Fulcrum Utility Services Limited
Annual Report and Accounts 2023

Contents

Highlights

Revenue
£50.6m

2023	50.6
2022	61.8
2021	47.1

Adjusted EBITDA[1]
£(6.2m)

2023	(6.2)
2022	0.5
2021	0.1

Net cash/(debt)[2]
£(2.6m)

2023	(2.6)
2022	11.2
2021	(1.5)

Net assets
£20.7m

2023	20.7
2022	45.9
2021	35.4

Financial performance

- Revenue down 18% to £50.6 million (2022: £61.8 million)
- Adjusted EBITDA[1] of £(6.2) million (2022: £0.5 million)
- Loss before tax of £25.7 million (2022: £14.2 million)[3]
- Cash outflow from operating activities of £12.5 million (2022: £7.6 million)
- Adjusted earnings per share of (3)p (2022: (1.4)p) and basic earnings per share of (6.3)p (2022: (5.2)p)
- Net debt of £2.6 million as at 31 March 2023 (2022: £11.2 million net cash)
- Net assets of £20.7 million (2022: £45.9 million)

[1]Adjusted EBITDA is operating loss excluding the impact of exceptional items, other net gains, fair value gains on derivatives, depreciation, amortisation and equity-settled share-based payment charges.
[2] Net debt includes £6m (2022: £nil) of borrowings that has been accounted for as an embedded derivative.
[3]Includes £17.8 million of exceptional items (2022: £10.6 million) including £12.2 million for impairment of intangible assets (2022: £2.3 million) and £2.2 million for onerous contracts (2022: £5.6 million).

Fulcrum at a glance

Providing essential services across three key sectors.

We use our capabilities and experience to provide multi-utility infrastructure services and solutions to three key sectors, nationally.

- HOUSING
- INDUSTRIAL AND COMMERCIAL (I&C) INCLUDING HIGH VOLTAGE (HV) CONNECTIONS
- MAINTENANCE AND OWNERSHIP

Read more about the sectors we operate in at investors.fulcrum.co.uk/how-we-work/sectors-we-operate-in/

Utility services delivered through our specialist group businesses:

FULCRUM

- Multi-utility connections for the housing and I&C markets
- Utility asset ownership

DUNAMIS

- High Voltage electrical connections, up to and including 132kV
- Specialist electrical design

MAINTECH POWER

- High Voltage maintenance for electrical systems and renewable energy generating infrastructure
- Build of electricity distribution infrastructure

Chair's statement

2023 in summary

This year we reset, refocused, restructured and refinanced the business to lay better foundations to support our return to profitability. This focused on addressing identified issues, implementing improvements, and developing a clear strategy.

We are now in a stronger position, and I would like to share my personal thanks to all our team for their hard work and ongoing efforts in achieving this.

Results

The challenges faced by the business during the financial year ending 31 March 2023 are reflected in our full year results. However, encouragingly, the Group's full year performance was in line with the expectations set out in our Trading Update, published on 24 October 2022.

Dividend

Considering the full year performance, the Board will not be recommending the payment of a dividend in respect of the financial year ended 31 March 2023 but will continue to keep its dividend policy under review.

Laying a path back to profitability

In the year, we acted to protect the Group in uncertain market conditions and initiated a review of various strategic options, in order to maximise value for shareholders.

The review identified several opportunities and operational improvements leading to the divestment in Smart metering, the implementation of a leaner operating model, the formation of a streamlined Senior Leadership Team and the development of a more targeted sales strategy.

Facility extension

We are pleased to also confirm that our major shareholders have agreed to extend the Facility Agreement that previously ran to 1 November 2023 out further to 31 December 2024. The terms of the extended Facility are the same as those in the initial Facility Agreement.

Recommendation to delist

A further outcome of the Group's ongoing strategic review is the Board's recommendation to delist the business from the Alternative Investment Market (AIM). This recommendation supports the Group's return to profitability as it will remove significant ongoing costs associated with its listing, it will also help to simplify the business and improve its agility. We will be communicating with our Shareholders separately on this matter.

Outlook

Turning the Group's performance around has been a challenging task and is ongoing, but we are making good progress, at pace. The Board is pleased that the Group is on a path back to profitability and that its foundations are being continually strengthened to deliver a successful future.

Medium to long-term market fundamentals are supported by the UK's transition to a low carbon economy and also continue to be very strong. Considering all of this, I am confident that the Group is well positioned to take advantage of the many and significant opportunities available to it as we move forward.

Jennifer Babington
Non-executive Chair
18 August 2023

Chief Executive Officer's statement

CEO's strategic review

2023 review

Positioning the Group for future profitability

Since joining Fulcrum as Interim CEO in January 2023, my priority has been to ensure the Group is positioned to capitalise on its core strengths and return to profitability.

Improvements have been made and positive outcomes were delivered in the year. We secured a healthy flow of new contracts, won under enhanced contractual terms to better protect margins, and took action to mitigate loss making contracts.

Strong progress has continued to be made post year end and our focus continues to be on reducing costs, reducing overheads, improving efficiency and simplifying the business. The Group is now in a much-improved position, and we are pleased to have ongoing financial support from our major shareholders as we move forward.

Our recommendation to delist the business proactively supports the Group's path to profitability by significantly reducing costs in this financial year and on an enduring basis. It will also help us to simplify the business, its operations, and will improve the speed of decision making.

Financial performance and results

Total revenue decreased year on year by £11.3 million to £50.6 million (2022: £61.8 million). Infrastructure revenues were 19% lower than the previous year at £46.4 million (2022: £57.6 million). Utility asset ownership revenues remained at the same level as the previous year, at £4.2 million (2022: £4.2 million).

The Group had an operating loss of £24.6 million for the year (2022: £13.7 million). This loss includes exceptional costs of £17.8 million (2022: £10.6 million), depreciation and amortisation of £2.6 million (2022: £3.3 million), and a share-based payment charge of £0.1 million (2022: £0.6 million), offset by fair value gain on derivatives of £2 million (2022: £nil). Exceptional costs include the income statement impact of the impairment of our utility asset portfolio of £2.6 million (2022: £1.9 million) as a result of an independent, external valuation of those assets at year end, £12.2 million impairment of intangible assets, including £7.6 million of goodwill, £4.3 million of other intangibles and £0.3 million of software (2022: £2.3 million) and £2.2 million of onerous contract losses (2022: £5.6 million) relating to forecast losses (net of provisions released) to be incurred on several complex high voltage infrastructure projects and losses incurred from 1 October 2022 and forecast to be incurred in respect of a number of onerous infrastructure projects, following a strategic review by the Board.

Adjusted EBITDA[1] for the year fell to £(6.2) million from £0.5 million in the prior year. Adjusted EBITDA was affected by a dilution of the gross margin, particularly as cost of materials were impacted by inflationary effects, and the impact of the uncertain energy sector making trading conditions more challenging. Administrative expenses (excluding exceptional items) reduced by 7%, as the business applied greater cost controls on discretionary spending.

The Group's network of utility assets, valued over £31 million as at 31 March 2023, generate recurring income and provide attractive and predictable long-term returns. We continued to adopt additional utility assets in the year, adding them to our income generating portfolio. The Group will continue to selectively adopt utility assets. All tranches of the asset sale to ESP were also successfully delivered during the year.

[1]Adjusted EBITDA is operating loss excluding the impact of exceptional items, other net gains, fair value gain on derivatives, depreciation, amortisation, and equity-settled share-based payment charges.

Liquidity and net cash

The Group's trading performance for the year has resulted in a cash outflow from operating activities of £12.5 million (2022: £7.6 million). As at 31 March 2023, the Group had net debt of £2.6 million (2022: £11.2 million net cash).

Net cash inflow from investing activities was £0.4 million (2022: £1.4 million), benefiting from £3.7 million of net receipts (£3.6 million received for planned tranche sales and £0.2 million received for additional consideration from tranche sales in previous years, less £0.1 million of transaction costs), from the disposal of utility assets (2022: £7 million), offset by investment in utility and other assets of £3.3 million (2022: £5.6 million).

Net cash inflow from financing activities of £4.3 million (2022: £13.4 million) was predominantly due to the draw down on the convertible debt facility of £6 million, less transaction costs related to the convertible debt facility of £0.5 million, and £1.1 million in lease and interest payments (2022: £1.4 million). Net cash outflows in the year ended 31 March 2023 for exceptional items in cost of sales and administrative expenses were £2.5 million (2022: £1.6 million).

Reserves and net assets

Net assets decreased by £25.2 million during the year to £20.7 million (2022: £45.9 million), primarily resulting from the decrease in intangible assets to £3 million (2022: £15.6 million) and a decreased cash balance of £3.4 million (2022: £11.2 million). The Group suffered a net revaluation impairment on the utility asset portfolio of £3.3 million (2022: £1.9 million net revaluation gain). Net assets per share at 31 March 2023 were 5.2p per share (2022: 11.5p).

As at 31 March 2023, the issued share capital of the Company was 399,313,458 ordinary shares (2022: 399,313,458) with a nominal value of £339,313 (2022: £339,313). At the end of the year, the Group operated one Save As You Earn (SAYE) scheme. The principal terms of the remaining share option scheme are summarised in note 20 of the financial statements.

Outlook

Our FY23 results reflect the legacy issues and the difficult conditions that the Group has operated in, however we are now in a stronger position and laser focused on our path back to profitability as we continue to make improvements at pace.

I believe that the opportunities for the Group and its Fulcrum, Dunamis and Maintech Power businesses are significant and reinforced by strong market fundamentals.

We are confident in the Group's potential and its return to success.

Lindsay Austin
Interim Chief Executive Officer
18 August 2023

Stakeholder engagement

It is our aim to deliver proactive, open and effective dialogue and relationships with all our stakeholders.

Key to strategic priorities:

1 Grow market share, revenues and profitability significantly

2 Strengthen the business and prepare for the UK’s net-zero revolution

3 Generate surplus cash with a strong balance sheet

4 Become an increasingly sustainable business

5 Become a “Times Top 100” employer

People

Link to strategic priorities: 1 2 3 4 5

Why we engage

Our aim is to have an engaged, motivated, healthy and passionate workforce, working in a culture of open, clear and transparent engagement, to:

- Develop a highly skilled team and a high performing culture
- Ensure our people are healthy and motivated, and work together in a diverse and rewarding workplace
- Recruit and retain the best talent

How we engage

- Regular communications supported with monthly business updates
- Employee engagement surveys
- Regular one to ones and team meetings
- Wellbeing initiatives, including access to an Employee Assistance Programme, LifeWorks
- Regular and structured training and learning programmes

Key engagement topics

- Physical, mental and emotional wellbeing
- Learning and development
- Group strategy and priorities
- Business, team and individual performance
- Incentives, rewards and recognition
- Business improvement ideas and initiatives

Shareholders

Link to strategic priorities: 1 2 3 4

Why we engage

Our aim is to provide clarity and communicate with transparency to all our shareholders, to:

- Provide clarity on business strategy
- Keep our shareholders regularly updated on our progress and performance

How we engage

- Investor roadshows following results announcements
- Ad-hoc meetings between institutional shareholders and the management team
- Availability of the Board to discuss matters
- Regulatory news announcements
- The Annual General Meeting (AGM)

Key engagement topics

- Group strategy, governance and business performance
- Business news
- Environmental, social and governance (ESG) initiatives

Customers

Link to strategic priorities: 1 2 3 4

Why we engage

Our aim is to have open and collaborative relationships with all our customers, to:

- Generate new opportunities for the Group
- Develop strong customer relationships and repeat business
- Secure feedback that helps us remain commercially competitive
- Identify emerging trends and opportunities

How we engage

- Direct and regular lines of contact, with dedicated contacts for larger or high potential customers
- Customer satisfaction calls and surveys

Key engagement topics

- Support and advice on the best multi-utility solutions for their projects
- Identifying the level of opportunity and our competitive position
- Changes in regulation, policy and obligations that impact current and future customer projects

Communities

Link to strategic priorities: 1 4 5

Why we engage	How we engage	Key engagement topics
We support charities, our local communities and the communities we work in, to: • Give back to our communities • Be a responsible employer and give our people the opportunity to support great causes • Identify and deliver utility infrastructure projects that benefit our communities	• Volunteering services, donations from the business and our people and charitable events • Supporting our customers to deliver new gas infrastructure that provides more affordable heating to vulnerable tenants living in fuel poverty	• Ways to give back and support these causes • Utility solutions that help tackle fuel poverty

Supply chain and strategic relationships

Link to strategic priorities: 1 2 3 4 5

Why we engage	How we engage	Key engagement topics
We develop collaborative relationships and partnerships that provide added value to all stakeholders, to: • Ensure we secure the best price and cost • Ensure the successful delivery of all our customers' projects • Expand our capabilities and offering • Ensure we remain competitive	• Open, two-way communications • Regular, collaborative performance and contract review meetings • Onboarding and relationship management by procurement specialists	• Performance and competitiveness • Market and industry developments • Forecasting and planning to ensure customer obligations are met

Government and regulatory bodies

Link to strategic priorities: 1 2 3 4 5

Why we engage	How we engage	Key engagement topics
We proactively engage with government and regulatory bodies to remain informed in an evolving utility and energy landscape, to: • Forward plan, inform our strategies and remain competitive • Help influence policies that affect our sectors, customers, and business	• We are members of, and participate in, a variety of industry forums and groups including the Independent Networks Association (INA), Energy and Utilities Alliance (EUA), Home Builders Federation (HBF) and Womens Utilities Network (WUN)	• Regulation and policy • Industry obligations, targets and progress monitoring • Industry and sector performance • Government funding

Statement by the Directors in relation to best practice set out in Section 172(1) of the Companies Act 2006

The Directors and the Board as a whole consider that they have acted in a way that would be most likely to ensure the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a) to (f) of the Act) in decisions taken during the year ended 31 March 2023. The Directors fulfil their duty by ensuring that there is a robust governance structure and process running through all aspects of the Group's operations. The Group's culture of strong governance is described in more detail on pages 16 to 25.

The Group's strategy is determined by the Board following careful consideration of materials and presentations from the Group executive team. This encompasses the impact on each of our main stakeholders and ensures alignment to the Group's culture. The Board engages with and meets stakeholders regularly, continually monitors the markets in which the business operates, and ensures that it regularly engages its leadership team to assess progress on strategy and specific projects.

The Group's focus on ESG is especially relevant to our stakeholders and this is explained in detail across our approach to risk management on pages 10 to 14 and governance on pages 16 to 25.

Key performance indicators

The Board uses key performance indicators (KPIs) to monitor and measure progress against the Group's strategic objectives.

Key to strategic priorities:

1 Grow market share, revenues and profitability significantly

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5 Become a "Times Top 100" employer

Financial KPIs

KPI	Definition	Link to strategy	Performance
Revenue £50.6m	The total amount the Group earns from its utility operations.	1 2 3 4 5	2023 50.6 2022 61.8 2021 47.1
Adjusted EBITDA £(6.2)m	Adjusted EBITDA is operating loss excluding the impact of exceptional items, other net gains, fair value gains on derivatives, depreciation, amortisation and equity-settled share-based payment charges	1 2 3	2023 (6.2) 2022 0.5 2021 0.1
Operating profit £24.6m	Gross profit, other net gains and fair value gains on derivatives, less administrative expenses.	1 2 3	2023 (24.6) 2022 (13.7) 2021 (11.2)
Group order book £39.2m	The amount of secured utility work representing the construction value and the utility asset value.	1 2 3	2023 39.2 2022 48.0 2021 56.1
Net cash/(debt) £(2.6)m	Cash less borrowings.	1 2 3	2023 (2.6) 2022 11.2 2021 (1.5)
Net assets £20.7m	The Group's assets minus liabilities.	1 2 3	2023 20.7 2022 45.9 2021 35.4

Non-financial KPIs

KPI	Definition	Link to strategy	Performance
RIDDOR incident rate 1.18	RIDDOR is the law that requires employers to report and keep records of work related accidents which cause deaths, accidents which cause certain serious injuries (reportable injuries), diagnosed cases of certain industrial diseases and certain "dangerous occurrences".	1 2 3 4 5	2023 1.18 2022 0.00 2021 0.00
Customer satisfaction (Net Promoter Score) +59	Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend us.	1 2 3 4	2023 +59 2022 +56 2021 +62 An NPS above 0 is considered "good" and an NPS above 50 is considered "excellent".

Risk

Risk management

The Board
- Is ultimately responsible for risk
- Reviews the principal risks and uncertainties facing the Group and assesses the controls in place to manage risk and mitigate potential adverse impacts. This is also undertaken whenever there is a perceived major change in the principal risks and uncertainties

Audit Committee
- Monitors the effectiveness of risk management and internal controls

The executive team
- Oversees the risk management process and monitors mitigating actions

Risk framework
- Ensures a consistent and complete approach to risk across the Group

Wider business
- Contributes to the assessment of actual and potential risks and how they should be managed

Risk heatmap – mapping considers impact and probability post risk mitigation

1 Growth and strategy execution

2 Retention and recruitment

3 Macroeconomic conditions

4 Competitive environment and reliance on key customers

5 Utility infrastructure market and regulatory environment

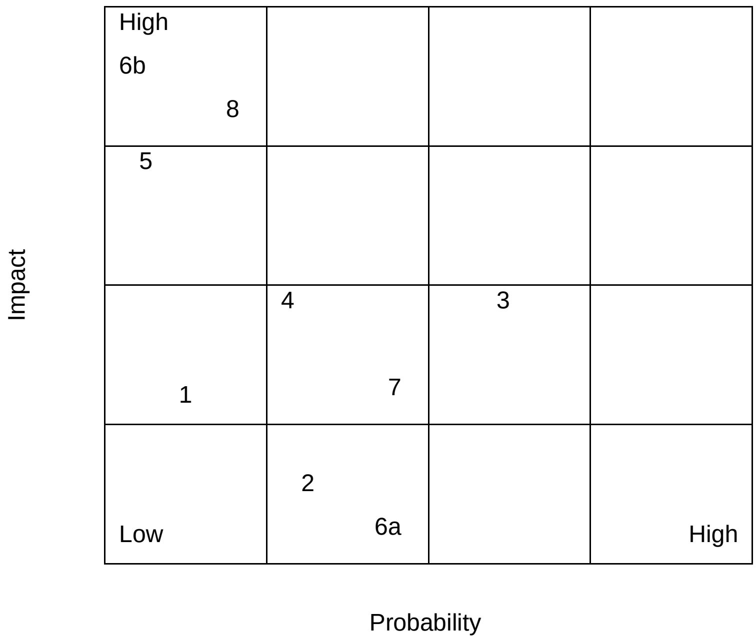
6 Health and safety

6a Potential for minor accidents that could lead to potential injury

6b Significant injury or loss of life

7 Working capital management and funding

8 IT systems and cyber security



The Board considers risk assessment, identification of mitigating actions and related internal controls to be crucial to achieving the Group's strategic objectives. The Corporate Governance Report on pages 16 to 25 describes the systems and processes through which the Directors manage and mitigate risk.

Our principal risks

The Board recognises that the nature and scope of the Group's risks can change, so it reviews the risks faced as well as the systems and processes in place to manage and mitigate them. The principal risks to achieving the Group's objectives are set out on pages 10 to 14 although the risk factors described are not an exhaustive list or an explanation of all risks.

Additional risks and uncertainties relating to the Group, including those that are not currently known to the Group or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business operations, results and/or financial condition.

Key to strategic priorities:

1 Grow market share, revenues and profitability significantly

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5 Become a "Times Top 100" employer

Growth and strategy execution

Link to strategic priorities: **1 2 3 4 5**	Risk status: No change
Description There is a risk that: • The strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	**Mitigating actions** The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings. The Board engages with management and employees to ensure the strategy is communicated and understood. The Group maintains a close watch on, and assesses, the relevant market drivers that influence the Group's strategic priorities to ensure that its growth strategy remains relevant and appropriate.

Retention and recruitment

Link to strategic priorities: **1 2 3** 4 **5**	Risk status: No change
Description There is a risk that: • The Group loses its valued and talented employees.	**Mitigating actions** The Group has put in place competitive reward and recognition packages for all people. Employee development programmes are in place to assess, manage and develop the leadership skills of employees throughout the organisation. In addition, we invest in succession planning and learning and development, giving opportunities for employees to upgrade skills. The Group's culture and approach to employee engagement are differentiators in attracting and retaining talent.

Macroeconomic conditions

Link to strategic priorities: **1 2 3 4** 5

Risk status: No change

Description
There is a risk that:

- The macroeconomic conditions in the UK impact the ability of the Group to execute its strategy and growth plans.
- The current energy crisis in the UK continues for a sustained period, further impacting the Group's operations.
- Challenging market conditions continue, further impacting the profitability of the Group's operations.

Mitigating actions
The Group closely monitors market developments across our key sectors, and proactively engages with government and regulatory bodies to keep informed of market developments.

The Group has a varied revenue base to reduce reliance on specific utility services and critical supply chain providers.

The Group continually reviews the profitability of contracts, particularly where they are affected by external market conditions. It is decisive and exits them quickly and efficiently where required.

The Group expects that longer-term market changes will, in the main, continue to be driven by the move to decarbonised energy, in line with the UK's 2050 net-zero target. The Board believes that this presents a significant growth opportunity for the Group considering its specialist skills, experience, and capabilities.

Competitive environment and reliance on key customers

Link to strategic priorities: **1 2 3** 4 **5**

Risk status: No change

Description
There is a risk that:

- The markets in which the Group operates become increasingly competitive and the actions of the Group's competitors, including those from organisations that may be larger and/or have greater capital resources, have a significant and adverse impact on the Group.
- The current energy crisis in the UK continues for a sustained period, impacting the competitive environment and the operations of customers.

Mitigating actions
The Group's wide breadth of offering and diversified position across multiple sectors reduces our exposure to volatility in individual competitive markets.

The variety and volume of customers serviced means that the Group is not reliant on any customer.

To ensure that the Group remains competitive, it monitors market developments and seeks feedback from every customer on the competitiveness of all tenders and bids.

There are high barriers to entry for new competitors.

Utility infrastructure market and regulatory environment

Link to strategic priorities: **1 2** 3 4 5

Risk status: No change

Description
There is a risk that:

- The inherent risks from operating in the utility infrastructure market, such as reliance on ageing infrastructure as well as the risk of downtime or low productivity caused by interruptions or equipment failures, are realised.
- The Group loses one or more of its licences, which it requires in order to carry out the design, build, project management, ownership and maintenance of utility infrastructure.
- The regulatory environment could change, which may have a direct and significant impact on the Group's regulated activities.

Mitigating actions
The Group seeks to reduce the risk of losses arising from these circumstances through a significant focus on compliance, careful planning, robust operational guidelines and the sharing of risk with client and supplier organisations and by putting in place suitable insurance arrangements.

The Group also maintains proactive engagement with a variety of government and regulatory bodies to keep informed in an evolving market landscape.

Health and safety

Link to strategic priorities: **1 2 3 4 5**	Risk status: No change
Description There is a risk that: • Accidents on our sites could lead to potential injury to, or loss of, human life, reputational damage and financial penalties.	**Mitigating actions** The Group's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group compliance team to minimise the likelihood and impact of accidents. The Group has also developed and sustained a strong "SAFE" (safety-first) culture which has delivered improvements in behavioural safety and safety performance.

Working capital management and funding

Link to strategic priorities: **1 2 3** 4 5	Risk status: No change
Description There is a risk that: • The Group does not have the working capital management and funding required to deliver on its strategy and infrastructure and asset ownership future growth plans.	**Mitigating actions** In the year, the Group entered into a Facility Agreement in respect of the provision of funding of up to £6 million (amended to up to £11 million post year end, see note 34) by way of a convertible loan. The Facility will ensure the Group continues to have adequate working capital. Bayford & Co Ltd (Bayford) has also indicated to the Board that it is their intention to provide the Company with financial support beyond the term of Amended Facility, if required. The proceeds from the sale of the Group's domestic customer gas connection assets and associated meters to ESP support the Group's balance sheet. 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 of our supply chain. The Group continues to proactively review its funding requirements and facilities available.

IT systems and cyber security

Link to strategic priorities: **1 2 3 4 5**	Risk status: Increased
Description There is a risk that: • Computer system 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 and any theft or misuse of data held within the Group's systems and this could have both reputational and financial implications for the Group.	**Mitigating actions** Cyber security is an increasing, global concern, particularly in the essential infrastructure sector which may be subject to heightened cyber security threats. This has resulted in our risk status increasing. The Group's approach is to be extra vigilant, and its 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 which works closely with our external support advisers to ensure that regular updates to technology, infrastructure, communications, and application systems occur. The Group has centralised hardware and software security in place to ensure protection of commercial and sensitive data. For new IT projects, our technology advisers 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. The Group delivers structured cyber security training for all employees and runs an ongoing programme of simulated phishing attacks to test and measure effectiveness. Following the Cyber Security Incident in the year, and that similar cyber security incidents have affected various other businesses, it has introduced new, market leading monitoring services, systems, and training to reinforce its robust approach to cyber security,

Corporate governance
Annual Report and Accounts 2023

Board of Directors

Committee membership key:

A Audit Committee R Remuneration Committee N Nomination Committee * Chair of Committee

Jennifer Babington
Non-executive Chair
Appointed to the Board
1 May 2020
(appointed Chair 10 December 2020)

R N*

Experience
Jennifer has extensive experience in law, finance and industry. Having commenced her career as a corporate finance lawyer at Norton Rose Fulbright, she later moved into the renewable energy and infrastructure sector as Legal Counsel of Element Power Limited, a UK based renewables company, overseeing its wind and solar developments in Northern Europe. Following this, Jennifer served as the Chief of Staff at the UK Green Investment Bank, the UK government's green investment fund, established to commercialise green investments in the UK, and was responsible, amongst other things, for advising its Chief Executive on strategy. Jennifer is currently Operations Director and General Counsel of Envision Virgin Racing, a Formula E team competing in the FIA World Championship Formula E electric car racing series. Jennifer read law at the University of Oxford.

Skills
- Legal and strategic counsel.
- Renewable energy.
- Sustainability.
- Green investments.

Meetings attended
11/11

Jonathan Turner
Non-executive Director
R* N

Appointed to the Board
12 June 2020

Experience
Jonathan is the owner and Chief Executive of The Bayford Group, comprising a diverse number of entrepreneurial companies, predominantly in the energy and property sectors. With over 30 years' experience in downstream energy, Jonathan has led a variety of start-up businesses, management buyouts, mergers, acquisitions and disposals. The global move away from fossil fuels has led Jonathan into the supply of electricity, gas and electric vehicle charging points in the UK and Netherlands. Jonathan is a substantial shareholder in Fulcrum.

Skills
- Strategy and innovation in the energy and property sectors.

Meetings attended
9/11* * Jonathan Turner appointed another person to be his alternate to act in his place at those meetings at which he was unable to be present.

Jeremy Brade
Non-executive Director
Appointed to the Board
12 June 2020

A N

Experience
Jeremy is a partner at Harwood Capital LLP, a substantial shareholder in Fulcrum. He is an experienced investor in a range of situations including utilities infrastructure. He has been a member of the boards of several UK and international public and private companies. He is currently a Non-executive Director of FIH group plc. Jeremy served as a diplomat in the Foreign and Commonwealth Office and as an Army officer. He holds a degree from the University of Oxford.

Skills
- Strategic development and investment in utility and energy.

Meetings attended
11/11

Dominic Lavelle
Senior Independent Director
Appointed to the Board
22 February 2021

A* R

Experience
Dominic has a wide range of corporate experience, having worked as a main board director and Chief Financial Officer at several UK quoted companies. He is currently a Non-executive Director, and Chair of the Audit and Risk Committee, of the AIM quoted company FIH group plc, an international services group that owns essential services businesses in the Falkland Islands, and a Senior Independent Non-executive Director and Audit Committee Chair of The Go-Ahead Group Limited, a leading public transport operator.

Dominic was previously Chief Financial Officer of SDL plc from 2013 to 2018. Prior to this, he served in a number of financial roles including Group Finance Director at Allders plc from 2000 to 2003 and Group Finance Director at Alfred McAlpine plc from 2003 to 2007. He has worked as a director in the retail, building, construction, support services, property and technology sectors and has gained broad commercial and strategic experience from extensive involvement in corporate restructuring and turnaround situations.

Skills
- Financial and commercial strategic development.
- Corporate governance.

Meetings attended
11/11

Corporate governance statement

Dear Shareholder,
As Chair of the Company, I am responsible for leading the Board in applying good corporate governance and the Board is committed to appropriate governance across the Group, both at an executive level and throughout its operations.

The Board strives to ensure that the objectives of the business, the principles and the risks are underpinned by values of good governance throughout the organisation. The Board and its Committees play an active role in guiding the Group and leading its strategy and we are determined to ensure that we have a diverse mix of skills, capabilities and experience to steer the Group forward and maintain a culture of strong governance that underpins and encourages growth, whilst ensuring effective controls and safeguards are in place.

Statement of compliance with the Quoted Companies Alliance Corporate Governance Code ("the QCA Code")
The Company's shares are quoted on the Alternative Investment Market of the London Stock Exchange (AIM) and the Company is subject to the continuing requirements of the AIM Rules. The Company is required to apply a recognised corporate governance code and to report on how it complies with that code. The Board has elected to adopt the QCA Code. The Board believes that the application of the QCA Code will support the Company's medium to long-term success by ensuring that strong corporate governance procedures are in place. The intention of the Board is to use and communicate the principles of the QCA Code in order to create a positive corporate culture and to mitigate business risks.

The QCA Code has 10 principles of corporate governance which are discussed in detail on the Group's investor website: https://investors.fulcrum.co.uk/who-we-are/corporate-governance/qca-code/.

The Company complies with all the provisions of the QCA Code with the exception of the following:

- Board evaluation: The Group is pursuing its aim of completing an evaluation of its Board.

Changes to our Board
As Chair, I am responsible for the leadership and effective working of the Board and for ensuring that it fulfils its responsibilities to all the Group's stakeholders. I am also responsible for promoting a culture of openness and debate, in addition to ensuring productive relations between the Senior Leadership Team and Non-executive Directors.

The Board is enhanced by the breadth of knowledge and diverse experience of each individual, who are well placed to offer independent judgement and guidance.

Although the composition of the Board changed in the year, the overall governance arrangements have remained in place throughout.

Stakeholder engagement
Engagement with our stakeholders is fundamental to the long-term success and sustainability of our business. Stakeholder feedback enables us to make informed decisions and the Board recognises its responsibility and takes this seriously.

To understand and consider stakeholder views as part of its decision-making process, the Board remains committed to developing proactive, open and increasingly effective dialogue with all our stakeholder groups to learn, improve and develop our business.

More information on how the Board engages with our stakeholders is on pages 7 and 8.

Jennifer Babington
Non-executive Chair
18 August 2023

The Board
Jennifer Babington

Dominic Lavelle

Jeremy Brade

Jonathan Turner

Audit Committee
Dominic Lavelle (Chair)

Jeremy Brade

Remuneration Committee
Jonathan Turner (Chair)

Jennifer Babington

Dominic Lavelle

Nomination Committee
Jennifer Babington (Chair)

Jeremy Brade

Jonathan Turner

Audit Committee report

for the year ended 31 March 2023

The Audit Committee continues to support the business in achieving its business and strategic objectives, overseeing the implementation and development of robust controls relating to its financial reporting and risk management.

The Chair of the Audit Committee is an Independent Non-executive Director of the Company, with significant financial and commercial executive experience, enabling them to deal effectively with any matters they are required to address and to challenge the business management team when necessary. The Audit Committee reviews the external audit activities, monitors compliance with non-statutory requirements for financial reporting and reviews the half year and annual financial statements before they are then presented to the Board for approval. The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditor.

The Chair of the Board, Chief Executive, Chief Financial Officer, and external auditor are invited to attend meetings where appropriate. The Committee is required to meet at least twice a year and the table sets out the number of Committee meetings attended during the year.

		Committee tenure at 31 March 2023	Scheduled meetings attended/ eligible to attend
Dominic Lavelle	Chair	12 months	2/2
Jeremy Brade	Member	12 months	2/2
Antony Collins	CEO[1]	9 months	1/1
Lindsay Austin	CEO[2]	3 months	1/1
Jonathan Jager	CFO	12 months	2/2

[1]Departed position as CEO on 31 December 2022.
[2]Assumed position as CEO on 1 January 2023.

Roles and responsibilities

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and monitored, through the internal control systems and the external auditor.

The role of the Committee is to:

- consider how to apply financial reporting under IFRS and the requirements of the QCA Code;
- maintain an appropriate relationship with the external auditor of the Group;
- monitor the integrity of the financial statements of the Group, including formal announcements relating to its financial performance, and any significant financial reporting judgements;
- review and monitor the effectiveness of the Group's internal controls and risk management systems;
- review the Group's procedures for detecting fraud and the systems and controls for the prevention of bribery and tax evasion; and
- make recommendations to the Board in relation to the appointment, independence, objectivity and effectiveness of the external audit process.

External auditor

The Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor. The external auditor's appointment is subject to annual review by the Committee. The Committee bases its recommendation on a review of:

- the calibre of the external auditor, including its reputation, sector experience and capacity;
- the independence and objectivity of the external auditor, including consideration of potential conflicts of interest and the non-audit work it has undertaken for the Group (see further comment below);
- the effectiveness of the last external audit;
- the quality and experience of the audit team and partner;
- the proposed scope of the audit; and
- the quantum of fees payable for the audit.

The Committee appointed Cooper Parry Group Limited as auditor, following a tender process in the year ended 31 March 2020.

Details of the audit and non-audit fees incurred are disclosed in note 7 to the financial statements.

Areas of judgement and estimation

In making its recommendation that the financial statements be approved by the Board, the Audit Committee has taken account of the following significant issues and judgements involving estimation:

Valuation of the utility asset portfolio

The utility asset portfolio accounts for a significant amount of the Group's assets. This portfolio includes completed pipeline assets and electricity connections and those that are under construction. Whilst we acknowledge that the majority of the portfolio has been valued by independent external valuers, this does include a degree of judgement. The key judgements within the external valuation are the annual growth rates applied to the income stream, the discount rate used for the rate of return used in discounting the future benefits of the assets to determine present value, and the total economic life of the assets. The valuation methodology, assumptions and judgements are appropriate, are made in conjunction with our external valuers and are consistent with previous years.

Onerous Contracts

The Group makes regular assessments of the ongoing long-term commercial contracts that are operated across its various divisions, to test the anticipated costs of meeting the contractual obligations, and whether these remain consistent with previously forecast expectations. Where there has been a material degradation in a contract's performance or a significant change in the operating circumstances, a judgement is made to estimate the likely cost to complete or to terminate the contract, and where necessary a provision is created to recognise the anticipated liability.

Embedded Derivatives

A convertible loan facility with the Group's two main shareholders was entered into during FY23. The valuation of the fair value of this debt is both highly subjective and complex in nature, as well as being material to the financial statements. Due to the convertible nature of this facility, it is necessary to treat as an embedded derivative under IAS 32.

Revenue Recognition

The nature of the Group means there are a number of revenue streams reliant on long term contract and construction timescales. Consequently revenue recognition for the Group is a complex area, with differing accounting treatments of utility assets under construction between the consolidated and its subsidiary positions under IFRS 15, along with the judgements involved in accounting for those underlying construction contracts which are still in progress at year end. Given the large volume, range and complexity of the contracts in question, the Audit Committee are satisfied the treatment applied is well supported with relevant reporting and controlling mechanisms.

Going concern

This is addressed in the Statement of Directors Responsibilities on page 24 and also in the notes to the Financial Statements on page 36. The Board has reviewed the forecasts and sensitivities and this has shown that the Group can continue to operate with available liquidity and finance facilities throughout the stress scenarios, or has sufficient mitigating options to manage any cash low points.

Valuation of goodwill and intangible assets

The Group has previously carried a material goodwill and intangible assets balance which it is required to test annually for impairment. Impairment reviews of this nature are inherently subjective and involve a high degree of estimation. The key judgements and estimates that have been used in this review are: future cash flows for each cash-generating unit (CGU), the discount rate applied to those cash flows and terminal growth rates. The methodology, assumptions and judgements used in the impairment review are appropriate and are consistent with previous years. As a consequence of the annual impairment review, goodwill has been impaired to nil during the year. In addition, a further impairment of other intangibles and software was deemed appropriate.

Recognition of deferred tax assets

The Group has recognised a deferred tax asset largely in relation to unutilised trading losses. The recoverability of these assets is dependent upon the Group's ability to generate future taxable profits sufficient to utilise these losses. This is a key area of judgement and estimation given the uncertainty in forecasting the timing and quantum of future profits. An appropriate assessment has been made of future taxable profit and supports the use of the losses over a reasonable timeframe which is consistent with prior years.

Management Override

Under ISA 240 there is a presumed risk of management override of controls in all entities. For the Group the main risks are perceived to be the accounting estimates and judgemental provisions; the posting of manual journals; significant transactions outside the normal course of business.

Dominic Lavelle

Audit Committee Chair

18 August 2023

Remuneration report
for the year ended 31 March 2023

Remuneration Committee
The Remuneration Committee reviews the performance of the Group's Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreement with due regard to the interests of shareholders. To ensure that the Group's remuneration practices are market competitive, the Committee takes advice from various independent sources.

The Board determines the remuneration of each of the Non-executive Directors with the support of external professional advice if required. No Director participates in any discussion regarding their own remuneration.

Policy on Executive Directors' remuneration
The policy of the Board is to provide an Executive remuneration package designed to attract, motivate, reward and retain Executive Directors. The aim of the Group's remuneration policy is to ensure that the key Executives are appropriately rewarded for their individual contribution to the Group's performance, commensurate with their duties and responsibilities.

The Remuneration Committee believes that shareholders' interests are best served by providing Executives with remuneration packages which have a significant emphasis on performance related pay through long-term incentive schemes. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to retain and reward Executives of the calibre the Group requires. The Committee meets periodically as required and is responsible for overseeing the policy regarding Executive remuneration and for approving the remuneration packages for the Group's Executive Directors and senior management, including all personnel receiving a salary exceeding £100k per annum and/or a bonus potential of 50% of salary. It is also responsible for reviewing incentive schemes for the Group as a whole.

The main components of Executive Directors' remuneration, which can be mirrored with certain Senior Executives, are basic salary, annual performance related bonus and share options.

Basic annual salary
Each Executive Director's basic salary is reviewed regularly by the Committee. In deciding upon an appropriate level of remuneration, the Committee believes that the Group should offer levels of base pay that reflect individual responsibilities compared to similar jobs in comparable companies.

Annual bonus payments
The Committee establishes the objectives that must be met for an annual cash bonus to be paid. Currently these objectives relate to EBITDA.

Share option incentives
At the year end the Company operated one SAYE scheme (see note 20 of the financial statements). The Committee has responsibility for supervising the schemes and the grant of share options under the schemes.

Additional benefits
Each Executive Director receives private medical insurance and life assurance cover, pension contributions and a company car or car allowance. Each Non-executive Director receives life assurance cover.

Directors' emoluments
The remuneration of each of the Directors for the year ended 31 March 2023 is set out as follows:

	2023					
	Salary, fees and bonus £'000	**Compensation in respect of loss of office £'000**	**Other benefits £'000**	**Pension £'000**	**2023 total £'000**	2022 total £'000
Executive						
Terry Dugdale	-	-	-	-	-	**445**[1]
Non-executive						
Stephen Gutteridge	-	-	-	-	-	**21**[2]
Jennifer Babington	**60**	-	-	-	**60**	**60**
Jeremy Brade	**20**	-	-	-	**20**	**20**
Jonathan Turner	**20**	-	-	-	**20**	**20**
Dominic Lavelle	**40**	-	-	-	**40**	**40**
Total	**140**	-	-	-	**140**	**606**

1 Terry Dugdale resigned as Director on 24 January 2022; as such the remuneration included is for a 10 month period in 2022
2 Stephen Gutteridge resigned as Director on 29 September 2021; as such the remuneration included is for a six month period in 2022

Directors' report

for the year ended 31 March 2023

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 March 2023.

Registered office

The registered office of Fulcrum Utility Services Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1 104, Cayman Islands.

Results

The Group's loss before taxation for the financial year was £25.7 million (2022: £14.2 million). The net assets attributable to shareholders of the Group have decreased by £25.2 million to £20.7 million (2022: £45.9 million). The Group's net assets per share were 5.2p per share (2022: 11.5p per share).

Dividends

The Board does not propose to pay a final dividend in respect of the year ended 31 March 2023 (2022: £nil).

Directors

The Directors who served throughout the year, except as noted below, were as follows:

- Jennifer Babington
- Dominic Lavelle
- Jeremy Brade
- Jonathan Turner

Employees

The Group's executive management delivers Company-wide briefings on the Group's strategy and performance. These briefings contain details of the Group's financial performance where appropriate. In addition, monthly business updates contain information on the Group's operational performance, as well as updates on customer activity.

The Group remains committed to the fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Group takes a positive approach to equality and diversity. The Group promotes equality in the application of reward policies, employment and development opportunities, and aims to support employees in balancing work and personal lifestyles.

Streamlined Energy and Carbon Reporting

In line with best practice, the Group reports its Streamlined Energy and Carbon Reporting requirements. The reporting period is the same as the Group's financial year.

Measuring and reporting our footprint

The Group captures, monitors, measures and reports its Scope 1 and Scope 2 carbon emissions using the Carbon Trust's Footprint Manager tool.

The Footprint Manager has been specifically developed for reporting to the Greenhouse Gas (GHG) Protocol, CDP MCR and the Carbon Trust Standard and enables the calculation and recording of direct (Scope 1) and indirect (Scope 2) emissions in accordance with the GHG Protocol.

Total annual GHG emissions by scope broken down by activity	**2023 tCO_2e (tonnes of carbon dioxide equivalent)**	2022 tCO_2e (tonnes of carbon dioxide equivalent)
Scope 1:	**1,471.0**	1,536.47
Scope 2:	**85.63**[1]	95.26[1]
Total footprint:	**1,556.6**	1,631.73
Intensity ratio: emissions by FTE[2]:	**5.54**	5.71

Energy usage from	**2023 kWh**	2022 kWh
Scope 1:	**5,814,585.17**	6,180,348.04
Scope 2:	**442,805.50**	448,653.30
Total usage:	**6,257,390.67**	6,629,001.34

[1]Fulcrum's electricity emissions have been calculated using a location-based methodology as Fulcrum procures REGO backed renewable electricity for some sites.

[2]Employee numbers are based on the average in the year for the Group.

Substantial shareholdings
The Company's issued share capital comprises ordinary shares of £0.001 each which are listed on AIM, a market operated by the London Stock Exchange (AIM: FCRM). As at 31 March 2023, the issued share capital of the Company was £399,313 comprising 399,313,458 ordinary shares of £0.001 each. Details of the issued share capital of the Company can be found in note 21 to the financial statements. In accordance with AIM Rule 26, the Company discloses substantial shareholdings on its website: https://investors.fulcrum.co.uk/investors/aim-rule-26.

Annual General Meeting
The Annual General Meeting of the Group is to be held on 26 September 2023.

The notice of meeting appears in the document accompanying this Annual Report and Accounts.

Directors' interests
The Directors and their connected parties held interests in the following number of ordinary shares at 31 March 2023, 31 March 2022 and 31 March 2021. Further information in respect of the Directors' interests is provided in the Remuneration Report.

	Number of ordinary shares		
	31 March 2023	31 March 2022	31 March 2021
Jonathan Turner	**116,212,821**	106,765,648	34,348,981
Jeremy Brade	**114,892,352**	114,892,352	24,515,000
Dominic Lavelle	**266,667**	266,667	50,000
Jennifer Babington	**191,627**	191,627	24,960

External auditor
Cooper Parry Group Limited has expressed willingness to continue in office as auditor and a resolution to re-appoint Cooper Parry Group Limited will be proposed at the forthcoming AGM.

Directors' indemnities and insurance
Fulcrum Utility Services Limited indemnifies its officers and officers of its subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of Directors' and officers' insurance. The insurance policy indemnifies individual Directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with Group business.

Statement of Directors' responsibilities
The Directors of Fulcrum Utility Services Limited ("the Directors") have accepted responsibility for the preparation of the Annual Report, the Strategic Report, the Directors' Report and the non-statutory consolidated accounts for the year ended 31 March 2023, which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. They have decided to prepare the non-statutory consolidated accounts in accordance with International Financial Reporting Standards as adopted by the United Kingdom ("UK-adopted international accounting standards").

In preparing these non-statutory consolidated accounts, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with UK-adopted international accounting standards;
- assessed the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of non-statutory consolidated accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Company is incorporated in the Cayman Islands and domiciled in the UK. The Company is not required to prepare audited financial statements under Cayman Islands company law; however, the Company is required under AIM Rule 19 to provide shareholders with annual audited consolidated financial statements for the year ended 31 March 2023. The Directors have requested Cooper Parry Group Limited to undertake a non-statutory audit of the Company's consolidated financial statements in order to discharge their obligations under AIM Rule 19.

Statement of disclosure of information to auditor
As at the date this report was signed, so far as each of the Directors is aware, there is no relevant information of which the auditor is unaware and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern
These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board has prepared cash flow forecasts based upon its assumptions with particular consideration of the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until 30 September 2024 which has been selected as it can be projected with a good degree of expected accuracy.

In December 2022, the Group announced it had entered into an arrangement ("the Facility Agreement") with its two principal shareholders, Bayford Group and Harwood Capital, in respect of funding of up to £6 million by way of a convertible loan, to be drawn down in tranches as required and repaid by 1 November 2023. The provision of this funding was to support the Group to initiate a review of the various strategic options available to it to maximise value for all shareholders and to ensure the Group continued to have adequate working capital.

At 31 March 2023, the full £6 million made available in the Facility Agreement had been drawn down and on 6 April 2023, the Group announced that it had agreed to amend the Facility Agreement, under which the provision of funding was increased by £5 million, such that up to £11 million is to be provided as principal. On 9 August 2023, the Group's major shareholders agreed to extend the Facility Agreement that previously ran to 1 November 2023, out further to 31 December 2024. At the date of approval of this Directors' report, £7m of the total £11m available had been drawn down.

The cash flow forecasts prepared by the Board reflect a cautious view on performance and include a range of sensitivities to stress-test the Group's liquidity; changes to the principal assumptions for these sensitivities include reductions in revenue and EBITDA. Some of these sensitivities do result in cash low points at several points in 2024, but the Directors are confident that the Group has in place immediate mitigating initiatives that can alleviate any such cash shortfalls in a short timeframe, if required.

Based on these considerations, together with the Directors' knowledge and experience of the markets in which the Group operates, the Directors consider it appropriate to adopt the going concern basis of accounting in the preparation of the Group's financial statements.

Jennifer Babington
Non-executive Chair
18 August 2023

Financial statements
Annual Report and Accounts 2023

Independent auditor's report
to the members of Fulcrum Utility Services Limited

Opinion

We have audited the non-statutory financial statements of Fulcrum Utility Services Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom ("UK-adopted international accounting standards").

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the non-statutory financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

As all of the Group's subsidiaries are UK companies and require statutory audit, we have performed detailed audit work over all components of the Group, and therefore our audit work covers 100% of the Group revenue and loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-statutory financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the non-statutory financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern

Matter

The Group continues to be loss making in the current year and its performance has worsened compared to previous years. Management have produced a comprehensive assessment of the business and the going concern assumption, based on detailed forecasts to March 2026. The non statutory financial statements have been prepared on the going concern basis and disclosures have been made in the notes to the non statutory financial statements.

Response

We have reviewed management's forecasts, including actions available to management to mitigate any potential downturn against that forecast.

We challenged management on the key assumptions included in the forecasts and confirmed that management's mitigating actions are within their control. We reviewed management's disclosures in relation to going concern and found them to be sufficient and appropriate given the performance and funding position of the business.

Based on our assessment of the information available at the time of the Directors' approval of the financial statements and our signing of our audit opinion, we consider the forecasts to be reasonable.

We reviewed the disclosures made around going concern in the notes to the non statutory financial statements and note that the Group has extended its existing convertible loan facilities in August 2023, which amount to £11m, to 31 December 2024.

We obtained a copy of these signed convertible loan facilities. We concur that the disclosures made appear reasonable in light of the information available.

Revenue recognition on contracts ongoing at the year end

Matter

Revenue is recognised based on progress towards satisfaction of performance obligations included in the contracts undertaken, by reference to costs incurred as a percentage of total expected costs. There is judgement involved in determining the percentage completion as well as in estimating the expected outcome of the contract, both in terms of costs to complete and consideration to be received, resulting in a greater risk of error. The risk is specific to contracts which are incomplete at the year end as changes to these estimates and judgements could give rise to material variances in the amount of revenue recognised during the year. Given the above, there is a risk that revenue is not accounted for appropriately.

Response

Using a variety of quantitative and qualitative criteria we selected a sample of contracts to assess and challenge the most significant contract assumptions. These criteria included total project value and percentage completion. Our procedures included:

- assessing and testing historical accuracy of cost and revenue budgeting to gain comfort around those contracts in progress at the year end to assess the reasonableness of revenue recognised in the current year;
- testing allocation of costs to contracts and completeness of costs with reference to third party confirmations;
- vouching details to signed contracts and meeting with Quantity Surveyors responsible for assessing the level of completion of contracted work to gain an understanding and obtaining further evidence to support judgements; and
- testing reconciliations between data provided by project teams and journals posted to the nominal ledger.

Based on our audit procedures we found that revenue and profit had been recognised appropriately and in accordance with IFRS 15 in the sample of contracts we assessed.

Provisions in relation to onerous contracts

Matter

During the year onerous contracts have been identified in two of the Group’s trading subsidiaries and provision has been made accordingly for the remaining losses which are expected to be incurred on these contracts. Given the judgement involved in estimating the remaining costs to complete these contracts there is a greater risk of error.

Response

In relation to the onerous contracts identified by management we have performed the following:

- obtaining management’s calculations of costs to complete and vouching significant items to supporting evidence;
- reviewing the contracts for cost commitments and any mechanisms by which management could recover any additional costs;
- discussed and obtained written confirmation from the Groups’ contract lawyers in respect of significant contracts where relevant;
- challenged management on key assumptions within the calculation; and
- obtaining post-year end evidence over costs incurred after the Balance Sheet date to assess management’s estimates against actual outcomes where possible.

Following our audit procedures we are satisfied that adequate provisions have been made in relation to onerous contracts identified.

Goodwill impairment assessment

Matter

The Group has a material goodwill balance which is required to be tested for impairment on an annual basis in accordance with International Accounting Standard 36 “Impairment of Assets” (IAS 36). Goodwill has been tested by reference to its value in use. Valuations of this nature are inherently subjective and involve a high degree of estimation, for example over future cash flows of the Group, discount rates applied to those cash flows and terminal growth rates. This gives rise to an increased risk of error in the calculation of value in use and therefore in the overall impairment assessment.

Management have prepared a detailed impairment review of the goodwill and intangible assets held by each cash-generating unit (CGU) within the Group, which identified an impairment charge of £7.6 million in relation to goodwill, split as: Dunamis Infrastructure Services CGU (£5.4 million) and Fulcrum Infrastructure Services CGU (£2.2 million).

Response

We have performed audit procedures over management’s impairment assessment, including the following procedures:

- testing the integrity of the cash flow model and the methodology applied;
- assessing key assumptions including future cash flows, discount rates and growth rates, including sensitivity of these assumptions;
- agreeing future cash flows to Board approved budgets and considering the appropriateness of these budgets by reference to historical performance of the Group, including understanding the sales order book and any growth assumptions;
- considering three year extended forecasts approved by the Board;
- assessing the terminal growth rate against long-term GDP growth in the UK and testing the calculation of the discount rate; and
- performing sensitivity analysis over key assumptions, in particular testing what level of sensitivity in the assumptions would cause an impairment.

Based on our audit procedures we found the model itself, the methodology, the forecasts and the assumptions used in the calculation to be appropriate and we concluded that management's impairment review model, and resulting impairment of goodwill and intangibles, was reasonable. We also found that the related sensitivity disclosures in the financial statements were appropriate.

Valuation of utility assets and assets under construction
Matter
Utility assets and assets under construction are held at fair value at the balance sheet date, which is established with reference to future income. No quoted market price is available. Due to the quantum of the balance and the nature of the valuations, which are a level 3 valuation in relation to the fair value hierarchy, there is a significant risk with regard to the application of estimates and judgements inherent in the valuation.

Utility assets are subject to annual revaluation. An independent, third party valuation was completed as at 31 March 2023 by management's expert. The fair value requires significant judgement over the choice of valuation methodology to be applied, as well as significant estimation, particularly over the key assumptions of the estimated price and the volume of gas transportation.

Response
Our procedures included:

- holding discussions with management and management's expert to determine the valuation methodology used and challenging the appropriateness of the valuation basis selected. We engaged external valuation specialists to act as an auditor's expert to assist us in critically assessing the methodology used in the valuation appraisal;
- with the assistance of the auditor's expert, challenging management on key judgements affecting utility asset valuations, such as income and cost growth assumptions and useful economic lives;
- assessing the methodology used by management in determining fair value and obtaining evidence of the inputs and assumptions used in the calculation, agreeing inputs to external, third party evidence where possible, such as published gas transportation prices;
- for utility assets under construction, assessing the percentage of completion for a sample of contracts ongoing at the year end through obtaining support for the estimate of the total costs to complete and agreeing a sample of costs to date to supporting documentation, such as purchase invoices or payroll records; and
- assessing the adequacy of the Group's disclosures in respect of the valuation techniques and significant unobservable inputs employed in the valuation set out in note 13 to the non-statutory financial statements.

Based on our audit procedures we found the valuation, including the underlying methodologies used, to be reasonable, and the disclosures in relation to the valuation and the relevant sensitivity disclosures to be appropriate.

Recoverability of deferred tax assets
Matter
The Group has material deferred tax assets which should be recognised only to the extent they are considered recoverable based on forecast future profits. Calculations of this nature are inherently subjective and involve a high degree of estimation, for example over future forecast profitability of the Group and the length of the period which can be reasonably forecast. This gives rise to an increased risk of error in the calculation of recoverable amount to be recognised.

Management have prepared forecasts to show the level of taxable profits expected over the next five years and have recognised deferred tax assets to the extent they can be utilised in that period.

Response
We have performed audit procedures over management's calculation, including the following procedures:

- testing of the integrity of the forecast model and the methodology applied;
- assessing key assumptions including forecast growth rates and inflation, including sensitivity of these assumptions;
- agreeing future profitability to Board approved budgets and considering the appropriateness of these budgets by reference to historical performance of the Group, including understanding the sales order book and any growth assumptions; and
- performing sensitivity analysis over key assumptions.

Based on our audit procedures we found the calculation itself, the methodology, the forecasts and the assumptions used in the calculation to be appropriate and we concluded that management's deferred tax asset calculation was reasonable.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the group non-statutory financial statements as a whole was set at £505,000. This has been determined with reference to the benchmark of the group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of group revenue. Performance materiality has been set at 70% of group materiality.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements;
- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various alternative scenarios on the forecasts;
- Reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets;
- Obtaining copies of signed convertible loan note facilities extended to 31 December 2024; and
- Reviewing management's disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. The directors are responsible for the other information included in the annual report. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the non-statutory financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error. In preparing the non-statutory financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group, the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-statutory financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Our assessment focused on key laws and regulations the group has to comply with and areas of the non-statutory financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to, compliance with the AIM listing rules, UK-adopted international accounting standards and relevant tax legislation in the jurisdictions in which the group operates.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the group and how the group has complied with that framework by making enquiries of management, and those responsible for legal and compliance procedures. We corroborated our enquiries through review of board minutes for instances of non-compliance;
- obtaining an understanding of the group's policies and procedures and how the group has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the group's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment;
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the non-statutory financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify and recognise non-compliance with laws and regulations through the following:

- understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; and
- knowledge of the industry in which the client operates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, and solely in connection with the requirement of Rule 19 of the AIM Rules for Companies ("AIM Rules") that the group publish annual audited accounts which must be sent to its shareholders and the requirements of Rules 20 and 26 of the AIM Rules that any document provided to shareholders be made available by the Group on a website.

Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Limited
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
18 August 2023

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	Notes	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Revenue	4	**50,553**	61,846
Cost of sales – underlying		**(45,393)**	(50,149)
Cost of sales – exceptional items	5	**(4,581)**	(5,422)
Total cost of sales		**(49,974)**	(55,571)
Gross profit		**579**	6,275
Administrative expenses – underlying		**(13,992)**	(15,094)
Administrative expenses – exceptional items	5	**(13,233)**	(5,202)
Total administrative expenses		**(27,225)**	(20,296)
Other net gains	6	**5**	330
Fair value gain on derivatives	31	**2,047**	-
Operating loss	7	**(24,594)**	(13,691)
Net finance expense	9	**(1,135)**	(496)
Loss before taxation		**(25,729)**	(14,187)
Taxation	10	**589**	765
Loss for the year attributable to equity holders of the parent		**(25,140)**	(13,422)
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of utility assets	13, 23	**2,594**	4,252
Surplus arising on utility assets internally adopted in the year	13, 23	**25**	57
Impairment of previously revalued utility assets	23	**(3,338)**	(477)
Deferred tax on items that will never be reclassified to profit or loss	10, 23	**644**	(1,083)
Total comprehensive expense for the year		**(25,215)**	(10,673)
Loss per share attributable to the owners of the business			
Basic	12	**(6.3)p**	(5.2)p
Diluted	12	**(6.3)p**	(5.1)p

Adjusted EBITDA is the basis that the Board uses to measure and monitor the Group's financial performance as it is a more accurate reflection of the commercial reality of the Group's business. Further details of Alternative Performance Measures are included in note 3.

Operating loss		**(24,594)**	(13,691)
Equity-settled share-based payment charge	20	**53**	639
Other net gains	6	**(5)**	(330)
Fair value gain on derivatives	31	**(2,047)**	-
Exceptional items within operating loss	5	**17,814**	10,624
Depreciation and amortisation	13, 15, 16	**2,588**	3,257
Adjusted EBITDA		**(6,191)**	499
Surplus arising on sale of domestic utility assets and enhanced payments	6	**5**	330
Adjusted EBITDA including sale of domestic utility assets and enhanced payments		**(6,186)**	829

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Notes	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2021		222	389	8,881	11,347	14,542	35,381
Total comprehensive expense for the year							
Loss for the year	25	-	-	-	-	(13,422)	(13,422)
Revaluation surplus on external valuation of utility assets	13, 23	-	-	4,252	-	-	4,252
Surplus arising on utility assets internally adopted in the year	13, 23	-	-	57	-	-	57
Disposal of previously revalued assets	6, 23, 25	-	-	(1,445)	-	1,445	-
Depreciation on previously revalued assets	23, 25	-	-	(179)	-	179	-
Additional costs allocated to previously revalued assets		-	-	(37)	-	-	(37)
Exceptional items – fixed asset impairment	23	-	-	(477)	-	-	(477)
Deferred tax in respect of items that will never be reclassified to profit and loss	10, 23	-	-	(1,083)	-	-	(1,083)
Transactions with equity shareholders							
Equity-settled share-based payment credit	20	-	-	-	-	639	639
Issue of new shares net of transaction costs	21	177	20,388	-	-	-	20,565
Balance at 31 March 2022		**399**	**20,777**	**9,969**	**11,347**	**3,383**	**45,875**
Total comprehensive expense for the year							
Loss for the year	25	**-**	**-**	**-**	**-**	**(25,140)**	**(25,140)**
Revaluation surplus on external valuation of utility assets	13,23	**-**	**-**	**2,594**	**-**	**-**	**2,594**
Surplus arising on utility assets internally adopted in the year	13, 23	**-**	**-**	**25**	**-**	**-**	**25**
Disposal of previously revalued assets	6, 23, 25	**-**	**-**	**(1,145)**	**-**	**1,145**	**-**
Depreciation on previously revalued assets	23, 25	**-**	**-**	**(277)**	**-**	**277**	**-**
Additional costs allocated to previously revalued assets		**-**	**-**	**(3)**	**-**	**-**	**(3)**
Exceptional items – fixed asset impairment	23	**-**	**-**	**(3,338)**	**-**	**-**	**(3,338)**
Deferred tax in respect of items that will never be reclassified to profit and loss	10, 23	**-**	**-**	**644**	**-**	**-**	**644**
Transactions with equity shareholders							
Equity-settled share-based payment credit	20	**-**	**-**	**-**	**-**	**53**	**53**
Balance at 31 March 2023		**399**	**20,777**	**8,469**	**11,347**	**(20,282)**	**20,710**

Consolidated balance sheet
as at 31 March 2023

	Notes	**31 March 2023 £'000**	31 March 2022 £'000
Non-current assets			
Property, plant and equipment	13	**31,647**	37,151
Intangible assets	15	**3,034**	15,597
Right-of-use assets	16	**2,911**	2,323
Deferred tax assets	10	**2,191**	3,495
		39,783	58,566
Current assets			
Contract assets	17	**18,528**	20,177
Inventories		**537**	433
Trade and other receivables	18	**9,757**	9,620
Cash and cash equivalents	29	**3,370**	11,176
		32,192	41,406
Total assets		**71,975**	99,972
Current liabilities			
Trade and other payables	26	**(11,029)**	(15,825)
Contract liabilities	27	**(27,144)**	(25,272)
Current lease liability	16	**(1,068)**	(802)
Current provisions	30	**(1,326)**	(3,035)
Derivatives	31	**(4,193)**	-
		(44,760)	(44,934)
Non-current liabilities			
Non-current lease liability	16	**(2,197)**	(1,873)
Non-current provisions	30	**(430)**	(1,296)
Deferred tax liabilities	10	**(3,878)**	(5,994)
		(6,505)	(9,163)
Total liabilities		**(51,265)**	(54,097)
Net assets		**20,710**	45,875
Equity			
Share capital	21	**399**	399
Share premium	22	**20,777**	20,777
Revaluation reserve	23	**8,469**	9,969
Merger reserve	24	**11,347**	11,347
Retained earnings	25	**(20,282)**	3,383
Total equity		**20,710**	45,875

The financial statements were approved by the Board of Directors on 18 August 2023 and were signed on its behalf by:

Jennifer Babington
Non-executive Chair
Company number FC030006

Consolidated cash flow statement

for the year ended 31 March 2023

	Notes	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Cash flows from operating activities			
Loss for the year after tax		**(25,140)**	(13,422)
Tax credit	10	**(589)**	(765)
Loss for the year before tax		**(25,729)**	(14,187)
Adjustments for:			
Depreciation	13, 16	**1,789**	1,832
Amortisation of intangible assets	15	**799**	1,425
Exceptional items – fixed asset impairment	5	**2,559**	1,920
Exceptional items – intangible asset impairment	5, 15	**12,170**	2,309
Net finance expense	9	**1,135**	496
Equity-settled share-based payment charge	20	**53**	639
Loss on disposal of utility assets	6	**817**	75
Loss/(gain) on IFRS 16 lease modification	16	**17**	(16)
Fair value gain on derivatives	31	**(2,047)**	-
Additional consideration receivable from previous utility asset sales	6	**(38)**	(259)
Decrease/(increase) in contract assets	17	**1,649**	(4,537)
Increase in trade and other receivables		**(300)**	(3,154)
(Increase)/decrease in inventories		**(104)**	5
(Decrease)/increase in trade and other payables		**(4,968)**	3,370
Increase/(decrease) in contract liabilities	27	**1,872**	(1,826)
(Decrease)/increase in provisions	30	**(2,575)**	4,277
Cash outflow from operating activities		**(12,901)**	(7,631)
Tax repayments received		**382**	12
Net cash outflow from operating activities		**(12,519)**	(7,619)
Cash flows from investing activities			
Acquisition of external utility assets		**(2,222)**	(2,468)
Utility assets internally adopted		**(569)**	(2,475)
Acquisition of plant and equipment	13	**(122)**	(242)
Acquisition of intangibles	15	**(406)**	(424)
Proceeds on disposal of utility assets	6	**3,573**	6,487
Receipt of deferred consideration on disposal of utility assets		**-**	642
Costs paid in relation to disposal of utility assets		**(111)**	(141)
Additional consideration received from previous utility asset sales		**238**	49
Net cash inflow from investing activities		**381**	1,428
Cash flows from financing activities			
Proceeds from issue of ordinary shares	21	**-**	21,263
Share issue transaction costs		**-**	(698)
Borrowings received	28	**-**	5,250
Borrowings repaid	28	**-**	(10,950)
Receipt from convertible debt facility	31	**6,000**	-
Convertible debt facility transaction costs	31	**(535)**	-
Prepaid arrangement fees		**-**	(11)
Interest paid and banking charges (non-IFRS 16)		**(97)**	(297)
IFRS 16 – principal payments	16	**(812)**	(1,022)
IFRS 16 – interest payments	16	**(193)**	(121)
IFRS 16 – proceeds received on disposal of leased vehicle	16	**(31)**	19
Net cash inflow from financing activities		**4,332**	13,433
(Decrease)/increase in net cash and cash equivalents		**(7,806)**	7,242
Cash and cash equivalents at the beginning of the year		**11,176**	3,934
Cash and cash equivalents at the end of the year	29	**3,370**	11,176

Notes to the consolidated financial statements

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Reporting entity

Fulcrum Utility Services Limited ("the Company") is incorporated in the Cayman Islands and domiciled in the UK. The ordinary shares are traded on AIM on the London Stock Exchange. The consolidated financial statements of the Company for the year ended 31 March 2023 comprise the Company and its subsidiaries (together referred to as "the Group").

Statement of compliance

Under Cayman Islands company law, the Company is not required to prepare audited financial statements; however, the Company is required under AIM Rule 19 to provide shareholders with audited consolidated financial statements for the year ended 31 March 2023. There is no requirement to provide parent company information so this has not been presented.

The financial statements have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of derivatives and certain non-current assets.

Historical cost is generally based on the fair value of the consideration given in exchange for assets. These policies have been consistently applied to all the years presented unless otherwise stated.

Going concern

The Group's business activities, together with the factors likely to affect future development, performance and position, are set out in the Strategic Report on pages 2 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Statement on pages 5 and 6. In addition, note 32 to the financial statements includes the Group's processes for managing its capital and its exposure to credit and liquidity risks.

At 31 March 2023 the Group had net assets of £20.7 million (2022: £45.9 million), net current liabilities of £12.6 million (2022: £3.5 million), cash of £3.4 million (2022: £11.2 million) and a convertible loan note derivative liability of £4.2 million (2022: £nil) as set out in the consolidated balance sheet on page 34 and note 31. In the year ended 31 March 2023, the Group suffered a loss after tax of £25.1 million (2022: £13.4 million) and had net cash outflows of £7.8 million (2022: net cash inflows of £7.2 million).

These financial statements are prepared on the basis that the Group is a going concern. In forming its opinion as to going concern, the Board has prepared cash flow forecasts based upon its assumptions with particular consideration of the key risks and uncertainties, as well as taking into account available borrowing facilities. The going concern period assessed is until 30 September 2024 which has been selected as it can be projected with a good degree of expected accuracy.

In December 2022, the Group announced it had entered into an arrangement ("the Facility Agreement") with its two principal shareholders, Bayford Group and Harwood Capital, in respect of funding of up to £6 million by way of a convertible loan, to be drawn down in tranches as required and repaid by 1 November 2023. The provision of this funding was to support the Group to initiate a review of the various strategic options available to it to maximise value for all shareholders and to ensure the Group continued to have adequate working capital.

At 31 March 2023, the full £6 million made available in the Facility Agreement had been drawn down and on 6 April 2023, the Group announced that it had agreed to amend the Facility Agreement, under which the provision of funding was increased by £5 million, such that up to £11 million is to be provided as principal. On 9 August 2023, the Group's major shareholders agreed to extend the Facility Agreement that previously ran to 1 November 2023, out further to 31 December 2024. At the date of approval of these financial statements, £7m of the total £11m available had been drawn down.

The cash flow forecasts prepared by the Board reflect a cautious view on performance and include a range of sensitivities to stress-test the Group's liquidity; changes to the principal assumptions for these sensitivities include reductions in revenue and EBITDA. Some of these sensitivities do result in cash low points at several points in 2024, but the Directors are confident that the Group has in place immediate mitigating initiatives that can alleviate any such cash shortfalls in a short timeframe, if required.

Based on these considerations, together with the Directors' knowledge and experience of the markets in which the Group operates, the Directors consider it appropriate to adopt the going concern basis of accounting in the preparation of the Group's financial statements.

Basis of consolidation

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and when it has the ability to affect those returns through its power over the entity. In assessing control the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group transactions, balances and expenses are eliminated on consolidation.

Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following areas:

- Note 4: Revenue recognition on contracts – The stage of completion of the works is assessed when considering recognition of revenue. Use of the percentage completion method requires the Group to estimate the costs incurred for work performed to date as a proportion of total contract costs. See revenue recognition policy for further details.
- Note 10: Deferred tax – The Group recognises a deferred tax asset for tax losses carried forward which requires an estimation of the forecast profitability of the relevant entities.
- Note 13: Utility asset valuation – Assets are revalued annually and these calculations require the use of estimates.
- Note 15: Goodwill and other intangibles – The Group tests annually whether tangible and intangible fixed assets have suffered any impairment, based on discounted future cash flows of the assets and the total business of the Group. These calculations require the use of estimates.
- Note 16: Leases – Management exercises judgement in determining whether a contract meets the definition of a lease, as well as considering the likelihood of certain options being taken up such as break clauses. Judgement is also required in the calculation of the Group's incremental borrowing rate.
- Note 18: Recoverability of trade receivables – Trade and other receivables are recognised to the extent that they are considered to be recoverable. The Group's calculation of expected credit losses involves the use of judgements.
- Note 30: Provisions – The provisions for onerous contracts requires an estimation of the overall losses to be incurred on contracts deemed to be onerous.
- Note 31: Derivatives – Derivatives are revalued to their fair value at the reporting date. This valuation requires the use of estimates.

Property, plant and equipment

Property, plant and equipment excluding utility assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Utility assets are initially recognised at cost. The Group has elected to value utility assets (except internally adopted utility assets that are less than two years old) at fair value at each reporting date. Impairment losses are recognised within cost of sales in the income statement. A revaluation upwards is recognised if the estimated fair value exceeds its carrying amount. Revaluations upwards are recognised within other comprehensive income. An impairment loss is reversed if, and only if, the reasons for the impairment have ceased to apply. An impairment loss or uplift in value is reversed only to the level that the asset's carrying amount, net of depreciation, would have been had it not been previously revalued. Assets are revalued annually.

Depreciation is recognised on a straight-line basis from the date assets are available for use, over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Utility assets (excluding meters)	40 years
Classic domestic meters	Fully depreciated by December 2024
Classic industrial and commercial meters	5 years
Smart meters	15 years
Fixtures and fittings	2–5 years
Computer equipment	3–5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Profit/(loss) on sale of utility assets arises from deducting the asset's net carrying value and selling costs from proceeds and are recognised within other net gains in the consolidated income statement. Any previous revaluation gains on these assets disposed of are treated as realised on disposal and transferred from the revaluation reserve to retained earnings.

Intangible assets

Intangible assets acquired separately from third parties are recognised as assets and measured at cost.

Following initial recognition, intangible assets are measured at cost at the date of acquisition less any amortisation and any impairment losses.

Amortisation costs are included within the administrative expenses disclosed in the consolidated statement of comprehensive income.

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets are amortised over their useful lives as follows:

Brand and customer relationships	5–12 years
Software	3–5 years
Development costs	3–5 years

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses. See note 15 for detailed assumptions and methodology. Impairment losses are not subsequently reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Adjustments to provisional fair values of identifiable assets and liabilities arising from additional information, obtained within the measurement period (no more than one year from the acquisition date), about facts and circumstances existing at the acquisition date are adjusted against goodwill. Other adjustments to provisional fair values or changes in contingent consideration are recognised through profit or loss.

Impairment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangibles, including goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Detailed assumptions used in the annual impairment test for goodwill, with regard to discount, growth and inflation rates, are set out in note 15 to the accounts.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable costs to complete and variable selling expenses.

Employee benefits

Pension plans

The Group operates a defined contribution pension plan for the benefit of its employees under which the Company pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions are recognised in the income statement as they become payable in accordance with the rules of the scheme.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

No cash-settled share-based payment awards have been granted to employees.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, the Board, and used to assess performance. The Board considers there to be two operating segments – Infrastructure: Design and Build and Utility assets: Own and Operate. Information is given for both in note 2.

Multi-utility infrastructure revenue

Multi-utility infrastructure activities are recognised as “Infrastructure: Design and Build” revenue. For revenue recognised on maintenance contracts, revenue is recognised throughout the duration of the contract.

Contract revenue is recognised over time. Revenue is estimated based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are recognised only to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised as an expense immediately. Infrastructure revenue is recognised excluding VAT and other indirect taxes. An accrual is made for infrastructure revenue in respect of work completed where invoices are yet to be generated. When payment is received in advance of the provision of services, these receipts are recorded as deferred income.

Utility asset ownership revenue

Conveyance of gas and use of the electricity network is recognised as “Utility assets: Own and Operate” revenue from the date the meter is connected and made available for use and is based on Ofgem regulated usage rates. The performance obligation is the transportation of gas and electricity and revenue is recognised over time.

Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not be incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Exceptional items

Exceptional items are those that in management’s judgement need to be disclosed separately by virtue of their size or incidence in order to provide greater visibility of the underlying results of the business and which management believes provide additional meaningful information in relation to ongoing operational performance.

Government grants

Government grants relating to income are recognised in the statement of comprehensive income and are offset against the costs they are intended to compensate.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Financial assets

The Group’s financial assets include cash and cash equivalents and trade and other receivables.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (FVPL)); and
- those to be measured at amortised cost.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. They are generally due for settlement within 30 days and are therefore all classified as current. Due to their short-term nature, carrying value is considered approximate to fair value.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and overdrafts.

Classification

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Recognition

All financial liabilities are recognised initially at fair value and, in the case of bank loans, net of directly attributable transaction costs.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Due to their short-term nature, carrying value is considered approximate to fair value.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Transaction costs on revolving credit facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred within other assets until the drawdown occurs. Upon drawdown of the first loan, these costs are reclassified from other assets to bank loans and subsequently amortised over the term of the facility.

Interest-bearing borrowings are removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or has expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred, or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Derivative financial instruments

Derivative financial instruments are accounted for at FVTPL. A derivative with a positive fair value is recognised as a financial asset, whilst a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be settled within 12 months. Other derivatives are presented as current assets or current liabilities.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. Derivatives embedded in hybrid contracts with a financial liability host are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contract, and the host contract is not measured at FVTPL.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Lease accounting

Group as lessee

At inception of a contract the Group assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration. Where a lease is identified the Group recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The Group has taken the practical expedient allowed under IFRS 16 that permits a lessee not to separate non-lease components, and instead accounts for any lease and associated non-lease components as a single arrangement.

Lease liability – initial recognition

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate is readily available or, if not, at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options where the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated balance sheet, split between current and non-current liabilities.

Lease liability – subsequent measurement

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability – remeasurement

The lease liability is remeasured where:

- there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments' change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- the lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset unless its carrying amount is reduced to zero, in which case any remaining amount is recognised in profit or loss.

Right-of-use asset – initial recognition

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, any initial direct costs and an estimate of any costs to dismantle and remove the asset at the end of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is presented as a separate line in the balance sheet.

Right-of-use asset – subsequent measurement

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset.

Impairment

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as an expense immediately.

Short-term leases and low value assets

The Group recognises lease payments on short-term leases (those with a lease term of 12 months or less) and low value assets as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is available that is more representative of the time pattern in which economic benefits are consumed.

The Group as lessor

The Group has not entered into any lease agreements where the Group acts as a lessor.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and IFRIC interpretations

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2022.

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 April 2023, or later periods, have been adopted early.

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: Design and Build and Utility assets: Own and Operate. Fulcrum's Infrastructure: Design and Build segment provides utility infrastructure and connections services. Utility assets: Own and Operate comprises both the ownership of gas, electrical and meter assets and the safe and efficient conveyance of gas and electricity through its 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 result 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 2023			Year ended 31 March 2022		
	Infrastructure: Design and Build £'000	**Utility assets: Own and Operate £'000**	**Total Group £'000**	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Reportable segment revenue	**46,397**	**4,156**	**50,553**	57,631	4,215	61,846
Adjusted EBITDA*	**(8,366)**	**2,175**	**(6,191)**	(1,557)	2,056	499
Other net gains	**784**	**(779)**	**5**	146	184	330
Share-based payment charge	**(53)**	**-**	**(53)**	(639)	-	(639)
Fair value gain on derivatives	**2,047**	**-**	**2,047**			
Depreciation and amortisation	**(1,778)**	**(810)**	**(2,588)**	(2,606)	(651)	(3,257)
Reportable segment operating (loss)/profit before exceptional items	**(7,366)**	**586**	**(6,780)**	(4,656)	1,589	(3,067)
Cost of sales – exceptional items	**(1,589)**	**(2,992)**	**(4,581)**	(3,502)	(1,920)	(5,422)
Administrative expenses – exceptional items	**(13,233)**	**-**	**(13,233)**	(5,202)	-	(5,202)
Reporting segment operating loss	**(22,188)**	**(2,406)**	**(24,594)**	(13,360)	(331)	(13,691)
Net finance expense	**(952)**	**(183)**	**(1,135)**	(107)	(389)	(496)
Loss before tax	**(23,140)**	**(2,589)**	**(25,729)**	(13,467)	(720)	(14,187)

* Adjusted EBITDA is operating loss excluding the impact of exceptional items, other net gains, fair value gain on derivatives, depreciation, amortisation and equity-settled share-based payment charges. Full reconciliation of Alternative Performance Measures (APMs) is provided in note 3.

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

	Year ended 31 March 2023			Year ended 31 March 2022		
	Infrastructure: Design and Build £'000	**Utility assets: Own and Operate £'000**	**Total Group £'000**	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Assets reported by segment:						
Property, plant and equipment	**248**	**31,399**	**31,647**	305	36,846	37,151
Goodwill and brand and customer relationships	**1,853**	**-**	**1,853**	14,475	-	14,475
Other intangible assets	**497**	**684**	**1,181**	422	700	1,122
Right-of-use assets	**2,911**	**-**	**2,911**	2,316	7	2,323
Deferred tax assets	**1,519**	**672**	**2,191**	2,775	720	3,495
Contract assets	**18,151**	**377**	**18,528**	19,862	315	20,177
Inventories	**537**	**-**	**537**	433	-	433
Trade and other receivables	**38,629**	**2,117**	**40,746**	40,200	1,564	41,764
Cash and cash equivalents	**2,691**	**679**	**3,370**	10,144	1,032	11,176
Total assets	**67,036**	**35,928**	**102,964**	90,932	41,184	132,116

	Year ended 31 March 2023			Year ended 31 March 2022		
	Infrastructure: Design and Build £'000	**Utility assets: Own and Operate £'000**	**Total Group £'000**	Infrastructure: Design and Build £'000	Utility assets: Own and Operate £'000	Total Group £'000
Liabilities reported by segment:						
Trade and other payables	**(8,133)**	**(33,885)**	**(42,018)**	(12,478)	(35,491)	(47,969)
Contract liabilities	**(26,605)**	**(539)**	**(27,144)**	(24,889)	(383)	(25,272)
Current lease liability	**(1,068)**	**-**	**(1,068)**	(795)	(7)	(802)
Current provisions	**(1,326)**	**-**	**(1,326)**	(3,035)	-	(3,035)
Derivatives	**(4,193)**	**-**	**(4,193)**	-	-	-
Non-current lease liability	**(2,197)**	**-**	**(2,197)**	(1,873)	-	(1,873)
Non-current provisions	**(430)**	**-**	**(430)**	(1,296)	-	(1,296)
Deferred tax liability	**(828)**	**(3,050)**	**(3,878)**	(2,135)	(3,859)	(5,994)
Total liabilities	**(44,780)**	**(37,474)**	**(82,254)**	(46,501)	(39,740)	(86,241)

The totals shown above for both trade and other receivables and trade and other payables differ to the consolidated balance sheet as a result of an intercompany balance of £31.0 million (2022: £32.1 million) owed by the Utility assets: Own and Operate segment to the Infrastructure: Design and Build segment.

3. Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs), as listed below, to present users of the accounts with a clear view of what the Group considers to be the results of its underlying, sustainable business operations, thereby enabling consistent year-on-year comparisons and making it easier for users of the accounts to identify trends.

Alternative Performance Measure	Definition
Adjusted EBITDA	Operating loss excluding exceptional items, other net gains, fair value gain on derivatives, amortisation and depreciation and equity-settled share-based payments.
Adjusted loss before taxation	Loss before taxation excluding amortisation of acquired intangibles, fair value gain on derivatives and exceptional items included within cost of sales and administrative expenses.
Net assets per share	Net assets divided by the number of shares in issue at the financial reporting date.

A reconciliation of these Alternative Performance Measures has been disclosed in the tables below:

(a) Reconciliation of operating loss to "adjusted EBITDA"

	31 March 2023 £'000	31 March 2022 £'000
Operating loss	**(24,594)**	(13,691)
Adjusted for:		
Exceptional items within operating loss	**17,814**	10,624
Other net gains	**(5)**	(330)
Fair value gain on derivatives	**(2,047)**	-
Amortisation and depreciation	**2,588**	3,257
Equity-settled share-based payments	**53**	639
Adjusted EBITDA	**(6,191)**	499

(b) Reconciliation of loss before tax to "adjusted loss before tax"

	31 March 2023 £'000	31 March 2022 £'000
Loss before tax	**(25,729)**	(14,187)
Adjusted for:		
Exceptional items included in cost of sales	**4,581**	5,422
Exceptional items included in administrative expenses	**13,233**	5,202
Fair value gain on derivatives	**(2,047)**	-
Amortisation of acquired intangibles	**759**	1,248
Adjusted loss before tax	**(9,203)**	(2,315)

(c) Net assets per share

	31 March 2023 £'000	31 March 2022 £'000
Net assets at the end of the year	**20,710**	45,875
Issued shares at the end of the year	**399,313**	399,313
Net assets per share	**5.2p**	11.5p

4. Revenue

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Infrastructure revenue	**46,397**	57,631
Utility asset ownership revenue	**4,156**	4,215
Total revenue	**50,553**	61,846

(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		Utility assets	
£'000	**2023**	2022	**2023**	2022
Primary geographic markets				
United Kingdom	**46,397**	57,631	**4,156**	4,215
	46,397	57,631	**4,156**	4,215
Service line				
Service revenue on long-term contracts	**30,465**	33,700	**-**	-
Service revenue on short-term contracts	**15,416**	23,504	**-**	-
Maintenance contracts	**516**	427	**-**	-
Utility asset ownership	**-**	-	**4,156**	4,215
	46,397	57,631	**4,156**	4,215
Timing of revenue recognition				
Services transferred over time	**46,397**	57,631	**4,156**	4,215
	46,397	57,631	**4,156**	4,215

(b) Contracting balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	31 March 2023 £'000	31 March 2022 £'000
Trade receivables (note 18)	**6,811**	7,326
Contract assets (note 17)	**18,528**	20,177
Contract liabilities (note 27)	**(27,144)**	(25,272)

The contract assets primarily relate to work completed but not invoiced. The contract liabilities primarily relate to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

5. Exceptional items

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Exceptional items included in cost of sales	**4,581**	5,422
Exceptional items included in administrative expenses	**13,233**	5,202
	17,814	10,624

(a) Exceptional items included in cost of sales

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Fixed asset impairment	**2,559**	1,920
Onerous contracts (net of provisions released as per note 30)	**2,022**	3,502
	4,581	5,422

Fixed asset impairment relates to the impairment of utility assets not previously revalued upwards. Onerous contracts costs relate to forecast losses (net of provisions released) to be incurred on several complex high voltage infrastructure projects and losses incurred from 1 October 2022 and forecast to be incurred in respect of a number of onerous infrastructure projects, following a strategic review by the Board. See note 30 for further details.

(b) Exceptional items included in administrative expenses

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Restructuring costs	**481**	575
One-off legal and adviser costs	**412**	242
Intangible asset impairment	**12,170**	2,309
Onerous contracts	**170**	2,076
	13,233	5,202

Restructuring costs relate to employee exit and severance costs. Intangible asset impairment relates to the impairment of goodwill, brands and customer relationships and software and development costs. Onerous contracts costs relate to losses from the Group's smart meter exchange and management contracts with energy suppliers.

Net cash outflows in the year ended 31 March 2023 for exceptional items in cost of sales and administrative expenses were £2.5 million (2022: £1.6 million).

6. Other net gains

Included within other net gains are the following amounts:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss on disposal of utility assets	**(817)**	(75)
Additional consideration receivable from utility asset sales in previous years	**38**	259
Enhanced payments received	**784**	146
	5	330

Additional consideration receivable from utility asset sales in previous years is amounts due to the Group for utility assets sold in previous years that were non-metered when sold and became metered in the year ended 31 March 2023.

Enhanced payments are amounts receivable by the Group when the number of domestic connections introduced by the Group to a third party reaches certain pre-agreed thresholds.

The loss on disposal of utility assets represents the loss arising on sale of certain of the Group's utility assets to a third party. The Group has entered into an agreement with the third party to sell part of its utility assets portfolio in structured tranches.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Consideration – proceeds received	**3,573**	6,487
Consideration – retention receivable	**144**	201
Total consideration	**3,717**	6,688
Net book value of assets sold (including the effect of previous revaluations)	**(4,415)**	(6,580)
Legal and other costs relating to the transaction	**(111)**	(173)
Discounting of retention consideration due in more than one year	**(8)**	(10)
Loss on disposal of assets	**(817)**	(75)

Some of the disposed utility assets had previously been revalued in accordance with the Group policy. Upon disposal, this gave rise to a transfer between the revaluation reserve and retained earnings of £1,145,000 (2022: £1,445,000).

7. Operating loss

Included in operating loss are the following charges:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Amortisation of intangible assets	**799**	1,425
Depreciation of property, plant and equipment	**962**	838
Depreciation of right-of-use asset	**827**	994
Amounts receivable by the auditor and its associates in respect of:		
Audit fees:		
Audit of the Group financial statements	**146**	109
Audit of the Company's subsidiaries pursuant to legislation	**98**	73
Total fees for the audit of the Group and its subsidiaries	**244**	182
Non-audit fees:		
Audit related services	**-**	9

Fees paid to firms of accountants other than the Group's auditor and its affiliated entities for non-audit services for the year ended 31 March 2023 amounted to £60,000 (2022: £43,000).

8. Staff numbers and costs

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Wages and salaries	**13,926**	14,557
Social security costs	**1,584**	1,649
Other pension costs	**437**	489
Share-based payments	**53**	639
	16,000	17,334

The average monthly number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

Number of employees	**Year ended 31 March 2023**	Year ended 31 March 2022
Operational	**148**	160
Support	**149**	174
	297	334

The Group's key management is considered to be the Board of Directors and the Executive Team. Details of the remuneration, share option entitlements and pension entitlements of the Directors are included in the Remuneration Report on page 22. The Executive Team's compensation was as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Salary, fees and bonus	**1,054**	834
Other benefits	**27**	71
Pension	**15**	37
	1,096	942

Some members of the Group's Executive Team were remunerated through third parties, which recharged these costs to the Group. Of the £1.1m salary, fees and bonus above, £0.4m (2022: £nil) related to such costs.

9. Net finance expense

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Finance costs		
Finance costs on lease liability	**(193)**	(121)
Finance costs paid in respect of Revolving Credit Facility	**(93)**	(268)
Finance costs in respect of convertible debt facility	**(240)**	-
Banking charges	**(31)**	(31)
Amortisation of capitalised borrowing costs	**(94)**	(134)
Convertible debt facility transaction costs	**(535)**	-
Total finance costs	**(1,186)**	(554)
Finance income		
Bank interest receivable	**34**	12
Interest income on financial assets measured at amortised cost	**17**	46
Total finance income	**51**	58
Net finance expense	**(1,135)**	(496)

10. Taxation

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current tax	**(422)**	(380)
Deferred tax	**(167)**	(385)
Total tax credit	**(589)**	(765)

At Budget 2020, the UK government announced that the corporation tax main rate (for all profits except ring-fence profits) for the years starting 1 April 2021 and 2022 would be 19%. At Spring Budget 2021, the UK government announced that the corporation tax main rate would rise to 25% for companies with profits over £250,000 together with the introduction of a small profits rate of 19% with effect from 1 April 2023. The increase in the tax rate to 25% is considered to be substantively enacted, and accordingly the deferred tax balances expected to unwind after 1 April 2023 have been calculated using the 25% tax rate.

The Group has £7.4 million (31 March 2022: £12.5 million) of tax losses for which deferred tax assets of £1.9 million (31 March 2022: £3.1 million) have been recognised. The deferred tax asset is expected to be recovered over five years. The group also has unrecognised tax losses of £29.3 million (31 March 2022: £9.7 million) for which no deferred tax asset has been recognised as there is insufficient certainty over whether those losses will reverse.

Reconciliation of effective tax rate

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss before taxation	**(25,729)**	(14,187)
Tax using the UK corporation tax rate of 19.0% (2022: 19.0%)	**4,889**	2,696
Non-taxable items	**(846)**	(501)
Effect of change in rate of corporation tax	**(75)**	255
Tax deductions for share options	**(10)**	(121)
Adjustment to tax charge in respect of previous year's corporation tax	**420**	380
Adjustment to tax charge in respect of previous year's deferred tax	**191**	(382)
Utilisation of previously recognised losses	**(52)**	-
Recognition of losses arising in the period	**(503)**	-
Release of previously recognised losses	**(3,170)**	(1,262)
Chargeable gains arising	**(255)**	(300)
Total tax credit	**589**	765

Movement in deferred tax balances

	31 March 2023		31 March 2022	
	Deferred tax assets £'000	**Deferred tax liabilities £'000**	Deferred tax assets £'000	Deferred tax liabilities £'000
At the beginning of the year	**3,495**	**(5,994)**	2,710	(4,511)
Recognised in profit or loss				
Adjustment in respect of previous years	**337**	**(146)**	(388)	6
Tax losses (utilised)/recognised	**1,631**	**-**	1,721	-
Effect of change in rate of corporation tax	**-**	**(75)**	831	(576)
Origination/reversal of other timing differences	**(70)**	**1,661**	(117)	170
Reclassification between assets and liabilities	**(32)**	**32**	-	-
Release of previously recognised losses	**(3,170)**	**-**	(1,262)	-
Recognised in other comprehensive income				
Effect of change in rate of corporation tax	**-**	**-**	-	(798)
Revaluation of property, plant and equipment	**-**	**644**	-	(285)
At the end of the year	**2,191**	**(3,878)**	3,495	(5,994)

11. Dividends

No dividends were paid in the year ended 31 March 2023 or 31 March 2022.

No interim dividends were declared and no final dividends are proposed relating to the year ended 31 March 2023.

12. Earnings per share (EPS)

Basic earnings per share

The calculation of basic and diluted earnings per share has been based on the following result attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss for the year used for calculation of basic EPS	**(25,140)**	(13,422)
Exceptional items included in cost of sales	**4,581**	5,422
Exceptional items included in administrative expenses	**13,233**	5,202
Remove tax relief on exceptional items	**(3,385)**	(2,019)
Fair value gain on derivatives	**(2,047)**	-
Amortisation of acquired intangibles	**759**	1,248
Loss for the year used for calculation of adjusted EPS	**(11,999)**	(3,569)

Number of shares

	31 March 2023 Number of shares ('000)	31 March 2022 Number of shares ('000)
Weighted average number of ordinary shares for the purpose of basic EPS	**399,313**	260,169
Effect of potentially dilutive ordinary shares	**706**	1,739
Weighted average number of ordinary shares for the purpose of diluted EPS	**400,019**	261,908
EPS		
Basic	**(6.3)p**	(5.2)p
Diluted basic	**(6.3)p**	(5.1)p
Adjusted basic	**(3.0)p**	(1.4)p
Adjusted diluted basic	**(3.0)p**	(1.4)p

13. Property, plant and equipment

(a) Reconciliation of carrying amount

	Utility assets £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 31 March 2021	71,380	1,069	1,344	73,793
Externally acquired assets	2,677	22	220	2,919
Internally adopted assets	2,424	-	-	2,424
Surplus arising on internally adopted assets	57	-	-	57
Revaluation	4,252	-	-	4,252
Disposals	(6,663)	-	-	(6,663)
At 31 March 2022	74,127	1,091	1,564	76,782
Externally acquired assets	2,464	68	54	2,586
Internally adopted assets	565	-	-	565
Surplus arising on internally adopted assets	25	-	-	25
Revaluation	2,594	-	-	2,594
Disposals	(4,443)	-	-	(4,443)
At 31 March 2023	**75,332**	**1,159**	**1,618**	**78,109**
Accumulated depreciation				
At 31 March 2021	(34,353)	(856)	(1,270)	(36,479)
Depreciation charge for the year	(613)	(80)	(145)	(838)
Impairment from external revaluation	(2,397)	-	-	(2,397)
Disposals	83	-	-	83
At 31 March 2022	(37,280)	(936)	(1,415)	(39,631)
Depreciation charge for the year	(784)	(57)	(121)	(962)
Impairment from external revaluation	(5,897)	-	-	(5,897)
Disposals	28	-	-	28
At 31 March 2023	**(43,933)**	**(993)**	**(1,536)**	**(46,462)**
Net book value				
At 31 March 2023	**31,399**	**166**	**82**	**31,647**
At 31 March 2022	36,847	155	149	37,151
At 31 March 2021	37,027	213	74	37,314

Utility assets include £1.1 million (2022: £0.4 million) of meter assets valued at cost less depreciation to date.

Internally adopted assets are stated at the full cost of construction of £1.2 million (2022: £3.7 million) less the deficit arising on internally adopted assets of £0.7 million (2022: £1.3 million).

Disposals include utility assets with a net book value of £4,415,000 that were disposed of as part of Tranches 5 and 6 of the utility assets sale as disclosed in note 6.

(b) Measurement of fair values

The fair value of utility assets was determined by external, independent specialist valuers, having appropriate recognised professional qualifications and experience in the assets being valued. The valuation established the fair value of the assets at 31 March 2023. The key assumptions used in the valuation model include current market prices, useful economic lives of the assets and income generated by the assets discounted using a weighted average cost of capital. The valuation technique used is classified as a Level 3 fair value (based on unobservable inputs) under IFRS 13.

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis has been performed, with a 1% increase in the discount rate leading to a £0.8 million increase in the net impairment charge and a 1% reduction in the discount rate leading to a £0.9 million decrease in the net impairment charge.

The utility assets are the only financial assets that are held at fair value in the financial statements.

(c) Impairment loss

Following the valuation of the utility assets estate, a net impairment charge of £3.3 million (2022: £1.9 million net revaluation gain) was recorded. A revaluation gain of £2.6 million (2022: £4.3 million) was recognised in the revaluation reserve, with an impairment of £3.3 million (2022: £0.5 million) offset against the revaluation reserve and a £2.6 million impairment charge (2022: £1.9 million) included within exceptional items in cost of sales in the consolidated statement of comprehensive income.

14. Capital commitments

The Group has entered into contracts to purchase property, plant and equipment in the form of utility assets from external parties. At 31 March 2023 the balance was £3.8 million (2022: £5.5 million).

15. Intangible assets

Reconciliation of carrying amount	Goodwill £'000	Brand and customer relationships £'000	Software and development costs £'000	Total £'000
Cost				
At 31 March 2021	14,251	12,607	4,815	31,673
Additions	-	-	424	424
At 31 March 2022	14,251	12,607	5,239	32,097
Additions	-	-	406	406
At 31 March 2023	**14,251**	**12,607**	**5,645**	**32,503**
Accumulated amortisation and impairment				
At 31 March 2021	(4,494)	(4,492)	(3,780)	(12,766)
Amortisation for the year	-	(1,248)	(177)	(1,425)
Impairment	(2,149)	-	(160)	(2,309)
At 31 March 2022	(6,643)	(5,740)	(4,117)	(16,500)
Amortisation for the year	-	(759)	(40)	(799)
Impairment	(7,608)	(4,255)	(307)	(12,170)
At 31 March 2023	**(14,251)**	**(10,754)**	**(4,464)**	**(29,469)**
Net book value				
At 31 March 2023	**-**	**1,853**	**1,181**	**3,034**
At 31 March 2022	7,608	6,867	1,122	15,597
At 31 March 2021	9,757	8,115	1,035	18,907

a) Amortisation

The amortisation of brand, customer relationships and software (including development costs) is included in administrative expenses.

(b) Impairment testing

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The Group tests other intangible assets for impairment when there is an indication that the assets might be impaired.

Given a number of internal and external factors, management believes that indications for possible impairment exist for the brands and customer relationships. Accordingly, an impairment test has been carried out in relation to both goodwill and the brands and customer relationships. Where an impairment is indicated, goodwill would be impaired first, followed by the brands and customer relationships on a pro-rata basis.

Goodwill and the brands and customer relationships are tested for impairment by comparing the carrying amount of each CGU with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use.

Goodwill brought forward at the start of the year relates to the acquisition of Fulcrum Group Holdings Limited on 8 July 2010 and the acquisition of The Dunamis Group Limited on 5 February 2018. The carrying amount of the goodwill is allocated across cash-generating units (CGUs). The goodwill held by the Group relates to either the Fulcrum Infrastructure Services CGU or Dunamis, which has two CGUs. The brands and customer relationships also relate to the same CGUs.

In the impairment tests, the recoverable amounts are determined based on value in use calculations which require assumptions. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The recoverable amounts of the CGUs have been determined from value in use calculations which have been predicated on discounted cash flow projections from financial plans approved by the Board. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources, together with the Group's views on the future achievable growth and the impact of committed cash flows. Cash flows beyond this are extrapolated using the estimated long-term growth rates as summarised in the following paragraph.

The pre-tax cash flows that these projections produced were discounted at pre-tax discount rates based on the Group's beta adjusted cost of capital reflecting management's assessment of specific risks related to each cash-generating unit. Pre-tax discount rates of between 13% and 13.7% (2022: between 8.1% and 9.8%) have been used in the impairment calculations which the Directors believe fairly reflect the risks inherent in each of the CGUs. The terminal cash flows are extrapolated in perpetuity using a growth rate of 2.0% (2022: 2.0%). This is not considered to be higher than the long-term industry growth rate.

Following the review, the carrying value of the intangible assets exceeded the associated value in use for all of the CGUs. Consequently, an impairment of £2.2 million was made to the carrying value of goodwill in the Fulcrum CGU, and impairments of £5.4 million and £4.3 million were made to the carrying values of goodwill and brands and customer relationships, respectively, in the Dunamis CGUs.

A segment-level summary of the acquired intangible assets allocation is presented below:

	Fulcrum £'000	Dunamis £'000	Total £'000
Goodwill	-	-	**-**
Brands and customer relationships	-	1,853	**1,853**

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis has been performed on the individual CGUs with a 1.0% increase in the discount rate and a 1.0% reduction in the long-term growth rate.

Based on this analysis, the reasonably possible downside scenario to the discount rate would increase the impairment by £0.2 million, and the change to the long-term growth rate would increase the impairment by £0.2 million.

In addition to the above, an impairment charge of £0.3 million (2022: £0.2 million) has been recognised during the year ended 31 March 2023, for the costs associated with a project no longer being implemented.

16. Leases

The Group has leases for land and buildings and plant and machinery. Leases for land and buildings relate mainly to office properties and depots, whilst the plant and machinery leases are predominantly motor vehicles. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Leases of property range from a period of three to ten years, and leases of motor vehicles are for three or four years. Lease payments are generally fixed. The use of extension and termination options within leases gives the Group flexibility and such options are exercised when they align with the Group's strategy and where economic benefits of exercising such options exceed the expected overall costs.

Right-of-use assets	**31 March 2023 £'000**	31 March 2022 £'000
Land and buildings	**1,013**	1,254
Plant and machinery	**1,898**	1,069
Total	**2,911**	2,323

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Additions to right-of-use assets	**1,530**	255

Additions to right-of-use assets include new leases and extensions to existing lease agreements.

Depreciation on right-of-use assets	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Land and buildings	**286**	291
Plant and machinery	**541**	703
Total	**827**	994

	Land and buildings		Plant and machinery	
Maturity of lease liabilities	**31 March 2023 £'000**	31 March 2022 £'000	**31 March 2023 £'000**	31 March 2022 £'000
Less than one year	**324**	298	**744**	504
Between one and five years	**862**	1,123	**1,229**	605
In more than five years	**106**	145	**-**	-
Total	**1,292**	1,566	**1,973**	1,109

Other impact on profit and loss	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Finance costs on leases	**(193)**	(121)
Expense on short-term and low value leases	**(1,018)**	(490)
(Loss)/gain on lease modification	**(17)**	16
Total	**(1,228)**	(595)

Cash flows in respect of leases	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
IFRS 16 – principal payments	**(812)**	(1,022)
IFRS 16 – interest payments	**(193)**	(121)
Cash outflows relating to short-term and low value leases	**(1,018)**	(490)
Proceeds (paid)/received on disposal of leased vehicle	**(31)**	19
Total	**(2,054)**	(1,614)

During the year ended 31 March 2023, the Group disposed of a leased vehicle for a termination fee of £31,000. This resulted in a loss on lease modification in the statement of comprehensive income of £17,000. During the year ended 31 March 2022, the Group disposed of a leased vehicle for proceeds of £19,000. This resulted in a gain on lease modification in the statement of comprehensive income of £16,000.

17. Contract assets

	31 March 2023 £'000	31 March 2022 £'000
Work in progress	**6,515**	5,514
Contract receivables	**12,013**	14,663
Total	**18,528**	20,177

The work in progress balances reflect direct work costs including direct labour and other attributable variable costs relating to jobs classed as incomplete. There have been no write-downs in the year (2022: £nil). Contract receivables relate to revenue completed but not invoiced.

18. Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	**6,811**	7,326
Other receivables and prepayments	**2,946**	2,294
	9,757	9,620

Trade and other receivables are non-interest bearing. Due to the activities and diversified customer structure of the Group, there is no significant concentration of credit risk.

The Group applies a simplified approach in calculating expected credit losses. The credit risk associated with this receivable is managed through the Group's standard credit processes. The Directors consider that the carrying amount of trade receivables approximates to their fair value.

	31 March 2023		31 March 2022	
Ageing of trade receivables	**Gross £'000**	**Impairment £'000**	Gross £'000	Impairment £'000
Not past due	**2,046**	**-**	3,016	-
Past due less than one month	**2,910**	**-**	2,152	-
Past due one to two months	**996**	**-**	1,290	-
More than two months past due	**1,108**	**(249)**	1,315	(447)
	7,060	**(249)**	7,773	(447)

The carrying value of trade and other receivables is stated after the following allowance for doubtful debts:

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**447**	150
Impairment losses charged	**20**	297
Impairment losses reversed	**(218)**	–
At the end of the year	**249**	447

Information about the Group's exposure to credit and market risk is included in note 32.

19. Pension benefits

The Group operates a defined contribution pension plan; the total expense relating to this plan in the current year was £437,000 (2022: £489,000).

20. Share-based payments

Details of the existing schemes and schemes granted in the year and the inputs that were entered into the valuation models are provided below:

	SAYE 2020 option plan
Status	Existing plan
Grant date	7 October 2020
Number of options	4,601,197
Exercise price	25.7p
Vesting criteria	Maturity date of 1 December 2023
Volatility	30.8%
Dividend yield	0.0%
Option life	3 years
Annual risk free rate	(0.69)%
Outstanding at the beginning of the year	1,739,021
Issued during the year	–
Exercised during the year	–
Lapsed during the year*	(1,033,464)
Outstanding at the end of the year	705,557
Exercisable at the end of the year	–

* Lapsed shares relate to individuals forfeiting their options by leaving the scheme.

No cash-settled share-based payment awards have been granted to employees.

The volatility was determined by calculating the historical volatility of the Group's share price since the Group's listing on AIM in December 2009.

The weighted average share price during the year ended 31 March 2023 was 4.5p (2022: 21.6p).

The expected useful life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In the year, the Group recognised a £53,000 charge before tax (2022: £639,000) in relation to equity-settled share-based payment transactions in the statement of comprehensive income, with the opposite entry being to the retained earnings reserve.

21. Share capital

	31 March 2023 £'000	31 March 2022 £'000
Authorised		
500,000,000 ordinary shares of £0.001 each	**500**	500
Allotted, issued and fully paid		
399,313,458 (2022: 399,313,458) ordinary shares of £0.001 each	**399**	399

Ordinary shareholders are entitled to dividends as declared. During the year ended 31 March 2023, no new ordinary shares were issued (2022: 177,195,513 new ordinary shares were issued which had a nominal value of £0.001 each and were issued at £0.12 each).

22. Share premium

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**20,777**	389
Shares issued net of transaction costs	**-**	20,388
At the end of the year	**20,777**	20,777

23. Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's utility assets estate.

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**9,969**	8,881
Revaluation in the year (note 13)	**2,594**	4,252
Surplus arising on utility assets internally adopted in the year (note 13)	**25**	57
Disposal of previously revalued assets	**(1,145)**	(1,445)
Impairment of previously revalued assets	**(3,338)**	(477)
Depreciation on previously revalued assets	**(277)**	(179)
Additional costs allocated to previously revalued assets	**(3)**	(37)
(Recognition)/derecognition of deferred tax liability (note 10)	**644**	(1,083)
At the end of the year	**8,469**	9,969

24. Merger reserve

The merger reserve relates to the premium arising on the issue of shares as part of the acquisition of The Dunamis Group Limited on 5 February 2018 and CDS PSL Holdings Limited on 27 March 2018.

	31 March 2023 £'000	31 March 2022 £'000
At the beginning and end of the year	**11,347**	11,347

25. Retained earnings

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**3,383**	14,542
Loss in the year	**(25,140)**	(13,422)
Equity-settled share-based payment transactions	**53**	639
Depreciation on previously revalued assets	**277**	179
Disposal of previously revalued assets	**1,145**	1,445
At the end of the year	**(20,282)**	3,383

26. Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Trade payables	**5,571**	7,472
Other payables	**5,458**	8,353
	11,029	15,825

27. Contract liabilities

	31 March 2023 £'000	31 March 2022 £'000
Contract liabilities	**27,144**	25,272

Of the £27.1 million contract liabilities balance, £17.8 million (2022: £17.5 million) relates to deferred income. Deferred income represents contracted sales for which services to customers will be provided in future periods.

Of the £17.5 million deferred income balance at 31 March 2022, £11.3 million has been recognised as revenue in the year ended 31 March 2023.

Information about the Group's exposure to liquidity risks is included in note 32.

28. Interest-bearing loans and borrowings

On 1 December 2020, the Group entered into a two year Revolving Credit Facility agreement with Lloyds Banking Group for £10 million. This facility supported the financing, construction and acquisition of pipeline assets. During the year ended 31 March 2023 this facility reached maturity without renewal. No drawn downs or repayments were made by the Group during the year ended 31 March 2023 (2022: net repayment of £5.7 million).

Changes in liabilities arising from financing activities

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**(94)**	5,483
Repaid in year	**-**	(10,950)
New borrowings	**-**	5,250
Capitalised borrowing fees	**-**	(11)
Amortisation of capitalised borrowing fees	**94**	134
At the end of the year	**-**	(94)

As a result of the facility reaching maturity during the year with no renewal, no borrowings are outstanding as at 31 March 2023 (2022: £nil). At 31 March 2022, as there were no borrowings outstanding, the capitalised borrowing fees of £94,000 were included within trade and other receivables. During the year ended 31 March 2023, all remaining capitalised borrowing fees at 31 March 2022 were amortised.

The Group has complied with the financial covenants (asset cover, leverage and EBITDA covenants) relating to the above facilities.

29. Reconciliation to net (debt)/cash

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents	**3,370**	11,176
Borrowings in respect of convertible debt facility designated as embedded derivative (note 31)	**(6,000)**	-
Net (debt)/cash	**(2,630)**	11,176

30. Provisions

	Provision for costs to settle ongoing legal claims £'000	Provision for onerous contracts £'000	Other provisions £'000	Total
At 31 March 2021	54	-	-	54
Provision released during the year	(54)	-	-	(54)
Provision created during the year	-	5,578	121	5,699
Provision utilised during the year	-	(1,368)	-	(1,368)
At 31 March 2022	-	4,210	121	4,331
Provision created during the year	-	3,283	-	3,283
Provision released during the year	-	(1,091)	(121)	(1,212)
Provision utilised during the year	-	(4,646)	-	(4,646)
At 31 March 2023	**-**	**1,756**	**-**	**1,756**

The provision for onerous contracts relates to future losses expected to be incurred on contracts deemed to be onerous. The amount and timing of the outflows related to these provisions are uncertain, but a reliable estimate has been made.

Of the £1,756,000 provision for onerous contracts, £430,000 (2022: £1,296,000) is expected to be settled in more than 12 months.

31. Derivatives

On 5 December 2022, the Group announced it had entered into an arrangement (the "Facility Agreement") in respect of funding of up to £6 million by way of a convertible loan, to be drawn down in tranches as required. The outstanding loan balance, inclusive of all interest and non-utilisation fees, is repayable on or before 1 November 2023, or can be converted into ordinary shares of Fulcrum Utility Services Limited (the "Company"), at the discretion of the lenders, from 1 April 2023. The conversion price will be the lower of the volume weighted average market value of the Company's ordinary shares in the 5 trading days immediately preceding the date of the conversion notice, or 0.5p per ordinary share. Security has also been provided to the lenders by way of a fixed charge over the share capital of all subsidiaries within the Group.

The conversion feature of the loan is an embedded derivative under IAS 32 and has therefore been accounted for as such under IFRS 9. Under IFRS 9, the conversion feature is recognised on the balance sheet as a derivative at fair value through profit and loss.

The fair value of the convertible feature was determined by external, independent specialist valuers, having appropriate recognised professional qualifications and experience in the liability being valued. A Monte Carlo model was used by the external, independent specialist valuers to determine the fair value of the convertible feature of the loan. The key assumptions used in the valuation model include current market prices and risk free rates, dividend yield and share price volatility. The valuation technique is classified as a Level 2 fair value (based on observable inputs) under IFRS 13.

At 31 March 2023, the full £6 million made available in the Facility Agreement had been drawn down.

	31 March 2023 £'000	31 March 2022 £'000
Borrowings received in respect of convertible debt facility	**(6,000)**	-
Accrued interest charge and non-utilisation fee	**(240)**	-
Fair value gain on revaluation of derivatives	**2,047**	-
Fair value of derivative liability	**(4,193)**	-

Impact on profit and loss	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Fair value gain on revaluation of derivatives	**2,047**	-
Transaction costs	**(535)**	-
Interest charge	**(178)**	-
Non-utilisation fee	**(62)**	-
Total	**1,272**	-

32. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- market risk;
- liquidity risk;
- capital risk; and
- credit risk.

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes.

The Board has overall responsibility for risk management of the Group and agrees policies for managing the associated risks.

Market risk

Market risk represents the potential for changes in interest rates and foreign exchange prices to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK construction/utilities industry on the Group. The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns.

Interest rate risk

The Group's interest rate risk generally arises from its borrowing facilities. The Group agreed a debt facility of up to £10 million with Lloyds Banking Group plc, on 2 December 2020, to support the financing, construction and acquisition of pipeline assets. During the year this facility reached maturity without renewal. No drawn downs or repayments were made by the Group during the year ended 31 March 2023 (2022: net repayment of £5.7 million).

The Group announced on 5 December 2022 it had entered into an arrangement (the "Facility Agreement") in respect of the provision of funding of up to £6 million by way of convertible loan. At 31 March 2023 the full £6 million was drawn at an interest rate of 20%.

Foreign exchange risk

The Group's exposure to the risk of changes in foreign exchange is low as the Group operates within the UK.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due without incurring unacceptable losses or risking damage to the Group and does so by monitoring cash flow forecasts and budgets. The Group's exposure to liquidity risk reflects its ability to readily access the funds to support its operations.

Liquidity forecasts are produced on a regular basis and include the expected cash flows that will occur on a weekly, monthly and quarterly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term.

The Group agreed a debt facility of up to £10 million with Lloyds Banking Group plc, on 2 December 2020, to support the financing, construction and acquisition of pipeline assets. During the year this facility reached maturity without renewal. No drawn downs or repayments were made by the Group during the year ended 31 March 2023 (2022: net repayment of £5.7 million).

To support the Group's liquidity, the Group announced on 5 December 2022 that it had entered into the Facility Agreement in respect of the provision of funding of up to £6 million by way of convertible loan. At 31 March 2023 the full £6 million was drawn down at an interest rate of 20%.

On 6 April 2023 the Group announced that it had agreed to amend the Facility Agreement (the "Amended Facility"), under which the provision of funding has been increased by £5 million such that up to £11 million is provided as principal (see note 34). The terms of the Amended Facility are the same as those in the initial Facility Agreement. At the date of approval of these financial statements, £7m of the total £11m available had been drawn down.

The Group's close working capital management is deemed to be sufficient to meet projected liquidity requirements.

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal. Accordingly deposits are made only with approved, respected, high credit rating financial institutions. Deposits are made on a short-term basis only to preserve liquidity.

Capital risk

The capital structure of the Group consists of the net cash/(debt) (note 29) and equity of the Group. The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers. A high proportion of the Group's customers pay in advance of works commencing, with the remaining profile consisting of established or listed businesses which typically pay on stage payment terms with cash received in advance of works commencing. The creditworthiness of new customers is assessed by taking into account their financial position, past experience and other factors. It is considered that the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

33. Related parties

The Group has related party relationships with its subsidiaries, Directors and key management personnel. Details of the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Report on page 22 and those of key management personnel are set out in note 8.

In the year, sales totalling £1,429,368 (2022: £1,148,332) were made by the Group to companies in which key management personnel held significant interests, of which £311,730 (2022: £165,851) was still outstanding at the year end.

In the year, purchases totalling £1,011,814 (2022: £776,946) were made by the Group from companies in which key management personnel held significant interests, of which £282,683 (2022: £nil) was still outstanding at the year end. The purchases were for seconded staff, professional fees, subcontracted services and fuel cards used in the ordinary course of business.

During the year ended 31 March 2023, Fulcrum Utility Services Limited entered into the Facility Agreement with Bayford & Co Ltd ("Bayford") and Harwood Capital Management Limited Group ("Harwood"), through which Bayford and Harwood would make available funding of up to £6 million by way of a convertible loan, to be drawn down in tranches by the Group as required. Bayford and Harwood are substantial shareholders in the Group, and are each represented on the Group's board of directors. At 31 March 2023, the full £6 million made available in the Facility Agreement had been drawn down and remained outstanding, as well as £0.2 million of accrued interest and non-utilisation fees.

34. Events after the reporting period

On 31 May 2023, the Company completed the transfer of the seventh tranche of its domestic customer gas connection assets to a third party for a total consideration of £2.2 million. Cash of £2.0 million was received on 31 May 2023, with the retention balance of £0.2 million expected to be received on 30 November 2024.

The utility assets transferred as a result of this transaction had been revalued to fair value at the year end, with the fair value for these assets being equal to the sales price agreed with the third party.

Further to the Facility Agreement announced on 5 December 2022, on 6 April 2023 the Group announced that it had agreed to amend the Facility Agreement (the "Amended Facility"), under which the provision of funding had been increased by £5 million, such that up to £11 million is provided as principal. The terms of the Amended Facility were the same as those in the initial Facility Agreement.

On 9 August 2023 the Group's major shareholders agreed to extend the Facility Agreement that previously ran to 1 November 2023 out further to 31 December 2024. The terms of the extended Facility are the same as those in the initial Facility Agreement.

35. Contingent liabilities

The Group had a contingent liability at 31 March 2023 in respect of technical issues arising from a contract completed during the year end 31 March 2022. At the date of approval of these financial statements, the outcome of liability for this issue could not be reliably measured, in line with external, independent legal advice, and therefore no provision has been recognised.

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Fulcrum Pipelines Limited

Independent Distribution Network Operator (iDNO)
Fulcrum Electricity Assets Limited

Meter Asset Provider (MAP)
Fulcrum Smart Metering Limited

Meter Operator (MOP)
Fulcrum Metering Services Limited

Utility Infrastructure Providers (UIPs)
Fulcrum Infrastructure Services Limited

CDS Pipe Services Limited

Independent Connection Providers (ICPs)
The Dunamis Group Limited

Dunamis Infrastructure Services Limited

Matrix Professional Services Limited

Matrix Network (Eastern) Limited

Maintenance Services Provider
Maintech Power Services Limited