

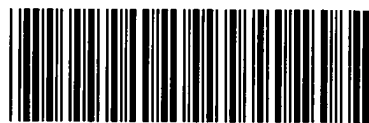
Fulcrum Electricity Assets Limited

Annual report and financial statements

for the year ended 31 March 2022

Registered number: 08019627

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Fulcrum Electricity Assets Limited

Annual report and financial statements for the year ended 31 March 2022

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Fulcrum Electricity Assets Limited

Directors' Report

The directors present their report and the audited financial statements of Fulcrum Electricity Assets Limited ("the Company") for the year ended 31 March 2022.

Principal Activities

The principal activity of the Company is the safe and efficient conveyance of electricity through its electricity transportation networks.

Fulcrum Electricity Assets Limited is a fully licenced and regulated Independent Distribution Network Operator (IDNO), allowing the Company to design, install, operate and maintain local electricity distribution networks.

Directors

The directors of the Company during the financial year and up to the date of signing the financial statements were:

T Dugdale (resigned 24 January 2022)

J Cutler (resigned 31 March 2022)

J Jager (appointed 30 March 2022)

Fulcrum Utility Services Limited (appointed 30 November 2022)

Registered Office

2 Europa View, Sheffield Business Park, Sheffield, S9 1XH.

Directors' Indemnities and Insurance

The Company indemnifies its officers against liabilities arising from the conduct of the Company's business, to the extent permitted by law, by the placing of directors' and officers' insurance. The insurance indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with the Company's business.

Immediate Parent and Ultimate Parent Company

The immediate parent company is Fulcrum Utility Assets Limited, which is registered in the United Kingdom.

The ultimate parent company is Fulcrum Utility Services Limited, which is registered in the Cayman Islands and consolidates the financial statements of the Company. The consolidated financial statements of Fulcrum Utility Services Limited are available on its website at <https://investors.fulcrum.co.uk>.

Disclosure of Information to Auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Small Company Rules

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

Fulcrum Electricity Assets Limited

Directors' Report (continued)

Going Concern

The directors of Fulcrum Utility Services Limited, the ultimate parent undertaking, have assessed the future funding requirements of the Company and compared it to the level of cash resources within the Group. The assessment included a review of financial forecasts and the preparation of sensitivity analysis on the key factors that could affect future cash flow and funding. The Group's policy on funding capacity is to ensure that it always has sufficient funding in place to meet foreseeable peaks in working capital requirements.

Material uncertainties have been identified in relation to going concern, however, the Group's directors have taken appropriate steps to mitigate the conditions leading to the material uncertainties. As a result, the directors of the Company are of the view the Company will continue in operational existence and these financial statements are therefore prepared on the going concern basis.

See note 1 of the financial statements for further details.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements 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.

On behalf of the board



J Jager

Director

21 December 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM ELECTRICITY ASSETS LIMITED

Opinion

We have audited the financial statements of Fulcrum Electricity Assets Limited (the 'company') for the year ended 31 March 2022, which comprise the statement of comprehensive income, the statement of changes in equity, the balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company is reliant on the funding of the wider Fulcrum Utility Services Limited group funding arrangements. As stated in note 1, the group's current position and forecast future funding requirements give rise to a material uncertainty in relation to the group and the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 entity's ability to continue to adopt the going concern basis of accounting included:

- Challenging management on key assumptions included in their forecasts including performing sensitivity analysis;
- Considering the potential impact of forecast scenarios on the forecast cash position;
- Reviewing debt agreements in place at the date of signing these financial statements to check terms have been appropriately considered and modelled in the cash flow forecasts;
- Reviewing the letter of support provided by Fulcrum Utility Services Limited; and
- Reviewing the directors' disclosures in the financial statements.

From our work we can concur with the Directors statement in note 1 that the group's current position and forecast future funding requirements give rise to a material uncertainty in relation to the company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM ELECTRICITY ASSETS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM ELECTRICITY ASSETS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 entity has to comply with and areas of the Financial Statements we assessed as being more susceptible to misstatement. These key laws and regulations included, but were not limited to, compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

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

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework, including a review of legal and professional nominal codes;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and walkthrough testing of controls;
- obtaining an understanding of the entity'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, such as valuation of utility assets.

In response to the risk of irregularities in relation to non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing Financial Statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and associated parties.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FULCRUM ELECTRICITY ASSETS LIMITED (CONTINUED)

Because of the inherent limitations of an audit, there is a risk that we will not detect any 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 a law or regulation is removed from the events and transactions reflected in the Financial Statements, as we will be less likely to become aware of instances 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.

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Katharine Warrington (Senior Statutory Auditor)
for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View, Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 21 December 2022

Fulcrum Electricity Assets Limited

Statement of comprehensive income for the year ended 31 March 2022

| | Notes | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|---|-------|--------------------------------------|--------------------------------------|
| Revenue | 2 | 412 | 221 |
| Cost of sales | | (218) | (121) |
| Gross profit | | 194 | 100 |
| Administrative expenses | | (539) | (693) |
| Operating loss | 3 | (345) | (593) |
| Analysed as: | | | |
| EBITDA | | (313) | (558) |
| Depreciation | 7 | (13) | (16) |
| Amortisation | 8 | (19) | (19) |
| Operating loss | | (345) | (593) |
| Loss before taxation | | (345) | (593) |
| Taxation | 6 | (279) | 215 |
| Loss for the year and total comprehensive expense | | (624) | (378) |

All results relate to continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

Fulcrum Electricity Assets Limited

Statement of changes in equity for the year ended 31 March 2022

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---------------------------|-------------------------------|--------------------------|
| Balance at 1 April 2020 | - | (985) | (985) |
| Loss for the year and total comprehensive expense | - | (378) | (378) |
| Balance at 31 March 2021 | - | (1,363) | (1,363) |
| Loss for the year and total comprehensive expense | - | (624) | (624) |
| Balance at 31 March 2022 | - | (1,987) | (1,987) |

The notes on pages 10 to 17 form part of these financial statements.

Fulcrum Electricity Assets Limited

Balance sheet

as at 31 March 2022

| | Notes | 31 March 2022 £'000 | 31 March 2021 £'000 |
|--------------------------------|-------|------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 7 | 2,668 | 2,314 |
| Intangible assets | 8 | 703 | 722 |
| Deferred tax assets | 6 | - | 201 |
| | | 3,371 | 3,237 |
| Current assets | | | |
| Contract assets | | 19 | - |
| Trade and other receivables | 9 | 935 | 918 |
| Cash and cash equivalents | 10 | 165 | 17 |
| | | 1,119 | 935 |
| Total assets | | 4,490 | 4,172 |
| Current liabilities | | | |
| Contract liabilities | | (9) | (38) |
| Trade and other payables | 11 | (6,246) | (5,353) |
| | | (6,255) | (5,391) |
| Non-current liabilities | | | |
| Deferred tax liability | 6 | (222) | (144) |
| | | (222) | (144) |
| Total liabilities | | (6,477) | (5,535) |
| Net liabilities | | (1,987) | (1,363) |
| Equity | | | |
| Share capital | 12 | - | - |
| Retained earnings | | (1,987) | (1,363) |
| Total equity | | (1,987) | (1,363) |

The notes on pages 10 to 17 form part of these financial statements.

The financial statements were approved by the Board of Directors on 21 December 2022 and were signed on its behalf by:



J Jager

Director

Registered number: 08019627

Fulcrum Electricity Assets Limited

Notes to the financial statements

1. Accounting policies

Fulcrum Electricity Assets Limited (the "Company") is a company incorporated and domiciled in the UK. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

The Company's ultimate parent undertaking, Fulcrum Utility Services Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Fulcrum Utility Services Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 2 Europa View, Sheffield Business Park, Sheffield, S9 1XH.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Fulcrum Utility Services Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Measurement convention

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Fulcrum Electricity Assets Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

Going concern

In assessing the basis of preparation of the accounts the directors have taken the following into account:

The Company is part of the Fulcrum Utilities Services Limited group ("the Group"). The Company and the Group meet their day to day working capital requirements from cash resources and intercompany balances with other Group companies. Therefore, in light of the Group's funding arrangements and the operational and financial support provided by the Group, the going concern assessment of the Company and the Group is dependent on that of the Group as a whole.

As at 31 March 2022 the Company had net current liabilities of £5,136k (2021: £4,456k). In addition, the Company's ultimate parent undertaking, Fulcrum Utility Services Limited, has indicated its intention to continue to make available such funds and operational support as is needed by the Company for a period of at least 12 months from the date of approval of these financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have no reason to believe that it will not do so.

The Group's directors have prepared detailed cash flow forecasts for at least 12 months from the date of approval of these financial statements, which have indicated that there are material uncertainties related to the Group's ability to continue as a going concern; taking into account reasonably possible downsides, the Group's cash flow forecasts have indicated that the Group may not have adequate resources to meet its liabilities for at least 12 months from the date of approval of these financial statements.

In response to this, in December 2022, the Group entered into an arrangement with Bayford & Co Ltd and funds managed by the Harwood Capital Management Limited Group in respect of the provision of funding of up to £6m by way of a convertible loan. This facility is expected to support the Group to initiate a review of the various options available to it to ensure the Group continues to have adequate working capital.

The Group's directors have concluded that these mitigating actions mean that despite the material uncertainties, the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The directors of the Company have assessed the conclusions reached by the Group's directors and agree with their conclusion. Consequently, the directors of the Company are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

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.

Fulcrum Electricity Assets Limited

Notes to the financial statements (continued)

1. Accounting policies (continued)

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 Company has elected to value all utility assets at fair value at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated fair value. Impairment losses are recognised within cost of sales in the statement of comprehensive income. 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 |
| Fixtures and fittings | 2 - 5 years |

Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of costs associated with the Independent Distribution Network Operators Licence (iDNO) will be recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of forty years.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Fulcrum Electricity Assets Limited

Notes to the financial statements (*continued*)

1. Accounting policies (*continued*)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

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 allowance for expected credit 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 to approximate fair value.

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 twelve months after the reporting period. Due to their short-term nature, carrying value is considered to approximate fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2021:

- Amendments to IAS 1 Presentation of Financial Statements;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IFRS Practice Statement 2 Making Materiality Judgements;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- Amendments to IAS 12 Income Taxes.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2. Revenue

The Company's activities consist of the safe and efficient conveyance of electricity through its electricity transportation networks in the UK. All revenue occurred in the UK.

Fulcrum Electricity Assets Limited

Notes to the financial statements (continued)

3. Operating loss

Included in operating loss are the following charges:

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| Depreciation of property, plant and equipment: owned | 13 | 16 |
| Amortisation of intangible assets: owned | 19 | 19 |
| Fulcrum Group Holdings Limited services recharge | 59 | 37 |
| <i>Amounts receivable by the auditors and their associates in respect of:</i> | | |
| Auditor's remuneration: | 1 | 1 |

The audit fee is met by another Group company and has been recharged to the Company in the year.

Shared services costs are allocated and recharged to each subsidiary owned by Fulcrum Utility Services Limited on the basis of the costs incurred by Fulcrum Group Holdings Limited. These costs include legal and professional fees, insurance, and other executive costs. These costs are then allocated across the subsidiaries based on an appropriate basis.

4. Staff numbers and costs

Employees have employment contracts with one of the Company's fellow group undertakings, Fulcrum Group Holdings Limited. Where employees work on activities wholly attributed to the Company's activities these staff costs are charged directly to the Company without a mark-up.

The amount charged to the Company in the financial year was £72k (2021: £145k) and the average monthly number of Fulcrum Group Holdings Limited employees attributed to the Company during the financial year was 1 (2021: 3).

5. Directors' emoluments

The directors of the Company were remunerated through Fulcrum Group Holdings Limited and their emoluments, for services to the Group as a whole, are disclosed as follows:

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|--------------------------------|--------------------------------|
| | £'000 | £'000 |
| Emoluments | 355 | 656 |
| Compensation in respect of loss of office | 216 | 179 |
| Pension | 17 | 29 |
| Total | 588 | 864 |

Included in the total emoluments above is the aggregate value of contributions made to the pension scheme of 2 (2021: 3) directors in respect of directors' qualifying services.

| Highest paid director: | Year ended 31 March 2022 | Year ended 31 March 2021 |
|--|--------------------------------|--------------------------------|
| Emoluments | 206 | 327 |
| Compensation in respect of loss of office | 216 | 179 |
| Contributions to a defined contribution pension scheme | 10 | 18 |
| | 432 | 524 |

Fulcrum Electricity Assets Limited

Notes to the financial statements (continued)

6. Taxation

| | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|---------------------------|---|---|
| Current tax | - | - |
| Deferred tax | (279) | 215 |
| Total tax (charge)/credit | (279) | 215 |

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the balance sheet date. As such, the deferred tax rate applicable at 31 March 2022 is 25% and deferred tax has been re-measured at this rate.

Reconciliation of effective tax rate

| | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|---|--------------------------------------|--------------------------------------|
| Loss before taxation | (345) | (593) |
| Tax credit using the UK corporation tax rate of 19% (2021: 19%) | 66 | 113 |
| Non-taxable items | (68) | (1) |
| Effect of change in rate of corporation tax | (53) | - |
| Adjustment to tax charge in respect of previous year's deferred tax | (47) | 103 |
| Release of previously recognised losses | (213) | - |
| Transfer pricing adjustments | 36 | - |
| Total tax (charge)/credit | (279) | 215 |

Movement in deferred tax balances

| | 31 March 2022 | | 31 March 2021 | |
|--|---------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
| | Deferred tax assets £'000 | Deferred tax liabilities £'000 | Deferred tax assets £'000 | Deferred tax liabilities £'000 |
| At the beginning of the year | 201 | (144) | - | (158) |
| Recognised in profit or loss | | | | |
| Origination/reversal of other timing differences | (59) | (32) | - | (29) |
| Adjustment in respect of prior years | (47) | - | - | 103 |
| Tax losses recognised in the year | 125 | - | 141 | - |
| Effect of change in rate of corporation tax | (7) | (46) | - | - |
| Release of previously recognised losses | (213) | - | - | - |
| Reclassification between assets and liabilities | - | - | 60 | (60) |
| At the end of the year | - | (222) | 201 | (144) |

Fulcrum Electricity Assets Limited

Notes to the financial statements (continued)

7. Property, plant and equipment

| | Utility assets £'000 | Fixtures and fittings £'000 | Total £'000 |
|----------------------------------|-------------------------|-----------------------------------|----------------|
| Cost | | | |
| At 1 April 2020 | 1,714 | 5 | 1,719 |
| Additions | 618 | - | 618 |
| At 31 March 2021 | 2,332 | 5 | 2,337 |
| Additions | 367 | - | 367 |
| At 31 March 2022 | 2,699 | 5 | 2,704 |
| Accumulated depreciation | | | |
| At 1 April 2020 | (5) | (2) | (7) |
| Depreciation charge for the year | (15) | (1) | (16) |
| At 31 March 2021 | (20) | (3) | (23) |
| Depreciation charge for the year | (12) | (1) | (13) |
| At 31 March 2022 | (32) | (4) | (36) |
| Net book value | | | |
| At 31 March 2022 | 2,667 | 1 | 2,668 |
| At 31 March 2021 | 2,312 | 2 | 2,314 |
| At 1 April 2020 | 1,709 | 3 | 1,712 |

8. Intangible assets

| | Licence costs £'000 |
|---|------------------------|
| Cost | |
| At 1 April 2020, 31 March 2021 and 31 March 2022 | 760 |
| Accumulated amortisation | |
| At 1 April 2020 | (19) |
| Amortisation charge for the year | (19) |
| At 31 March 2021 | (38) |
| Amortisation charge for the year | (19) |
| At 31 March 2022 | (57) |
| Net book value | |
| At 31 March 2022 | 703 |
| At 31 March 2021 | 722 |
| At 1 April 2020 | 741 |

Fulcrum Electricity Assets Limited

Notes to the financial statements (continued)

9. Trade and other receivables

| | 31 March 2022 | 31 March 2021 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade receivables | 154 | 21 |
| Amounts owed by Group undertakings | 745 | 587 |
| Prepayments and accrued income | 16 | 4 |
| Other receivables | 20 | 306 |
| | 935 | 918 |

Trade and other receivables are non-interest bearing and are repayable on demand.

10. Cash and cash equivalents

| | 31 March 2022 | 31 March 2021 |
|---------------------------|---------------|---------------|
| | £'000 | £'000 |
| Cash and cash equivalents | 165 | 17 |

11. Trade and other payables

| | 31 March 2022 | 31 March 2021 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Amounts owed to Group undertakings | 5,774 | 5,061 |
| Trade payables | 331 | 99 |
| Accruals | 45 | 181 |
| Other payables | 96 | 12 |
| | 6,246 | 5,353 |

No interest is borne on amounts payable to Group undertakings and all amounts are repayable on demand.

12. Share capital

| | 31 March 2022 | 31 March 2021 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Allotted, issued and fully paid | | |
| 1 ordinary share of £1 (2021: 1 ordinary share of £1) | - | - |

13. Capital commitments

The Company has entered into contracts to purchase property, plant and equipment in the form of utility assets from external parties. At 31 March 2022 the balance was £1.1 million (2021: £1.3 million).

14. Immediate parent and ultimate parent undertaking and controlling party

The immediate parent company is Fulcrum Utility Assets Limited, which is registered in the United Kingdom.

The ultimate parent and controlling company is Fulcrum Utility Services Limited, a company registered in the Cayman Islands. The largest and smallest group of companies which include the Company and for which consolidated financial statements were prepared are headed by Fulcrum Utility Services Limited. The consolidated financial statements of Fulcrum Utility Services Limited are available on its website at <https://investors.fulcrum.co.uk>.