Unaudited Interim Results

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FULCRUM UTILITY SERVICES LIMITED

("Fulcrum" or the "Company")

Unaudited interim results for the six months ended 30 September 2016

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 2016.

The Company has continued to improve its performance and strengthen its balance sheet. Trading performance this year to date is strong and prospects for the rest of the year look positive. The Company started paying dividends in 2014/15 with a modest final dividend and the Board's aim was to be able to increase dividends progressively to a stage where a formal dividend policy could be adopted. The Company's performance last year enabled the payment of significantly increased dividends for 2015/16. Today, the Board is announcing a formal dividend policy which it will apply to the current year 2016/17.

Financial highlights

- Profit before tax of £3.1 million (2015: £1.6 million)
- EBITDA of £3.5 million (2015: £2.0 million)
- Revenue up by 0.6% to £17.2 million (2015: £17.1 million)
- Gross margin increased by 7.9%
- Net cash inflows from operations of £3.8 million, after the addition of £1.1 million in pipeline assets
- Cash of £12.5 million at September 2016 (2015: £5.6 million)
- Revolving credit facility of £4.0 million remains undrawn
- Basic earnings per share of 1.6p (2015: 1.0p).

Dividend policy and interim dividend

- The Board is of the view that the Company has reached a level of financial performance that enables it to adopt a formal dividend policy. The business is now achieving solid profits, generating cash and business prospects are positive. The Company has cash reserves, no debt and unused borrowing facilities. As a result, the Board considers that a dividend cover of around two, based on underlying, sustainable profit, is appropriate going forward. Furthermore, it is expected that the split of dividends between the interim and final dividends will be approximately one third / two thirds
- In line with the above stated dividend policy, the Board is today declaring an interim dividend of 0.6p per share for the 2016/17 financial year (2016: 0.3p per share) payable on 27 January 2017 to members on the register on 30 December 2016. Shares will be marked ex-dividend on 29 December 2016.

Operational highlights

- Secured a £4.0 million project to install a new gas pipeline to a food manufacturing plant
- Won and delivered an array of new gas, electricity and multi-utility contracts
- Order book at 30 September 2016 increased by £2.6 million (+12%) to £24.4 million, compared to 31 March 2016
- Recurring gas pipeline transportation income grown to an annualised £1.5 million
- Further operational efficiencies implemented, helping to increase the gross margin
- Full Meter Asset Manager (MAM) accreditation gained to adopt, run and operate all classes of meters
- Decision made to obtain independent distribution network operator (IDNO) licence to enable ownership of electrical assets
- New IT infrastructure project delivered on time and within budget, saving £0.2 million per annum over next five years.

Martin Donnachie, CEO of Fulcrum, said:
"Fulcrum continues to focus on becoming the UK's most trusted utility services partner and is delighted to deliver another set of strong results. The numbers demonstrate how our integrated business model of providing multi-utility infrastructure services and growing our asset base continues to deliver financial and operational growth.

Fulcrum is well-positioned to grow sustainably in the utility services market through ongoing investment in our people and processes to deliver customer focused, streamlined operations. We believe this approach will continue to provide opportunities for further profitable growth, sustained cash generation and returns to our shareholders."

Enquiries

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Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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 2016. Compared to the previous half year period to 30 September 2015, we have again improved profitability, achieving a record high EBITDA of £3.5 million and increased cash generation with cash at bank of £12.5 million, supporting the proposed progressive dividend policy.

Trading

The investment in our sales team is yielding results - the order book at 30 September 2016 had grown by £2.6 million (12%) to £24.4 million, compared to 31 March 2016. In line with the stated intention to expand into electricity and multi-utility services, a greater proportion of electricity and multi-utility contracts have been tendered and won in the first half of 2016/17. These wins are incremental to the core offering of gas projects.

Notable contract wins since 31 March 2016 include:

- A £4.0m project to install a new 12km gas pipeline to a large food manufacturing plant in the South West, converting the site from its existing fuel oil source to natural gas, generating large cost savings for the manufacturer.
- A £1.4 million contract to install over two kilometres of gas pipeline infrastructure to a new manufacturing plant in the North East of England.
- A £1.0 million contract to install four kilometres of high voltage electrical cabling as part of the development of a hospital in the West Midlands.

Our direct delivery model continues to mature - new applications have been developed and implemented for the mobile devices used by the construction teams to improve communications with customers and streamline internal processes to help to drive down the cost of delivery. We have also added two new direct delivery teams in Scotland during H1 who are skilled in laying multi-utility services.

The Fulcrum IT team has successfully replaced all of the core infrastructure with a new solution that reduces operating costs and ensures that Fulcrum has a sustainable, reliable and simplified infrastructure that is flexible to provide for the changing needs of the business. The project was delivered on time and within budget and will realise operating savings of £0.2 million per annum from January 2017 over the next five years.

Asset Growth

Gas: We continue to invest in our estate of gas pipeline assets, increasing our owned portfolio of domestic, industrial and commercial assets across the UK by £1.1 million to a total net book value of £10.4 million at 30 September 2016. The annualised gas transportation income has grown to £1.5 million and, with low costs to serve, this annuity income stream represents a secure and profitable component of the Group's future financial stability.

Meters: The decision was taken by the Board to enter the meter asset manager market to own and operate gas meters. Starting from 1 October 2016, the Company has been using its current licence to adopt, own and operate low pressure, domestic gas meters. In addition, the Company commenced commercial meter management from 1 November 2016, which will allow the adoption of medium pressure industrial and commercial meters.

Electricity: In accordance with our strategy to grow sales by developing our service offering and expanding into electricity infrastructure projects, the Company intends to gain an independent distributor network operator (IDNO) licence that will facilitate the adoption, ownership and operation of electrical assets to generate long term transportation income streams. The process to full accreditation is expected to take around 12 months from the initial application that will be made before the calendar year-end.

The meter asset ownership addition, and in due course electrical asset ownership, both complement the Company's existing gas pipeline asset ownership capabilities and completes Fulcrum's end-to-end offering by enabling the adoption of gas meters and electrical infrastructure on delivered contracts and the opportunity to expand the services provided.

Outlook

Fulcrum continues to make excellent progress and is well-positioned to grow sustainably in the utility services market, with a balanced approach across the different routes to market, asset ownership and a commitment to efficient operations and customer service.

We are confident that our robust plans will continue to deliver strong returns for our shareholders. The dividend policy announced today confirms our commitment to distribute these returns. We remain on course to generate value for all of our stakeholders by striving to become the UK's most trusted utility services partner.

FINANCIAL REVIEW

Trading results

Revenue

Revenue improved by £0.1 million or 0.6% to £17.2 million (2015: £17.1 million). Revenues from infrastructure services amounted to £16.5 million (2015: £16.7 million which included £1.0 million from the distillery contract) and £0.7 million (2015: £0.4 million) from pipeline transportation income.

Profit

Gross profit is up by £1.4 million to £7.4 million (2015: £6.0 million), with gross profit margin increasing by 8.0% to 43.2% (2015: 35.2%) benefiting from improvements in operating efficiencies, a broader mix of sales orders being won and delivered and a larger proportion of the high margin pipeline transportation income.

Underlying EBITDA for the period has increased to £3.5 million (2015: £2.0 million) and profit before tax has increased by £1.5 million to £3.1 million (2015: £1.6 million).

Earnings per share

Basic adjusted earnings per share from continuing operations was 1.6p (2015: 1.0p). On a statutory basis, the diluted profit per ordinary share from continuing operations was 1.4p (2015: 0.9p).

Taxation

Deferred tax assets totalling £2.6 million have been recognised at 30 September 2016 (2015: £2.7 million). £0.6 million was utilised against the Group's taxable profits of £3.1 million. The total accumulated losses carried forward amount to £17.9 million.

Deferred tax liabilities totalling £0.7 million have been recognised at 30 September 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 valuation through use therefore no tax is currently expected to be payable in respect of the revaluation.

Cash generation

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: £0.1 million). At 30 September 2016, the Group had net funds of £12.5 million (2015: £5.6 million), a £6.9 million increase against the prior period, even after increased investment in our pipeline estate.

Bank facilities

The Group holds an undrawn revolving credit facility for up to £4 million with the Group's bankers, Lloyds Banking Group. Combined with the cash at bank, this provides the Group with sufficient funds to facilitate our trading and asset growth plans and adequate access to cash to cover its contractual obligations. The revolving credit facility remained undrawn throughout the period and the Group has complied with all the financial covenants relating to these facilities.

Principal risks and uncertainties

The risks and uncertainties faced by the Group, as disclosed in the Annual Report and Accounts to 31 March 2016, remain valid, with the main financial risks faced by the Group being 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 an undrawn £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 Interim Statement of Comprehensive Income
For the six months ended 30 September 2016 (unaudited)

	Note	**Unaudited Six months ended 30 September 2016 £'000**	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Revenue		**17,170**	17,095	34,505
Cost of sales		**(9,756)**	(11,076)	(21,520)
Gross profit		**7,414**	6,019	12,985
Administrative expenses		**(4,354)**	(4,461)	(8,748)
Operating profit		**3,060**	1,558	4,237
Analysed as:				
EBITDA before share based payments and exceptional items		**3,456**	2,020	5,301
Equity settled share based payment charges		**(106)**	(65)	(314)
Exceptional items	5	**-**	-	(4)
Depreciation and amortisation		**(290)**	(397)	(746)
		3,060	1,558	4,237
Net finance income		**34**	5	21
Profit before tax		**3,094**	1,563	4,258
Taxation		**(588)**	-	476
Profit for the financial period		**2,506**	1,563	4,734
Other comprehensive income				
Items that will never be reclassified to profit				
Revaluation of property, plant and equipment		**-**	-	694
Deferred tax on items that will never be reclassified to profit or loss		**-**	-	(64)
Total comprehensive income for the period		**2,506**	1,563	5,364
Profit per share attributable to the owners of the business				
Basic	4	**1.6p**	1.0p	3.1p
Diluted	4	**1.4p**	0.9p	2.7p

Consolidated Interim Statement of Changes in Equity
For the six months ended 30 September 2016 (unaudited)

	Share capital £'000	**Share premium £'000**	**Revaluation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Six months ended 30 September 2016:					
Balance at 1 April 2016	156	15,233	3,079	(12,631)	5,837
Profit for the period	-	-	-	2,506	2,506
Transactions with equity shareholders:					

Issues of new shares	4	429	-	-	433
Equity settled share-based payments	-	-	-	106	106
Balance at 30 September 2016	160	15,662	3,079	(10,019)	8,882
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**	**16,255**	**2,449**	**(16,065)**	**2,764**
Year ended 31 March 2016:					
Balance at 1 April 2015	154	16,182	2,449	(17,693)	1,092
Profit for the year	-	-	-	4,734	4,734
Revaluation surplus	-	-	708	-	708
Revaluation reserve transfer	-	-	(14)	14	-
Deferred tax liability	-	-	(64)	-	(64)
Transactions with equity shareholders:					
Equity-settled share based payments	-	-	-	314	314
Dividends	-	(1,087)	-	-	(1,087)
Issue of new shares	2	138	-	-	140
Balance at 31 March 2016	**156**	**15,233**	**3,079**	**(12,631)**	**5,837**

Consolidated Interim Balance Sheet
At 30 September 2016 (unaudited)

	Note	**Unaudited 30 September 2016 £'000**	Unaudited 30 September 2015 £'000	Audited 31 March 2016 £'000
Non-current assets				
Property, plant and equipment		**10,460**	7,900	9,480
Intangible assets		**2,492**	2,690	2,597
Deferred tax assets	3	**2,622**	2,734	3,210
		15,574	13,324	15,287
Current assets				
Inventories		**1,192**	1,414	1,403
Trade and other receivables		**6,283**	5,876	6,663
Cash and cash equivalents		**12,486**	5,634	8,323
		19,961	12,924	16,389
Total assets		**35,535**	26,248	31,676
Current liabilities				
Trade and other payables	8	**(25,908)**	(22,637)	(25,065)
Provisions		**(69)**	(235)	(98)
		(25,977)	(22,872)	(25,163)
Non-current liabilities				
Deferred tax liabilities		**(676)**	(612)	(676)
Total liabilities		**(26,653)**	(23,484)	(25,839)
Net assets		**8,882**	2,764	5,837
Equity				
Share capital		**160**	155	156
Share premium		**15,662**	16,225	15,233
Revaluation reserve		**3,079**	2,449	3,079
Retained earnings		**(10,019)**	(16,065)	(12,631)
Total equity		**8,882**	2,764	5,837

Consolidated Interim Cash flow Statement

For the six months ended 30 September 2016 (unaudited)

	Note	**Unaudited Six months ended 30 September 2016 £'000**	Unaudited Six months ended 30 September 2015 £'000	Audited Year ended 31 March 2016 £'000
Cash flows from operating activities				
Profit before tax for the period		**3,094**	1,563	4,258
Depreciation		**157**	247	447
Amortisation of intangible assets		**133**	150	299
Capitalisation of pipeline assets		**(1,083)**	(558)	(1,886)
Net finance income		**(34)**	(5)	(21)
Equity settled share based payment charges		**106**	65	314
Exceptional items	5	**-**	-	4
Decrease/(increase) in trade and other receivables		**380**	(2,036)	(2,824)
Decrease/(increase) in inventories		**211**	(125)	(114)
Increase in trade and other payables	8	**843**	790	3,448
Decrease in provisions		**(29)**	-	(137)
Cash generated from operations		**3,778**	91	3,788
Net interest received		**34**	5	24
Net cash from operating activities		**3,812**	96	3,812
Cash flows from investing activities				
Purchase of property, plant and equipment		**(55)**	(63)	(56)
Purchase of intangible assets		**(27)**	(19)	(59)
Net cash used in investing activities		**(82)**	(82)	(115)
Cash flows from financing activities				
Dividends paid		**-**	-	(1,087)
Proceeds from issue of share capital		**433**	44	138
Repayment of finance lease liabilities		**-**	(170)	(171)
Net cash from/(used in) financing activities		**433**	(126)	(1,120)
Net increase/(decrease) in cash and cash equivalents		**4,163**	(112)	2,577
Cash and cash equivalents at 1 April 2016		**8,323**	5,746	5,746
Cash and cash equivalents at 30 September 2016		**12,486**	5,634	8,323

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 is listed on the AIM market of the London Stock Exchange.

The condensed consolidated interim financial information, including the financial information for the year ended 31 March 2016 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 2016 is derived from the non-statutory accounts for that financial period. The non-statutory accounts for the year ended 31 March 2016 were approved on 7 June 2016. 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 13.

1.1. Basis of preparation

The condensed consolidated interim financial information for the period ended 30 September 2016 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The accounting policies adopted in the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2016.

1.2. Going concern

As at 30 September 2016 the Group had net assets of £8.9 million (2015: £2.8 million), including cash of £12.5 million (2015: £5.6 million) as set out in the consolidated balance sheet 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 they arise. In the six months to 30 September 2016, the Group generated a profit before tax of £3.1 million and had net cash inflows of £4.2 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 condensed consolidated interim financial statements.

1.3. Accounting policies

The financial statements have been prepared using consistent accounting policies. The following adopted IFRSs have been issued but have not been applied by the Group in the condensed consolidated interim financial information.

- 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 2018)
- 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.

In preparing the condensed consolidated interim financial information, 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 2016.

2. Segmental analysis

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 in 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.

	Six months to 30 September 2016			Six months to 30 September 2015			Year ended 31 March 2016		
	Infrastructure Services	**Pipelines**	**Total Group**	Infrastructure Services	Pipelines	Total Group	Infrastructure Services	Pipelines	Total Group
	£'000	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000
Reportable segment revenue	**16,455**	**715**	**17,170**	16,651	444	17,095	33,445	1,060	34,505
Underlying EBITDA	**3,087**	**369**	**3,456**	1,840	180	2,020	4,829	472	5,301
Share based payment charge	**(106)**	**-**	**(106)**	(65)	-	(65)	(314)	-	(314)
Depreciation and amortisation	**(154)**	**(136)**	**(290)**	(368)	(129)	(397)	(522)	(224)	(746)
Reportable segment operating profit before exceptional items	**2,827**	**233**	**3,060**	1,507	51	1,558	3,993	248	4,241
Exceptional items	**-**	**-**	**-**	-	-	-	(4)	-	(4)
Reporting segment operating profit	**2,827**	**233**	**3,060**	1,507	51	1,558	3,989	248	4,237
Finance income	**39**	**7**	**46**	10	3	13	25	6	31
Finance expense	**(12)**	**-**	**(12)**	(8)	-	(8)	(10)	-	(10)
Profit before tax	**2,854**	**240**	**3,094**	1,509	54	1,563	4,004	254	4,258

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

3. Taxation

	Six months to 30 September 2016	Six months to 30 September 2015
	£'000	£'000
Current tax	**(588)**	-
Deferred tax	**-**	-
Total tax charge	**(588)**	-

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 £17.9 million (2015: £21.4 million) of tax losses of which a deferred tax asset of £2.6 million has been recognised. During the period £0.6 million of the deferred tax asset was utilised against taxable profits.

4. Earnings per share

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 155,953,125 (September 2015: 155,864,756, March 2016: 155,062,292). 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 184,803,122 (September 2015: 177,414,399, March 2016: 177,810,228). The earnings per share from continued operations were as follows:

Profit per share	**Six months to 30 September 2016**	Six months to 30 September 2015	Year ended 31 March 2016
Basic	**1.6p**	1.0p	3.1p
Adjusted basic	**1.6p**	1.0p	2.7p
Diluted basic	**1.4p**	0.9p	2.7p
Diluted adjusted basic	**1.4p**	0.9p	2.4p

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

Profit for the period	**Six months to 30 September 2016**	Six months to 30 September 2015	Year ended 31 March 2016
	£'000	£'000	£'000

Profit for the period attributable to shareholders	**2,506**	1,563	4,734
Add exceptional items	**-**	-	4
Less deferred tax asset recognised	**-**	-	(476)
Adjusted profit for the period attributable to shareholders	**2,506**	1,563	4,262

5. Exceptional items

There were no exceptional items in the period (2015: £nil). The exceptional items in 2016 relate to restructuring activities and changing the operating model.

***6.* Related party transactions**

There are no disclosable related party transactions during the period (2015: none).

7. Dividend

At the start of the year the Group declared a dividend of 0.6p per share bringing the total dividend for the full financial year 2015/2016 to 0.9p per share (FY 2014/2015: 0.4p per share). This was paid on 28 October 2016. The Board have proposed an interim dividend for financial year 2017 of 0.6p per share (2015: 0.3p) which will be payable in January 2017.

8. Trade and other payables

	Six months to 30 September 2016	Six months to 30 September 2015	Year ended 31 March 2016
	£'000	£'000	£'000
Trade payables	**1,717**	1,567	2,068
Accruals and deferred income	**21,810**	19,071	20,568
Other payables	**2,381**	1,999	2,429
	25,908	22,637	25,065

Of the £21.8 million accruals and deferred income, £13.9 million (2015: £12.4 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

9. Financial risk management

The Group's principal financial instruments are cash, trade receivables and payables. The Group does not have any financial instruments that are measured at fair value on a recurring basis. The fair values of all financial instruments are equal to their book values and there is no difference between the carrying amount and contracted cash flows. All contracted cash flows are due within one year.

Credit risk

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 businesses. The credit worthiness of new customers is assessed by taking into account their financial position, past experience and other factors. It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group, other than one customer, for which the risk of failure is considered to be minimal based on current market conditions and performance.

The Group has a policy of ensuring cash deposits are made with the primary objective of security of the principal. Deposits are held with Lloyds Bank plc, which is rated A+ by Fitch and A by Standards and Poor. These credit ratings are regularly monitored to ensure that they meet the required minimum criteria set by the Board through the treasury policy.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due without incurring unacceptable losses or risking damage to the Group and does so by monitoring cash flow forecast and budgets. The Group's exposure to liquidity risk reflects its ability to readily access the funds to support its operations. The Group has an undrawn revolving credit facility in order to provide the flexibility required in the management of the Group's liquidity. The Group's liquidity requirements are continually reviewed and additional facilities put in place as appropriate.

Liquidity forecasts are produced on a regular basis and include the expected cash flows that will occur on a weekly, monthly and quarterly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. The Group holds a combination of short and medium-term deposits and a £4.0 million revolving credit facility committed to November 2018. These committed facilities are deemed to be sufficient to meet projected liquidity requirements.

Market risk

The Group may be affected by general market trends which are unrelated to the performance of the Group itself, such as fluctuations in interest rates. The Group is currently not exposed to interest rate risk as it has not drawn down on its £4.0 million (2015: £4.0 million) revolving credit facility and has no market debt.

Capital risk

The Group defines capital as total equity. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure which optimises the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board.

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 2016 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 2016 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
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

6 December 2016

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