Interim Results

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FULCRUM UTILITY SERVICES LIMITED

Unaudited interim results for the six months ended 30 September 2015

Fulcrum, the UK's market leading independent energy and multi-utility infrastructure and services provider, today announces its interim results for the six months ended 30 September 2015.

Financial highlights

- Profit before tax of £1.6 million (2014: loss of £0.2 million).
- Underlying EBITDA more than doubled to £2.0 million (2014: £0.9 million).
- Revenue up by 2% to £17.1 million (2014: £16.8 million).
- Adjusted basic earnings per share of 1.0p (2014: loss of 0.1p).
- Net funds of £5.6 million at September 2015 (2014: £5.5 million).
- A new (undrawn) revolving credit facility for up to £4.0 million has been agreed.

Dividend

- The Board is today declaring an interim dividend of 0.3 pence per share for the FY2016 payable in January 2016. This reflects the Board's ongoing confidence in the Group's cash generation capabilities and future prospects.

Operational highlights

- Secured a 26 month extension to the framework contract with British Gas to January 2018.
- Awarded a £4.0 million contract to install a 13 kilometre pipeline to link Scotland's main gas network to four distilleries.
- Continuing to win and deliver a high volume of smaller projects - in the first half of FY2016 we completed over 1,100 jobs under £100k across the UK.
- Transitioned to a direct delivery model and now have control of the full operational process from design through to installation across England and Wales.
- Continued progress made in managing down the cost base, an annualised reduction of £0.5 million achieved.

Martin Donnachie, CEO of Fulcrum, said:

"Fulcrum has continued to make excellent progress. Our core operational model has been established and we have continued to deliver efficiencies, providing us with a robust platform for profitable growth. This solid position, together with our commitment to customer service, has supported us in achieving notable organic growth through contract wins and importantly the extension of our British Gas framework contract. We continue to move forward with confidence for the future as we remain on course to deliver value to all our stakeholders as well as being the UK's most trusted utility services partner."

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Notes to Editor

Fulcrum is the UK's market leading independent energy and multi-utility infrastructure and services provider. 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

We are pleased to announce our interim results for the six months ended 30 September 2015. Compared to the previous half year period to September 2014, revenue has improved, gross margins have increased, the cost base has been further reduced and EBITDA has more than doubled to £2.0 million.

Trading update

We continue to increase our order book and have extended our strong customer base of more than 1,200 UK clients, driven by our customer centric approach and excellent service levels.

We recently announced a 26 month extension to our framework contract with British Gas, a long standing and valuable client of the Group. The framework contract, to provide new utility connection and metering services to customers in England, Scotland and Wales, will now run until January 2018. This endorses Fulcrum's reputation as a trusted utility services provider.

Our ability to deliver significant projects was again endorsed with the award of a second prestigious contract with Scotland's whisky industry. This £4.0 million project to install a 13 kilometre pipeline to link Scotland's main gas network to four Speyside distilleries provides a sustainable, efficient and environmentally friendly utilities service for our clients. The site works are well under way and our technical expertise and operational know-how have overcome the engineering challenges faced.

Alongside this contract and other major projects secured, we continue to win and deliver the foundation of smaller projects and in the first half of FY2016 we completed over 1,100 jobs under £100k across the UK.

In the six month period to 30 September, year on year revenue improved by £0.3 million or 2% to £17.1 million. To bolster our future revenues, we have implemented operational changes alongside a targeted growth strategy. The sales and design functions have been combined into a focused work-winning engine and dedicated teams established to cover our routes to market: British Gas, key accounts, major projects, housing and technical sales.

We continue to invest in our estate of pipeline assets, increasing our owned portfolio of domestic, industrial and commercial assets by £0.6 million in H1 FY2016 to a total net book value of £7.7 million at 30 September 2015. The annualised gas transportation income has grown to £1.1 million and, with the low costs to serve, this annuity income stream represents a secure and profitable element of the Group's future financial stability.

Operations
The positive impact of an in-house operational delivery model has been realised and, following the transfer in of 99 employees under TUPE on 1 April 2015, we have direct control of the full operational process from design through to installation. We have successfully transitioned to this branded direct delivery model which has underpinned our customer service excellence and enhanced gross margins through operational efficiencies. In addition, the extensive pre and post integration work provided us with proven business integration skills and confidence to undertake similar projects in the future.

Continued progress has been made in reducing the cost base of the business to ensure that profitability can be sustained in the long term. All costs are subject to rigorous reviews and efficiency savings are continually sought. Some cost savings have been re-invested to support our work winning capability and we now have twice as many Business Development Managers actively pursuing major projects compared to a year ago. We have also invested in our field operatives who have been equipped with low cost, mobile technology to improve communication and increase customer satisfaction. Our multi-utility capability has been established with several teams now trained to install electric cable. Overall, indirect costs and overheads have reduced by a combined net £0.5 million during the course of the last six months.

Interim Dividend
Further to the maiden dividend of 0.4 pence per share for the FY2015 which was paid in October 2015, the Board is declaring an interim dividend of 0.3 pence per share for the FY2016 payable in January 2016. This reflects the Board's ongoing confidence in the Group's cash generation capabilities and future prospects.

Outlook
Fulcrum entered the current financial year with an established customer base and a solid order book, underpinned by favourable market dynamics. The renewal of the British Gas Business framework contract, significant project wins and core delivery all validate the investments we have made to support our customers and the quality of our customer services. The agile and responsive operational platform created is well placed to grow our gas services, expand our multi-utility offering, increase our ownership of pipeline assets, consider acquisitions and distribute progressive returns to our shareholders through internally generated funds. The combination of a robust customer base and targeted growth plans further strengthen our position as the trusted utility partner for UK businesses.

FINANCIAL REVIEW

Trading results
Revenue improved by £0.3 million to £17.1 million (2014: £16.8 million): infrastructure services £16.6 million (2014: £16.4 million); and pipeline operations £0.5 million (2014: £0.4 million). At 30 September, annualised repeat customer revenue accounted for over 50% of our total revenue.

Gross profit is up by £1.5 million to £6.0 million, with gross margin increasing by 8.1% to 35.2% (2014: 27.1%) benefiting from the efficiencies gained by changing the project delivery operating model and selective bidding. Costs continue to be managed closely with a reduction in administrative expenses of £0.2 million to £4.5 million (2014: £4.7 million, excluding exceptional items of £0.5 million) and overall overhead levels reduced by a net £0.5 million during the course of the last six months.

There have been no exceptional costs incurred in the period. In the prior year, the exceptional costs were substantially made up of restructuring activities and changing the operating model.

EBITDA for the period was £2.0 million (2014: £0.9 million) and profit before tax of £1.6 million (2014: loss of £0.2 million), a notable £1.8 million turnaround in profit from the prior period.

Adjusted earnings per share, before charging exceptional items, were a profit of 1.0 pence (2014: loss of 0.1 pence). The diluted profit per ordinary share for the period was 0.9 pence (2014: loss of 0.2 pence).

Funding and financial position
The new supply chain function has been swiftly and successfully integrated and working capital tightly managed during this time. As a result, cash generated from operations was £0.7 million (2014: £1.3 million) and at 30 September 2015 the Group had cash at bank of £5.6 million, directly comparable to the 31 March 2015 position, after the investment in our pipeline estate and supply chain integration.

Additionally, we have agreed a new (undrawn) three year revolving credit facility for £4 million (£1 million facility plus an accordion option of £3 million) with the Group's bankers, Lloyds Banking Group, to replace the previous (undrawn) invoice discounting facility. The cash at bank and added financial security with the revolving credit facility both position the Group with sufficient funds to facilitate our growth plans whether these are organic or through acquisition.

Deferred tax assets totalling £2.7 million have been recognised at 30 September 2015 (2014: £0.5 million) and the total sum of accumulated losses carried forward from prior periods amounted to approximately £21.4 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 2015 (2014: £0.6 million) in respect of the revaluation of the industrial and commercial 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 2015, 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 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
For the six months ended 30 September 2015 (unaudited)

	Note	**Unaudited Six months ended 30 September 2015**	Unaudited Six months ended 30 September 2014	Audited Year ended 31 March 2015
		£'000	£'000	£'000
Revenue		**17,095**	16,763	33,739
Cost of sales		**(11,076)**	(12,222)	(24,009)
Gross profit		**6,019**	4,541	9,730
Administrative expenses		**(4,461)**	(4,712)	(9,081)
Operating profit/(loss)		**1,558**	(171)	649
Attributable to:				
EBITDA before share based payments and exceptional items		**2,020**	870	2,235
Equity settled share based payment charges		**(65)**	(37)	(74)
Exceptional items	4	**-**	(500)	(500)
Depreciation and amortisation		**(397)**	(504)	(1,012)
Operating profit/(loss)		**1,558**	(171)	649
Net finance income/(charge)		**5**	(29)	(43)
Profit/(loss) before tax		**1,563**	(200)	606
Tax		**-**	-	2,196
Total recognised income/(charge) for the period		**1,563**	(200)	2,802
Earnings per share				
Basic	3	**1.0p**	(0.1)p	1.8p
Diluted	3	**0.9p**	(0.1)p	1.6p

Consolidated Interim Statement of Changes in Equity
For the six months ended 30 September 2015 (unaudited)

	Share capital	**Share premium**	**Revaluation reserve**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Six months ended 30 September 2015:					
Balance at 1 April 2015	154	16,182	2,449	(17,693)	1,092
Profit for the period	-	-	-	1,563	1,563
Transactions with equity shareholders:					
Issues of new shares	1	43	-	-	44
Equity settled share-based payments	-	-	-	65	65
Balance at 30 September 2015	155	16,225	2,449	(16,065)	2,764
Six months ended 30 September 2014:					
Balance at 1 April 2014	154	16,182	2,449	(20,569)	(1,784)
Loss for the period	-	-	-	(200)	(200)
Transactions with equity shareholders:					
Equity settled share-based payments	-	-	-	37	37
Balance at 30 September 2014	**154**	**16,182**	**2,449**	**(20,732)**	**(1,947)**
Year ended 31 March 2015:					
Balance at 1 April 2014	154	16,182	2,449	(20,569)	(1,784)
Profit for the year	**-**	**-**	**-**	2,802	2,802
Transactions with equity shareholders:					
Equity-settled share based payments	**-**	**-**	**-**	74	74
Balance at 31 March 2015	**154**	**16,182**	**2,449**	**(17,693)**	**1,092**

Consolidated Interim Balance Sheet

At 30 September 2015 (unaudited)

	Note	**Unaudited 30 September 2015 £'000**	Unaudited 30 September 2014 £'000	Audited 31 March 2015 £'000
Non-current assets				
Property, plant and equipment		**7,900**	6,820	7,508
Intangible assets		**2,690**	3,095	2,837
Deferred tax assets	5	**2,734**	538	2,734
		13,324	10,453	13,079
Current assets				
Inventories		**1,414**	1,321	1,289
Trade and other receivables		**5,876**	4,101	3,840
Cash and cash equivalents		**5,634**	5,782	5,746
		12,924	11,204	10,875
Total assets		**26,248**	21,657	23,954
Current liabilities				
Trade and other payables		**(22,637)**	(21,904)	(21,847)
Borrowings	6	**-**	(311)	(168)
Provisions		**(235)**	(777)	(235)
		(22,872)	(22,992)	(22,250)
Non-current liabilities				
Deferred tax liabilities		**(612)**	(612)	(612)
Total liabilities		**(23,484)**	(23,604)	(22,862)
Net assets/(liabilities)		**2,764**	(1,947)	1,092
Equity				
Share capital		**155**	154	154
Share premium		**16,225**	16,182	16,182
Revaluation reserve		**2,449**	2,449	2,449
Retained earnings		**(16,065)**	(20,732)	(17,693)
Total equity		**2,764**	(1,947)	1,092

Consolidated Interim Cash flow Statement

For the six months ended 30 September 2015 (unaudited)

	Note	**Unaudited Six months ended 30 September 2015 £'000**	Unaudited Six months ended 30 September 2014 £'000	Audited Year ended 31 March 2015 £'000
Cash flows from operating activities				
Profit/(Loss) before tax for the period		**1,563**	(200)	606
Depreciation		**247**	240	490
Amortisation of intangible assets		**150**	264	522
Net finance income/(charge)		**(5)**	29	43
Equity settled share based payment charges		**65**	37	74
Exceptional items	4	**-**	500	500
(Increase)/decrease in trade and other receivables		**(2,036)**	1,245	1,506
(Increase)/decrease in inventories		**(125)**	653	685
Increase/(decrease) in trade and other payables		**790**	(341)	(398)
(Decrease)/increase in provisions		**-**	(1,101)	(1,634)

Cash generated from operations	**649**	1,326	2,394
Net interest received/(paid)	**5**	(29)	(40)
Net cash from operating activities	**654**	1,297	2,354
Cash flows from investing activities			
Purchase of property, plant and equipment	**(621)**	(707)	(1,654)
Purchase of intangible assets	**(19)**	-	-
Net cash used in investing activities	**(640)**	(707)	(1,654)
Cash flows from financing activities			
Proceeds from issue of share capital	**44**	-	-
Repayment of finance lease liabilities	**(170)**	(134)	(280)
Net cash used in financing activities	**(126)**	(134)	(280)
Net (decrease)/increase in cash and cash equivalents	**(112)**	456	420
Cash and cash equivalents at 1 April 2015	**5,746**	5,326	5,326
Cash and cash equivalents at 30 September 2015	**5,634**	5,782	5,746

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 2015 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 2015 is derived from the non-statutory accounts for that financial period. The non-statutory accounts for the year ended 31 March 2015 were approved on 2 June. The Auditor's report on those accounts was unqualified and did not draw attention to any matters by way of emphasis of matter.

These interim financial statements have been reviewed, not audited, by the Group's auditors and their Report is set out on page 12.

1.1. Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 September 2015 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2015 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 statements are consistent with those of the annual financial statements for the year ended 31 March 2015.

1.2. Going concern

As highlighted in the financial review the Group had net funds at 30 September 2015 of £5.6 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.

1.3. Accounting policies

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

- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2017);
- Annual Improvements to IFRSs - 2010-2012 Cycle;
- Annual Improvements to IFRSs - 2011-2013 Cycle; and
- Annual Improvements to IFRSs - 2012-2014 Cycle.

The Directors do not anticipate that the adoption of these standards and amendments in future periods will have a material impact on the financial statements, but may give rise to additional disclosure.

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 2015.

2. Segmental analysis

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, for both revenue is derived from the UK, 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 or 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.

Six months ended 30 September 2015	**Infrastructure Services**	**Pipelines**	**Unallocated**	**Total Group**
	£'000	£'000	£'000	£'000
Reportable segment revenue	17,339	444	(688)	17,095
Underlying EBITDA*	1,601	180	239	2,020
Share-based payment charges	-	-	(65)	(65)
Depreciation and amortisation	(10)	(129)	(258)	(397)
Reportable segment operating profit/(loss)	1,591	51	(84)	1,558
Finance income/(expense)	-	3	2	5
Profit/(loss) before tax	1,591	54	(82)	1,563

*Underlying EBITDA excludes exceptional items and share-based payment charges

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)

*Underlying EBITDA excludes exceptional items and share-based payment charges

Year ended 31 March 2015	**Infrastructure Services**	**Pipelines**	**Unallocated**	**Total Group**
	£'000	**£'000**	**£'000**	**£'000**
Reportable segment revenue	34,486	838	(1,585)	33,739
Underlying EBITDA*	2,825	305	(895)	2,235
Share-based payment charges	-	-	(74)	(74)
Depreciation and amortisation	-	(235)	(777)	(1,012)
Reportable segment operating profit/(loss) before exceptional items	2,825	70	(1,746)	1,149
Exceptional items	(500)	-	-	(500)
Reportable segment operating loss	2,325	70	(1,746)	649
Finance income/(expense)	-	2	(45)	(43)
Loss before tax	2,325	72	(1,791)	606

*Underlying EBITDA excludes exceptional items and share-based payment charges

Revenues from the largest customer of the Group's Infrastructure Services segment represent £3,011,000 or 17.6% (six months ended 30 September 2014: £2,884,000, or 17.2%, year ended 31 March 2015: £5,964,000, or 17.7%) of the Group's total revenues for the period.

3. Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period which were 154,520,781 (September 2014 and March 2014: 154,306,667). The earnings per share from continued operations were as follows:

	Six months ended 30 September 2015	Six months ended 30 September 2014	Year ended 31 March 2015
Basic earnings per share	**1.0p**	(0.1)p	1.8p
Underlying basic earnings per share	**1.0p**	0.2p	0.7p
Diluted basic earnings per share	**0.9p**	(0.1)p	1.6p
Underlying diluted basic earnings per share	**0.9p**	0.2p	0.6p

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.

Underlying earnings per share excludes exceptional items, these are detailed below:

	Six months ended 30 September 2015	Six months ended 30 September 2014	Year ended 31 March 2015
	£'000	£'000	£'000
Profit/loss for the period attributable to shareholders	**1,563**	(200)	2,802
Add exceptional items	**-**	500	500
Less deferred tax asset recognised	**-**	-	(2,196)
Adjusted profit/(loss) for the period attributable to shareholders	**1,563**	300	1,106

4. Exceptional items

There were no exceptional items in the period (2014: £500k). The exceptional items in 2014 relate to restructuring activities and changing operating model.

5. Deferred tax asset

Deferred tax has been recognised in respect of tax losses carried forward that are expected to be utilised against future taxable profits. The rate of UK corporation tax changed from 21% to 20% on 1 April 2015, further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. As deferred tax balances are measured at the rates that are expected to apply in the periods of the reversal, deferred tax assets at 30 September 2015 have been calculated using a rate of 20%.

The Group has £21.4 million (2015: £21.4 million) of tax losses on which a £2.7million deferred tax asset has been recognised to date. During the period £0.3 million of the deferred tax asset was utilised against taxable profits, with an additional £0.3 million deferred tax asset being recognised.

6. Borrowings

The Group repaid their obligation under finance lease in August 2015 and has no borrowings at 30 September 2015 (2014: £311k). In November, we agreed a new £4 million revolving credit facility (£1 million plus an accordion option of £3 million) which remains undrawn. This replaces the previous £4 million (unused) invoice discounting facility.

***7.* Related party transactions**

There are no disclosable related party transactions during the period. In 2014, the Company paid Marwyn Capital LLP fees of £44,000 during the six month period ending 30 September 2014 pursuant with the ongoing corporate finance advisory agreement.

8. Dividend

At the start of the year the Group declared a maiden dividend of 0.4p per share. This was paid on 30 October 2015. The Board have proposed an interim dividend of 0.3 pence per share for the FY2016, this will be payable in January 2016.

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 half-yearly report for the six months ended 30 September 2015 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Changes in Equity, the consolidated Interim Balance Sheet, the Consolidated Interim Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly 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 half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1.1 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 half-yearly 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 the half-yearly 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 half-yearly report for the six months ended 30 September 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

David Morritt
for and on behalf of KPMG LLP
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