FULCRUM

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Interim Results

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FULCRUM UTILITY SERVICES LIMITED

("Fulcrum" or the "Company")

Unaudited interim results for the six months ended 30 September 2019

Fulcrum, the UK's market leading independent multi-utility infrastructure and services provider, today announces its interim results for the six-month period ended 30 September 2019.

Financial Highlights*

- Revenue £19.5 million (2018: £24.8 million)
- Adjusted EBITDA £1.4 million (2018: £4.7 million)
- Loss before tax £0.9 million (2018 profit before tax: £2.6 million)
- Net cash outflows from operations before Tax of £0.0 million (2018 inflows: £5.9 million)
- Basic loss per share of 0.4p (2018 earnings per share: 1.2p)
- Net debt at the period end of £2.3 million (31 March 2019 net cash £3.8 million) reflecting the investment of £5.1 million in acquiring utility assets
- Interim dividend deferred until completion of the sale of the domestic gas asset portfolio, as described in the announcement published today

** comparative figures for the period to 30 September 2018 have been restated in accordance with IFRS 16 and IFRS 15, as explained in the Annual Report and Accounts to 31 March 2019.*

Operational Highlights

- Sustained growth in the infrastructure order book**, up 3.7% since March 2019 to £62.6 million (March 2019: £60.5 million)
- Increased operational capacity across the Group, including the expansion of the Group's direct-delivery model into South East England and London
- Smart metering services business established and first meter exchanges complete
- Sustained focus on operational efficiency to improve our capacity and optimise profits

- Increased direct delivery offering to strengthen our electrical and multi-utility capabilities

Post Period End

- Sale of domestic customer gas connection assets, including the order book and associated meters, for net consideration of £33 million in cash to ESP Pipelines Limited ("ESP")

- Total gross consideration of approximately £46 million in cash; the net consideration of £33 million is stated after deducting commitments in relation to external order book assets of £13 million

- The Group will continue to focus on adopting Industrial and Commercial assets but intends to shift away from adopting domestic assets utilising ESP as its preferred asset adopter

- The Group has seen positive order inflow in recent months, securing a variety of large contracts across all of its business areas at the end of H1 and in early H2. These will partially contribute to revenue within the second half of the current financial year

- To date, sales order intake in Q3 has averaged £5.4 million** per month, up 40% on the monthly average achieved in H1

- The search for a permanent CEO is ongoing

*** The amount of secured infrastructure work representing the construction value and the utility asset value*

Phil Holder, Chairman of Fulcrum, said:

"Performance in H1 has been impacted by ongoing economic uncertainty but, positively, the Group has recently seen improved sales order intake in Q3. In addition, we are hopeful that the General Election result will reduce economic and political uncertainty, providing greater clarity and improving decision making on contracts.

The sale of our domestic utility assets to ESP also significantly strengthens our balance sheet and will provide a basis for a return of capital to shareholders. The Group's core growth strategy will focus on its design and build utility connections activities, as well as on continuing to adopt assets in its traditional I&C market where appropriate. Our new relationship with ESP will enhance the Company's capabilities in the future in all segments of the market."

MAR

The information contained within the announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Enquiries:

Fulcrum Utility Services Limited +44 (0)114 280 4102
Daren Harris, Chief Financial Officer

Cenkos Securities plc (Nominated adviser and broker) +44 (0)20 7397 8900
Max Hartley (Nomad) / Michael Johnson (Sales)

Camarco (Financial PR advisers) +44(0)203 757 4992
Ginny Pulbrook / Tom Huddart

Notes to Editors:
Fulcrum is a multi-utility infrastructure and services provider based in Sheffield, UK. The Company's primary business is the provision of utility infrastructure services to the residential, commercial and industrial markets throughout the mainland UK. These range from the design, installation or alteration of utility services for single site properties to large complex multi-site projects. Through its subsidiaries, Fulcrum Pipelines Limited and Fulcrum Electricity Assets Limited, Fulcrum is also licensed as an Independent Gas Transporter and

Independent Distribution Network Operator, owning and operating gas and electrical assets that connect properties to the main UK gas and electricity networks. Fulcrum is also a meter asset manager, owning and operating meter assets across mainland UK.
http://www.fulcrum.co.uk/

Overview

The results for the six months ended 30 September 2019 reflect a period of economic uncertainty in the UK and its impact in the form of customers' delayed decision making on utility infrastructure projects. The Group's financial performance in H1 has been affected by this ongoing economic uncertainty and other external factors, including the suspension of the UK capacity market during H1.

Operational Performance

Despite the UK economic uncertainty in the period, the Group has seen a substantial increase in order inflow in the first months of H2, securing a variety of large contracts.

The Group continues to win work in its chosen markets including a £3.2m contract to install new high voltage electrical infrastructure for two 50MW gas peaking plants, connecting them to Northern Powergrid's 132kV network in North East England. In addition, Fulcrum won a £2.4m contract to provide over six kilometres of new gas, water and electrical infrastructure to a new sustainable mixed-use residential, retail and commercial development in the East Midlands. These recent contract wins demonstrate continue successful execution of the Group's core strategy and high service reputation. The Company has also continued to secure a portfolio of projects up to £50,000 in revenue.

Since the acquisition of Dunamis, the Group has seen increasing numbers of collaborative gas and electricity opportunities being generated. Importantly, the electrical capabilities of Dunamis has enabled the Group to tender on, and win, new significant electricity, dual fuel and multi-utility opportunities previously unachievable to the business. During the period, decision making on the larger, high voltage, infrastructure projects that Dunamis specialises in, has been influenced by external pressures, including the Capacity Market Suspension, which have resulted in certain projects commencing later than expected. However, since the lifting of the Capacity Market Suspension in October 2019, the Group has also secured several orders, with a combined value of c.£2.0m, to provide utility infrastructure to Short Term Operating Reserve (STOR) sites across the UK.

The Group's ability to adopt and own the I&C electrical infrastructure delivered by Dunamis will also provide a portfolio of stable, secure, low risk and long-term income-generating I&C utility assets.

Positively, the Board also considers recent market developments, such as the decarbonisation of energy, announcement of a new 0% benefit-in-kind (BIK) rate for new Electric Vehicles and a commitment from the Conservative government to build at least a million homes over the next five years, as developments which will provide the Group with even greater levels of opportunity in these strategically important markets.

Proposed sale of domestic customer gas connection assets and order book

The Group has announced today that it has entered into a conditional sale and purchase agreement to sell its domestic customer gas connection assets, including the order book and associated meters, to ES Pipelines Limited ("ESP") for net consideration of £33 million in cash (the "Sale").

The Sale significantly strengthens the Group's balance sheet and the Company intends to repay existing borrowings of approximately £12 million in full on completion. The Group will retain its IGT and IDNO licences and continue to pursue opportunities to design, build and add Industrial and Commercial ("I&C") assets to its portfolio of assets.

Strategy

The market for the design, installation and ownership of these types of infrastructure assets has evolved significantly in the last few years. As the values being ascribed to domestic connection assets by participants in the market have increased materially, reflecting the attractions of the predictable, stable, long-term regulated cash flows associated with them, clients such as housebuilders have increasingly demanded that the value of the completed assets is reflected in the pricing structure agreed for undertaking these design and build projects. For larger domestic asset projects, this can result in all or a significant part of the effective profit margin on contracts being accounted for by the values ascribed to the completed assets, while the short-term net cash flows associated with larger domestic projects are often marginal or negative.

The Group's main competitors in the gas and electrical utility connection ownership sector (being other IGT and/or IDNO licence holders) are significantly larger businesses, which are typically owned by large, private, infrastructure investment funds, and which may not face the same funding constraints that The Group does as a quoted business.

The Board believes that the Sale will put the Group in a stronger position to pursue a strategy of winning design and build work across the multi-utility space, in partnership with asset owners and will provide the opportunity for the Group to generate substantial value for its shareholders, supported by a progressive dividend policy and share buy-back programme.

Following the Sale and excluding assets forming part of the Sale but yet to be transferred, the Group retains a portfolio of approximately 6,500 I&C connection assets, a small number of domestic connections which form part of mixed networks and a small portfolio of electrical connections.

The Group is retaining its IGT and IDNO licences and will continue to pursue opportunities to design, build and add I&C assets to its portfolio of assets, both independently and working with ESP. I&C has always been a particular strength of The Group's and the Group continues to win significant, attractively priced contracts for I&C projects and the Board sees this as key to the Group's future growth.

The Sale will also allow the Group to actively pursue opportunities for growth, including in the rapidly developing EV market.

The Group will continue to pursue opportunities for domestic gas and electrical connection assets, but will partner with third party IGT/IDNO licence holders when bidding for contracts involving new domestic utility connections, with the Group bidding for the design and build work based on back-to-back agreements with a partner which will acquire the connection assets once completed. The terms of the Sale provide for additional payments in respect of the Assets if certain milestones are achieved with ESP when jointly bidding for domestic gas assets over a five-year period.

Financial Performance

In the first six months the Group achieved an adjusted EBITDA of £1.44 million. Period-on-period revenue decreased by £5.3 million, or -21.4%, to £19.5 million (2018 restated: £24.8 million). Performance in the period was impacted by economic uncertainty and the Capacity Market Suspension, which resulted in the delay of the commencement of new contracts. Significantly, Dunamis' revenue from major energy generation contracts, which are influenced by these external factors, and was £3.9m down 55.6% (2018: £7.0 million).

Asset ownership revenues increased by 42.9% to £1.9 million (2018: £1.3 million).

Gross profit decreased by £3.2 million to £6.2 million (2018 restated: £9.4 million), with gross profit margins down to 32.0% (2018 restated: 38.0%). This change in margin was due to a combination of the profile of contracts delivered in the period, with a higher proportion of new housing schemes, coupled with decreased efficiencies of delivery, driven by a lower volume of work undertaken.

Loss before tax was £0.9 million (2018 restated profit before tax of £3.0 million). This reduction was driven by the lower EBITDA performance and additional depreciation costs following the revaluation of our asset base at March 2019.

At 30 September 2019, the Group had net debt of £2.2 million (31 March 2019: net cash of £3.8 million). This is driven by continued investment in utility assets of £5.1 million and a working capital unwind due to lower activity levels of £1.1 million, offset by the EBITDA of £1.4 million.

An interim dividend will be paid from the initial proceeds received from the sale of the domestic gas asset portfolio.

The order book continued to grow, up 3.7% since March 2019 to £62.6 million (March 2019: £60.5 million). The sustained growth in the infrastructure order book is encouraging and demonstrates the successful delivery of our sales growth strategy.

Delivering contracts safely, efficiently and profitably

Safety is paramount in our organisation. In the period, we received the Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction, recognising 16 consecutive years of health and safety excellence. This reinforces our commitment to the health and safety of our customers, each other, suppliers, the public and the environment.

We continue to drive a safety-first culture within our business and bolstered our "SAFE" initiative in the period with additional behavioural safety awareness and training in addition to competence-based training. We also continued to recognise and reward the people and teams who go above and beyond to demonstrate safe behaviours with our quarterly "Safety Champion" and annual "Safety Champion of Champions" awards.

Our focus remains on developing and delivering exceptional customer service and driving operational efficiencies. In the period, we increased our direct delivery offering by investing in a new depot, delivery teams and vehicle fleet to serve the South East and London in support of the Group's strategy to increase its direct-delivery workforce and reduce the use of subcontractors in the region. We also invested in additional training to upskill our operational people, to ensure that our service is always delivered in line with our vision of being the UK's first choice utility partner.

Our smart metering business continues to progress with positive momentum and we bolstered our in-house Smart Metering team in the period to meet the demand for its services.

We also look at ways to continually improve operational performance and simplify the way we work. In the period the Group successfully recruited a number of senior, highly experienced and successful operational people from within the utility infrastructure industry to drive continual improvements in efficiency of our operational delivery.

Management Changes

Martin Harrison, Chief Executive, stepped down with immediate effect during the period. Chairman Phil Holder has assumed day to day responsibilities for the business pending the appointment of a replacement. The Board is currently in the process of identifying a successor and a further announcement will be made in due course.

On 20 June, the Company announced the appointment of Daren Harris as Chief Financial Officer. Daren brings with him significant experience gained in various senior finance roles, with his most recent role being Group Finance Director and primary Board member of The Byrne Group, a construction services provider which during his tenure achieved turnover in excess of £300 million.

Outlook

There are indications that the utility connections market is improving with a number of substantial contracts being won, in contrast to the six months to September 2019 which were marked by continued political and economic uncertainty, resulting in a slowdown in the Group's core markets and the deferral by key customers of contract awards.

In addition, three legislative/regulatory announcements are expected to benefit the Group:

- the lifting of the suspension to the electrical capacity market announced in October 2019 is expected to create a stronger project flow for Dunamis;
- the more stringent requirement for electricity suppliers to exchange meters under the SMETS2 program will increase the opportunities for the Group's smart metering business; and
- the announcement of 0% benefit-in-kind rate for company car drivers of electric vehicles is expected to stimulate demand for EV's and the supporting electrical infrastructure.

The Board believes that these factors will contribute to a stronger second half performance in the current year and underpin a recovery in financial performance in FY 2020/21. However, given the difficult trading conditions experienced in H1, offset by the improvement in activity experienced in Q3, the Board now expects that Adjusted EBITDA for FY 2019/20 will be approximately £5 million.

Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 September 2019 (unaudited)

	Note	**Unaudited Six months ended 30 September 2019**	Restated unaudited Six months ended 30 September 2018	Restated unaudited Year ended 31 March 2019
		£'000	£'000	£'000
Revenue	2, 3	**19,518**	24,835	48,905
Cost of sales - underlying		**(13,421)**	(15,398)	(29,708)
Cost of sales - exceptional items	4	**-**	-	(883)

Total cost of sales		**(13,421)**	(15,398)	(30,591)
Gross profit		**6,097**	9,437	18,314
Administrative expenses - underlying		**(6,521)**	(6,181)	(11,787)
Administrative expenses - exceptional items	4	**(391)**	(221)	(411)
Total administrative expenses		**(6,912)**	(6,402)	(12,198)
Operating profit / (loss)		**(815)**	3,035	6,116
Net finance expense		**(126)**	(61)	(160)
Profit / (loss) before tax		**(941)**	2,974	5,956
Taxation	6	**(1)**	(315)	(1,035)
Profit / (loss) for the financial period		**(942)**	2,659	4,921
Other comprehensive income				
Items that will never be reclassified to profit				
Revaluation of property, plant and equipment		**-**	-	11,380
Surplus arising on utility assets internally adopted in the year		**649**	608	1,100
Reversal of prior increase of utility assets		**(153)**	-	(2,544)
Deferred tax on items that will never be reclassified to profit or loss		**-**	-	(1,848)
Total comprehensive income for the period		**(446)**	3,267	13,009
Profit per share attributable to the owners of the business				
Basic	5	**(0.4)p**	1.2p	2.3p
Diluted	5	**(0.4)p**	1.1p	2.2p

Adjusted EBITDA is the basis that the Board uses to measures and monitor the Group's financial performance as it is a more accurate reflection of the commercial reality of the Group's business.

Operating profit / (loss)	**(815)**	3,035	6,116
Equity-settled share based payment charges	**31**	52	115
Exceptional items	**391**	221	1,294
Depreciation and amortisation	**1,834**	1,452	3,169
Adjusted EBITDA	**1,441**	4,760	10,694
Surplus arising on utility assets internally adopted in year included within Other Comprehensive Income	**649**	608	1,100
Adjusted EBITDA plus increase in value of internally adopted utility assets included within Other Comprehensive Income	**2,090**	5,368	11,794

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2019 (unaudited)

	Share capital	Share premium	Revaluation reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000

Balance at 1 April 2019	221	210	12,737	11,347	20,959	45,474
IFRS 16 adjustment	-	-	-	-	(245)	(245)
Restated balance at 1 April 2019	221	210	12,737	11,347	20,714	45,229
Loss for the period	-	-	-	-	(942)	(942)
Surplus arising on utility assets internally adopted in the year	-	-	649	-	-	649
Reversal of prior increase of utility assets	-	-	(153)	-	153	-
Deferred tax liability	-	-	(85)	-	-	(85)
Transactions with equity shareholders:						
Issues of new shares	1	106	-	-	-	107
Equity settled share-based payments	-	-	-	-	31	31
Balance at 30 September 2019	**222**	**316**	**13,148**	**11,347**	**19,956**	**44,989**
Six months ended 30 September 2018						
Balance at 1 April 2018	211	21,042	4,649	11,347	(695)	36,554
IFRS 16 adjustment	-	-	-	-	(232)	(232)
Restated balance at 1 April 2018	211	21,042	4,649	11,347	(927)	36,322
Profit for the period	-	-	-	-	2,659	2,659
Surplus arising on utility assets internally adopted in the year	-	-	608	-	-	608
Transactions with equity shareholders:						
Issues of new shares	9	302	-	407	-	718
Equity settled share-based payments	-	-	-	-	52	52
Balance at 30 September 2018	**220**	**21,344**	**5,257**	**11,754**	**1,784**	**40,359**

Consolidated Interim Balance Sheet

At 30 September 2019 (unaudited)

		Unaudited	Restated unaudited	Restated unaudited
		30 September 2019	30 September 2018	31 March 2019
	Note	**£'000**	£'000	£'000
Non-current assets				

Property, plant and equipment		**44,348**	25,651	39,314
Intangible assets	8	**26,479**	27,504	27,069
Right-of-use assets		**2,152**	2,457	2,464
Deferred tax assets		**1,955**	2,045	1,707
		74,934	57,657	70,554
Current assets				
Contract Assets		**9,108**	10,934	9,132
Inventories		**629**	207	607
Trade and other receivables	9	**6,090**	4,614	6,392
Cash and cash equivalents	11	**3,782**	10,417	6,824
		19,609	26,172	22,955
Total assets		**94,543**	83,829	93,509
Current liabilities				
Trade and other payables	10	**(9,075)**	(8,926)	(10,946)
Contract liabilities		**(26,460)**	(28,417)	(26,343)
Borrowings	11	**(6,000)**	-	(3,000)
Lease liabilities		**(574)**	(351)	(613)
Provisions		**(96)**	(98)	(96)
		(42,205)	(37,792)	(40,998)
Non-current liabilities				
Lease liabilities		**(1,828)**	(2,346)	(2,096)
Deferred tax liabilities		**(5,521)**	(3,332)	(5,186)
		(7,349)	(5,678)	(7,282)
Total liabilities		**(49,554)**	(43,470)	(48,280)
Net assets		**44,989**	40,359	45,229

Equity			
Share capital	**222**	220	221
Share premium	**316**	21,344	210
Revaluation reserve	**13,148**	5,257	12,737
Merger reserve	**11,347**	11,754	11,347
Retained earnings	**19,956**	1,784	20,714
Total equity	**44,989**	40,359	45,229

Consolidated Interim Cash flow Statement
For the six months ended 30 September 2019 (unaudited)

Unaudited

	Six months ended 30 September 2019	Restated Unaudited Six months ended 30 September 2018	Restated unaudited Year ended 31 March 2019
	£'000	£'000	£'000
Cash flows from operating activities			
Profit / (loss) before tax for the period	**(941)**	2,974	5,956
Depreciation	**1,002**	727	1,557
Amortisation of intangible assets	**832**	725	1,612
Exceptional items - fixed asset impairment	**-**	-	883
Net finance expense	**147**	11	60
Equity settled share based payment charges	**31**	52	115
Decrease in Contract Assets	**23**	991	1,245
Decrease in trade and other receivables	**154**	339	385
Increase in inventories	**(22)**	(366)	(399)
Increase / (decrease) in trade and other payables	**(1,374)**	530	(374)
Increase in contract liabilities	**118**	-	443
Decrease in provisions	**-**	-	(2)
Cash generated from operations	**(30)**	5,983	11,481
Tax paid	**(345)**	-	(42)
Net cash inflow from operating activities	**(375)**	5,983	11,439
Cash flows from investing activities			
Acquisition of external utility assets	**(2,346)**	(1,758)	(3,566)
Capitalisation of utility assets	**(2,707)**	(2,695)	(7,374)
Acquisition of property, plant and equipment	**(23)**	(205)	(376)
Acquisition of intangible assets	**(243)**	(353)	(884)
Finance income received	**-**	-	13
Net cash used in investing activities	**(5,319)**	(5,011)	(12,187)

Cash flows from financing activities			
Dividends paid	**-**	-	(4,738)
Borrowings	**3,000**	-	3,000
Payment of lease principal	**(307)**	(277)	(569)
Finance costs paid	**(147)**	(11)	(73)
Proceeds from issue of share capital	**106**	302	521
Net cash from financing activities	**2,652**	14	(1,859)
Net increase / (decrease) in cash and cash equivalents	**(3,042)**	986	(2,607)

Cash and cash equivalents at beginning of period	**6,824**	9,431	9,431
Cash and cash equivalents at end of period	**3,782**	10,417	6,824

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 2019 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 2019 is derived from the non-statutory accounts for that financial period. The non-statutory accounts for the year ended 31 March 2019 were approved on 19 September 2019. The Auditor's report on those accounts was unqualified and did not draw attention to any matters by way of emphasis of matter.

1.1. Basis of preparation

The condensed consolidated interim financial information for the period ended 30 September 2019 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 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2019, as described in those financial statements.

1.2. Accounting policies

The financial statements have been prepared using consistent accounting policies with those applied in the Group's financial statements for the year ended 31 March 2019 as set out on pages 43 to 49 of those financial statements, with the exception of the following:

The Group adopted IFRS 16 Leases for the period commencing 1 April 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

The Group has adopted IFRS 16 using the full retrospective application of the standard, restating prior year comparatives, and has applied the practical expedient to grandfather the definition of a lease on transition and apply the recognition exemption for both short term and low value assets. Revised accounting policies and the impact of the adoption of IFRS 16 are set out in note 12.

The following new and revised standards, amendments and interpretations, have been issued but have not been applied by the Group in the condensed consolidated interim financial information as there is no material impact:

- Prepayment features with Negative Compensation - Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28
- Annual Improvements to IFRS standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 - Uncertainty over Income Tax Treatments

<u>IFRS 15 Revenue from Contracts with Customers</u>

In the year end ended 31 March 2019, the group reconsidered the previous approach of recognising revenue in respect of the fair value of the infrastructure assets that it constructed and then owns and concluded that the asset is controlled by the Group throughout construction.

Disclosure of the impact of IFRS 15 is set out in the Group's Annual Report and Accounts for the period ended 31 March 2019 on pages 48 and 49. The financial statements have been prepared using a consistent accounting policy and comparatives have been amended in accordance with the adjustments made to the last financial statements.

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 three operating segments, infrastructure services, gas transportation and Dunamis. 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 and electricity services are provided under the iDNO licence granted from Ofgem in November 2017.

The information provided to the Board includes management accounts comprising operating 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 2019				Restated Six months to 30 September 2018			
	Infrastructure Services £'000	**Utility asset ownership £'000**	**Dunamis £'000**	**Total Group £'000**	Infrastructure Services £'000	Utility asset ownership £'000	Dunamis £'000	Total Group £'000
Revenue	**14,534**	**1,894**	**3,090**	**19,518**	16,550	1,325	6,960	24,835
Adjusted EBITDA	**1,010**	**781**	**(350)**	**1,441**	3,479	658	623	4,760
Share based payment charge	**(31)**	**-**	**-**	**(31)**	(52)	-	-	(52)
Depreciation & amortisation	**(647)**	**(534)**	**(653)**	**(1,834)**	(424)	(310)	(718)	(1,452)
Operating profit before exceptional items	**332**	**247**	**(1,003)**	**(424)**	3,003	348	(95)	3,256
Exceptional items	**(379)**	**-**	**(12)**	**(391)**	(221)	-	-	(221)
Operating profit	**(47)**	**247**	**(1,015)**	**(815)**	2,782	348	(95)	3,035
Net finance (expense) / income	**(40)**	**(86)**	**-**	**(126)**	(62)	-	1	(61)
Profit before Tax	**(87)**	**161**	**(1,015)**	**(941)**	2,720	348	(94)	2,974

	Year ended 31 March 2019			
	Infrastructure Services £'000	Utility asset ownership £'000	Dunamis £'000	Total Group £'000
Revenue	34,815	2,984	11,106	48,905
Adjusted EBITDA	7,992	1,792	910	10,694
Share based payment charge	(115)	-	-	(115)
Depreciation & amortisation	(2,395)	(701)	(73)	(3,169)
Operating profit before exceptional items	5,482	1,091	837	7,410
Exceptional items	(354)	(898)	(42)	(1,294)
Operating profit	5,128	193	795	6,116
Net finance (expense) / income	(164)	2	2	(160)
Profit before Tax	4,964	195	797	5,956

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

3. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers. The nature and effect of initially adopting IFRS 15 on the Group's interim financial statements are disclosed in Note 1.

A. Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographic market, service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group reportable segments (See note 2):

	Infrastructure Services		Gas Transportation		Dunamis	
£'000	2019	2018	2019	2018	2019	2018
Primary geographic markets						
United Kingdom	14,534	16,550	1,894	1,325	3,090	6,960
	14,534	16,550	1,894	1,325	3,090	6,960
Service line						
Service revenue on long term contracts	6,277	8,636	-	-	1,654	5,240
Service revenue on short term contracts	8,257	7,914	-	-	1,217	4
Maintenance contracts	-	-	-	-	219	1,716
Gas transportation	-	-	1,894	1,325	-	-
	14,534	16,550	1,894	1,325	3,090	6,960
Timing of revenue recognition						
Services transferred over time	14,534	16,550	1,894	1,325	3,090	6,960
	14,534	16,550	1,894	1,325	3,090	6,960

4. Exceptional items

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Exceptional items included in cost of sales	**-**	-	883
Exceptional items included in administrative expenses	**391**	221	411
	391	221	1,294

(a) Exceptional items included in cost of sales

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Fixed asset impairment arising on external revaluation	**-**	-	883
	-	-	883

(b) Exceptional items included in administrative expenses

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Restructuring costs	**276**	221	276
One-off legal and advisor costs	**40**	-	135
Other one-off costs	**75**	-	-
	391	221	411

5. 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 221,650,686 (September 2018: 217,439,403, March 2019: 217,205,321). Diluted earnings per share is 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, producing a figure of 231,141,106 (September 2018: 235,146,684, March 2019:227,043,123).

The earnings per share from continued operations were as follows:

Profit per share	**Six months to 30 September 2019**	Six months to 30 September 2018	Year ended 31 March 2019
Basic	**(0.4)p**	1.2p	2.3p
Adjusted basic	**0.1p**	1.6p	3.5p
Diluted basic	**(0.4)p**	1.1p	2.2p
Diluted adjusted basic	**0.1p**	1.5p	3.3p

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

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
Profit for the period	**£'000**	£'000	£'000
Profit / (loss) for the period attributable to shareholders	**(942)**	2,659	4,921
Add exceptional items	**391**	221	1,294
Less tax relief on exceptional items	**(74)**	(42)	(246)
Add amortisation of intangibles	**832**	725	1,612
Adjusted profit for the period attributable to shareholders	**207**	3,563	7,581

6. Taxation

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Current tax	**-**	464	620
Deferred tax	**1**	(149)	415
Total tax charge	**1**	315	1,035

Deferred tax has been recognised in respect of tax losses carried forward that are expected to be utilised against future taxable profits.

Further reductions 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 £1.5m (31 March 2019: £9.9 million) of tax losses of which an additional deferred tax asset of £0.2m has been recognised.

7. Capital commitments

At the 30 September 2019 the Group had entered into contracts to purchase property, plant and equipment in the form of utility assets for the amount of £16.4 million. The capital commitment at 31 March 2019 was £18.7 million and at 30 September 2018 was £15.4 million.

8. Intangibles

	Goodwill	Brand & customer relationships	Software	Total
	£'000	£'000	£'000	£'000
Balance at beginning of period	14,251	11,045	1,773	27,069
Additions	-	-	242	242
Amortisation for the period	-	(678)	(154)	(832)
Balance at end of period	**14,251**	**10,367**	**1,862**	**26,479**

9. Trade and other receivables

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Trade receivables	**3,448**	3,172	3,972
Other receivables	**2,642**	1,442	2,420
	6,090	4,614	6,392

10. Trade and other payables

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Trade payables	**3,961**	2,979	5,881
Other payables	**5,114**	5,947	5,065
	9,075	8,926	10,946

11. Reconciliation to net funds

	Six months to 30 September 2019	Six months to 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Cash and cash equivalents	**3,782**	10,417	6,824
Borrowings	**(6,000)**	-	(3,000)
Net funds	**(2,218)**	10,417	3,824

12. IFRS 16 Leases adoption

Previously leases of property, plant and equipment were classified as either finance or operating leases under IAS 17. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Under IFRS 16, which the Group has adopted effective for the period starting 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group has applied IFRS 16 on a fully retrospective basis with practical expedients from the date of initial application (1 April 2019).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

• The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

• The accounting for short term operating leases under IAS 17, for leases with a remaining term of less than twelve months as at the initial application date.

• The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

• The application of IFRS 16 to only those operating leases accounted for under IAS 17 as at the initial application date.

Upon transition, a lease liability has been recognised based on future lease payments discounted at an appropriate borrowing rate. Additionally, a right of use asset has been recognised along with a related lease liability. Within the income statement for the six months ended 30 September 2019, the operating lease charge (£349k) has been replaced by depreciation (£311k) and interest expense (£43k). This has resulted in a decrease in administrative expenses and an increase in finance costs.

The net impact on retained earnings at 31 March 2019 was a decrease of £245k. This arose as a result of the recognition of right-of-use assets (£2,464k) offset by lease liabilities (£2,709k) under a fully retrospective approach.

13. Principal risks

The Board have assessed the Principal Risks as disclosed in the 2019 Annual Report and accounts and have determined that there has been no change in risk faced or risk rating at 31 March 2019. The principal risks which may affect the business and the future performance of the Group are set out below:

Description	Mitigating actions	Change in risk
Growth and strategy execution		
The Board has adopted its strategy, as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.	No change
Retention and recruitment		
Success depends on the continued retention and performance of the Group's valued and talented employees across all business units and support functions to ensure that the business meets it strategic goals. The Group operates in markets with an ongoing demand for high calibre people.	The Group has put in place suitable reward and recognition packages to all staff, comprising a blend of short and long-term incentives for senior managers and Executives. Appropriate staff development programmes are in place to assess, manage and develop the leadership skills of staff throughout the organisation. In addition, we invest in succession planning and improving learning and development, giving opportunities for employees to upgrade skills.	No change
Macroeconomic conditions		
The Group derives all of its revenues from mainland UK and is therefore predominately dependent on the macroeconomic conditions in the UK. As the UK negotiates the terms of its exit from the European Union, there remains a degree of uncertainty on the outlook for the UK economy. Also, the suspension of the Capacity Market auction process throughout the reporting period has delayed certain infrastructure projects. The suspension was lifted in October 2019 and it is expected that related infrastructure projects will re-commence.	We continue to closely monitor the impact of the uncertainty on the UK economy and the Capacity Market auctions and how these factors could impact the sectors in which we operate. The Group's multi-channel, multi-utility strategy and the increasingly diversified market position resulting from the Group's acquisitions in 2018 create a more balanced revenue base. Furthermore, we have been reducing reliance on larger electrical infrastructure projects and now offer the end-to-end design and delivery of lower voltage, industrial, commercial and electric vehicle charging infrastructure projects.	No change
Competitive environment and reliance on key customers		
The business strategy relies fundamentally on the ability to increase revenues and ensuring that the cost base remains under control. However, the markets in which the Group operates are competitive. The actions of the Group's competitors, and/or our own inaction, can have a significant and adverse impact on the Group including those from organisations that may be larger and/or have greater capital resources.	Our increasingly diversified position, including the addition of Dunamis and CDS, has reduced our exposure to volatility in individual competitive markets. These risks are managed through the corporate planning and review processes.	No change
Gas and electricity connections market and regulatory environment		
Operating in the gas industry carries with it inherent risks, such as reliance on ageing	The Group seeks to reduce the risk of losses arising from these circumstances	No change

infrastructure, potential injury to, or loss of, human life or equipment, as well as the risk of downtime or low productivity caused by weather interruptions or equipment failures. Losses could result from litigation or interruption of the Group's business should these risks materialise. There are also associated regulatory risks relating to the Group's reliance on a number of different licences, which it requires in order to carry out the design and project management of connections to gas pipelines and the electric grid. Fulcrum Pipelines Limited, as an Independent Gas Transporter (iGT), and Fulcrum Electricity Assets Limited, as an Independent Network Distribution Operator (iDNO), are licensed by Ofgem. This brings with it the risk that the regulatory environment could change, which may have a direct and significant impact on the Group's regulated activities.	through careful planning, robust operational guidelines and the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements.	
Health and safety		
The health and safety of our employees, subcontractors, suppliers and customers is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group health and safety department to minimise the likelihood and impact of accidents.	No change
Working capital management and funding		
A changing mix of new contract sales, moving away from payments in advance toward credit terms, may place a strain on working capital as the volume of credit sales increases. The Group needs to ensure that it has the funding required to deliver on its strategy and future growth plans and that it manages its debt and cash balances effectively.	In granting commercial credit terms, careful attention is paid to the timing of cash receipts and payments over the period of contract delivery. Where necessary, a deposit is requested from customers prior to commencing work and invoicing milestones with customers are matched where possible to the invoicing patterns with contractors. To support the forecast growth in utility asset ownership of gas and electricity assets, the Group has a debt facility of up to £20.0 million with our existing bank, Lloyds Banking Group plc. £6.0 million has been drawn down at the half-year end and all covenants have been complied with. Following the period end, the Group has agreed to the conditional sale of its residential and domestic portfolio which is expected to generate net cash proceeds of £33m over the next 3-4 years.	No change
IT systems and cyber security		
Fulcrum uses a range of computer systems across the Group. Outages and interruptions could affect the ability to conduct day-to-day operations, which could result in loss of sales and delays to cash flow. Key systems could be breached causing financial loss, data loss, disruption or damage. In addition, any theft or misuse of data held within the Group's systems could have both reputational and financial implications for the Group.	The Group's IT strategies are reviewed regularly to ensure they remain appropriate, with business continuity and disaster recovery testing performed. We have a dedicated internal IT support team who work closely with external support providers to ensure that regular updates to technology, infrastructure, communications and application systems occur. The Group has advanced centralised hardware and software security in place to ensure protection of commercial and sensitive data. For new IT projects, external consultants are utilised in conjunction with internal project management, restricting access to data, systems and code and ensuring all systems are secure and up to date.	No change

14. Related parties

The Group has a related party relationship with its subsidiaries and with its key management personnel. Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 30 of the Annual Report and Accounts, which are available on the Fulcrum Utility Services Limited's website at www.fulcrumutilityserviceslimited.co.uk.

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