(1,353)
Exceptional items within operating loss	4	**10,624**	8,450
Depreciation and amortisation	10, 12, 13	**3,257**	3,739
Adjusted EBITDA		**499**	106
Surplus arising on sale of domestic utility assets and enhanced payments	5	**330**	1,353
Adjusted EBITDA including sale of domestic utility assets and enhanced payments		**829**	1,459

Consolidated statement of changes in equity

for the year ended 31 March 2022

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve Restated[1] £'000	Merger reserve £'000	Retained earnings Restated[1] £'000	Total equity £'000
Balance at 31 March 2020		**222**	**389**	**11,549**	**11,347**	**22,800**	**46,307**
Total comprehensive income for the year							
Loss for the year		–	–	–	–	(10,281)	(10,281)
Revaluation surplus on external valuation of utility assets		–	–	1,569	–	–	1,569
Surplus arising on utility assets internally adopted in the year	10	–	–	338	–	–	338
Disposal of previously revalued assets	5	–	–	(574)	–	574	–
Depreciation on previously revalued assets		–	–	(342)	–	342	–
Exceptional items – fixed asset impairment		–	–	(3,548)	–	–	(3,548)
Deferred tax in respect of items that will never be reclassified to profit and loss		–	–	560	–	–	560
Transactions with equity shareholders							
Equity-settled share-based payment credit		–	–	–	–	436	436
Balance at 31 March 2021		**222**	**389**	**9,552**	**11,347**	**13,871**	**35,381**
Restatement of opening balances[1]		**–**	**–**	**(671)**	**–**	**671**	**–**
Balance at 31 March 2021 (restated) [1]		**222**	**389**	**8,881**	**11,347**	**14,542**	**35,381**
Total comprehensive income for the year							
Loss for the year		**–**	**–**	**–**	**–**	**(13,422)**	**(13,422)**
Revaluation surplus on external valuation of utility assets	10	**–**	**–**	**4,252**	**–**	**–**	**4,252**
Surplus arising on utility assets internally adopted in the year	10	**–**	**–**	**57**	**–**	**–**	**57**
Disposal of previously revalued assets	5	**–**	**–**	**(1,445)**	**–**	**1,445**	**–**
Depreciation on previously revalued assets		**–**	**–**	**(179)**	**–**	**179**	**–**
Additional costs allocated to previously revalued assets		**–**	**–**	**(37)**	**–**	**–**	**(37)**
Exceptional items – fixed asset impairment		**–**	**–**	**(477)**	**–**	**–**	**(477)**
Deferred tax in respect of items that will never be reclassed to profit and loss		**–**	**–**	**(1,083)**	**–**	**–**	**(1,083)**
Transactions with equity shareholders							
Equity-settled share-based payment credit		**–**	**–**	**–**	**–**	**639**	**639**
Issue of new shares net of transaction costs		**177**	**20,388**	**–**	**–**	**–**	**20,565**
Balance at 31 March 2022		**399**	**20,777**	**9,969**	**11,347**	**3,383**	**45,875**

[1] The revaluation reserve and retained earnings have been restated to reallocate fair value gains and losses between these reserves in relation to disposals of utility assets in previous years. As such, the balance sheet as at 31 March 2021 has been restated. There is no impact on net assets.

Consolidated balance sheet

as at 31 March 2022

	Notes	**31 March 2022 £'000**	31 March 2021 Restated[1] £'000
Non-current assets			
Property, plant and equipment	10	**37,151**	37,314
Intangible assets	12	**15,597**	18,907
Right-of-use assets	13	**2,323**	3,081
Deferred tax assets	7	**3,495**	2,710
		58,566	62,012
Current assets			
Contract assets		**20,177**	15,640
Inventories		**433**	438
Trade and other receivables		**9,620**	6,550
Cash and cash equivalents	16	**11,176**	3,934
		41,406	26,562
Total assets		**99,972**	88,574
Current liabilities			
Trade and other payables		**(15,825)**	(12,669)
Contract liabilities		**(25,272)**	(27,098)
Current lease liability	13	**(802)**	(996)
Current provisions	17	**(3,035)**	(54)
		(44,934)	(40,817)
Non-current liabilities			
Non-current lease liability	13	**(1,873)**	(2,382)
Borrowings	15	**–**	(5,483)
Non-current provisions	17	**(1,296)**	–
Deferred tax liabilities	7	**(5,994)**	(4,511)
		(9,163)	(12,376)
Total liabilities		**(54,097)**	(53,193)
Net assets		**45,875**	35,381
Equity			
Share capital	14	**399**	222
Share premium		**20,777**	389
Revaluation reserve		**9,969**	8,881
Merger reserve		**11,347**	11,347
Retained earnings		**3,383**	14,542
Total equity		**45,875**	35,381

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

The financial statements were approved by the Board of Directors on 1 August 2022 and were signed on its behalf by:

Jennifer Babington

Non-executive Chair

Company number FC030006

Consolidated cash flow statement

for the year ended 31 March 2022

	Notes	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 £'000
Cash flows from operating activities			
Loss for the year after tax		**(13,422)**	(10,281)
Tax credit	7	**(765)**	(1,178)
Loss for the year before tax		**(14,187)**	(11,459)
Adjustments for:			
Depreciation	10, 13	**1,832**	1,919
Amortisation of intangible assets	12	**1,425**	1,820
Exceptional items – fixed asset impairment	4	**1,920**	1,857
Exceptional items – intangible asset impairment	4, 12	**2,309**	4,935
Net finance expense		**496**	293
Equity-settled share-based payment charge		**639**	436
Loss/(profit) on disposal of utility assets	5	**75**	(873)
Gain on IFRS 16 lease modification	13	**(16)**	–
Additional consideration receivable from previous utility asset sales	5	**(259)**	–
Increase in contract assets		**(4,537)**	(3,361)
Increase in trade and other receivables		**(3,154)**	(201)
Decrease in inventories		**5**	8
Increase in trade and other payables		**3,370**	2,995
Decrease in contract liabilities		**(1,826)**	(807)
Increase/(decrease) in provisions	17	**4,277**	(4)
Cash outflow from operating activities		**(7,631)**	(2,442)
Tax repaid/(paid)		**12**	(108)
Net cash outflow from operating activities		**(7,619)**	(2,550)
Cash flows from investing activities			
Acquisition of external utility assets		**(2,468)**	(3,958)
Utility assets internally adopted		**(2,475)**	(3,503)
Acquisition of plant and equipment	10	**(242)**	(87)
Acquisition of intangibles	12	**(424)**	(140)
Proceeds on disposal of utility assets	5	**6,487**	4,578
Receipt of deferred consideration on disposal of utility assets		**642**	670
Costs paid in relation to disposal of subsidiary		**–**	(1,245)
Costs paid in relation to disposal of utility assets		**(141)**	(102)
Proceeds on disposal of assets – other		**–**	9
Additional consideration received from previous utility asset sales		**49**	–
Net cash inflow/(outflow) from investing activities		**1,428**	(3,778)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	14	**21,263**	–
Share issue transaction costs		**(698)**	–
Borrowings received	15	**5,250**	5,700
Borrowings repaid	15	**(10,950)**	(10,000)
Prepaid arrangement fees		**(11)**	(247)
Interest paid and banking charges (non-IFRS 16)		**(297)**	(153)
IFRS 16 – principal payments	13	**(1,022)**	(861)
IFRS 16 – deposit payments		**–**	(11)
IFRS 16 – interest payments	13	**(121)**	(139)
IFRS 16 – proceeds received on disposal of leased vehicle	13	**19**	–
Net cash inflow/(outflow) from financing activities		**13,433**	(5,711)
Increase/(decrease) in net cash and cash equivalents		**7,242**	(12,039)
Cash and cash equivalents at the beginning of the year		**3,934**	15,973
Cash and cash equivalents at the end of the year	16	**11,176**	3,934

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial information set out in this preliminary announcement has been derived from the Group's consolidated financial statements for the years ended 31 March 2022 and 31 March 2021. The audited financial information included in this preliminary results announcement for the year ended 31 March 2022 and audited information for the year ended 31 March 2021 does not comprise statutory accounts within the meaning of section 434 Companies Act 2006. The information has been extracted from the audited non statutory financial statements for the year ended 31 March 2022 which will be delivered to the Registrar of Companies in due course. Non statutory financial statements for the year ended 31 March 2021 were approved by the Board of directors and have been delivered to the Registrar of Companies. The report of the independent auditors for the year ended 31 March 2022 and 2021 respectively on these financial statements were unqualified.

Whilst the financial information included in this preliminary announcement has been prepared on the basis of the requirements of International Financial Reporting Standards as adopted by the United Kingdom, this announcement does not itself contain sufficient information to comply with IFRS.

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

Going concern

At 31 March 2022 the Group had net assets of £45.9 million (2021: £35.4 million), net current liabilities of £3.5 million (2021: £14.3 million), cash of £11.2 million (2021: £3.9 million) and borrowings of £nil (2021: £5.5 million) as set out in the consolidated balance sheet. In the year ended 31 March 2022, the Group suffered a loss after tax of £13.4 million (2021: £10.3 million) and had net cash inflows of £7.2 million (2021: net cash outflows of £12.0 million) after investing £4.9 million in utility assets (2021: £7.5 million) and repaying a net £5.7 million of borrowings (2021: £nil).

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board has prepared cash flow forecasts based upon its assumptions with particular consideration of the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until 30 September 2023 which has been selected as it can be projected with a good degree of expected accuracy.

The Group successfully completed a share placing in December 2021 generating gross proceeds of £21.3 million to help fund the Group's continued growth strategy. Consequently the Group re-paid its Revolving Credit Facility (RCF) in full on 1 January 2022. The RCF of £10 million remains available up to 30 November 2022, although the Group currently has no plans to utilise this facility. This facility includes two financial covenants; ratio of total debt to EBITDA and ratio of the market value of pipeline assets to total debt. The forecasts, as approved by the Board, satisfy these financial covenants with reasonable levels of headroom.

The forecasts prepared reflect a cautious view on continued sector growth and include a range of sensitivities including a severe but plausible scenario together with mitigating actions. Changes to the principal assumptions included a reduction in EBITDA of approximately 40%. Even under the downside scenario, the Group continues to project sufficient cash reserves, continues to operate with headroom on borrowing facilities and associated covenants, and has additional mitigation measures within management's control, for example accelerating cash receipts and reducing operating costs, that could be deployed to create further cash. To further test the sensitivity, the Group also considered a more severe downside scenario that reflected even further deterioration in operational and commercial performance. Under this scenario, the Group forecast a cash low point in the second half of 2023, but the management team are confident that it has various immediate mitigating levers that would avoid, and sufficiently alleviate, this position.

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

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

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2021:

- Amendments to IAS 1 “Presentation of Financial Statements”;
- Amendments to IFRS 3 “Business Combinations”;
- Amendments to IFRS Practice Statement 2 “Making Materiality Judgements”;
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”; and
- Amendments to IAS 12 “Income Taxes”.

Their adoption has not had any material impact on the disclosures or on the amounts reported. Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Operating segments

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

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

	Year ended 31 March 2022			Year ended 31 March 2021		
	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	**57,631**	**4,215**	**61,846**	43,400	3,654	47,054
Adjusted EBITDA*	**(1,557)**	**2,056**	**499**	(969)	1,075	106
Other net gains	**146**	**184**	**330**	480	873	1,353
Share-based payment charge	**(639)**	–	**(639)**	(436)	–	(436)
Depreciation and amortisation	**(2,606)**	**(651)**	**(3,257)**	(2,979)	(760)	(3,739)
Reportable segment operating (loss)/profit before exceptional items	**(4,656)**	**1,589**	**(3,067)**	(3,904)	1,188	(2,716)
Cost of sales – exceptional items	**(3,502)**	**(1,920)**	**(5,422)**	–	(2,050)	(2,050)
Administrative expenses – exceptional items	**(5,202)**	–	**(5,202)**	(6,400)	–	(6,400)
Reporting segment operating loss	**(13,360)**	**(331)**	**(13,691)**	(10,304)	(862)	(11,166)
Net finance expense	**(107)**	**(389)**	**(496)**	(171)	(122)	(293)
Loss before tax	**(13,467)**	**(720)**	**(14,187)**	(10,475)	(984)	(11,459)

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

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

3. Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs), as listed below, to present users of the accounts with a clear view of what the Group considers to be the results of its underlying, sustainable business operations, thereby enabling consistent year-on-year comparisons and making it easier for users of the accounts to identify trends.

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

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

(a) Reconciliation of operating loss to "adjusted EBITDA"

	31 March 2022 £'000	31 March 2021 £'000
Operating loss	**(13,691)**	(11,166)
Adjusted for:		
Exceptional items within operating loss	**10,624**	8,450
Other net gains	**(330)**	(1,353)
Amortisation and depreciation	**3,257**	3,739
Equity-settled share-based payments	**639**	436
Adjusted EBITDA	**499**	106

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

	31 March 2022 £'000	31 March 2021 £'000
Loss before tax	**(14,187)**	(11,459)
Adjusted for:		
Exceptional items included in cost of sales	**5,422**	2,050
Exceptional items included in administrative expenses	**5,202**	6,400
Amortisation of acquired intangibles	**1,248**	1,356
Adjusted loss before tax	**(2,315)**	(1,653)

(c) Net assets per share

	31 March 2022 £'000	31 March 2021 £'000
Net assets at the end of the year	**45,875**	35,381
Issued shares at the end of the year	**399,313**	222,118
Net assets per share	**11.5p**	15.9p

4. Exceptional items

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Exceptional items included in cost of sales	**5,422**	2,050
Exceptional items included in administrative expenses	**5,202**	6,400
	10,624	8,450

(a) Exceptional items included in cost of sales

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fixed asset impairment	**1,920**	1,857
Remedial works to utility assets	–	193
Onerous contracts	**3,502**	–
	5,422	2,050

Fixed asset impairment relates to the impairment of utility assets not previously revalued upwards. Onerous contracts costs relate to losses from the Group's smart meter exchange and management contracts with energy suppliers and the loss for a complex, high voltage infrastructure project.

(b) Exceptional items included in administrative expenses

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000

Restructuring costs	**575**	569
One-off legal and adviser costs	**242**	896
Intangible asset impairment	**2,309**	4,935
Onerous contracts	**2,076**	–
	5,202	6,400

Restructuring costs relate to employee exit and severance costs. Intangible asset impairment relates to the impairment of goodwill and software and development costs. Onerous contracts costs relate to losses from the Group's smart meter exchange and management contracts with energy suppliers.

Net cash outflows in the year ended 31 March 2022 for exceptional items in cost of sales and administrative expenses were £1.6 million (2021: £1.2 million).

5. Other net gains

Included within other net gains are the following amounts:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
(Loss)/profit on disposal of assets	**(75)**	873
Additional consideration receivable from utility asset sales in previous years	**259**	–
Enhanced payments received	**146**	480
	330	1,353

Additional consideration receivable from utility asset sales in previous years is amounts due to the Group for utility assets sold in previous years that were non-metered when sold and became metered in the year ended 31 March 2022.

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

The loss on disposal of assets represents the loss arising on sale of certain of the Group's utility assets to a third party. The Group has entered into an agreement with the third party to sell part of its utility assets portfolio in structured tranches.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Consideration – proceeds received	**6,487**	4,578
Consideration – retention receivable	**201**	142
Total consideration	**6,688**	4,720
Net book value of assets sold (including the effect of previous revaluations)	**(6,580)**	(3,712)
Legal and other costs relating to the transaction	**(173)**	(102)
Discounting of retention consideration due in more than one year	**(10)**	(33)
(Loss)/profit on disposal of assets	**(75)**	873

Some of the disposed utility assets had previously been revalued in accordance with the Group policy. Upon disposal, this gave rise to a transfer between the revaluation reserve and retained earnings of £1,445,000 (2021: £574,000).

6. Operating loss

Included in operating loss are the following charges:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Amortisation of intangible assets	**1,425**	1,820
Depreciation of property, plant and equipment	**838**	1,027
Depreciation of right-of-use asset	**994**	892

7. Taxation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax	**(380)**	(130)
Deferred tax	**(385)**	(1,048)

Total tax credit	**(765)**	(1,178)

At Budget 2020, the government announced that the corporation tax main rate (for all profits except ring-fence profits) for the years starting 1 April 2021 and 2022 would be 19%. At Spring Budget 2021, the government announced that the corporation tax main rate would rise to 25% for companies with profits over £250,000 together with the introduction of a small profits rate of 19% with effect from 1 April 2023. The increase in the tax rate to 25% is considered to be substantively enacted, and accordingly the deferred tax balances expected to unwind after 1 April 2023 have been calculated using the 25% tax rate.

The Group has £12.5 million (31 March 2021: £12.1 million) of tax losses for which deferred tax assets of £3.1 million (31 March 2021: £2.3 million) have been recognised. The deferred tax asset is expected to be recovered over five years. The Group also has unrecognised tax losses of £9.7 million (31 March 2021: £3.0 million) for which no deferred tax asset has been recognised as there is insufficient certainty over whether those losses will reverse.

Reconciliation of effective tax rate

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Loss before taxation	**(14,187)**	(11,459)
Tax using the UK corporation tax rate of 19.0% (2021: 19.0%)	**2,696**	2,177
Non-taxable items	**(501)**	(614)
Effect of change in rate of corporation tax	**255**	–
Tax deductions for share options exercised	**(121)**	(83)
Adjustment to tax charge in respect of previous year's corporation tax	**380**	130
Adjustment to tax charge in respect of previous year's deferred tax	**(382)**	148
Utilisation of previously unrecognised losses	**–**	345
Release of previously recognised losses	**(1,262)**	(579)
Chargeable gains arising	**(300)**	(346)
Total tax credit	**765**	1,178

Movement in deferred tax balances

	31 March 2022		31 March 2021	
	Deferred tax assets £'000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
At the beginning of the year	**2,710**	**(4,511)**	1,784	(5,193)
Recognised in profit or loss				
Adjustment in respect of previous years	**(388)**	**6**	106	42
Tax losses (utilised)/recognised	**1,721**	–	1,055	–
Effect of change in rate of corporation tax	**831**	**(576)**	–	–
Origination/reversal of other timing differences	**(117)**	**170**	45	379
Reclassification between assets and liabilities	–	–	299	(299)
Release of previously recognised losses	**(1,262)**	–	(579)	–
Recognised in other comprehensive income				
Effect of change in rate of corporation tax	–	**(798)**	–	–
Revaluation of property, plant and equipment	–	**(285)**	–	560
At the end of the year	**3,495**	**(5,994)**	2,710	(4,511)

8. Dividends

No dividends were paid in the year ended 31 March 2022 or 31 March 2021.

No interim dividends were declared and no final dividends are proposed relating to the year ended 31 March 2022.

9. Earnings per share (EPS)

Basic earnings per share

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Loss for the year used for calculation of basic EPS	**(13,422)**	(10,281)
Exceptional items included in cost of sales	**5,422**	2,050
Exceptional items included in administrative expenses	**5,202**	6,400
Remove tax relief on exceptional items	**(2,019)**	(1,606)
Amortisation of intangibles	**1,248**	1,356

Loss for the year used for calculation of adjusted EPS	**(3,569)**	(2,081)

Number of shares

	31 March 2022 Number of shares ('000)	31 March 2021 Number of shares ('000)
Weighted average number of ordinary shares for the purpose of basic EPS	**260,169**	222,118
Effect of potentially dilutive ordinary shares	**1,739**	7,434
Weighted average number of ordinary shares for the purpose of diluted EPS	**261,908**	229,552
EPS		
Basic	**(5.2)p**	(4.6)p
Diluted basic	**(5.1)p**	(4.5)p
Adjusted basic	**(1.4)p**	(0.9)p
Adjusted diluted basic	**(1.4)p**	(0.9)p

10. Property, plant and equipment

(a) Reconciliation of carrying amount

	Utility assets £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 31 March 2020	66,588	1,065	1,276	68,929
Externally acquired assets	3,485	19	68	3,572
Internally adopted assets	3,170	–	–	3,170
Surplus arising on internally adopted assets	338	–	–	338
Revaluation	1,659	–	–	1,659
Disposals	(3,860)	(15)	–	(3,875)
At 31 March 2021	71,380	1,069	1,344	73,793
Externally acquired assets	2,677	22	220	2,919
Internally adopted assets	2,424	–	–	2,424
Surplus arising on internally adopted assets	57	–	–	57
Revaluation	4,252	–	–	4,252
Disposals	(6,663)	–	–	(6,663)
At 31 March 2022	**74,127**	**1,091**	**1,564**	**76,782**
Accumulated depreciation				
At 31 March 2020	(28,271)	(717)	(1,121)	(30,109)
Depreciation charge for the year	(735)	(143)	(149)	(1,027)
Impairment from external revaluation	(5,495)	–	–	(5,495)
Disposals	148	4	–	152
At 31 March 2021	(34,353)	(856)	(1,270)	(36,479)
Depreciation charge for the year	(613)	(80)	(145)	(838)
Impairment from external revaluation	(2,397)	–	–	(2,397)
Disposals	83	–	–	83
At 31 March 2022	**(37,280)**	**(936)**	**(1,415)**	**(39,631)**
Net book value				
At 31 March 2022	**36,847**	**155**	**149**	**37,151**
At 31 March 2021	37,027	213	74	37,314
At 31 March 2020	33,562	348	155	38,820

Utility assets include £0.4 million (2021: £0.4 million) of meter assets valued at cost less depreciation to date.

Internally adopted assets are stated at the full cost of construction of £3.7 million (2021: £8.8 million) less the deficit arising on internally adopted assets of £1.3 million (2021: £5.6 million).

Disposals include utility assets with a net book value of £6,580,000 that were disposed of as part of Tranches 3 and 4 of the utility assets sale as disclosed in note 5.

(b) Measurement of fair values

The fair value of utility assets was determined by external, independent specialist valuers, having appropriate recognised professional qualifications and experience in the assets being valued. The valuation established the fair value of the assets at 31 March 2022. The key assumptions used in the valuation model include current market prices, useful economic lives of the assets and income generated by the assets discounted using a weighted average cost of capital. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13.

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis has been performed, with a 0.6% increase in the discount rate leading to a £1.0 million reduction in the revaluation gain and a 0.6% reduction in the discount rate leading to a £0.9 million increase in the revaluation gain.

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 assets estate, a net revaluation gain of £1.9 million (2021: £3.8 million net impairment charge) was recorded. A revaluation gain of £4.3 million (2021: £1.6 million) was recognised in the revaluation reserve, with an impairment of £0.5 million (2021: £3.5 million) offset against the revaluation reserve and a £1.9 million impairment charge (2021: £1.9 million) included within exceptional items in cost of sales in the consolidated statement of comprehensive income.

11. 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 2022 the balance was £5.5 million (2021: £9.6 million).

12. Intangible assets

Reconciliation of carrying amount	Goodwill £'000	Brand and customer relationships £'000	Software and development costs £'000	Total £'000
Cost				
At 31 March 2020	14,251	12,607	4,675	31,533
Additions	–	–	140	140
At 31 March 2021	14,251	12,607	4,815	31,673
Additions	–	–	424	424
At 31 March 2022	**14,251**	**12,607**	**5,239**	**32,097**
Accumulated amortisation and impairment				
At 31 March 2020	–	(2,918)	(3,093)	(6,011)
Amortisation for the year	–	(1,356)	(464)	(1,820)
Impairment	(4,494)	(218)	(223)	(4,935)
At 31 March 2021	(4,494)	(4,492)	(3,780)	(12,766)
Amortisation for the year	–	(1,248)	(177)	(1,425)
Impairment	(2,149)	–	(160)	(2,309)
At 31 March 2022	**(6,643)**	**(5,740)**	**(4,117)**	**(16,500)**
Net book value				
At 31 March 2022	**7,608**	**6,867**	**1,122**	**15,597**
At 31 March 2021	**9,757**	**8,115**	**1,035**	**18,907**
At 31 March 2020	14,251	9,689	1,582	25,522

(a) Amortisation

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

(b) Impairment testing

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The Group tests other intangible assets for impairment when there is an indication that the assets might be impaired.

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

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

Goodwill brought forward at the start of the year relates to the acquisition of Fulcrum Group Holdings Limited on 8 July 2010 and the acquisition of The Dunamis Group Limited on 5 February 2018. The carrying amount of the goodwill is allocated across cash-generating units (CGUs). The goodwill held by the Group relates to either the Fulcrum Infrastructure Services CGU or Dunamis, which has two CGUs. The brands and customer relationships also relate to the same CGUs.

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

The recoverable amounts of the CGUs have been determined from value in use calculations which have been predicated on discounted cash flow projections from financial plans approved by the Board. 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 8.1% and 9.8% (2021: between 7.6% and 9.4%) 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% (2021: 2.0%). This is not considered to be higher than the long-term industry growth rate.

Following the review, the carrying value of the intangible assets exceeded the associated value in use for one of the Dunamis CGUs. Consequently, an impairment of £2.1 million was made to the carrying value of goodwill. No impairment was recognised for the Fulcrum CGU.

A segment-level summary of the acquired intangible assets allocation is presented below:

	Fulcrum £'000	Dunamis £'000	Total £'000
Goodwill	2,225	5,383	7,608
Brands and customer relationships	–	6,867	6,867

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis has been performed on the individual CGUs with a 1.0% increase in the discount rate and a 1.0% reduction in the long-term growth rate.

Based on this analysis, the reasonably possible downside scenario to the discount rate would increase the impairment by £0.9 million, and the change to the long-term growth rate would increase the impairment by £0.7 million.

An impairment charge of £0.2 million (2021: £nil) has been recognised for software used in the delivery of contracts deemed to be onerous during the year ended 31 March 2022.

13. Leases

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

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

Right-of-use assets	**31 March 2022 £'000**	31 March 2021 £'000
Land and buildings	**1,254**	1,500
Plant and machinery	**1,069**	1,581
Total	**2,323**	3,081

	31 March 2022 £'000	31 March 2021 £'000
Additions to right-of-use assets	**255**	1,252

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

Depreciation on right-of-use assets	**31 March 2022 £'000**	31 March 2021 £'000
Land and buildings	**291**	247
Plant and machinery	**703**	645
Total	**994**	892

	Land and buildings		Plant and machinery	
Maturity of lease liabilities	**31 March 2022 £'000**	31 March 2021 £'000	**31 March 2022 £'000**	31 March 2021 £'000
Less than one year	**298**	310	**504**	686
Between one and five years	**1,123**	1,191	**605**	946
In more than five years	**145**	245	**–**	–
Total	**1,566**	1,746	**1,109**	1,632

Other impact on profit and loss	**31 March 2022 £'000**	31 March 2021 £'000
Finance costs on leases	**(121)**	(139)
Expense on short-term and low value leases	**(490)**	(637)
Gain on lease modification	**16**	–
Total	**(595)**	(776)

Cash flows in respect of leases	**31 March 2022 £'000**	31 March 2021 £'000
IFRS 16 – principal payments	**(1,022)**	(861)
IFRS 16 – interest payments	**(121)**	(139)
Cash outflows relating to short-term and low value leases	**(490)**	(637)
Proceeds received on disposal of leased vehicle	**19**	–
Total	**(1,614)**	(1,637)

During the year ended 31 March 2022, the Group disposed of a leased vehicle for proceeds of £19,000. This resulted in a gain on lease modification in the statement of comprehensive income of £16,000. No leases were disposed of or modified in the year ended 31 March 2021.

14. Share capital

	31 March 2022 £'000	31 March 2021 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	**500**	500
Allotted, issued and fully paid		
399,313,458 (2021: 222,117,945) ordinary shares of £0.001 each	**399**	222

Ordinary shareholders are entitled to dividends as declared. During the year ended 31 March 2022, 177,195,513 new ordinary shares were issued. The shares issued had a nominal value of £0.001 each and were issued at £0.12 each. No new ordinary shares were issued during the year ended 31 March 2021.

15. Interest-bearing loans and borrowings

On 1 December 2020, the Group entered into a two year Revolving Credit Facility agreement with Lloyds Banking Group for £10 million. This facility supports the financing, construction and acquisition of pipeline assets. During the year ended 31 March 2022, net repayments of £5.7 million were made by the Group. At 31 March 2022, £10 million of this facility remained available for future drawdowns.

(a) Changes in liabilities arising from financing activities

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	**5,483**	10,000
Repaid in year	**(10,950)**	(10,000)
New borrowings	**5,250**	5,700
Capitalised borrowing fees	**(11)**	(260)
Amortisation of capitalised borrowing fees	**134**	43
At the end of the year	**(94)**	5,483

As no borrowings are outstanding as at 31 March 2022, the capitalised borrowing fees have been included within trade and other receivables.

(b) Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity	**31 March 2022 £'000**	31 March 2021 £'000
Two year Revolving Credit Facility agreement	GBP	Bank of England base rate + 3.5%	2022	**–**	5,700

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

16. Reconciliation to net cash/(debt)

	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents	**11,176**	3,934
Borrowings	**–**	(5,483)
Net cash/(debt)	**11,176**	(1,549)

17. Provisions

	Provision for costs to settle ongoing legal claims £'000	Provision for onerous contracts £'000	Other provisions £'000	Total
At 31 March 2020	–	–	58	58
Provision utilised during the year	–	–	(58)	(58)
Provision created during the year	54	–	–	54
At 31 March 2021	54	–	–	54
Provision released during the year	(54)	–	–	(54)
Provision created during the year	–	5,578	121	5,699
Provision utilised during the year	–	(1,368)	–	(1,368)
At 31 March 2022	**–**	**4,210**	**121**	**4,331**

The provision for onerous contracts relates to future losses expected to be incurred on contracts deemed to be onerous. The provision created during the year for other provisions relates to rebates payable on the Group's smart meter exchange and management contracts. The amount and timing of the outflows related to these provisions are uncertain, but a reliable estimate has been made.

Of the £4.2 million provision for onerous contracts, £1.3 million is expected to be settled in more than 12 months. All other provisions are expected to be settled within 12 months.

18. 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 of the Annual Report and Accounts.

In the year, sales totalling £1,148,332 (2021: £23,790) were made by the Group to companies in which key management personnel held significant interests, of which £165,851 (2021: £nil) was still outstanding at the year end.

In the year, purchases totalling £776,946 (2021: £347,110) were made by the Group from companies in which key management personnel held significant interests, of which £nil (2021: £7,954) was still outstanding at the year end. The purchases were for equipment hire and fuel cards used in the ordinary course of business.