FULCRUM UTILITY SERVICES LIMITED

Audited preliminary results for the year ended 31 March 2017

Fulcrum, the UK's market leading independent multi-utility infrastructure and services provider, today announces its audited preliminary results for the year ended 31 March 2017.

INCREASED PROFITS, GENERATED CASH AND DELIVERED ON PROGRESSIVE DIVIDEND POLICY

Financial highlights

- Revenue up by 4.4% to £37.7 million (2016 restated: £36.1 million)*
- Underlying EBITDA of £7.3 million (2016: £5.3 million)
- Profit before tax of £6.5 million (2016: £4.3 million)
- Gross margin increased by 4.8% to 40.8% (2016: 36.0%)
- Net cash inflows before financing activities of £5.3 million (2016: £3.7 million), net of investment of £2.5 million in pipeline assets
- Cash of £12.6 million as at 31 March 2017 (2016: £8.3 million)
- Revolving credit facility of £4.0 million remains undrawn

Dividend

- The Board is recommending a final dividend for FY2017 of 1.3p per share, making the total dividend 1.9p for FY2017 (2016: 0.9p). This reflects the Board's ongoing confidence in the Group's ability to generate cash and its future prospects.

Operational highlights

- Strong growth in the order book, up 39% since March 2016, to £30.3 million (2016: £21.8 million)
- Organic growth:
    - Secured a £4.2 million project to install a new gas pipeline to a food manufacturing plant
    - Won and delivered an array of new gas, electricity, multi-utility and new housing contracts
    - Grew the recurring pipeline transportation income to an annualised £1.6 million
    - Secured £2.8 million of external gas assets to be purchased from utility infrastructure providers
- Full Meter Asset Manager (MAM) accreditation gained to adopt, run and operate all classes of utility meters
- On track to obtain the electrical asset licence by the end of 2017
- Further operational efficiencies implemented, helping to increase the gross margin
- Teams further upskilled to deliver multi-utility work

**FY2016 revenue has been restated to reflect a recent change to the Group's accounting policies, the effect of which has increased revenue in FY2016 with an offsetting adjustment within cost of sales. The absolute gross profit, profit for the year, underlying EBITDA or net assets as at 31 March 2016 are not affected by this change. Further detail is provided in Note 1 to the financial statements.*

Martin Donnachie, CEO of Fulcrum, said:

"I am delighted to announce another set of strong results. Our integrated business model of providing multi-utility infrastructure services and growing our asset base continues to deliver profitable growth. The business has an established and growing market leading position. We will continue to focus on sales growth, improving customer service and using the cash generated to increase the asset base and the recurring transportation income, all whilst maintaining and improving operational disciplines.

We continue to move forward at pace with confidence for the future as we remain on course to deliver incremental value to all our stakeholders by being the UK's most trusted utility services partner. We are confident that the outlook remains positive and that the Group continues to be well positioned to make sustained progress in 2018."

Enquiries:

Fulcrum Utility Services Limited +44 (0)114 280 4150

Craig Baugh, Head of Marketing & Customer Engagement

Cenkos Securities plc (Nominated adviser and broker)

Max Hartley (Nomad) / Alex Aylen (Sales) +44 (0)20 7397 8900

Camarco (Financial PR advisers)

Ginny Pulbrook / Tom Huddart

+44(0)203 757 4992

Notes to Editors:

Fulcrum is a multi-utility infrastructure and services provider based in Sheffield, UK. The Group's primary business is the provision of utility infrastructure services to the residential, commercial and industrial markets throughout the main land UK. These range from the design, installation or alteration of utility services 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, owning and operating gas pipelines that connect properties to the main UK gas networks, and a meter asset manager.

http://www.fulcrum.co.uk/

Chairman's Statement

Platform for growth

I am pleased to present the annual report and financial statements for Fulcrum for the year ended 31 March 2017. The Group continues to build on its robust, profitable platform. FY2017 has been another year of performance improvement with increases in profits, cash generation and dividends.

Financial Results

For the year ended 31 March 2017 the Group reported profit before tax of £6.5 million (2016: profit of £4.2 million). Overall reported revenue for the year was £37.7 million (2016 restated: £36.1 million). Underlying EBITDA for the period was £7.3 million (2016: £5.3 million). The Group achieved a 4.8% improvement in gross margin at 40.8% (2016: 36.0%), benefiting from improvements in operating efficiencies, a broader mix of sales and a larger proportion of the high margin asset transportation income.

Basic earnings per share for the period were 3.3p per share (2016: 3.1p). The underlying earnings per share, before deferred tax, was 4.1p (2016: 2.7p). The diluted earnings per ordinary share for the period were 2.8p (2016: 2.7p). The diluted underlying earnings per share, before deferred tax, were 3.5p (2016: 2.4p).

Net cash inflows before financing activities were £5.3 million (2016: £3.6 million), after investment in pipeline assets of £2.5 million. At 31 March 2017 the overall net cash position was £12.6 million.

Dividends

As a result of this strong performance, and in line with our dividend policy declared in December 2016, I am pleased to announce that the Board has recommended a final dividend of 1.3p, making the total dividend 1.9p for FY2017 (2016: 0.9p). Creating shareholder value is a key priority for the Group and, going forward, our priorities for how we use our cash remain unchanged. We will continue to invest in the business to support organic growth, acquire utility assets and grow the dividend in line with the stated policy.

Board and Corporate Governance

There have been no changes to the Board during FY2017. Post the year end, however, we announced on 11 May 2017, that Martin Donnachie, Chief Executive Officer, would be standing down on 31 July 2017. Martin Harrison, Chief Financial Officer, will succeed as Chief Executive Officer on 1 August 2017 following an agreed hand-over period. Ian Foster was appointed as Chief Operating Officer with effect from 1 August 2017 and Hazel Griffiths, the Group Financial Controller, will take on the role of Chief Financial Officer though will not be appointed to the Board at this stage.

The stewardship and governance of our Group are a high priority, and the Board is committed to ensuring that high standards of corporate governance are embedded within the organisation and at the forefront of all that we do. We believe that our commitment to business integrity, safety, sustainability and strong governance is a key strength of our business and enables decisions to be taken that create value for future years.

Our People

Fulcrum owes its success to its employees. I would like to thank them all for their dedication and hard work during the year. We are committed to creating an environment that encourages and enables people to achieve their ambitions and develop the skills they need to do so.

Outlook

Fulcrum continues to make excellent progress with a significantly increased order book and, later this year, the expected IDNO licence will enable the Group to own and operate electricity assets. Furthermore, the Group 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 safe operations and customer service.

As we look forward, the opportunities for further improvement and value creation remain attractive. We are confident about the growth opportunities and our ability to leverage our robust and scalable operating platform. We believe the outlook remains positive and that the Group continues to be well positioned to make sustained progress in 2018.

Strategic Report

Creating shareholder value through profitable growth

Principal Activities

The Group's principal activities are the provision of unregulated utility connections, independent gas transportation and meter asset management 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. In either case, 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 licensed owner of the Group's gas and meter assets).

Chief Executive's Review

In FY2017, we maintained our track record of continuous improvement to successfully deliver on our promises to grow the order book, improve operational efficiency to reduce costs and grow our asset estate. This strategy has delivered a record EBITDA of £7.3 million (2016: £5.3 million) and positive cash generation of £5.3 million before financing activities.

The Group's order book increased by £8.5 million (39%) to £30.3 million, from £21.8 million as at 31 March 2016. This increase highlights progress within the business during FY2017 and includes a £4.2 million contribution from the gas conversion contract in the South West reported at the half year stage. The Group continues to secure electricity contracts and a broad base of gas and multi-utility projects.

In accordance with the stated asset growth strategy, the Group has seen an increase of agreements to adopt external gas assets from Utility Infrastructure Providers (UIPs). The value of assets to be purchased is currently £2.8 million. The cash will be spent as these schemes are built out, increasing future transportation income.

We also confirm that plans are on track to obtain the Independent Distribution Network Operator (IDNO) licence by the end of the calendar year to enable ownership of electrical assets.

In the period under review, the Group achieved a 4.8% improvement in the gross profit margin of 40.8% (2016: 36.0%) . This improvement has been driven by our maturing direct delivery model, a broader mix of sales orders being won and delivered, alongside a larger contribution from the high margin asset transportation income. In addition, continued progress has been made in reducing the cost base of the business to ensure that our competitive position can be sustained in the long term. All costs are subject to rigorous reviews and efficiency savings are continually sought to enable reinvestment in organic growth opportunities.

Safety is paramount in our organisation. Our goal remains to ensure everyone including contractors, employees and the general public are safe when work is being undertaken.

Trading in FY2017

In FY2017, year-on-year revenue increased by £1.6 million or 4.4% to £37.7 million. We continue to deliver on our stated strategy of organic growth, as evidenced by the 39% increase in the sales order book year-on-year. The investment in our sales team is yielding results. 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 FY2017. These wins are incremental to the core offering of gas projects.

We introduced customer satisfaction surveys in FY2017 to gauge how well our customer-centric approach is being received. The first year results are encouraging, with 73% of customers rating our service as "great" (9 or 10 out of 10).

Our sales approach is maturing, with dedicated teams servicing 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 ensured that we have strong levels of repeat revenues.

We have delivered a 97% Right First Time service for British Gas, our largest customer, underlining our flexibility and delivery capabilities to meet this key customer's requirements. We have also secured several major projects, including:

- 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, four kilometre electricity contract to a hospital; and
- a £0.5 million dual fuel contract to supply new gas and electricity infrastructure to a new power station.

Our dedicated and responsive key accounts team supports all of these repeat customers throughout the design to delivery process, providing services that meet their individual needs.

Major projects

Our ability to deliver large and complex projects is well recognised. We work closely with our clients to design and build utility infrastructure solutions tailored to their needs. Fulcrum has continued to win major new gas, electricity and multi-utility contracts, which include:

- a £4.2 million 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 £1.1 million, 7.7km gas pipeline project to convert a Scottish distillery from its existing fuel source to natural gas; and
- a £0.3 million multi-utility contract to install gas, electricity, water and telecoms to three commercial units in London.

With a focus on main contractors and mechanical and engineering consultants, the enlarged team of business development managers has increased major project orders during the period and are consistently generating incremental opportunities, including electricity contracts.

Housing

The housing market presents a significant opportunity to grow our sales. To expand our work-winning capability, we have increased the number of Business Development Managers in this team and made further improvements to our cost-effective delivery model. During the period, we have secured several significant, multi-utility housing schemes, including:

- a £0.2 million infrastructure contract to deliver new gas and electricity connections to a 100-plot housing development in Staffordshire; and
- a £0.1 million infrastructure contract to deliver new gas, electricity and water connections to a housing development in Nottinghamshire.

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 grow, increasing by 8% year-on-year to £6.4 million, accounting for 17% of our total revenue. Both the FirstGas and FirstElectricity brands, aimed at less technical users, have demonstrated year-on-year growth, increasing our penetration of this sub-sector.

Utility Assets

A key component of our growth strategy is to create long-term, secure income by increasing our ownership of gas, electricity and meter assets.

Gas

Our estate of gas pipeline assets has grown in FY2017, increasing our owned portfolio of domestic, industrial and commercial assets by £2.5 million to a total net book value of £11.9 million at 31 March 2017. The annualised gas transportation income has grown to £1.6 million (2016: £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.

Our competitive gas asset values offered to external UIPs (who do not have an independent gas transportation licence that enables them to own gas pipelines) has yielded a significant increase in the order book. The value of assets to be purchased is currently £2.8 million (2016: £0.2 million). The cash will be spent as these schemes are built out, increasing future transportation income.

Meters

During the period, the decision was taken by the Board to enter the Meter Asset Manager (MAM) market to own and operate gas meters. Starting from October 2016, the Group has been using its current licence to adopt, own and operate low pressure, domestic gas meters. In addition, the Group commenced commercial meter management from 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 Group announced its intention to gain an 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 made in December 2016.

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

Operations

We continually challenge internal and external constraints with the aim of simplifying the way we work, embedding systems and automation to drive efficiencies and encouraging our people to propose innovative ways of working.

Our direct delivery model continues to mature – new, low-cost 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. There are further plans to improve our operational efficiency by developing new mobile applications that will reduce hand-offs between functions, empower construction teams and automate routine administrative activities.

We plan to expand the direct delivery capability, with more teams being upskilled to deliver electrical work across mainland UK. Our unique, 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.

During the period, 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.

In order to maintain competitive advantage, we will continually review and improve working practices to ensure that the business model is efficient and lean. Our cost of delivery across all functions (direct, indirect and support) will continue to be tested to drive improved levels of sales orders won and sustainable profitability.

Our People

At Fulcrum, we believe that our people underpin our competitive edge and I would like to thank them all for their outstanding contributions. We trust them to go above and beyond for the Group and our clients. Individual talent and collective expertise across the Group help us to win and deliver the diverse projects while meeting our strategic objectives and delivering on stakeholders' expectations.

We aim to attract and retain the best people and continually develop their capabilities so that we can meet and exceed our clients' expectations. We have continued to invest in our people, enabling them to become increasingly multi-skilled, notably strengthening our electrical design and installation capabilities. Learning and development has been grounded in customer-specific roles and the evolving needs of customers in the industry. Sustained investment will continue to be made to underpin employee engagement and continuous learning. We also actively review and manage our succession plans.

Going Concern

As highlighted in the Financial Review, the Group had net cash at 31 March 2017 of £12.6 million. Also, the Group has an undrawn revolving credit financing facility of £4.0 million.

As a matter of course the Directors regularly prepare financial forecasts for the business 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

The business has an established and growing market leading position. We will continue to focus on sales growth, improving customer service and using the cash generated to increase the asset base and the recurring transportation income, all whilst maintaining and improving operational disciplines.

We continue to move forward at pace with confidence for the future as we remain on course to deliver incremental value to all our stakeholders with our aim to be the UK's most trusted utility services partner. We are confident that the outlook remains positive and that the Group continues to be well positioned to make sustained progress in 2018.

FINANCIAL REVIEW

Reported Results for the Period

These audited preliminary results report the financial performance of the Group for the year ended 31 March 2017 and for the comparative period to 31 March 2016.

The financial results for the year to 31 March 2017 reflect a year of sustained progress for our business. The revenue has increased, new operating efficiencies have been implemented and costs controlled to deliver a record underlying EBITDA of £7.3 million (2016: £5.3 million). These results, combined with close management of working capital, have resulted in £6.0 million cash being generated from operating activities (2016: £3.8 million). Overall, net funds have increased by £4.3 million to £12.6 million.

The financial performance, together with a comparison with the previous year, is summarised in the table below.

	Year ended 31 March 2017 £m	**Restated year ended 31 March 2016 £m**	**Year-on-year change £m**
Revenue	**37.7**	**36.1**	1.6
Gross profit	**15.4**	**13.0**	2.4
Gross margin (%)	***40.8%***	***36.0%***	*4.8%*
Administrative expenses	**(8.9)**	**(8.7)**	(0.2)
Underlying EBITDA(1)	**7.3**	**5.3**	2.0
Operating profit before exceptional items	**6.5**	**4.2**	2.3

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

Revenue

Revenue improved by £1.6 million or 4.3% to £37.7 million (2016 restated: £36.1 million). Revenues from infrastructure services amounted to £36.2 million (2016 restated: £35.0 million) and £1.5 million (2016: £1.1 million) from gas transportation.

During the year the Board has considered the accounting for recognition of assets that are adopted by the Group, where those assets are acquired at their "fair value" on adoption, in accordance with IFRIC 18: Transfers of assets from customers. The Board has concluded on consideration of the accounting that it is more appropriate in achieving a relevant presentation to include the adjustment within revenue as opposed to the historical treatment which adjusted cost of sales. The impact of this change is to increase revenue in the prior year by £1.6 million, with an offsetting adjustment within cost of sales. The absolute gross profit, profit for the year, underlying EBITDA or net assets as at 31 March 2016 are not affected by this change.

Profit and Performance

Gross profit was up by £2.4 million to £15.4 million (2016: £13.0 million), with the gross profit margin increasing by 4.8% to 40.8% (2016 restated: 36.0%), benefiting from improvements in sales mix, operational efficiencies and the increase in high margin transportation income.

There were no exceptional charges in the year (2016: the costs associated with changing the operating model and reassessment of dilapidation costs in the prior year were reported as exceptional items).

Underlying EBITDA for the period has increased to £7.3 million (2016: £5.3 million) and profit before tax increased by £2.3 million to £6.5 million (2016: £4.2 million).

Earnings per Share

Basic earnings per share for the period were 3.3p (2016: 3.1p). Basic underlying earnings per share from continuing operations, before deferred tax, were 4.1p (2016: 2.7p). The FY2017 earnings per share were impacted by the notional tax charge in the year of £1.3 million (2016: notional tax credit of £0.5 million) and the exercise of 10.9 million vested share options during the year. On a statutory basis, the diluted profit per ordinary share from continuing operations was 2.8p (2016: 2.7p).

Dividends

In December 2016, we announced our progressive dividend policy, reflecting the Board's future confidence, endorsing the financial strength of the business.

The Board proposes a final dividend, subject to shareholder approval at the AGM, of 1.3p per share (2016: 0.6p per share) giving a total dividend for the year of 1.9p per share (2016: 0.9p per share). This final dividend is expected to be paid on 27 October 2017 to shareholders on the register on 29 September 2017 with an ex-dividend date of 28 September 2017.

The cash generative business model, from both infrastructure services and utility assets, provides visibility and confidence in the sustainability and growth of future dividends.

Share Capital

The Group has one class of shares in issue, being ordinary shares with a nominal value of 0.1p each. During the year, 10,854,074 ordinary shares were issued with a nominal value of £10,854 to employees exercising vested share options. The associated cash consideration for the exercise prices was £832k. As at 31 March 2017, the issued share capital of the Group was 167,241,899 ordinary shares with a nominal value of £167k.

Taxation

Deferred tax assets totalling £1.9 million have been recognised at 31 March 2017 (2016: £3.2 million). £1.8 million was utilised against the Group's taxable profits of £6.0 million and an additional £0.4 million of deferred tax asset was recognised, after consideration of future levels of profitability. The total accumulated tax losses carried forward from prior periods amounted to £12.1 million.

Deferred tax liabilities totalling £0.7 million have been recognised at 31 March 2017 (2016: £0.7 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.

Tangible Assets

Capital expenditure for the period amounted to £3.1 million (2016: £1.9 million), principally in respect of the addition of pipeline assets, £2.5 million (2015: £1.9 million). A further £0.6 million was invested in the upgrade of the IT infrastructure, development of mobile applications, office improvements and miscellaneous plant.

Cash Generation

Working capital management continues to be a key area of focus, with the close management throughout the period resulting in a positive operating cash flow from trading activities of £6.0 million (2016: £3.8 million).

At 31 March 2017, the Group had net funds of £12.6 million (2015: £8.3 million), a £4.3 million increase against the prior period, after the investment in our pipeline estate, operational projects and dividend payment.

Bank Facilities

In the prior year, the Group agreed a three-year revolving credit facility for £4.0 million (£1.0 million facility plus an accordion option of £3.0 million) with Lloyds Banking Group. The facility has not been used so remains undrawn as in the prior year. The Group has complied with all the financial covenants relating to these facilities.

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.

Balance Sheet

Total net assets at 31 March 2017 were £10.4 million (2016: £5.8 million) and included intangible assets of £2.6 million (2016: £2.6 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 affect the financial wellbeing of the Group, other than one customer, for which the risk of failure is considered 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 forecast 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 committed facilities are deemed sufficient to meet projected liquidity requirements.

Consolidated statement of comprehensive income
for the year ended 31 March 2017

	Notes	**Year ended 31 March 2017 £'000**	*Restated Year ended 31 March 2016 £'000
Revenue	2	**37,736**	36,109
Cost of sales		**(22,358)**	(23,124)
Gross profit		**15,378**	12,985
Administrative expenses		**(8,906)**	(8,748)
Operating profit		**6,472**	4,237
Analysed as:			
EBITDA before share based payments and exceptional items		**7,321**	5,301
Equity-settled share based payment charges	9	**(213)**	(314)
Exceptional items		**-**	(4)
Depreciation and amortisation	6,7	**(636)**	(746)
		6,472	4,237
Finance income		**75**	31
Finance expense		**(12)**	(10)
Profit before taxation		**6,535**	4,258
Taxation	5	**(1,289)**	476
Profit for the period attributable to equity holders of the parent		**5,246**	4,734
Other comprehensive income:			
Items that will never be reclassified to profit:			
Revaluation of property, plant and equipment	12	**280**	694
Deferred tax on items that will never be reclassified to profit or loss	12	**(9)**	(64)
Total comprehensive profit		**5,517**	5,364
Profit per share attributable to the owners of the business:			
Basic	4	**3.3p**	3.1p
Diluted	4	**2.8p**	2.7p

**See note 1*

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 2015		154	16,182	2,449	(17,693)	1,092
Profit for 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	13	–	–	–	314	314
Dividends	3,11	–	(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**
Profit of the year	13	-	-	-	**5,246**	**5,246**
Revaluation surplus	12	-	-	**280**	-	**280**
Revaluation reserve transfer	12	-	-	**(7)**	**7**	-
Deferred tax liability	5,12	-	-	**(9)**	-	**(9)**
Transactions with equity shareholders						
Equity-settled share based payment	13	-	-	-	**213**	**213**
Dividends	3,11	-	**(1,964)**	-	-	**(1,964)**
Issue of new shares	11	**11**	**832**	-	-	**843**
Balance at 31 March 2017		**167**	**14,101**	**3,343**	**(7,165)**	**10,446**

Consolidated balance sheet

	Notes	**31 March 2017 £'000**	31 March 2016 £'000
Non-current assets			
Property, plant and equipment	6	**12,297**	9,480
Intangible assets	7	**2,567**	2,597
Deferred tax assets	5	**1,921**	3,210
		16,785	15,287
Current assets			
Inventories		**1,647**	1,403
Trade and other receivables		**7,129**	6,663
Cash and cash equivalents		**12,561**	8,323
		21,337	16,389
Total assets		**38,122**	31,676
Current liabilities			
Trade and other payables	8	**(26,991)**	(25,065)
Provisions		**-**	(98)
		(26,991)	(25,163)
Non-current liabilities			
Deferred tax liabilities	5	**(685)**	(676)
		(685)	(676)
Total liabilities		**(27,676)**	(25,839)
Net assets		**10,446**	5,837
Equity			
Share capital		**167**	156
Share premium	11	**14,101**	15,233
Revaluation reserve	12	**3,343**	3,079
Retained earnings	13	**(7,165)**	(12,631)
Total equity		**10,446**	5,837

The financial statements were approved by the Board of Directors on 6 June 2017 and were signed on its behalf by:

Martin Harrison
Chief Financial Officer

Consolidated cash flow statement

	Notes	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Cash flows from operating activities			
Profit before tax for the year		**6,535**	4,258
Adjustments for:			
Depreciation	6	**362**	447
Amortisation of intangible assets	7	**278**	299
(Profit)/loss on disposal of property, plant and equipment		**-**	(1)
Capitalisation of pipeline assets	6	**(2,518)**	(1,886)
Finance income		**(75)**	(31)
Finance expense		**12**	10
Equity-settled share based payment charges	9	**213**	314
Exceptional items		**-**	4
(Increase)/decrease in trade and other receivables		**(466)**	(2,823)
(Increase)/decrease in inventories		**(244)**	(114)
Increase/(decrease) in trade and other payables	8	**1,912**	3,448
Decrease in provisions for exceptional items		**(74)**	(137)
Cash inflow from operating activities		**5,935**	3,788
Interest received		**75**	31
Interest paid		**(12)**	(7)
Net cash inflow from operating activities		**5,998**	3,812
Cash flows from investing activities			
Additions to tangibles	6	**(381)**	(56)
Additions to intangibles	7	**(248)**	(59)
Net cash outflow from investing activities		**(629)**	(115)
Cash flows from financing activities			
Dividends paid	3	**(1,963)**	(1,087)
Proceeds from issue of share capital		**832**	138
Repayment of finance lease liabilities		**-**	(171)
Net cash outflow from financing activities		**(1,131)**	(1,120)
Increase in net cash and cash equivalents		**4,238**	2,577
Cash and cash equivalents at 1 April 2016		**8,323**	5,746
Cash and cash equivalents at 31 March 2017		**12,561**	8,323

Notes to the consolidated financial statements

1. Accounting policies

General Information

Fulcrum Utility Services Limited is a limited Group 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 Group 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 2016 except as set out below. They will also be set out in full in the 2017 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 2017 and 31 March 2016. 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 2017, 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 15 Revenue from Contracts with Customers (effective date 1 January 2017)
- IFRS 16 Leases (effective date 1 January 2019)

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.

Change in Accounting Policy

During the year the board has considered the accounting for recognition of assets that are adopted by the Group, where those assets are acquired at their "fair value" on adoption, in accordance with IFRIC 18: Transfers of assets from customers (first applied 31 March 2011). IFRIC 18 requires that assets are treated as additions to Property Plant and Equipment at their "fair value", with a consequent adjustment to revenue. The Group has previously treated these asset additions in accordance with IFRIC 18, with an adjustment being made to cost of sales, rather than revenue. The Board has concluded on consideration of the accounting that it is more appropriate in achieving a relevant presentation to include the adjustment within revenue. This will ensure that the impact of the application of IFRIC 18 is clearer in the financial statements. The impact of this change is to increase revenue in the prior year by £1.6 million, with an offsetting adjustment within cost of sales. Theabsolute gross profit, profit for the year or net assets as at 31 March 2016 is not affected by this change.

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 2017 the Group had net assets of £10.4 million (2016: £5.8 million), including cash of £12.6 million (2016: £8.3 million) as set out in the consolidated balance sheet above and an unused revolving credit facility of £4.0 million (2016: £4.0 million) and so would be in a position to pay its obligations as there arise. In the year ended 31 March 2017, the Group generated a profit of £5.2 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 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 gas transportation. Fulcrum's infrastructure services provides utility infrastructure and connections services and the gas transportation business comprises both the ownership of gas and meter 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 by 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 2017			Restated Year ended 31 March 2016		
	Infrastructure Services £'000	**Gas Transportation £'000**	**Total Group £'000**	Infrastructure Services £'000	Gas Transportation £'000	Total Group £'000
Reportable segment revenue	**36,237**	**1,499**	**37,736**	35,049	1,060	36,109
Underlying EBITDA	**6,340**	**981**	**7,321**	4,829	472	5,301
Share based payment charge	**(213)**	**-**	**(213)**	(314)	–	(314)
Depreciation and amortisation	**(350)**	**(286)**	**(636)**	(522)	(224)	(746)
Reportable segment operating profit before exceptional items	**5,777**	**695**	**6,472**	3,993	248	4,241
Exceptional items	-	-	-	(4)	–	(4)
Reporting segment operating profit	**5,777**	**695**	**6,472**	3,989	248	4,237
Finance income	**48**	**27**	**75**	25	6	31
Finance expense	**(12)**	-	**(12)**	(10)	–	(10)
Profit before tax	**5,813**	**722**	**6,535**	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. Revenues from the largest customer of the Group's Infrastructure Services segment represent £7.5 million or 19.3% (2016 restated: £6.4 million or 17.7%) of the Group's total revenues for the period.

3. Dividends

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Equity dividend:		
Paid during the year:		
Dividend paid in respect of 2015: 0.6p per share	**-**	619
Interim dividend in respect of 2016: 0.3p per share	**-**	468
Final dividend in respect of 2016: 0.6p per share	**964**	-
Interim dividend in respect of 2017: 0.6p per share	**999**	-
Total dividends	**1,963**	1,087

After the balance sheet date, a final dividend of 1.3p 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 161,021,297 (2016: 155,062,292). Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, providing a figure of 186,666,736 (2016: 177,810,228). The earnings per share from continued operations were as follows:

Profit per share	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Basic	**3.3p**	3.1p
Underlying basic	**4.1p**	2.7p
Diluted basic	**2.8p**	2.7p
Diluted underlying basic	**3.5p**	2.4p

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

Profit for the period	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Profit for the period attributable to shareholders	**5,246**	4,734
Add exceptional items	**-**	4
Add/(Less) deferred tax asset recognised	**1,289**	(476)
Adjusted profit for the period attributable to shareholders	**6,535**	4,262

5. Taxation

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Current tax	**-**	-
Deferred tax	**(1,289)**	476
Total tax (charge) / credit	**(1,289)**	476

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 to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016.

The deferred tax assets at balance sheet date have been calculated based on these rates.

The Group has a further £12.1 million (2016: £18.1 million) of tax losses of which a deferred tax asset of £1.9 million has been recognised. During the period £1.8 million of the deferred tax asset was utilised against taxable profits, with an additional £0.4 million deferred tax asset being recognised.

Reconciliation of effective tax rate

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit before taxation	**6,535**	4,258
Tax using the UK corporation tax rate of 19% (2016: 20%)	**(1,242)**	(853)
Non-deductible expenses	**(42)**	(74)
Capital allowances in excess of depreciation	**132**	-
Effect of change in rate of corporation tax	**88**	130
Recognition of tax effect of previously unrecognised tax losses	**(225)**	1,273
Total tax (charge) / credit	**(1,289)**	476

The Group incurred corporation tax profits in the period of approximately £6.0 million (2016: £3.6 million).

Movement in deferred tax balances

	31 March 2017		31 March 2016	
	Deferred tax assets £'000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
At 1 April 2016	**3,210**	**(676)**	2,734	(612)
Recognised in profit or loss				
Tax losses carried forward	**(1,761)**	**-**	606	-
Effect of change in rate of corporation tax	**88**	**-**	(130)	-
Newly recognised deferred tax asset	**384**	**-**	-	-
Recognised in other comprehensive income				
Effect of change in rate of corporation tax	**-**	**37**	-	61
Revaluation of property, plant and equipment	**-**	**(46)**	-	(125)
At 31 March 2017	**1,921**	**(685)**	3,210	(676)

6. Property, plant and equipment

	Pipelines £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 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**
Additions	2,518	118	263	2,899
Disposals	-	-	-	-
At 31 March 2017	**12,305**	**486**	**1,017**	**13,808**
Accumulated depreciation				
At 1 April 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)**
Depreciation charge for the period	(280)	(43)	(39)	(362)
Revaluation	280	-	-	280
Disposals	-	-	-	-
At 31 March 2017	(368)	(375)	(768)	(1,511)
Net book value				
At 31 March 2017	**11,937**	**111**	**249**	**12,297**
At 31 March 2016	9,419	36	25	9,480
At 1 April 2015	7,279	29	200	7,508

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 2017 was completed internally and based on the same principles as the external valuation. When performing the valuation, management has used judgement in assessing the key assumptions used in the valuation model including asset 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 £2.5 million additions in the year is £0.3 million which has been included within the revaluation reserve.

7. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 April 2015	2,225	2,294	4,519
Additions	-	59	59
At 31 March 2016	**2,225**	**2,353**	**4,578**
Additions	-	248	248
At 31 March 2017	**2,225**	**2,601**	**4,826**
Accumulated amortisation and impairment			
At 1 April 2015	-	(1,682)	(1,682)
Amortisation for the period	-	(299)	(299)
At 31 March 2016	**-**	**(1,981)**	**(1,981)**
Amortisation for the period	-	(278)	(278)
At 31 March 2017	**-**	**(2,259)**	**(2,259)**
Net book value			
At 31 March 2017	**2,225**	**342**	**2,567**
At 31 March 2016	2,225	372	2,597
At 1 April 2015	2,225	612	2,837

Goodwill brought forward at the start of the year relates to the acquisition of Fulcrum Group Holdings Limited on 8 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 2017	Year ended 31 March 2016
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	**6.5%**	7.1%

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

8. Trade and other payables

	31 March 2017 £'000	31 March 2016 £'000
Trade payables	**2,779**	2,068
Accruals and deferred income	**22,430**	20,568
Other payables	**1,782**	2,429
	26,991	25,065

Of the £22.4 million accruals and deferred income, £14.5 million (2016: £13.7 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, 10,854,074 ordinary shares were issues with a nominal value of £10,854 to employees exercising shares options for cash consideration of £832,000. In addition, the Group recognised total expense before tax of £213,000 (2016: £314,000) 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 2017	31 March 2016
	£'000	£'000
Cash and cash equivalents	**12,561**	8,323
Net funds	**12,561**	8,323

11. Share premium

	31 March 2017	31 March 2016
	£'000	£'000
At 1 April 2016	**15,233**	16,182
Dividends paid	**(1,964)**	(1,087)
Shares issued	**832**	138
At 31 March 2017	**14,101**	15,233

12. Revaluation reserve

	31 March 2017	31 March 2016
	£'000	£'000
At 1 April 2016	**3,079**	2,449
Revaluation in the period	**280**	708
Revaluation reserve transfer	**(7)**	(14)
Recognition of deferred tax liability	**(9)**	(64)
At 31 March 2017	**3,343**	3,079

13. Retained earnings

	31 March 2017	31 March 2016
	£'000	£'000
At 1 April 2016	**(12,631)**	(17,693)
Retained profit in the period	**5,246**	4,734
Revaluation reserve transfer	**7**	14
Equity-settled share based payment transactions	**213**	314
At 31 March 2017	**(7,165)**	(12,631)

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.