Company Announcements

Fulcrum Utility Services Ltd

Interim Results

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Fulcrum Utility Services Ltd

14 December 2022

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FULCRUM UTILITY SERVICES LIMITED

("Fulcrum" or "the Group")

Unaudited interim results for the six months ended 30 September 2022

Fulcrum Utility Services Limited, a leading independent provider of essential utility services including multi-utility connections and renewable energy infrastructure, provides its interim results for the six-month period ended 30 September 2022.

The first half of FY23 has been challenging for the Group, as it has continued to experience the impact of the significant, ongoing demands presented by a turbulent energy market and wider difficult economic conditions.

The Group's legacy operational issues have also been deeper and more longstanding than anticipated. This, together with challenges with historical projects and the unprecedented cost increases impacting much of the Group's supply chain, has continued to erode sales margins and weighed heavily on the Group's performance.

The Group's progress in the period was also further hampered by a cyber security incident, which impaired managerial and system information, and the ability to fully invoice customers, for up to three weeks.

Financial headlines:

- Revenues for the six months to 30 September 2022 decreased by 16% on the previous year to £23.9 million (H122: £28.6 million)
- Adjusted EBITDA(1) of £(3.3) million (H122: Adjusted EBITDA(1) of £1 million)
- Net cash(2) position as at 30 September 2022 of £4.8 million (30 September 2021: net debt(2) of £3.3 million)

[1]Adjusted EBITDA is operating (loss) / profit excluding the impact of exceptional items, other net gains, depreciation, amortisation and equity-settled share-based payment charges.

[2]Net cash / debt is defined as cash and cash equivalents less loans and borrowings, excluding lease liabilities.

Strategic and operational headlines:

- New Executive team implemented critical improvement actions to protect and improve margins and to refocus the Group on its core utility infrastructure and asset ownership growth strategy
- Despite challenging market conditions, the Group is pleased to have won a series of major utility contract awards in the period including:

- a £4.1m contract to design and deliver the high voltage electrical infrastructure that will power a new 158-acre solar farm and battery storage facility;
- a £2m multi-utility infrastructure project to power a leisure resort in the south of England for a leading brand of family resorts;
- a £2m contract to deliver High Voltage electrical infrastructure that will power a new Battery Energy Storage System in the north of England; and
- a £1.2 million project to support the energisation High Voltage infrastructure for a new 50MW solar farm.
- Importantly, these contracts have been tendered on in line with the Group's improved margin strategy and have been secured under enhanced contractual terms which better protect the Group and its margins in the current economic conditions
- Inclusive of the contract wins, the order book at 30 September 2022 was £50.2 million, an increase of 3% (31 March 2022: £48.7 million)

Domestic Asset Sale update

- In the period, the Group successfully completed tranche five of the domestic gas assets transfer to ESP for a total consideration of £2.2 million on 31 May 2022. £2.1 million of this was received in cash on 1 June 22 with a further £0.1 million in cash received in respect of the previous tranches of assets transferred.

Post Period end

- The Group is pleased to confirm that it has continued to win a strong succession of new contract wins and continues to build a healthy pipeline of new opportunities;
- Tranche six of the domestic gas assets transfer to ESP was also successfully completed for a total consideration of £1.6 million. £1.5 million of this was received in cash on 1 December 2022;
- The Company entered into an arrangement with Bayford & Co Ltd ("Bayford") and funds managed by the Harwood Capital Management Limited Group ("Harwood") in respect of the provision of funding of up to £6 million (the "Facility") by way of a convertible loan; and
- Review initiated to consider all the various strategic options available to the Group in order to maximise value for all shareholders

- The Group confirms that Antony Collins, Interim CEO, will leave the business on 31 December 2022 following the completion of his 12-month assignment. The Board would like to thank Antony for his contribution to Fulcrum during his tenure
- Lindsay Austin, Managing Director of The Bayford Group, will take over day-to-day responsibility from Antony Collins as Interim CEO. A handover process is currently underway.

Current trading and Outlook

The Executive team's continuing priority is to protect and improve margins in the current turbulent market conditions. New critical measures, including controls and procedures to ensure optimal performance and to improve and protect the Group's margins, have been implemented and, whilst the benefits of these actions are yet to be fully realised and will take longer than expected to positively impact the Group's results, the Board is pleased that the series of multi-utility contracts won in the period have been under these revised contractual terms.

In conjunction with these management improvements, and supported by the new Facility, the Group has initiated a review of the various strategic options available to it to maximise value for all shareholders and to ensure it continues to have adequate working capital.

Medium to long-term market fundamentals remain strong and the Group's experience and capabilities mean it remains well positioned to benefit from the UK's transition to a low carbon economy and a net-zero future.

Jennifer Babington, Chair, said:

"The Board and I are disappointed in these results but remain confident that the business is taking the necessary actions to turn the Group's performance around. This is a challenging task, taking longer than anticipated, as improvements are being implemented alongside turbulent and difficult economic conditions. Despite these challenges, the medium to long-term growth opportunities for the Group remain clear and are underpinned by strong market drivers and government stimulus. We are also very pleased to be supported by our major shareholders as we move the business forward. The recent Facility will support the Group's strategy review, which will underpin its turnaround. I also believe the new Facility is another positive demonstration of the future potential that our major shareholders see in Fulcrum."

This announcement contains inside information.

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Notes to Editors:

Fulcrum is a multi-utility infrastructure and services provider. The Group operates nationally with its head office in Sheffield, UK. It designs, builds, owns and maintains utility infrastructure and offers smart meter exchange programmes.

https://investors.fulcrum.co.uk

Financial performance

Group revenue for the first six months of the financial year was £23.9 million, £4.7 million, 16% behind the first half of last year (H1 2022: £28.6 million). This decline was seen across a number of our Infrastructure: Design and Build activities, as we exited a number of loss making Smart Metering Services contracts, as well as seeing fewer large gas contracting projects than in the previous year.

Gross margin, excluding the impact of exceptional items, was 11% in the first half of the financial year, down 10.9% compared to the first half of FY22, as a consequence of unprecedented increases in material and labour costs, as well as unfavourable contractual terms impeding the Group's ability to recover adverse cost impacts. These issues have since been addressed with revised and more rigorous controls being introduced with the Group anticipating the benefits will begin to be seen in the future trading periods.

The Group is reporting an adjusted EBITDA[(1)] of £(3.3) million, versus a £1 million adjusted EBITDA[(1)] in the first half of last year (H1 2022) and a loss before tax of £20.3 million (H1 2022: loss before tax of £1.3 million).

As a result of the increasing cost of capital and challenging trading conditions, the Group has felt it necessary to recognise a significant impairment of £12.1 million on its intangible assets, with a further £2.3 million being provided for additional loss making contracts identified within the Infrastructure: Design and Build operations.

Consequently, the Group is reporting an Operating Loss of £20.2 million for the first six months of the financial year (£19.1 million adverse to the same period in FY22).

Pleasingly the order book has improved since 31 March 2022 and we are seeing encouraging signs of new contract wins with better target margins. At 30 September 2022 the order book was £50.2 million, an increase of 3% from £48.7 million, at 31 March 2022.

Over the six months to 30 September 2022, net asset value reduced to £25.5 million (FY 2022: £45.9 million) primarily as a result of the £12.1 million impairment of intangible assets, which represents a full write down of the intangibles previously carried for the Dunamis and Fulcrum businesses, and a significant impairment to the goodwill in the Maintech business. The Group is therefore reporting a £20.7 million loss after tax (H1 2022: loss of £1.1 million) and a reduction in net assets per share to 6.4p per share from 11.5p per share at 31 March 2022.

At 30 September 2022, the Group had cash and cash equivalents of £4.8 million, a decrease of £6.4 million from 31 March 2022 (FY 2022: cash and cash equivalents of £11.2 million).

Delivering contracts safely, efficiently, and profitably

Maintaining the highest standards of health and safety remains our highest priority. A safety-first strategy is in place to ensure zero harm and, although this is well embedded into our culture and operations, we are never complacent and are committed to continuous improvement in health and safety performance.

In the period, the Executive team has implemented critical improvements to protect and improve margins in the current difficult economic conditions. New contracts won, have been tendered on in line with the Group's revised margin strategy and secured under enhanced contractual terms which better protect the Group and its margins in the current economic conditions. This includes, for example, additional mechanisms to protect and recover margin considering the wider and unprecedent market issues of supply chain pressure and cost inflation in materials and labour.

Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 September 2022 (unaudited)

	Note	**Unaudited Six months ended 30 September 2022**	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
		£'000	£'000	£'000
Revenue	2	**23,939**	28,552	61,846
Cost of sales - underlying		**(21,316)**	(22,306)	(50,149)
Cost of sales - exceptional items	4	**(2,091)**	-	(5,422)
Total cost of sales		**(23,407)**	(22,306)	(55,571)
Gross profit		**532**	6,246	6,275
Administrative expenses - underlying		**(7,477)**	(7,063)	(15,094)
Administrative expenses - exceptional items	4	**(12,694)**	(184)	(5,202)
Total administrative expenses		**(20,171)**	(7,247)	(20,296)
Other net (losses)/gains	5	**(513)**	(34)	330
Operating loss		**(20,152)**	(1,035)	(13,691)
Net finance expense		**(159)**	(256)	(496)
Loss before tax		**(20,311)**	(1,291)	(14,187)
Taxation	7	**(382)**	187	765
Loss for the financial period/year		**(20,693)**	(1,104)	(13,422)

Other comprehensive income				
Items that will never be reclassified to profit or loss:				
Revaluation of utility assets		**-**	-	4,252
Surplus arising on utility assets internally adopted in the period/year		**29**	119	57
Reversal of prior increase of utility assets		**-**	(83)	-
Additional costs allocated to previously revalued assets		**(3)**	(37)	-
Impairment of previously revalued utility assets		**-**	-	(477)
Deferred tax on items that will never be reclassified to profit or loss		**246**	(380)	(1,083)
Total comprehensive expense for the period/year		**(20,421)**	(1,485)	(10,673)
Loss per share attributable to the owners of the business				
Basic	6	**(5.2)p**	(0.5)p	(5.2)p
Diluted	6	**(5.2)p**	(0.5)p	(5.1)p

Adjusted EBITDA

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 the Alternative Performance Measures are included in note 3.

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Operating loss	**(20,152)**	(1,035)	(13,691)
Equity-settled share-based payment charge	**27**	216	639
Other net losses/(gains)	**513**	34	(330)
Exceptional items within operating loss	**14,785**	184	10,624
Depreciation and amortisation	**1,528**	1,598	3,257
Adjusted EBITDA	**(3,299)**	997	499
(Loss)/surplus arising on sale of domestic utility assets and enhanced payments	**(513)**	(34)	330
Adjusted EBITDA including sale of domestic utility assets	**(3,812)**	963	829

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2022 (unaudited)

	Share capital	**Share premium**	**Revaluation reserve**	**Merger reserve**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2022 (audited)	**399**	**20,777**	**9,969**	**11,347**	**3,383**	**45,875**

Loss for the period	**-**	**-**	**-**	**-**	**(20,693)**	**(20,693)**
Surplus arising on utility assets internally adopted in the period	**-**	**-**	**29**	**-**	**-**	**29**
Disposal of previously revalued assets	**-**	**-**	**(873)**	**-**	**873**	**-**
Depreciation on previously revalued assets	**-**	**-**	**(137)**	**-**	**137**	**-**
Additional costs allocated to previously revalued assets	**-**	**-**	**(3)**	**-**	**-**	**(3)**
Deferred tax in respect of items that will never be reclassified to profit and loss	**-**	**-**	**246**	**-**	**-**	**246**
Transactions with equity shareholders:						
Equity settled share-based payments	**-**	**-**	**-**	**-**	**27**	**27**
Balance at 30 September 2022 (unaudited)	**399**	**20,777**	**9,231**	**11,347**	**(16,273)**	**25,481**
For the six months ended 30 September 2021						
Restated balance at 1 April 2021 (audited)	222	389	9,552	11,347	13,871	35,381

Loss for the period	-	-	-	-	(1,104)	(1,104)
Surplus arising on utility assets internally adopted in the period	-	-	119	-	-	119
Disposal of previously revalued assets	-	-	(1,179)	-	1,179	-
Depreciation on previously revalued assets	-	-	(129)	-	129	-
Reversal of prior increase of utility assets	-	-	(83)	-	-	(83)
Additional costs allocated to previously revalued assets	-	-	(37)	-	-	(37)
Deferred tax in respect of items that will never be reclassified to profit and loss	-	-	(380)	-	-	(380)
Transactions with equity shareholders:						
Equity settled share-based payments	-	-	-	-	216	216
Balance at 30 September 2021 (unaudited)	222	389	7,863	11,347	14,291	34,112

Consolidated Interim Balance Sheet

At 30 September 2022

	Note	**Unaudited**	Unaudited	Audited
		30 September 2022	30 September 2021	31 March 2022
	Note	**£'000**	£'000	£'000
Non-current assets				
Property, plant and equipment	9	**36,088**	35,071	37,151
Intangible assets	10	**3,245**	18,240	15,597
Right-of-use assets		**2,082**	2,732	2,323
Deferred tax assets		**2,331**	3,645	3,495
		43,746	59,688	58,566
Current assets				
Contract assets		**21,175**	21,241	20,177
Inventories		**421**	462	433
Trade and other receivables	11	**10,005**	7,927	9,620
Cash and cash equivalents	14	**4,774**	1,035	11,176
		36,375	30,665	41,406
Total assets		**80,121**	90,353	99,972
Current liabilities				
Trade and other payables	12	**(14,922)**	(12,570)	(15,825)
Contract liabilities		**(27,107)**	(30,636)	(25,272)
Current lease liability		**(808)**	(913)	(802)
Current provisions	15	**(3,161)**	(34)	(3,035)
		(45,998)	(44,153)	(44,934)
Non-current liabilities				
Non-current lease liability		**(1,643)**	(2,152)	(1,873)
Borrowings	13	**-**	(4,296)	-
Non-current provisions	15	**(2,031)**	-	(1,296)

Deferred tax liabilities	**(4,968)**	(5,640)	(5,994)
	(8,642)	(12,088)	(9,163)
Total liabilities	**(54,640)**	(56,241)	(54,097)
Net assets	**25,481**	34,112	45,875
Equity			
Share capital	**399**	222	399
Share premium	**20,777**	389	20,777
Revaluation reserve	**9,231**	7,863	9,969
Merger reserve	**11,347**	11,347	11,347
Retained earnings	**(16,273)**	14,291	3,383
Total equity	**25,481**	34,112	45,875

Consolidated Interim Cash Flow Statement

For the six months ended 30 September 2022

	Unaudited	Unaudited	Audited
	Six months ended	Six months ended	Year ended
	30 September 2022	30 September 2021	31 March 2022
	£'000	£'000	£'000
Cash flows from operating activities			
Loss for the period/year after tax	**(20,693)**	(1,104)	(13,422)
Tax charge/(credit)	**382**	(187)	(765)
Loss before tax for the period/year	**(20,311)**	(1,291)	(14,187)
Adjustments for:			
Depreciation	**892**	874	1,832
Amortisation of intangible assets	**636**	724	1,425

Exceptional items - fixed asset impairment	**-**	-	1,920
Exceptional items - intangible asset impairment	**12,059**	-	2,309
Net finance expense	**159**	256	496
Equity settled share-based payment charges	**27**	216	639
Loss on disposal of utility assets	**560**	119	75
Gain on IFRS 16 lease modification	**-**	-	(16)
Additional consideration receivable from previous utility asset sales	**-**	-	(259)
Increase in contract assets	**(998)**	(5,197)	(4,537)
Increase in trade and other receivables	**(589)**	(1,903)	(3,154)
Decrease/(increase) in inventories	**12**	(24)	5
(Decrease)/increase in trade and other payables	**(1,077)**	(94)	3,370
Increase/(decrease) in contract liabilities	**1,835**	3,538	(1,826)
Decrease/(increase) in provisions	**861**	(20)	4,277
Cash outflow from operating activities	**(5,934)**	(2,802)	(7,631)
Tax received	**22**	-	12
Net cash outflow from operating	**(5,912)**	(2,802)	(7,619)

activities			
Cash flows from investing activities			
Acquisition of external utility assets	**(1,558)**	(1,166)	(2,468)
#Utility assets internally adopted	**(344)**	(1,097)	(2,475)
Acquisition of property, plant and equipment	**(68)**	(216)	(242)
Acquisition of intangible assets	**(343)**	(57)	(424)
Proceeds on disposal of utility assets	**2,082**	3,725	6,487
Receipt of deferred consideration on disposal of utility assets	**-**	642	642
Costs paid in relation to disposal of utility assets	**(4)**	(28)	(141)
Additional consideration received from previous utility asset sales	**210**	-	49
Net cash (outflow)/inflow from investing activities	**(25)**	1,803	1,428
Cash flows from financing activities			
Proceeds from issue of ordinary shares	**-**	-	21,263
Share issue transaction costs	**-**	-	(698)
Borrowings received	**-**	2,000	5,250

Borrowings repaid	**-**	(3,250)	(10,950)
Prepaid arrangement fees	**-**	(3)	(11)
Interest paid and banking charges (non-IFRS 16)	**(42)**	(137)	(297)
IFRS 16 - principal payments	**(377)**	(453)	(1,022)
IFRS 16 - interest payments	**(46)**	(57)	(121)
IFRS 16 - proceeds received on disposal of leased vehicle	**-**	-	19
Net cash (outflow)/inflow from financing activities	**(465)**	(1,900)	13,433
Net (decrease)/increase in cash and cash equivalents	**(6,402)**	(2,899)	7,242
Cash and cash equivalents at beginning of period/year	**11,176**	3,934	3,934
Cash and cash equivalents at end of period/year	**4,774**	1,035	11,176

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation of the condensed consolidated interim financial information

General information

Fulcrum Utility Services Limited (the "Company") is a limited company incorporated in the Cayman Islands and domiciled in the UK. The ordinary shares are traded on AIM on the London Stock Exchange. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The condensed consolidated interim financial information for the six months ended 30 September 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated interim financial information, including the financial information for the year ended 31 March 2022 set out in this interim financial information, does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The information for the year ended 31 March 2022 is derived from the non-statutory accounts for that financial year. The non-statutory accounts for the year ended 31 March 2022 were approved on 1 August 2022. The Auditor's report on those accounts was unqualified.

These condensed consolidated interim financial statements have not been audited or reviewed. They were approved by the Board on 13 December 2022.

Basis of preparation

The condensed consolidated interim financial information for the six month period ended 30 September 2022 has been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the United Kingdom. The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

Going-concern basis

The condensed consolidated interim financial information is prepared on the basis that the Group is a going concern but with material uncertainties currently in evidence. In assessing going concern and determining whether there are material uncertainties, the Directors consider the Group`s business activities, together with factors that are likely to affect its future development and position.

A review of the Group`s cash flows, solvency, liquidity position and borrowing facilities has taken place. At 30 September 2022 the Group had net assets of £25.5 million (31 March 2022: £45.9 million) including net cash of £4.8 million (31 March 2022: £11.2 million). In the six months to 30 September 2022 the Group's net cash outflow from operations before tax was £6.0 million (31 March 2022: £7.6 million).

Following the period in question, the Company entered into an arrangement with Bayford & Co Ltd ("Bayford") and funds managed by the Harwood Capital Management Limited Group ("Harwood") in respect of the provision of funding of up to £6 million (the "Facility") by way of a convertible loan. This Facility is expected 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 continues to have adequate working capital, however it is anticipated that additional funding will be required to support its future trading in FY24.

Accounting policies

The same accounting policies are followed in this condensed consolidated interim financial information as were applied in the Group`s latest audited financial statements to 31 March 2022.

2. Segmental analysis

The Board has been identified as the Chief Operating Decision Maker (CODM) as defined under IFRS 8: Operating Segments. The directors consider there to be two operating segments, Infrastructure: 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.

	Six months to 30 September 2022 (unaudited)			Six months to 30 September 2021 (unaudited)		
	Infrastructure: Design and Build	**Utility assets: Own and Operate**	**Total Group**	Infrastructure: Design and Build	Utility assets: Own and Operate	Total Group
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Reportable segment revenue	**21,942**	**1,997**	**23,939**	26,665	1,887	28,552
Adjusted EBITDA*	**(4,152)**	**853**	**(3,299)**	213	784	997
Other net gains/(losses)	**47**	**(560)**	**(513)**	85	(119)	(34)
Share based payment charge	**(27)**	**-**	**(27)**	(216)	-	(216)
Depreciation and amortisation	**(1,105)**	**(423)**	**(1,528)**	(1,326)	(272)	(1,598)
Reportable segment operating (loss)/profit before exceptional items	**(5,237)**	**(130)**	**(5,367)**	(1,244)	393	(851)
Cost of sales - exceptional items	**(2,091)**	**-**	**(2,091)**	-	-	-
Administrative expenses - exceptional items	**(12,694)**	**-**	**(12,694)**	(184)	-	(184)

Reporting segment operating (loss)/profit	**(20,022)**	**(130)**	**(20,152)**	(1,428)	393	(1,035)
Net finance expense	**(22)**	**(137)**	**(159)**	(45)	(211)	(256)
(Loss)/profit before tax	**(20,044)**	**(267)**	**(20,311)**	(1,473)	182	(1,291)

	Year ended 31 March 2022 (audited)		
	Infrastructure: Design and Build	Utility assets: Own and Operate	Total Group
	£'000	£'000	£'000
Reportable segment revenue	57,631	4,215	61,846
Adjusted EBITDA*	(1,557)	2,056	499
Other net gains	146	184	330
Share based payment charge	(639)	-	(639)
Depreciation and amortisation	(2,606)	(651)	(3,257)
Reportable segment operating (loss)/profit before exceptional items	(4,656)	1,589	(3,067)
Cost of sales - exceptional items	(3,502)	(1,920)	(5,422)
Administrative expenses - exceptional items	(5,202)	-	(5,202)
Reporting segment operating loss	(13,360)	(331)	(13,691)
Net finance expense	(107)	(389)	(496)
Loss before tax	(13,467)	(720)	(14,187)

*Adjusted EBITDA is operating (loss) / profit excluding the impact of exceptional items, other net losses/gains, 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.

3. Alternative Performance Measures ("APMs")

The Group uses 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 period-on-period comparisons and making it easier for users of the accounts to identify trends. APMs are not defined by IFRS and therefore may not be directly comparable with other companies` APMs. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Alternative Performance Measure	**Definition**
Adjusted EBITDA	Operating profit/loss excluding exceptional items, other net losses/gains, amortisation and depreciation and equity-settled share-based payments
Adjusted loss before taxation	Loss before taxation excluding amortisation of acquired intangibles 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 APMs to statutory measures is disclosed in the tables below:

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

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022

	£'000	£'000	£'000
Operating loss	**(20,152)**	(1,035)	(13,691)
Adjusted for:			
Exceptional items within operating loss (note 4)	**14,785**	184	10,624
Other net losses/(gains) (note 5)	**513**	34	(330)
Amortisation and depreciation	**1,528**	1,598	3,257
Equity-settled share-based payments	**27**	216	639
Adjusted EBITDA	**(3,299)**	997	499

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

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Loss before tax	**(20,311)**	(1,291)	(14,187)
Adjusted for:			
Exceptional items included in cost of sales	**2,091**	-	5,422
Exceptional items included in administrative expenses	**12,694**	184	5,202
Amortisation of acquired intangibles	**624**	624	1,248
Adjusted loss before taxation	**(4,902)**	(483)	(2,315)

(c) Net assets per share

	Unaudited	Unaudited	Audited
	30 September	30 September	31 March
	2022	2021	2022
Net assets at end of period/year (£`000)	**25,481**	34,112	45,875
Issued shares at end of period/year (000`s)	**399,313**	222,118	399,313
Net assets per share (p)	**6.4p**	15.4p	11.5p

4. Exceptional items

	Unaudited	Unaudited	Audited
	Six months ended	Six months ended	Year
	30 September	30 September	ended
	2022	2021	31 March
			2022
	£'000	£'000	£'000
Exceptional items included in cost of sales	**2,091**	-	5,422
Exceptional items included in administrative expenses	**12,694**	184	5,202
	14,785	184	10,624

(a) Exceptional items included in cost of sales

	Unaudited	Unaudited	Audited
	Six months ended	Six months ended	Year
	30 September	30 September	ended
	2022	2021	31 March
			2022
	£'000	£'000	£'000
Fixed asset impairment	**-**	-	1,920
Onerous contracts	**2,091**	-	3,502
	2,091	-	5,422

(b) Exceptional items included in administrative expenses

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Restructuring costs	**291**	74	575
One-off legal and advisor costs	**174**	110	242
Intangible asset impairment	**12,059**	-	2,309
Onerous contracts	**170**	-	2,076
	12,694	184	5,202

In the six month period to 30 September 2022, the Group recognised an impairment of £11.9 million for goodwill and brands and customer relationships. See note 10 for further detail.

5. Other net (losses)/gains

Included within other net (losses)/gains are the following amounts:

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Loss on disposal of assets	**(560)**	(119)	(75)
Additional consideration receivable from utility asset sales in previous years	**-**	-	259

Enhanced payments received	**47**	85	146
	(513)	(34)	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 2022.

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 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. The loss outlined below is the result of assets transferred in the current and previous financial period/year.

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Consideration - proceeds received	**2,082**	3,725	6,487
Consideration - proceeds receivable	**10**	-	-
Consideration - retention receivable	**64**	115	201
Total consideration	**2,156**	3,840	6,688
Net book value of assets sold (including the effect of previous revaluations)	**(2,631)**	(3,931)	(6,580)

Legal and other costs relating to the transactions	**(81)**	(28)	(173)
Discounting of retention consideration due in more than one year	**(4)**	-	(10)
Loss on disposal of assets	**(560)**	(119)	(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 £873,000 (year ended 31 March 2022: £1,445,000).

6. Earnings per share (EPS)

The calculation of the adjusted basic and diluted earnings per share is based upon the following loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Loss for the period/year used for the calculation of basic EPS	**(20,693)**	(1,104)	(13,422)
Exceptional items included in cost of sales	**2,091**	-	5,422
Exceptional items included in administrative expenses	**12,694**	184	5,202
Remove tax relief on exceptional items	**(2,809)**	(35)	(2,019)
Amortisation of brands and customer relationships	**624**	624	1,248
Loss for the period/year used for the calculation of adjusted	**(8,093)**	(331)	(3,569)

EPS

Number of shares:

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic EPS	**399,313**	222,118	260,169
Effect of potentially dilutive ordinary shares	**1,437**	4,219	1,739
Weighted average number of ordinary shares for the purpose of diluted EPS	**400,750**	226,337	261,908

EPS	**Unaudited Six months ended 30 September 2022**	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
Basic	**(5.2)p**	(0.5)p	(5.2)p
Diluted basic	**(5.2)p**	(0.5)p	(5.1)p
Adjusted basic	**(2.0)p**	(0.1)p	(1.4)p
Adjusted diluted	**(2.0)p**	(0.1)p	(1.4)p

7. Taxation

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Audited Year ended 31 March 2022
	£'000	£'000	£'000
Current tax	**-**	-	380
Deferred tax	**(382)**	187	385
Total tax (charge)/credit	**(382)**	187	765

At Budget 2020, the 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 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 £7.9 million (31 March 2022: £12.5 million) of tax losses for which deferred tax assets of £2.0 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 £22.1 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.

8. Capital commitments

At 30 September 2022 the Group had entered into contracts to purchase property, plant and equipment in the form of utility assets for the amount of £5.5 million. The capital commitments at 31 March 2022 were £5.5 million and at 30 September 2021 were £8.9 million.

9. Property, plant and equipment

	Utility assets £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2021 (audited)	71,380	1,069	1,344	73,793
Externally acquired assets	1,161	-	216	1,377
Internally adopted assets	578	-	-	578
Surplus arising on internally adopted assets	119	-	-	119
Disposals	(3,951)	-	-	(3,951)
At 30 September 2021 (unaudited)	**69,287**	**1,069**	**1,560**	**71,916**
Externally acquired assets	1,516	22	4	1,542
Internally adopted assets	1,846	-	-	1,846
Additional costs allocated to internally adopted assets on which a surplus previously arose	(62)	-	-	(62)
Revaluation	4,252	-	-	4,252
Disposals	(2,712)	-	-	(2,712)
At 31 March 2022 (audited)	**74,127**	**1,091**	**1,564**	**76,782**
Externally acquired assets	1,630	44	24	1,698
Internally adopted assets	340	-	-	340
Surplus arising on internally adopted assets	29	-	-	29
Disposals	(2,636)	-	-	(2,636)
At 30 September 2022 (unaudited)	**73,490**	**1,135**	**1,588**	**76,213**
Accumulated depreciation				
At 1 April 2021 (audited)	(34,353)	(856)	(1,270)	(36,479)
Depreciation charge for the period	(254)	(30)	(102)	(386)
Disposals	20	-	-	20

At 30 September 2021 (unaudited)	**(34,587)**	**(886)**	**(1,372)**	**(36,845)**
Depreciation charge for the period	(359)	(50)	(43)	(452)
Impairment from external revaluation	(2,397)	-	-	(2,397)
Disposals	63	-	-	63
At 31 March 2022 (audited)	**(37,280)**	**(936)**	**(1,415)**	**(39,631)**
Depreciation charge for the period	(410)	(19)	(70)	(499)
Disposals	5	-	-	5
At 30 September 2022 (unaudited)	**(37,685)**	**(955)**	**(1,485)**	**(40,125)**
Net book value				
At 30 September 2022 (unaudited)	**35,805**	**180**	**103**	**36,088**
At 31 March 2022 (audited)	36,847	155	149	37,151
At 30 September 2021 (unaudited)	34,700	183	188	35,071
At 31 March 2021 (audited)	37,027	213	74	37,314

Additions of internally adopted assets within utility assets in the six months ended 30 September 2022 are stated at the full cost of construction of £0.7 million (year ended 31 March 2022: £3.7 million) less the deficit arising on internally adopted assets of £0.4 million (year ended 31 March 2022: £1.3 million).

10. Intangible assets

	Goodwill	Brands & customer relationships	Software	Total
	£'000	£'000	£'000	£'000
At 1 April 2021 (audited)	**9,757**	**8,115**	**1,035**	**18,907**
Additions	-	-	57	57
Amortisation for the period	-	(624)	(100)	(724)
At 30 September 2021 (unaudited)	**9,757**	**7,491**	**992**	**18,240**
Additions	**-**	**-**	367	367
Amortisation for the period	-	(624)	(77)	(701)
Impairment for the period	(2,149)	-	(160)	(2,309)
At 31 March 2022 (audited)	**7,608**	**6,867**	**1,122**	**15,597**
Additions	-	-	343	343

Amortisation for the period	-	(624)	(12)	(636)
Impairment for the period	(7,608)	(4,255)	(196)	(12,059)
At 30 September 2022 (unaudited)	**-**	**1,988**	**1,257**	**3,245**

Given a number of internal and external factors, management believes that indications for possible impairment exist for goodwill and brands and customer relationships. Accordingly, an impairment test has been carried out in relation to both goodwill and brands and customer relationships. Where an impairment is indicated, goodwill would be impaired first, followed by brands and customer relationships on a pro-rata basis. Goodwill and 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 period 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 11.3% and 13.1% (31 March 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% (31 March 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	Dunamis	Total
	£'000	£'000	£'000
Goodwill	-	-	-
Brands and customer relationships	-	1,988	1,988

11. Trade and other receivables

	Unaudited	Unaudited	Audited
	30 September 2022	30 September 2021	31 March 2022
	£'000	£'000	£'000
Trade receivables	**7,362**	4,392	7,326
Other receivables and prepayments	**2,643**	3,535	2,294
	10,005	7,927	9,620

12. Trade and other payables

Unaudited	Unaudited	Audited
30 September 2022	30 September 2021	31 March 2022
£'000	£'000	£'000

Trade payables	**6,553**	6,830	7,472
Other payables	**8,369**	5,740	8,353
	14,922	12,570	15,825

13. Interest-bearing loans and borrowings

Changes in liabilities arising from financing activities are shown below:

	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
At the beginning of the period	**(94)**	5,483	5,483
Repaid	**-**	(3,250)	(10,950)
New borrowings	**-**	2,000	5,250
Capitalised borrowing fees	**-**	(3)	(11)
Amortisation of capitalised borrowing fees	**71**	66	134
At the end of the period	**(23)**	4,296	(94)

As no borrowings are outstanding as at 30 September 2022, the capitalised borrowing fees have been included within trade and other receivables.

14. Reconciliation to net cash/(debt)

	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
Cash and cash equivalents	**4,774**	1,035	11,176
Borrowings	**-**	(4,296)	-
Net cash/(debt)	**4,774**	(3,261)	11,176

Net cash/(debt) is defined as cash and cash equivalents less loans and borrowings, excluding lease liabilities.

15. Provisions

	Provision for costs to settle ongoing legal claims £'000	Provision for onerous contracts £'000

			Other provisions £'000	Total £'000
At 31 March 2021(audited)	54	-	-	54
Provision created during the period	(20)	-	-	(20)
At 30 September 2021 (unaudited)	**34**	**-**	**-**	**34**
Provision released during the period	(34)	-	-	(34)
Provision created during the period	-	5,578	121	5,699
Provision utilised during the period	-	(1,368)	-	(1,368)
At 31 March 2022 (audited)	**-**	**4,210**	**121**	**4,331**
Provision created during the period	-	2,261	-	2,261
Provision utilised during the period	-	(1,279)	(121)	(1,400)
At 30 September 2022 (unaudited)	**-**	**5,192**	**-**	**5,192**

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 £5.2 million provision for onerous contracts, £2.0 million is expected to be settled in more than 12 months. All other provisions are expected to be settled within 12 months.

16. 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 25 of the Annual Report and Accounts 2022, which are available on the Fulcrum Utility Services Limited website at https://investors.fulcrum.co.uk.

Principal risks

The Board have assessed the Principal Risks as disclosed in the 2022 Annual Report and Accounts and have determined that there has been no change in the risks faced or the risk rating of the risks detailed.

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