FULCRUM UTILITY SERVICES LIMITED

Audited preliminary results for the year ended 31 March 2016

Fulcrum, the UK's market leading independent energy and multi-utility infrastructure and services provider, today announces its audited preliminary results for the year ended 31 March 2016.

PROFITS INCREASED, CASH GENERATED, PROGRESSIVE DIVIDEND PROPOSED

Financial highlights

- Profit before tax of £4.3 million (2015: £0.6 million)
- Underlying EBITDA of £5.3 million (2015: £2.2 million)
- Revenue up by 2.3% to £34.5 million (2015: £33.7 million)
- Gross margin increased by 8.8% due to the move to direct delivery and operating efficiencies
- Net cash inflows of £3.8 million, after the addition of £1.9 million in pipeline assets
- Cash of £8.3 million at March 2016 (2015: £5.6 million)
- Revolving credit facility of £4.0 million remains undrawn
- Basic earnings per share of 3.1p (2015: 1.8p)

Dividend

- The Board is recommending a final dividend for FY2016 of 0.6p per share, making the total dividend 0.9p for FY2016 (2015: 0.4p). This reflects the Board's ongoing confidence in the Group's cash generation capabilities and future prospects.

Operational highlights

- Significant improvement in operational efficiencies
- Secured a 26 month extension to the framework contract with British Gas to January 2018
- Won and delivered an array of major new gas, electricity and multi-utility contracts, including a £4.0 million contract to install a 13 kilometre pipeline to link four distilleries to Scotland's main gas network
- Grew the recurring pipeline transportation income to an annualised £1.2 million
- Simplified and bolstered our work winning approach, combining our sales and design functions and recruiting experienced sales resource
- Successfully transitioned to a direct delivery model, gaining control of the full operational process from design through to installation
- Continued progress made in managing down the cost base, achieving an annualised reduction of £1.0 million
- Won the Company of the Year at the 2016 Gas Industry Awards

Martin Donnachie, CEO of Fulcrum, said:

"The past year has been a very exciting and successful period at Fulcrum. Amongst a number of landmark achievements was the implementation of our new direct delivery model. That move represented a significant change in our history and helped us to improve performance across the company.

The talent of our people, together with the scalable and profitable operating platform that has been created, have enabled significant and diverse contract wins. We are now striving for sales growth across all of our routes to both the gas and electricity markets and we are driving a continuous improvement ethos to deliver incremental operating efficiencies. This will combine to enhance long term future profitability and cash generation."

Phil Holder, Chairman of Fulcrum, said:

"Fulcrum has continued to make excellent progress this year, achieving our objectives and strategy. With a sustained focus on customer service excellence, we can look forward to building on recent contract wins and further expanding our multi-utility services. The Group's order book and operating cash flow both remain strong and support our strategy for growth. We believe the outlook remains positive and that the Group continues to be well positioned to make further progress in 2017."

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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.

Chairman's Statement

Our performance in 2016 reflects the benefits of our successful strategy

I am pleased to present the annual report and financial statements for Fulcrum for the year ended 31 March 2016. The Group is reporting a significant profit improvement and increased cash generation. This has been achieved through the successful transition to a direct delivery model and major contract wins.

I am delighted and very proud to report that Fulcrum won Company of the Year at the 2016 Gas Industry Awards, a commendable accolade that recognises the achievements delivered by our strong leadership team, supported by an experienced and committed workforce.

Financial Results

For the year ended 31 March 2016 the Group reported profit before tax of £4.3 million (2015: profit of £0.6 million) and underlying EBITDA of £5.3 million (2015: £2.2 million). Revenue for the year was £34.5 million (2015: £33.7 million) which included £4.0 million for the Speyside distillery project. The Group achieved an 8.8% improvement in gross profit margin at 37.6% (2015: 28.8%) reflecting the move to direct delivery, operational efficiencies and an ongoing focus on tendering criteria and subsequent profitability.

Earnings per share for the period were 3.1p per share (2015: 1.8p). The adjusted earnings per share, before crediting deferred tax, was 2.7p (2015: 0.7p). The diluted earnings per ordinary share for the period was 2.7p (2015: 1.6p). The diluted adjusted earnings per share, before crediting deferred tax, was 2.4p (2015: 0.6p).

Net cash inflows before financing activities were £3.8 million (2015: £0.7 million), after the addition of pipeline assets at £1.9 million. At 31 March 2016 the overall net cash position was £8.3 million.

Dividend

Following on from last year's maiden dividend (0.4p) and this year's interim dividend (0.3p), the Board is recommending a final dividend for FY2016 of 0.6p per share, making the total dividend 0.9p for FY2016 (2015: 0.4p). The profit and cash generated by infrastructure services, and the transportation income from the growing pipeline asset base, provide confidence in the sustainability and growth of future dividends.

Board and Corporate Governance

There have been no changes to the Board during FY2016.

The Board remains focused on strong corporate governance, including nurturing a culture in which our people behave in accordance with our values and the highest standards of ethics and integrity, which is fundamental to building a business that can deliver sustainable, profitable growth. I believe that our commitment to business integrity, safety, sustainability and strong governance is a key strength of our business.

Outlook

Fulcrum has continued to make excellent progress this year, delivering on our objectives and strategy. The management of direct labour, brought in-house on 1 April 2015, has delivered an improved customer experience with an efficient, integrated, end-to-end operating model. With our robust and scalable operating platform, combined with a sustained focus on customer service excellence, we can look forward to building on recent contract wins and further expanding our multi-utility services.

The Group's order book and operating cash flow both remain strong and support our strategy for growth. We believe the outlook remains positive and that the Group continues to be well positioned to make further progress in 2017.

Strategic Report

Delivering on our objectives

Principal Activities

The Group's principal activities are the provision of unregulated utility connections and independent gas transportation services in the UK.

The Group designs and project manages utility connections for customers seeking either new connections or the alteration or refurbishment of existing connections. These connections range from simple, single-site alterations to large, complex multi-utility, multi-site new connections. For all projects, the Group's team of skilled design and engineering staff are required to design the connections to detailed specifications and to ensure the connections are appropriate and comply with extensive health and safety requirements.

The Group comprises two trading subsidiaries:

- Fulcrum Infrastructure Services Limited (providing utility infrastructure and connection services); and
- Fulcrum Pipelines Limited (the licenced owner of the Group's gas transportation assets).

Chief Executive's Review

In 2016, we successfully delivered on our objectives to drive customer service excellence, improve operational efficiency to reduce costs and grow our pipeline estate. This hard work has delivered a record underlying EBITDA at £5.3 million (2015: £2.2 million) and positive cash generation of £3.8 million before financing activities.

The Group achieved an 8.8% improvement in gross profit margin at 37.6% (2015: 28.8%) in the period. Further to the move to the direct delivery model from 1 April 2015, we have quickly made efficiency improvements in the way our contracts are set up and run. In addition, continued progress has been made in reducing the cost base of the business to ensure that our competitive rates can be sustained in the long term. All costs are subject to rigorous reviews and efficiency savings are continually sought. Overall, overhead levels (excluding exceptional items) have reduced by an incremental £1.0 million (2015: £1.6 million) during the course of the last 12 months. In total, fixed costs of sales plus overheads have reduced from approximately £17 million to £10 million over the past three years.

Safety is paramount in our organisation. Our goal remains for everyone who works with us to return home unharmed at the end of each day, including customers, contractors, employees and the general public. We have improved our recording and investigation of near-misses to ensure that learnings are shared - our employees and contractors are fully empowered to ensure that work is delivered safely.

Trading Update

In FY2016, year-on-year revenue increased by £0.8 million or 2.3% to £34.5 million. With the profitable operating platform now established, our focus turns to sales growth. During the period, we simplified our sales approach, combining the sales and design functions into dedicated teams to cover our routes to market: key accounts (including British Gas), major projects, housing and technical sales.

Key accounts

Fulcrum's sustained emphasis on customer service excellence and listening to what our customers require have improved our customers' satisfaction ratings and ensured that we have strong levels of repeat revenues. 64% of our business was generated from customers who have used Fulcrum previously. We have set up a dedicated team to support those customers that provide us with high volumes of repeat business. This team is working with our customers to provide tailored services that meet their specific needs.

In November 2015, we 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 gas and now electricity connections and metering services to customers in England, Scotland and Wales, runs until January 2018. This underlines Fulcrum's reputation as a trusted utility services provider.

Major projects

Our ability to deliver significant projects was endorsed with the award of a second prestigious contract with Scotland's whisky industry. The £4.0 million project to install a 13 kilometre pipeline to link four Speyside distilleries to Scotland's main gas network has delivered a sustainable, efficient and environmentally friendly energy supply for our clients. Despite the complexity of the project, our dedicated teams completed the work one month ahead of schedule.

Fulcrum has continued to win an array of major new gas, electricity and multi-utility contracts, which include:

- a £1.0 million electricity contract to install 4 kilometres of high voltage electricity cabling to a new hospital. The award of this contract follows on from the successful delivery of a £0.2 million contract to install the temporary electricity infrastructure into the hospital, on behalf of British Gas Business;

- the Group's first contract to deliver infrastructure to a Short Term Operating Reserve (STOR) site. The £0.2 million project was quickly followed by another £0.3 million STOR site contract;

- the Group's first biogas connection, the installation of a 1.3 kilometre pipeline to connect a £12.0 million biogas plant to the UK distribution network;

- a £0.4 million gas infrastructure project for the new development at Royal Albert Dock for London's third business district; and

- a £0.3 million dual fuel contract to deliver gas and electricity infrastructure to a new energy centre in Glasgow.

We are confident that major projects present a significant opportunity to grow our sales. Therefore, over the past year, we have doubled the number of business development managers and created two new analyst support roles concentrating on the targeting of large opportunities, all designed to increase our work-winning capability.

Housing

Our activity in the housing market has been somewhat limited historically. To penetrate this attractive market, we have created a more cost-effective delivery model for housing and set up a new dedicated team, headed up by an experienced housing sector professional with multi-utility knowledge. We have already secured several significant, multi-utility housing schemes, including:

- a £0.3 million contract on behalf of Lend Lease to deliver the gas infrastructure to a new residential development in Deptford; and

- a £0.2 million gas, electricity and water project for a leading housing developer in the North West.

Technical sales

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

Within this route to market, our web initiated sales continue to gather momentum, increasing by 38% year-on-year to £5.9 million, now 17% of our total Group revenue. In early 2015, we launched FirstGas, a second, online brand, aimed at new and less technically experienced customers. Sales have proven to be positive and incremental to the existing offering. Therefore, in line with the Group's previously stated aim of growing its electricity and dual fuel offering, the Group launched its third online brand, FirstElectricity, in March 2016. Early enquiries and sales are encouraging.

With our established customer base, clearly focused work-winning teams, trusted delivery and market opportunity, we have a robust platform from which to leverage sales growth.

Operations

The Group has benefited from the positive impact of an in-house operational delivery model following the transfer in of 99 employees under TUPE on 1 April 2015. We now have direct control of the full operational process from design through to installation across England and Wales. We have successfully transitioned to this branded direct delivery model which has underpinned notable operational efficiencies, benefitting both the customers' experience and our profitability. The introduction of tablet devices to all teams has enabled field engineers and operatives to maintain real-time project records and offer a more responsive delivery. Low cost mobile applications have been developed by Fulcrum's IT team to share work instructions and site surveys, as well as upload health and safety audits directly into the core system. After engaging with our teams and listening to their suggestions, several more tailored applications are planned in the months ahead.

We have also delivered on our strategy to build multi-utility capability and we now have several in-house teams trained to deliver the recently won electric contracts. This end-to-end, fully branded operating model creates an agile and responsive platform to deliver continued growth through a multi-skilled workforce and customer-focused operation. This model is a key differentiator and further enhances our customer service led, national, broad offering.

The challenge to continuously improve the way we do things has reduced our cost base by an incremental £1.0m year-on-year which, together with turnaround / transition activities completed in previous financial years, represents a combined cost reduction of £7.0m over the past three years. In order to maintain competitive advantage, we will continually challenge existing working practices and resources to ensure that the business model is efficient and lean. Our cost of delivery across all functions (direct, indirect and support) will be rigorously and continually tested to drive improved levels of sales orders won and sustainable profitability.

Pipelines

We continue to build our estate of pipeline assets, increasing our owned portfolio of domestic, industrial and commercial assets by £1.9 million in FY2016 to a total net book value of £9.4 million at 31 March 2016. The annualised gas transportation income has grown to £1.2 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.

To accelerate the growth of our asset base and hence increase shareholder value, we have created an Asset Growth Manager role. In addition to Fulcrum owning and operating the assets built by our infrastructure services division, the Asset Growth Manager is approaching other utility infrastructure providers without independent gas transportation licences to acquire the pipelines that they build for a cash consideration. Also, the expansion of housing activity will grow the pipeline estate by using cash to unlock significant domestic asset values on larger sites. We will pursue both of these incremental routes as part of our strategy to further enhance this valuable, long-term future income stream.

People

The talent and dedication of our employees and cooperation with our customers are our key success factors. It is our people who win new contracts and are responsible for delivering on stakeholders' expectations. They are also the ones whose behaviour and actions demonstrate our values in practice.

Our enduring commitment to workforce development has been recognised at the prestigious Gas Industry Awards with our Operations Director, Ian Foster, winning Manager of the Year for the role he has played in Fulcrum's transformation. Training and development continue at pace across the Group – our field engineers have joined the "Leading The Way" leadership development programme; the senior team have received leadership training focused on driving superior performance; and teams are now trained to design electrical installations and install electric cable. Sustained investment will continue to be made to underpin employee engagement and continuous learning. We also actively review and manage our succession plans.

The introduction of Fulcrum's first Save As You Earn share scheme had a 60% participation rate; our employees are clearly keen to be part of the future value creation.

Going Concern

As highlighted in the Financial Review, the Group had net funds at 31 March 2016 of £8.3 million (2015: £5.6 million). Also, the Group has an undrawn revolving credit facility of £4.0 million.

As a matter of course, financial forecasts are regularly prepared and these are reviewed and adopted by the Board. 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, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Outlook

Fulcrum continues to deliver on its strategy and has made excellent progress over the period. The talent of our people, together with the scalable and profitable operating platform that has been created, have enabled significant and diverse contract wins. We are now striving for sales growth across all of our routes to both the gas and electricity markets, and driving a continuous improvement ethos to deliver incremental operating efficiencies. This approach will combine to enhance long-term future profitability and cash generation.

We continue to move forward at pace with confidence for the future as we remain on course to deliver value to all our stakeholders by being the UK's most trusted utility services partner.

FINANCIAL REVIEW

Reported Results for the Period

These audited preliminary results report the financial performance of the Group for the year ended 31 March 2016 and for the comparative period to 31 March 2015.

The financial results for the year to 31 March 2016 reflect another excellent year for our business. We successfully integrated an end-to-end, fully branded operating model and delivered associated operational efficiencies; secured the new British Gas contract to 2018; continued to challenge and reduce the overhead levels and simultaneously generated a positive cash inflow. These actions combined to improve the profit before tax by £3.7 million to £4.3 million (2015: £0.6 million). The underlying financial performance, together with a comparison with the previous year, are summarised in the table below:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m	Year on year change £m
Revenue	**34.5**	33.7	0.8
Gross profit	**13.0**	9.7	3.3
Gross margin (%)	**37.6%**	28.8%	*8.8%*
Underlying EBITDA(1)	**5.3**	2.2	3.1
Profit before tax	**4.3**	0.6	3.7
Net funds	**8.3**	5.6	2.7

(1) Earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items.

Revenue

Revenue improved by £0.8 million or 2.3% to £34.5 million (2015: £33.7 million) including £4.0 million for the Speyside distillery project. Revenues from infrastructure services amounted to £33.4 million (2015: £32.9 million), and £1.1 million (2015: £0.8 million) from pipeline operations.

Profit and performance

Gross profit is up by £3.3 million to £13.0 million (2015: £9.7million), with the gross profit margin increasing by 8.8% to 37.6% (2015: 28.8%) benefiting from the efficiencies gained by changing the project delivery operating model and ongoing selective bidding.
A sustained focus on continuous improvement and changes to the operating model have delivered incremental overhead savings over the period, whilst simultaneously investing in our work winning approach.

Share based payment charges of £0.3 million (2015: £0.1 million) associated with the Group's equity based option schemes were booked in the year. During FY2016, the previous schemes in operation achieved the performance criteria and the full scheme charges were accelerated to reflect this fact. New schemes were introduced in March 2016 and had minimal impact in the FY2016 charge.

There was a minimal exceptional charge in the year compared to £0.5 million in the prior year. Exceptional items relate to the costs associated with changing the operating model and reassessment of dilapidations costs.

Underlying EBITDA for the period has more than doubled to £5.3 million (2015: £2.2 million) and profit before tax has increased by £3.7 million to £4.3 million (2015: £0.6 million), a record for the Group.

Earnings per share

Basic earnings per share from continuing operations, before charging exceptional items, was 3.1p (2015: 1.8p), significantly up on the prior year. On a statutory basis, the diluted basic profit per ordinary share from continuing operations was 2.7p (2015: 1.6p).

Dividends

During the year, the Company paid a maiden dividend for the full financial year 2015 of 0.4p per share and a FY2016 interim dividend of 0.3p per share. Total cash outflow in respect of dividends was £1.1 million (2015: £nil).

The Board remains confident in the ongoing cash generation for the business and has proposed a final dividend, subject to shareholder approval at the Annual General Meeting, of 0.6p per share (2015: 0.4p per share) producing a total dividend for the year of 0.9p per share (2015: 0.4p per share). This final dividend is expected to be paid on 28 October 2016 to shareholders on the register on 30 September 2016 with an ex-dividend date of 29 September 2016.

Cash generated by infrastructure services, combined with the financial security of a growing pipeline asset base, provide confidence in the sustainability and growth of future dividends.

Taxation

Deferred tax assets totalling £3.2 million have been recognised at 31 March 2016 (2015: £2.7 million). £0.7 million was utilised against the Group's taxable profits of £3.6 million and an additional £0.5 million of deferred tax asset was recognised, after consideration of future levels of profitability. The total accumulated losses brought forward from prior periods amounted to approximately £21.4 million.

Deferred tax liabilities totalling £0.7 million have been recognised at 31 March 2016 (2015: £0.6 million) in respect of the revaluation of the industrial and commercial pipeline assets. There is currently no intention to sell these assets and the Group expects to recover their value through use, therefore no tax is currently expected to be payable in respect of the revaluation.

Tangible assets

Capital expenditure for the period amounted to £2.0 million (2015: £1.7 million), principally in respect of the additions to pipeline assets, £1.9 million (2015: £1.6 million).

Cash generation

With the move to the direct delivery model during the year, a new supply chain function was swiftly established and successfully integrated. Working capital has been tightly managed throughout the period and resulted in a positive operating cash flow from trading activities of £3.8 million (2015: £0.8 million).

At 31 March 2016, the Group had net funds of £8.3 million (2015: £5.6 million), a £2.7 million increase against the prior period, after increasing our pipeline estate and supply chain integration.

Bank facilities

In November 2015, the Group agreed a new (undrawn) three year revolving credit facility for £4.0 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 and adequate access to cash to cover its contractual obligations.

The revolving credit facility remains undrawn and the Group has complied with all of the associated financial covenants.

Balance sheet

Total net assets at 31 March 2016 were £5.8 million (2015: £1.1 million) and included intangible assets of £2.6 million (2015: £2.8 million).

Financial risks

The main financial risks faced by the Group are credit risk and liquidity risk. The Directors regularly review and agree policies for managing these risks.

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers. Over half of the Group's customers pay in advance of works commencing, with the remaining profile consisting of established large businesses. It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group, other than one customer, for which the risk of failure is considered to be minimal based on current market conditions and performance.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due without incurring unacceptable losses or risking damage to the Group and does so by monitoring cash flow forecasts and budgets. The Group holds a combination of short and medium term deposits and a £4.0 million revolving credit facility committed to November 2018. These cash deposits and committed facilities are deemed to be sufficient to meet projected liquidity requirements.

Consolidated statement of comprehensive income
for the year ended 31 March 2016

	Notes	**Year ended 31 March 2016**	Year ended 31 March 2015
		£'000	£'000
Revenue	2	**34,505**	33,739
Cost of sales		**(21,520)**	(24,009)
Gross profit		**12,985**	9,730
Administrative expenses		**(8,748)**	(9,081)
Operating profit		**4,237**	649
Analysed as:			
EBITDA before share based payments and exceptional items		**5,301**	2,235
Equity-settled share based payment charges	9	**(314)**	(74)
Exceptional items		**(4)**	(500)
Depreciation and amortisation	6,7	**(746)**	(1,012)
		4,237	649
Finance income		**31**	6
Finance expense		**(10)**	(49)
Profit before taxation		**4,258**	606
Taxation	5	**476**	2,196
Profit for the period attributable to equity holders of the parent		**4,734**	2,802
Other comprehensive income:			
Items that will never be reclassified to profit:			
Revaluation of property, plant and equipment	12	**694**	-
Deferred tax on items that will never be reclassified to profit or loss	12	**(64)**	-
Total comprehensive profit		**5,364**	2,802
Profit per share attributable to the owners of the business:			
Basic	4	**3.1p**	1.8p
Diluted	4	**2.7p**	1.6p

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
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 payment	9	-	-	-	74	74
Balance at 31 March 2015		**154**	**16,182**	**2,449**	**(17,693)**	**1,092**
Profit of the year		**-**	**-**	**-**	**4,734**	**4,734**
Revaluation surplus	12	**-**	**-**	**708**	**-**	**708**
Revaluation reserve transfer	12	**-**	**-**	**(14)**	**14**	**-**
Deferred tax liability	5,12	**-**	**-**	**(64)**	**-**	**(64)**
Transactions with equity shareholders:						
Equity-settled share based payment	9,13	**-**	**-**	**-**	**314**	**314**
Dividends	3	**-**	**(1,087)**	**-**	**-**	**(1,087)**
Issue of new shares	11	**2**	**138**	**-**	**-**	**140**
Balance at 31 March 2016		**156**	**15,233**	**3,079**	**(12,631)**	**5,837**

Consolidated balance sheet

	Notes	**31 March 2016**	31 March 2015
		£'000	£'000
Non-current assets			
Property, plant and equipment	6	**9,480**	7,508
Intangible assets	7	**2,597**	2,837
Deferred tax assets	5	**3,210**	2,734
		15,287	13,079
Current assets			
Inventories		**1,403**	1,289
Trade and other receivables		**6,663**	3,840
Cash and cash equivalents	10	**8,323**	5,746
		16,389	10,875
Total assets		**31,676**	23,954
Current liabilities			
Trade and other payables	8	**(25,065)**	(21,847)
Borrowings		**-**	(168)
Provisions		**(98)**	(235)
		(25,163)	(22,250)
Non-current liabilities			
Deferred tax liabilities	5	**(676)**	(612)
		(676)	(612)
Total liabilities		**(25,839)**	(22,862)
Net assets		**5,837**	1,092
Equity			
Share capital		**156**	154
Share premium	11	**15,233**	16,182
Revaluation reserve	12	**3,079**	2,449
Retained earnings	13	**(12,631)**	(17,693)
Total equity		**5,837**	1,092

The financial statements were approved by the Board of Directors on 7 June 2016 and were signed on its behalf by:

Martin Harrison
Chief Financial Officer

Consolidated cash flow statement

	Notes	Year ended 31 March 2016 £'000	Restated Year ended 31 March 2015 £'000
Cash flows from operating activities			
Profit before tax for the year		**4,258**	606
Adjustments for:			
Depreciation	6	**447**	490
Amortisation of intangible assets	7	**299**	522
(Profit) / loss on disposal of property, plant and equipment		**(1)**	9
Capitalisation of pipeline assets	6	**(1,886)**	(1,622)
Finance income		**(31)**	(6)
Finance expense		**10**	49
Equity-settled share based payment charges	9	**314**	74
Exceptional items		**4**	500
Changes in:			
(Increase) / decrease in trade and other receivables		**(2,823)**	1,506
(Increase) / decrease in inventories		**(114)**	685
Increase / (decrease) in trade and other payables	8	**3,448**	(398)
Decrease in provisions for exceptional items		**(137)**	(1,643)
Cash inflow from operating activities		**3,788**	772
Interest received		**31**	6
Interest paid		**(7)**	(46)
Net cash inflow from operating activities		**3,812**	732
Cash flows from investing activities			
Additions to tangibles	6	**(56)**	(32)
Additions to intangibles	7	**(59)**	-
Net cash outflow from investing activities		**(115)**	(32)
Cash flows from financing activities			
Dividends paid	3,11	**(1,087)**	-
Proceeds from issue of share capital	11	**138**	-
Repayment of finance lease liabilities		**(171)**	(280)
Net cash outflow from financing activities		**(1,120)**	(280)
Increase in net cash and cash equivalents		**2,577**	420
Cash and cash equivalents at 1 April 2015		**5,746**	5,326
Cash and cash equivalents at 31 March 2016	10	**8,323**	5,746

The prior year figures have been restated to reclassify pipeline additions as a non-cash movement, as the addition represents the valuation attributed to the asset as adopted by Fulcrum Pipelines.

Notes to the consolidated financial statements

1. Accounting policies

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 is listed on the AIM market of the London Stock Exchange. The principal accounting policies adopted in the preparation of these consolidated financial statements are unchanged from those applied in the preparation of, and set out in, the financial statements for the year ended 31 March 2015 except as set out below. They will also be set out in full in the 2016 published financial statements.

1.1 Basis of Preparation
This preliminary announcement does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. 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 2016 and 31 March 2015. The auditors have reported on those financial statements. Their reports were unqualified and did not draw attention to any matters by way of emphasis of matter without qualifying their report.

The financial statements have not yet been delivered to the Registrar of Companies but will be in due course. Whilst the financial information included in this preliminary announcement has been prepared on the basis of the requirements of IFRSs in issue, as adopted by the European Union and effective at 31 March 2016, this announcement does not itself contain sufficient information to comply with IFRS.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The financial statements have been prepared using consistent accounting policies, except for the adoption of new accounting standards and interpretations. The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective date 1 January 2016)
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2017)
- IFRS 16 Leases (effective date 1 January 2019)
- Annual Improvements to IFRSs – 2012–2014 Cycle (effective date 1 January 2016)

The adoption of IFRS 15 and IFRS 16 may have an impact on the financial statements when introduced however a detailed analysis of the effect is not yet possible. The adoption of other standards is not expected to have a material effect on the financial statements.

Going Concern
The Group's business activities, together with the factors likely to affect future development, performance and position are set out in the business and operating review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review.

As at 31 March 2016 the Group had net assets of £5.8 million (2015: £1.1 million), including cash of £8.3 million (2015: £5.7 million) as set out in the consolidated balance sheet above and an unused revolving credit facility of £4.0 million (2015: £4.0 million) and so would be in a position to pay its obligations as there arise. In the year ended 31 March 2016, the Group generated a profit of £4.7 million and had net cash inflows of £2.6 million.

The Group's forecasts and projections, after taking account of sensitivity analysis of changes in trading performance and corresponding mitigating actions, show that the Group has adequate cash resources for the foreseeable future. As a consequence, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

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 services and pipelines. Fulcrum's Infrastructure Services provides utility infrastructure and connections services and the pipeline business comprises both the ownership of gas infrastructure assets and the safe and efficient conveyance of gas through its gas transportation networks. Gas transportation services are provided under the IGT licence granted from Ofgem during June 2007.

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

	Year ended 31 March 2016			**Year ended 31 March 2015**		
	Infrastructure Services	**Pipelines**	**Total Group**	**Infrastructure Services**	**Pipelines**	**Total Group**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Reportable segment revenue	**33,445**	**1,060**	**34,505**	32,901	838	33,739
Underlying EBITDA	**4,829**	**472**	**5,301**	1,930	305	2,235
Share based payment charge	**(314)**	**-**	**(314)**	(74)	-	(74)
Depreciation and amortisation	**(522)**	**(224)**	**(746)**	(777)	(235)	(1,012)
Reportable segment operating profit before exceptional items	**3,993**	**248**	**4,241**	1,079	70	1,149
Exceptional items	**(4)**	**-**	**(4)**	(500)	-	(500)
Reporting segment operating profit	**3,989**	**248**	**4,237**	579	70	649
Finance income	**25**	**6**	**31**	4	2	6
Finance expense	**(10)**	**-**	**(10)**	(49)	-	(49)
Profit before tax	**4,004**	**254**	**4,258**	534	72	606

The Group derives all of its revenue from the UK and all of the Group's customers are based in the UK. Revenues from the largest customer of the Group's Infrastructure Services segment represent £6.4 million or 18.7% (2015: £6.0 million or 17.7%) of the Group's total revenues for the period. In addition, the Speyside distillery project contributed £4.0 million of revenue this year.

3. Dividends

	Year ended 31 March 2016	Year ended 31 March 2015
	£'000	£'000
2015 dividend at 0.4p per share	**619**	-
2016 interim dividend at 0.3p per share	**468**	-
	1,087	-

After the balance sheet date a final dividend of 0.6p per qualifying ordinary share was proposed by the Directors. The dividends have not been provided for.

4. Earnings per Share (EPS)

Basic earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period which were 155,062,292 (2015: 154,306,667). Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary share in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, producing a figure of 177,810,228 (2015: 182,252,209). The earnings per share from continued operations were as follows:

Profit per share	**Year ended 31 March 2016**	Year ended 31 March 2015
Basic	**3.1p**	1.8p
Adjusted basic	**2.7p**	0.7p
Diluted basic	**2.7p**	1.6p
Diluted adjusted basic	**2.4p**	0.6p

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

	Year ended 31 March 2016	Year ended 31 March 2015
Profit for the period	**£'000**	£'000
Profit for the period attributable to shareholders	**4,734**	2,802
Add exceptional items	**4**	500
Less deferred tax asset recognised	**(476)**	(2,196)
Adjusted profit for the period attributable to shareholders	**4,262**	1,106

5. Taxation

	Year ended 31 March 2016	Year ended 31 March 2015
	£'000	£'000
Current tax	**-**	-
Deferred tax	**476**	2,196
Total tax credit	**476**	2,196

Deferred tax has been recognised in respect of tax losses carried forward that are expected to be utilised against future taxable profits. Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax assets at balance sheet date has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. The impact of the change in rate in 2020 does not have a significant impact on the deferred tax balance due to the planned utilisation of the tax losses.

The Group has a further £21.0 million (2015: £21.4 million) of tax losses of which a deferred tax asset of £3.2 million has been recognised. During the period £0.7 million of the deferred tax asset was utilised against taxable profits, with an additional £0.5 million deferred tax asset being recognised.

Reconciliation of effective tax rate

	Year ended 31 March 2016	Year ended 31 March 2015
	£'000	£'000
Profit before taxation	**4,258**	606
Tax using the UK corporation tax rate of 20% (2015: 21%)	**(853)**	(127)
Non-deductible expenses	**(74)**	(19)
Capital allowances in excess of depreciation	**-**	108
Utilisation of tax losses	**-**	38
Effect of changes in rate of corporation tax	**130**	-
Recognition of tax effect of previously unrecognised tax losses	**1,273**	2,196
Total tax credit	**476**	2,196

The Group incurred corporation tax profits in the period of approximately £3.6 million (2015: tax profits of £0.2 million).

Movement in deferred tax balances

	31 March 2016		31 March 2015	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	£'000	**£'000**	£'000	£'000
At 1 April 2015	**2,734**	**(612)**	538	(612)
Recognised in profit or loss				
Tax losses carried forward	**606**	**-**	2,196	-
Effect of changes in rate of corporation tax	**(130)**	**-**	-	-
Recognised in other comprehensive income				
Effect of changes in rate of corporation tax	**-**	**61**	-	-
Revaluation of property, plant and equipment	**-**	**(125)**	-	-
At 31 March 2016	**3,210**	**(676)**	2,734	(612)

6. Property, plant and equipment

	Pipelines	**Fixtures and fittings**	**Computer equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2014	**5,929**	**193**	**1,029**	**7,151**
Additions	1,622	-	32	1,654
Reinstatement	350	125	-	475
Disposals	-	-	(311)	(311)
At 31 March 2015	**7,901**	**318**	**750**	**8,969**
Additions	1,886	50	6	1,942
Disposals	-	-	(2)	(2)
At 31 March 2016	**9,787**	**368**	**754**	**10,909**
Accumulated depreciation				
At 1 April 2014	**(36)**	**(124)**	**(638)**	**(798)**
Depreciation charge for the period	(236)	(40)	(214)	(490)
Reinstatement	(350)	(125)	-	(475)
Disposals	-	-	302	302
At 31 March 2015	**(622)**	**(289)**	**(550)**	**(1,461)**
Depreciation charge for the period	(224)	(43)	(180)	(447)
Revaluation	478			478
Disposals	-	-	1	1
At 31 March 2016	**(368)**	**(332)**	**(729)**	**(1,429)**
Net book value				
At 31 March 2016	**9,419**	**36**	**25**	**9,480**
At 31 March 2015	7,279	29	200	7,508
At 1 April 2014	5,893	69	391	6,353

The last external valuation of the pipeline assets was performed during the financial year ended 31 March 2014. The valuation performed for the year ended 31 March 2016 was completed internally and based on the same principals as the external valuation. When performing the valuation, Management have used judgement in assessing the key assumptions used in the valuation model including assets life and occupancy rates. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13 and the pipeline assets are the only financial assets that are held at fair value in the financial statements. Within the £1,886,000 additions in the year is £230,000 which has been included within the revaluation reserve.

At 31 March 2016 the net book value of leased plant and equipment was £nil (2015: £172,000).

7. Intangible assets

	Goodwill	Software	Total
	£'000	£'000	£'000
Cost			
At 1 April 2014	2,225	2,388	4,613
Disposals	-	(94)	(94)
At 31 March 2015	**2,225**	**2,294**	**4,519**
Additions	-	59	59
At 31 March 2016	**2,225**	**2,353**	**4,578**
Accumulated amortisation and impairment			
At 1 April 2014	-	(1,254)	(1,254)
Amortisation for the period	-	(522)	(522)
Disposals	-	94	94
At 31 March 2015	**-**	**(1,682)**	**(1,682)**
Amortisation for the period	-	(299)	(299)
At 31 March 2016	**-**	**(1,981)**	**(1,981)**
Net book value			
At 31 March 2016	**2,225**	**372**	**2,597**
At 31 March 2015	2,225	612	2,837
At 1 April 2014	2,225	1,134	3,359

Goodwill brought forward at the start of the year relates to the acquisition of Fulcrum Group Holdings Limited on 8th July 2010. The carrying amount of the intangible asset is allocated across cash-generating units (CGUs). All of the goodwill held by the Group is considered to fall in the CGU of Infrastructure Services. The recoverable amount of goodwill has been calculated with reference to its value in use.

The Group prepares cash flow forecasts derived from the most recent three year financial budgets approved by management and extrapolated for three years using a conservative estimated growth rate of 1.5%. The key assumptions of this calculation are shown below:

	Year ended 31 March 2016	Year ended 31 March 2015
Period on which management approved forecasts are based	**3 years**	3 years
Growth rate applied beyond approved forecast period	**1.5%**	1.5%
Discount rate	**7.1%**	11.0%

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

8. Trade and other payables

	31 March 2016	31 March 2015
	£'000	£'000
Trade payables	**2,068**	813
Accruals and deferred income	**20,568**	19,883
Other payables	**2,429**	1,151
	25,065	21,847

Of the £20.6 million accruals and deferred income, £13.7 million (2015: £12.1 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

9. Share based payments

In the year, the Group recognised total expense before tax of £314,000 (2015: £74,000) in relation to equity settled share based payments transactions in the statement of comprehensive income. These options have been credited against retained earnings reserve. No cash-settled share based payment awards have been granted to employees.

10. Reconciliation to net funds

	31 March 2016	31 March 2015
	£'000	£'000
Cash and cash equivalents	**8,323**	5,746
Finance lease liabilities	**-**	(168)
Net funds	**8,323**	5,578

11. Share premium

	31 March 2016	31 March 2015
	£'000	£'000
At 1 April 2015	**16,182**	16,182
Dividends paid	**(1,087)**	-
Shares issued	**138**	-
At 31 March 2016	**15,233**	16,182

12. Revaluation reserve

	31 March 2016	31 March 2015
	£'000	£'000
At 1 April 2015	**2,449**	2,449
Revaluation in the period	**708**	-
Revaluation reserve transfer	**(14)**	-
Recognition of deferred tax liability	**(64)**	-
At 31 March 2016	**3,079**	2,449

13. Retained earnings

	31 March 2016	31 March 2015
	£'000	£'000
At 1 April 2015	**(17,693)**	(20,569)
Retained profit in the period	**4,734**	2,802
Revaluation reserve transfer	**14**	
Equity-settled share based payment transactions	**314**	74
At 31 March 2016	**(12,631)**	(17,693)

14. Related parties

The Group has a related party relationship with its subsidiaries and with its Directors. Details of the remuneration, share options and pension entitlement of the Directors are included in the Annual Report.