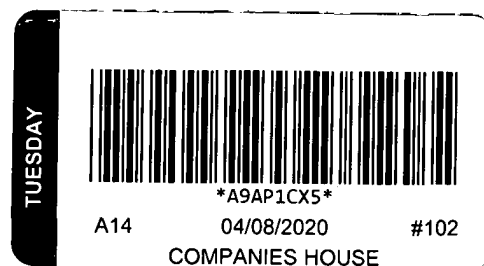


Solar Century Holdings Limited

Company Number 03570325

Annual Report - 31 March 2020



Solar Century Holdings Limited
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For the year ended 31 March 2020

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General information

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 July 2020.

Solar Century Holdings Limited
Corporate directory
For the year ended 31 March 2020

Directors	D Allan A M Eggenberg F H N van den Heuvel J K Leggett J Mighell N G Perry S S Salty P M Splinter G Le Sueur
Company secretary	J. Davies
Registered office	90 Union Street London SE1 0NW United Kingdom
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	Royal Bank of Scotland plc 9th Floor 280 Bishopsgate London EC2M 4RB HSBC plc 8 Canada Square London E14 5HQ Santander UK plc 17 Ulster Terrace Regent's Park London NW1 4PJ
Solicitors	DLA Piper UK LLP 160 Aldersgate Street London EC1A 4HT

Solar Century Holdings Limited
Strategic report
For the year ended 31 March 2020

The directors present their strategic report on the Group for the year ended 31 March 2020.

Principal activities

The Group is principally engaged in the design, development, supply, installation, maintenance and ownership of solar energy products and systems. Information on the Group's structure is provided in note 15. Information on other related party relationships of the Group is provided in note 39.

Strategy

The Group's strategy has been and continues to be to grow its development pipeline in Europe and Latin America, both in existing and new markets.

Business Review

The Group's revenue grew by 90% to £190.6m (2019: £100.2m) driven by the continuation of its strategy to develop and build an international pipeline of utility scale projects.

International project revenues were generated principally in the Spanish and Dutch markets, predominantly from 610MW of construction projects for the Talayuela and La Cabrera projects in Spain, and the Vlagtwedde project in the Netherlands.

In Spain, work commenced on the construction of four 50MWp sites collectively known as Cabrera Solar in Alcalá de Guadaíra near Sevilla in summer 2019, the Group having sold 80% of the project to Encavis AG in March 2019 – the site, scheduled for completion in the second half of 2020, will produce enough energy to power 105,000 homes for a year in the region.

In November 2019 the Group concluded development services, construction and maintenance agreements for Talayuela Solar in Cáceres, Extremadura, Spain. Work commenced on the construction of a 300MWp site in January 2020, the Group having sold 80% of the project to Encavis AG in October 2018 – the site, scheduled for completion in the second half of 2020, will produce enough energy to power 150,000 homes a year. A financial Power Purchase Agreement (PPA) was signed in autumn 2019 hedging the off-take price for approximately 75% of the volume of production, ensuring a secured stable income for the first 10 years of operation.

Construction of these two plants has been assisted by a €54.8 million banking facility with Natwest and HSBC UK supporting the Group's working capital and guarantee requirements. The facilities were provided with guarantees from UK Export Finance.

The Group signed a construction and maintenance agreement with Impax for what will become one of the largest solar projects in the Netherlands, Vlagtwedde solar farm in the Westerwolder municipality. The Vlagtwedde project was initiated by PowerField and co-developed by PowerField and Solarcentury. Solarcentury will construct and maintain the project for Impax. The 110 MW solar farm, using almost 350,000 solar panels, is set to become one of the largest solar projects in The Netherlands and is planned to be operational during the second half of 2020, providing power for 30,000 households.

France remains a key market in the Group's business strategy with over 260MW under development and further opportunities envisaged as a result of the ambitious energy targets announced as part of the Government's PPE, Multiannual Energy Programme.

The Group has re-established a presence in Italy, where solar farm developments are forecast to significantly increase over the next decade thanks to the ongoing reduction in solar power costs and the Italian Government's progressive National Integrated Plan for Climate and Energy 2030, which is targeting a cumulative installed solar PV capacity of 50 GW by 2030.

In Greece the Group has acquired the rights to a 284MW project recently cleared by the Interministerial Committee of Strategic Investments and Enterprise Greece.

The Group's development activities continued in Latin America over the year, with a broadening pipeline of projects in Mexico, Colombia and Chile.

In the UK work is under way on the development of the Group's first new project since 2016, close to St. Asaph in Wales. At 62 MW, Elwy Solar Energy Farm has potential to generate enough electricity to power over 20,000 homes.

The Group's African business revenues declined slightly to £4.1m (2019: £4.2m). Solarcentury commissioned Unilever's first on-site solar installation in sub-Saharan Africa, installing a 619kWp plant at the company's Kericho tea factory in Kenya, alongside a number of other successful installations for other commercial clients across Kenya.

Residential business revenue declined from £10.9M in 2019 to £8.7M. Growth in mainland European markets was insufficient to replace the year on year revenue shortfall from curtailing UK operations in March 2019 following the UK government's decision to scrap both the UK Feed in Tariff and export tariff schemes.

Group gross profit increased 31% to £43.7m (2019: £33.4m), while a significantly greater element of construction contract income versus development income in the current year delivered a gross margin outcome of 22.8% (2019: 33.4%).

Solar Century Holdings Limited
Strategic report
For the year ended 31 March 2020

Total overheads excluding depreciation increased by £1.0m (5%) to £20.0m; staff costs increased by £1.7m with continued international expansion, and a further £0.8m of overhead expenditure is attributable to the Group's accrued charitable contribution to SolarAid in accordance with the commitment in the Company's Articles to contribute 5% of net profits to the charity. Net profit increased 86% to £18.4m (2019: £9.9m), after incurring a tax charge of £4.2m (2019: £4.2m).

The key financial performance indicator for management is EBITDA, calculated as earnings before interest, tax, depreciation and amortisation. For the current year, after adjusting for the impact of £0.6m (2019: nil) from the introduction of IFRS16 on the Group's depreciation charge, the Group achieved an EBITDA of £23.1m (2019: £14.4m), a 60% increase arising from the 90% increase in revenues.

Closing cash for the year was £40.2m (2019: £18.6m). A €27.7m credit facility made available by Natwest to support working capital requirements on the Group's Spanish projects was unutilised at the year end.

In order to focus on the expansion of the Group's core international development business, in March 2020 the decision was taken to sell the Group's residential business to Svea Solar, a leading installer of residential solar systems in Sweden. The residential business accounted for less than 5% of the Group's turnover in the year to 31 March 2020. Under the terms of the transaction, Svea Solar has also taken ownership of Solarcentury's long-running business partnership with Ingka Group (a strategic partner in the IKEA franchise system, operating 374 IKEA stores in 30 countries) for the delivery of its home solar offer in the Netherlands, Germany and Belgium. Svea Solar already works with Ingka Group to provide the home furnishing retailer's home solar offer in Sweden where it was selected based on its strong track record of delivering excellent value to homeowners. The 40 staff employed by the Group's residential business have transferred with the business to Svea Solar.

The decision to focus on the development business has also led to a decision to restructure Solarcentury's Africa team, and realign from a focus on turnkey projects to longer term development opportunities.

Section 172 Statement

The Board is made up of nine directors who hold eight votes. Two of these directors are executive employees and the remaining seven non-executive, including the Chairman. All are appointed pursuant to an SSA and Company Articles to reflect rights arising from various shareholdings.

The Board fulfil their duties partly through a governance framework that delegates day-to-day decision-making to senior management and employees of Solarcentury. Decisions are reached at the executive level by consensus amongst the management team and once a referral to the Board is required under the terms of Solarcentury's Contract Approval & Signature Authority Policy, by a majority of the Directors.

From the perspective of the Board, the matters that it is responsible for considering have been considered to an appropriate extent. The directors have acted in a way they consider in good faith would be most likely to promote the success of the Company, and Solarcentury as a Group, for the benefit of its members as a whole (having regard to the matters set out under Section 172 (1) (a)-(f) of the Companies Act 2006), in the decisions taken during the year ended 31 March 2020.

Solarcentury's key stakeholders are its employees, clients, investors, suppliers, local communities and society as a whole and the directors are aware that they each are important for the long-term success of Solarcentury.

When performing their duty to act in a way most likely to promote the success of the company for the benefit of its members as a whole the directors have:

- (a) sought to maximise the development pipeline whilst mitigating historic and future business liability to de-risk Solarcentury in the long term;
- (b) proceeded on the basis set out in (a) above to maximise opportunities for Solarcentury's employees to work in this fast growing business area, with ongoing engagement with employees through regular company-wide reviews, structured frameworks for the on-going training, development and appraisal of staff, as well as ad hoc surveys to identify and address topical issues for employees;
- (c) used the growth of the business to strengthen relationships with suppliers and clients; regular project reviews are the principal form of engagement during the construction and post-completion phase of a project for both clients and suppliers to maximise the likelihood of successful project delivery for all parties concerned. In addition Solarcentury maintains ongoing dialogue with its principal suppliers;
- (d) acted on the basis that the growth of the business will have a positive impact on the global and local communities and the environment by combating global warming; the directors, principally through the authority delegated to senior management, ensure Solarcentury undertakes extensive consultations with local communities during the evaluation and planning phase of any development opportunity, with the intention of minimising the impact of the construction and operation of any solar plant and demonstrating the positive environmental impact of the plant's construction, not only through the potential to reduce fossil fuel emissions but also through the local biodiversity improvements possible from the change in land use;
- (e) required Solarcentury's employees to act in accordance with the Law and Solarcentury policies reflecting high standards of business conduct; Solarcentury has a published Code of Conduct, and employees are familiarised with this as part of their induction. Through the authority delegated to it, senior management provides regular mandatory training updates for all employees to ensure knowledge of the Code and associated anti-bribery legislation is retained. The Code of Conduct, alongside all other Solarcentury policies is made readily available to all employees on the Solarcentury intranet, with all policies subject to ongoing review and update as appropriate.
- (f) always acted in accordance with and by reference to the Company Articles when taking decisions impacting upon members of the Company.

Solar Century Holdings Limited
Strategic report
For the year ended 31 March 2020

Principal risks and uncertainties

Operating risks

The key operating risk in 2020/21 remains the Group's ability to convert development projects that are close to 'Ready To Build' ("RTB") and to reach Financial Close ("FC") whereby project finance lenders or equity providers agree to provide capital to construct the plants. In order to mitigate this risk the Group has continued to invest in an experienced development team to bring projects to RTB status.

Financial risks

The main financial risks are the availability of working capital to finance growth and construct plants previously taken to financial close. The Group continues to negotiate further working capital facilities to help mitigate this risk.

COVID-19

The COVID-19 pandemic has principally impacted the Group in the period since the financial year end, with the introduction of lock-down restrictions in Spain in March causing some delays in planned site activity but with no significant impact on the Group's financial performance for the year.

Since year end, lock-down measures in Spain and Netherlands, where the Group has three active utility-scale projects under construction, led to a severe reduction in site activity for the first two months of the new financial year. However since late May the directors believe good progress has been made in returning the projects to planned activity levels while implementing additional measures to ensure the health and safety of employees, contractors and suppliers on our project sites is maintained. The Group believes existing projects will be completed to original contractual requirements and as a consequence will suffer no material liability from failure to deliver existing ongoing projects on time based on the pandemic experience at the time of signing of these accounts. This is further reinforced by the Group entering the COVID crisis with a strong closing cash balance and the availability of unutilised working capital facilities to support the Group's ongoing contractual liabilities.

All of the Group's offices have been closed for extended periods since the year end as a result of the pandemic. The Group's IT and communication systems have proved more than capable of supporting remote working by the Group's employees during this period, and there has been no impact on the ability of the Group to develop and extend its development pipeline in the period since the financial year end. At the time of signing of the financial statements the Group's European offices have been reopened to staff to allow those who wish to return to the office to do so: social distancing measures have been introduced, along with the provision of additional PPE to ensure staff who wish to return are able to work in a safe environment.

One significant impact of the pandemic has been the reduction in short and medium-term forecasts for the demand for, and therefore the price of, electricity across the markets the Group operates in. As a result the Group has reviewed all projects within its current development pipeline and adjusted the forecast value of projects in line with the latest electricity price projections available. This has led to some reduction in forecast EBITDA over the next two financial years but management believe the Group will continue to deliver year on year growth over this period with continuation of the Group's existing strategy.

The directors, in preparing this report, have complied with s414C of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.



Frans van den Heuvel
Director

30 July 2020
London

Solar Century Holdings Limited
Directors' report
For the year ended 31 March 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Solar Century Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2020.

Directors

The following persons were Directors of Solar Century Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

D Allan	(Non-Executive Chairman)
A M Eggenberg	(Non-Executive)
F H N van den Heuvel	(CEO)
J K Leggett	(Non-Executive)
J Mighell	(Non-Executive)
N G Perry	(Director)
S S Salty	(Non-Executive)
P M Splinter	(Non-Executive)
G Le Sueur	(Non-Executive)

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

The following directors held interests in the Company at 31 March 2020:

	2020 Number of shares	2019 Number of shares
J K Leggett	3,337	3,337
N G Perry	2,316	2,316
F H N van den Heuvel	2,500	2,500

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Environment and society

The Group is committed to operate to the highest environmental, social and ethical standards and to take all reasonable steps necessary to mitigate the environmental impact of its operations.

The Company holds ISO 9001:2015 (certificate FS563311), BS EN ISO 14001:2015 (certificate EMS535856) and BS OHSAS 18001:2007 (certificate OHS585664) certifications.

SolarAid, a registered Charity was founded by Jeremy Leggett in 2006 with an initial contribution from the Group. It aims to combat poverty and climate change by providing access to solar lights in Uganda, Malawi and Zambia to help catalyse solar markets and eradicate the kerosene lamp. More information can be found on SolarAid's website at <https://solar-aid.org>. The Group is an ongoing donor to SolarAid.

Charitable and political donations

A charitable donation of £896,000 (2019: £675,000) has been accrued to be paid to SolarAid at the end of the current year.

Employees

All applications for employment from all people, irrespective of race, gender, religion, sexuality, disability or health status, are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event that staff should become disabled every effort would be made to ensure that their employment with the Group would continue. It is the policy of the Group that the training, career development and promotion of disabled people should be identical to that of other employees. As staff retention is a key issue the Group regularly reviews the remuneration and retention policy including the award of share incentive plans or equivalent measures. The directors also believe that the principal activity of the Group together with adherence to the three working principles above can help attract and retain colleagues beyond standard compensation methods.

Solar Century Holdings Limited
Directors' report
For the year ended 31 March 2020

Going concern

The directors of the Company consider that it has adequate financial resources such that the Company and the Group is in the position to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Group. In preparing a cash flow forecast to support the going concern assessment, the Board has assessed whether the Company and the Group will be able to meet its liabilities as and when they fall due for a period of at least twelve months from the date of approval of these financial statements.

As mentioned in the strategic report one significant impact of the pandemic has been the reduction in short and medium-term forecasts for the demand for, and therefore the price of, electricity across the markets the Group operates in. As a result the Group has reviewed all projects within its current development pipeline and adjusted the forecast value of projects in line with the latest electricity price projections available. This has led to a reduction in forecast EBITDA over the next 2 financial years but management believe the Group will continue to deliver year on year growth over this period with continuation of the Group's existing strategy.

In addition the Group has modelled scenarios to assess the impact of a further significant wave of Covid 19 in its markets, in an extreme case, assuming no additional revenue streams beyond contracts already in place from the date of the signing of these statements. The directors believe through a combination of a reduction in new hiring combined with a reduction in the amount of discretionary development expenditure the Group would remain in a position to meet its obligations for the foreseeable future, including, if required under exceptional circumstances, repayment in full of all funding facilities drawn down in the period since the financial year end.

The directors of the Company have therefore satisfied themselves that it is in a sound financial position, taking into account forecast cash flows and access to all means of liquidity. It can therefore be considered that the Company and the Group have access to sufficient financial resources to meet their liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements and it can be reasonably expected that those financial resources will be made available to the Company and the Group in order to meet the foreseeable cash requirements.

Matters subsequent to the end of the financial year

Subsequent to the year end, the Group disposed of its 20% in Cabrera Energia S.L. As a result of this disposal, the Group's funding obligations towards the investee (equal to the investment value, £5.5m) have been extinguished.

Since the financial year end the Group has added in excess of 2GW to its development pipeline, principally in Spain and Chile, where the Group was successful in a tender by the Ministry of National Assets of Chile, winning the right to develop 3 out of 11 sites auctioned, with a potential of 1.04GWp.

The Group has also drawn down on two separate funding facilities subsequent to the year-end. A €27.7M working capital facility provided by National Westminster Bank to support the working capital requirements of the Group's 2 ongoing projects in Spain, and provided with support from UK Export Finance, which was unutilised at the financial year end has been fully drawn down at the date of signing of these financial statements. The facility is due to be repaid in full at the end of September 2020, and this repayment has been fully factored into the Group's going concern projections.

In June 2020 the Group drew down on a €3M Covid Emergency Loan facility provided by Bankinter as part of the Spanish government's Covid business support measures. The facility has a scheduled repayment date of May 2022.

In July 2020 the Group entered into a non-recourse project finance facility of €23.7M with Cooperatieve Rabobank to support the construction of 2 solar plants in the Netherlands. The facility has an end date of September 2035.

As at the date of signing the financial statements, the combined amount drawn down against these facilities amounts to £46m.

Other than events referred to above, no matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Disclosure of information to the auditors

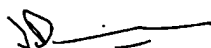
- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditor is unaware; and
- Each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Group's auditor is aware of that information.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office and a resolution to reappoint Ernst & Young LLP will be proposed at the annual general meeting.

This report is made in accordance with a resolution of directors.

On behalf of the directors.



Jake Davies
Company Secretary

30 July 2020
London

Solar Century Holdings Limited
Directors' responsibilities statement
For the year ended 31 March 2020

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Solar Century Holdings Limited
Independent auditor's report to the members of Solar Century Holdings Limited

Opinion

We have audited the financial statements of Solar Century Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Group Statement of Profit or Loss and Other Comprehensive Income, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity, and the related notes 1 to 39, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Emphasis of matter – Effects of COVID-19

We draw attention to the Going Concern section within Note 2 of the Financial Statements which describes the economic and social consequences the company is facing as a result of Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Solar Century Holdings Limited

Independent auditor's report to the members of Solar Century Holdings Limited

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

Ernst & Young LLP

Natalia Moolman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
London

30 July 2020

Solar Century Holdings Limited
Income statements
For the year ended 31 March 2020

	Note	Consolidated	
		2020 £'000	2019 £'000
Revenue	4	190,566	100,222
Cost of sales		<u>(146,846)</u>	<u>(66,786)</u>
Gross profit		<u>43,720</u>	<u>33,436</u>
Expenses			
Depreciation and amortisation expense	5	(993)	(461)
Operating expenses		(11,547)	(10,546)
Administrative expenses		<u>(8,479)</u>	<u>(8,466)</u>
Operating profit		22,701	13,963
Finance income	8	652	181
Finance costs	9	<u>(708)</u>	<u>(2)</u>
Profit before income tax expense	5	22,645	14,142
Income tax expense	10	<u>(4,215)</u>	<u>(4,246)</u>
Profit after income tax expense for the year attributable to the owners of Solar Century Holdings Limited	28	18,430	9,896
Other comprehensive income			
Foreign currency translation	27	<u>301</u>	<u>(250)</u>
Other comprehensive income for the year, net of tax		<u>301</u>	<u>(250)</u>
Total comprehensive income for the year attributable to the owners of Solar Century Holdings Limited		<u><u>18,731</u></u>	<u><u>9,646</u></u>

The above income statements should be read in conjunction with the accompanying notes

Solar Century Holdings Limited
Statements of financial position
As at 31 March 2020

	Note	Consolidated		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Non-current assets					
Intangible assets	12	52	178	49	169
Investments	15	11,143	8,319	470	116
Property, plant and equipment	13	406	448	323	410
Right-of-use assets	14	1,394	-	939	-
Long-term receivables	16	18,257	2,007	-	-
Deferred tax	11	1,314	935	549	927
Total non-current assets		32,566	11,887	2,330	1,622
Current assets					
Inventories and development costs	17	19,260	5,639	287	202
Trade and other receivables	18	45,051	27,166	69,617	43,522
Derivative financial instruments	30	513	-	513	-
Cash and cash equivalents	19	40,184	18,607	33,356	11,731
Total current assets		105,008	51,412	103,773	55,455
Current liabilities					
Trade and other payables	20	75,518	20,717	60,547	20,008
Lease liabilities	23	582	-	417	-
Income tax	21	1,542	3,664	1,028	2,351
Current provisions	22	906	3,840	748	3,144
Total current liabilities		78,548	28,221	62,740	25,503
Net current assets		26,460	23,191	41,033	29,952
Total assets less current liabilities		59,026	35,078	43,363	31,574
Non-current liabilities					
Lease liabilities	23	842	-	539	-
Non-current provisions	24	458	149	167	139
Contingent consideration	25	4,677	719	-	-
Total non-current liabilities		5,977	868	706	139
Net assets before deferred tax liability		53,049	34,210	42,657	31,435
Deferred tax liability	11	222	331	-	21
Net assets		52,827	33,879	42,657	31,414
Equity					
Share capital	26	36	36	36	36
Reserves	27	27,828	27,527	28,122	28,122
Retained earnings	28	24,963	6,316	14,499	3,256
Total equity		52,827	33,879	42,657	31,414

Solar Century Holdings Limited's company number is 03570325. The financial statements on pages 12 to 47 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Frans van den Heuvel
 Director

30 July 2020
 London

Solar Century Holdings Limited
Statements of changes in equity
For the year ended 31 March 2020

Consolidated	Share capital £'000	Share premium account £'000	Own shares £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018	36	29,077	(955)	(345)	(3,907)	23,906
Profit after income tax expense for the year	-	-	-	-	9,896	9,896
Other comprehensive loss for the year, net of tax	-	-	-	(250)	-	(250)
Total comprehensive income for the year	-	-	-	(250)	9,896	9,646
<i>Transactions with shareholder in their capacity as shareholder:</i>						
Share-based payments (note 36)	-	-	-	-	327	327
Balance at 31 March 2019	<u>36</u>	<u>29,077</u>	<u>(955)</u>	<u>(595)</u>	<u>6,316</u>	<u>33,879</u>

Consolidated	Share capital £'000	Share premium account £'000	Own shares £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	36	29,077	(955)	(595)	6,316	33,879
Adjustment for application of IFRS 16 (note 14)	-	-	-	-	67	67
Balance at 1 April 2019 - restated	36	29,077	(955)	(595)	6,383	33,946
Profit after income tax expense for the year	-	-	-	-	18,430	18,430
Other comprehensive income for the year, net of tax	-	-	-	301	-	301
Total comprehensive income for the year	-	-	-	301	18,430	18,731
<i>Transactions with shareholders in their capacity as shareholders:</i>						
Share-based payments (note 36)	-	-	-	-	150	150
Balance at 31 March 2020	<u>36</u>	<u>29,077</u>	<u>(955)</u>	<u>(294)</u>	<u>24,963</u>	<u>52,827</u>

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018	36	29,077	(955)	(6,568)	21,590
Profit after income tax expense for the year	-	-	-	9,497	9,497
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	9,497	9,497
Share-based payments (note 36)	-	-	-	327	327
Balance at 31 March 2019	<u>36</u>	<u>29,077</u>	<u>(955)</u>	<u>3,256</u>	<u>31,414</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes

Solar Century Holdings Limited
Statements of changes in equity
For the year ended 31 March 2020

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	36	29,077	(955)	3,256	31,414
Adjustment for application of IFRS 16 (note 14)	-	-	-	67	67
Balance at 1 April 2019 - restated	36	29,077	(955)	3,323	31,481
Profit after income tax expense for the year	-	-	-	11,026	11,026
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	11,026	11,026
<i>Transactions with shareholders in their capacity as shareholders:</i>					
Share-based payments (note 36)	-	-	-	150	150
Balance at 31 March 2020	<u>36</u>	<u>29,077</u>	<u>(955)</u>	<u>14,499</u>	<u>42,657</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes

Solar Century Holdings Limited
Statements of cash flows
For the year ended 31 March 2020

	Note	Consolidated		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash flows from operating activities					
Profit before income tax expense for the year		22,645	14,142	14,728	11,856
Adjustments for:					
Depreciation and amortisation	5	993	461	776	413
Impairment of investments	15	-	-	115	-
Share-based payments	6	150	327	150	327
Non-cash gain on revaluation of investments	38	-	(7,916)	-	-
Other income		45	-	-	-
Gain on disposal of subsidiary	35	11	-	(1,261)	-
Interest income	8	(652)	(181)	(90)	(80)
Finance costs	9	708	2	72	2
		<u>23,900</u>	<u>6,835</u>	<u>14,490</u>	<u>12,518</u>
Change in operating assets and liabilities:					
Increase in trade and other receivables	18	(17,996)	(14,468)	(24,828)	(19,120)
(Increase)/decrease in inventories and development costs	17	(13,621)	5,441	(85)	2,268
(Increase)/Decrease in derivative assets	30	(513)	263	(513)	263
Increase/(decrease) in trade and other payables	20	62,502	(6,618)	40,539	8,817
Increase in contingent consideration	25	5,293	5,444	-	-
Brought forward contingent consideration paid	25	(8,515)	-	-	-
(Decrease)/increase in other provisions	22	(2,625)	1,362	(2,368)	876
		<u>48,425</u>	<u>(1,741)</u>	<u>27,235</u>	<u>5,622</u>
Income taxes refunded		-	420	-	420
Income taxes paid		<u>(7,025)</u>	<u>(1,916)</u>	<u>(4,774)</u>	<u>-</u>
Net cash from/(used in) operating activities		<u>41,400</u>	<u>(3,237)</u>	<u>22,461</u>	<u>6,042</u>
Cash flows from investing activities					
Payments for investments	15	(2,826)	-	(469)	-
Payments for property, plant and equipment	13	(175)	(189)	(89)	(164)
Payments for intangibles	12	(31)	(38)	(31)	(38)
Net cash used in investing activities		<u>(3,032)</u>	<u>(227)</u>	<u>(589)</u>	<u>(202)</u>
Cash flows from financing activities					
Debt funding provided to projects	16	(15,578)	-	-	-
Proceeds from the exercise of share options		11	-	11	-
Interest received		115	181	-	80
Interest paid		-	(2)	-	(2)
Repayment of lease liabilities	23	(540)	-	(391)	-
Net cash (used in)/from financing activities		<u>(15,992)</u>	<u>179</u>	<u>(380)</u>	<u>78</u>
Net increase/(decrease) in cash and cash equivalents		22,376	(3,285)	21,492	5,918
Cash and cash equivalents at the beginning of the financial year		18,607	22,156	11,731	5,804
Effects of exchange rate changes on cash and cash equivalents		<u>(799)</u>	<u>(264)</u>	<u>133</u>	<u>9</u>
Cash and cash equivalents at the end of the financial year	19	<u>40,184</u>	<u>18,607</u>	<u>33,356</u>	<u>11,731</u>

The amounts relating to interest costs have been reclassified from operating to financing activities for the current and prior year.

The above statements of cash flows should be read in conjunction with the accompanying notes

Solar Century Holdings Limited
Notes to the financial statements
For the year ended 31 March 2020

Note 1. Corporate information

The consolidated financial statements of Solar Century Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 30 July 2020.

Solar Century Holdings Limited ("the Company" or "the parent") is a limited Company incorporated and domiciled in England & Wales (Registered Number: 03570325). The registered office is located at 90 Union Street, London, SE1 0NW in England.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Changes in accounting policy and disclosures

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The directors of the Company consider that it has adequate financial resources such that the Company and the Group is in the position to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements of the Group. In preparing a cash flow forecast to support the going concern assessment, the Board has assessed whether the Company and the Group will be able to meet its liabilities as and when they fall due for a period of at least twelve months from the date of approval of these financial statements.

As mentioned in the strategic report one significant impact of the pandemic has been the reduction in short and medium-term forecasts for the demand for, and therefore the price of, electricity across the markets the Group operates in. As a result the Group has reviewed all projects within its current development pipeline and adjusted the forecast value of projects in line with the latest electricity price projections available. This has led to a reduction in forecast EBITDA over the next 2 financial years but management believe the Group will continue to deliver year on year growth over this period with continuation of the Group's existing strategy.

In addition the Group has modelled scenarios to assess the impact of a further significant wave of Covid 19 in its markets, in an extreme case, assuming no additional revenue streams beyond contracts already in place from the date of the signing of these statements. The directors believe through a combination of a reduction in new hiring combined with a reduction in the amount of discretionary development expenditure the Group would remain in a position to meet its obligations for the foreseeable future, including, if required under exceptional circumstances, repayment in full of all funding facilities drawn down in the period since the financial year end.

The directors of the Company have therefore satisfied themselves that it is in a sound financial position, taking into account forecast cash flows and access to all means of liquidity. It can therefore be considered that the Company and the Group have access to sufficient financial resources to meet their liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements and it can be reasonably expected that those financial resources will be made available to the Company and the Group in order to meet the foreseeable cash requirements.

Exemptions

The directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented an income statement and statement of total comprehensive income for the Company alone. The Company profit for the year is £11,026,000 (2019: profit of £9,497,000).

Basis of preparation

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the Companies Act 2006, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Solar Century Holdings Limited ('company' or 'parent entity') as at 31 March 2020 and the results of all subsidiaries for the year then ended. Solar Century Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Solar Century Holdings Limited
Notes to the financial statements
For the year ended 31 March 2020

Note 2. Significant accounting policies (continued)

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the income statement.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Contingent consideration arising as a result of the acquisition of a subsidiary is accounted for at its fair value at the date of acquisition and is revalued at each subsequent balance sheet date if events occur which have a material impact on contingent consideration payable.

Foreign currency translation

The financial statements are presented in Pound sterling, which is Solar Century Holdings Limited's functional and presentation currency.

Foreign currency transactions

For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at average foreign exchange rates for the period.

Exchange differences arising from the translation of foreign operations are taken directly to retained earnings. They are released to the income statement upon disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from contracts with customers

Revenue from contracts with customers that meets the correct criteria is recognised in line with IFRS 15. Development income is generally not recognised in line with IFRS 15, depending on the terms of the contract (see below).

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group follows a five step approach when a new contract is entered into: identify the contract and performance obligations within, determine the transaction price, allocate the transaction price to the separate performance obligations and recognition of revenue when each performance obligation is satisfied.

The majority of the Group's contracts meet the criteria laid out in IFRS 15 to be recognised over time using either the input (cost incurred) or output (progress of the contract) method. For these contracts, revenue is calculated by comparing the costs incurred to the total expected cost of fulfilling the contract.

During the prior year, the Group undertook a comprehensive review of all contracts open at the date of initial application as well as those open at the year-end. The review focused on ensuring that the revenue recognition policy used historically was in line with IFRS 15 and included a review of each contract for any contractual terms that might lead to a differing recognition under IFRS 15. As a result of this review, no material differences were identified between historical revenue recognition and the adoption of IFRS 15.

On an ongoing basis, all large contracts as well as those that deviate from the normal contractual arrangements entered into by the Group are reviewed and an IFRS 15 assessment is carried out.

The revenue figure for the year includes the full balance of deferred revenue recognised on the prior year statement of financial position.

Accrued and deferred revenue arise from differences between the satisfaction of performance obligations and the payment milestones included within the contracts with customers.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Solar Century Holdings Limited
Notes to the financial statements
For the year ended 31 March 2020

Note 2. Significant accounting policies (continued)

Development Income

Development income consists of the sale of completed development projects. The sale of these projects will normally consist of a Share Purchase Agreement (SPA) for the sale of the Special Purpose Vehicle, as well as a Development Services Agreement (DSA).

In line with IFRIC guidance, the Group accounts for these sales which combine a DSA and SPA under IFRS 10, by measuring the consideration received within non-IFRS 15 revenue. The net assets disposed are accounted for as cost of sales and the revaluation gain or loss of the remaining holding (if any) as non-IFRS 15 revenue given the development and subsequent disposal of projects is one of the key activities of the Group.

If, subsequently, an Engineering, Procurement and Construction contract (EPC) is entered into, the accounting for this stage of this transaction will follow the accounting set out in IFRS 15 (see above).

Development income received which does not combine an SPA and DSA will be recognised under IFRS 15. This will either be recognised at a point in time or over time, depending on the underlying contractual agreement.

Residential Income

Residential revenues are recognised in line with IFRS 15. The contracts generally consist of two milestones, being the installation and commissioning of projects. Delays in the commissioning of the projects which are outside the control of the Group will result in a proportion of the revenue being accrued until such point as the project is operational.

Costs are accrued for using historical average costs until such point as the sub-contractors have invoiced the Group.

Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing and finance costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Costs arising from other financial instruments are recognised according to the nature of the instrument as described under financial liabilities and derivative instruments below.

Taxation

The tax charge represents the sum of current and deferred tax, and is charged or credited to the income statement or statement of other comprehensive income as appropriate, except when it relates to items credited or charged directly to equity in which case the tax is also dealt with in equity.

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and those used for tax purposes. Deferred tax is accounted for using the balance sheet liability method and is calculated using the enacted or substantively enacted rates that are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating profit

Operating profit is stated before investment income and finance costs.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Solar Century Holdings Limited
Notes to the financial statements
For the year ended 31 March 2020

Note 2. Significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

Expected credit losses are applied to ageing groups based on historical default rates. Management have used the credit ratings of the most significant customers as an approximation of the probability of default, which was then applied to the quantum of probable loss in case of default.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories and development costs

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The cost of purchased inventory comprises the purchase price of the items, net of trade discounts and rebates received, irrecoverable import duties and other material costs directly attributable to the acquisition of the items. The cost of manufactured inventory comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Gains or losses on translation of foreign currency payments against inventory purchases are not included within inventory value but are expensed separately in the period incurred.

The costs relating to early-stage development opportunities are recognised in the profit or loss until such point as the Group's Investment Committee is confident that the economics of the underlying project are viable and the project expenditure is approved by the Committee on the basis of its recoverability. After this point, all development activity relating to the project is capitalised as work in progress.

Where multiple inventory items of the same type are accumulated over time, the first-in, first-out (FIFO) method is used to value the line of items.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. The Group does not enter into speculative derivative contracts. Details of the Group's derivative financial instruments are disclosed in note 30.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. The Group records the exchange gain or loss recognised within the overall foreign exchange gains and losses in the income statement. Fair values are obtained by marking to market against identical or (where not practicable) similar instruments.

A derivative is presented as a current asset or current liability if the remaining maturity of the instrument is less than 12 months and/or it is expected to be realised or settled within 12 months.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Any other financial assets are recognised at amortised cost through other comprehensive income, in line with IFRS 9.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Parent Company investments in wholly-owned subsidiaries are accounted for at cost, in line with IAS 27. All other investments held by the Group are designated as Fair Value through Other Comprehensive Income and are revalued annually, with any movements being recognised in other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Solar Century Holdings Limited
Notes to the financial statements
For the year ended 31 March 2020

Note 2. Significant accounting policies (continued)

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, over the following periods:

Leasehold improvements	5 years
Computer equipment	2-4 years
Fixtures and fittings	3-7 years
Motor vehicles	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Assets under construction

Once a project has reached financial close and construction commences, any development asset balances recognised are transferred to assets under construction.

All construction costs are subsequently capitalised within assets under construction.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Other intangible assets

Other intangible assets comprise computer software depreciated on a straight-line basis over 2-4 years.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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 by reference to the cash-generating unit in 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 pre-tax 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 not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of the end of the month of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Solar Century Holdings Limited
Notes to the financial statements
For the year ended 31 March 2020

Note 2. Significant accounting policies (continued)

Provisions

Provisions are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the fair value of the expenditure required to settle the obligation at the balance sheet date.

Provisions are currently recognised by the Group in respect of guarantees and warranties granted to customers. Management estimates of expected future expenditure under these warranties are supported by internal data and established industry failure mode analyses.

The Group also recognises provisions in respect of its obligation to return leasehold properties to the required condition on termination of those leases. Such provisions are based on management estimates of the costs to be incurred.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Pensions

Pension costs charged in the financial statements represent the contributions payable by the Group into employees' private pension schemes. The contributions payable in the year are recognised as an expense. Differences between contributions payable in the year and contributions actually paid are accounted for as accruals or prepayments in the balance sheet

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment in respect of its Employee Benefit Trust ("EBT") and Ordinary B share issues. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments on or after 1 April 2006.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the estimates of shares that will eventually vest.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

In assessing such fair value, the directors have taken into account the following factors: the economic value of ordinary shares in the Company, using listed comparator companies as a guide (with an appropriate discount for the Company being an unlisted entity); an assumption that the fair value is at least equal to the net asset value; the liquidation and exit preferences attributable to the Preference Shares; together with an appropriate adjustment for vesting restrictions.

The EBT is consolidated and the investment held in own shares taken against reserves.

The Ordinary B shares issued during the year constitute an equity-settled share based payment. The fair value at the date of issue has been subject to valuation by an independent expert for the purposes of IFRS 2.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Value-Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand pounds, or in certain cases, the nearest pound.

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 March 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Solar Century Holdings Limited
Notes to the financial statements
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Note 2. Significant accounting policies (continued)

IFRS 16 Leases

During the year, the Group adopted IFRS 16 'Leases', replacing IAS 17 'Leases.' The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application (1 April 2019).

The Group has leasing arrangements for office premises, office equipment (such as printers) and vehicles.

The Group has applied the modified retrospective approach in adopting IFRS 16. For all leases identified as meeting the criteria under IFRS 16 to qualify as leases, the lease liability has been calculated as the present value of the lease payments not paid at the date of initial application, discounted using the discount rate applicable at the date of initial application. A corresponding right-of-use asset has then been recognised for each leased asset, with adjustments made for any prepaid or accrued lease payments that existed at the date of transition.

On transition, for any leases previously accounted for as operating leases relating to low-value assets or where the remaining lease term was under 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets and has instead accounted for the lease expenses on a straight-line basis over the remaining lease term. Differences arising upon transition as a result of straight-line accruals and lease incentives have been recognised within equity at the date of transition.

The Group has taken advantage of the practical expedient allowing it to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. In addition, the Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application and has relied on its assessment of whether leases are onerous applying the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review at the date of initial application.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 7%.

Note 3. Critical accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that are likely to have a material impact on the carrying amounts of assets and liabilities within the next financial year, are discussed in notes 22, 24 and 31.

Revenue from contracts with customers

A significant portion of the Group's revenue arises from contracts with customers, which are accounted for under IFRS 15. In the event that a contract meets the criteria laid out in the standards, recognition will be over time, calculated using the input method (being costs incurred as a proportion of the total costs expected to be incurred in fulfilling the performance obligations set out by the contract). There is inherent uncertainty that the total costs expected to be incurred to fulfill the Group's performance obligation may change during the course of the contract, although the Group does review the expected cost on a monthly basis.

Solar Century Holdings Limited
Notes to the financial statements
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Note 3. Critical accounting judgements, estimates and assumptions (continued)

Revenue recognition of development revenue

Development revenue that consists of a combined SPA and DSA will be accounted for under IFRS 10 instead of other revenue streams, which will be accounted for under IFRS 15.

Current project and product provision

The Group provides for future liabilities arising from contractual obligations in relation to guarantees and product warranties granted to customers. Estimates of the fair value of these obligations are made using internal data and established industry failure mode analyses.

Within the project and product provision the Group includes provisions for large scale groundmount projects to cover the anticipated costs of achieving client final acceptance of a project, which is generally scheduled to occur two years after the client has provisionally accepted delivery of the project under the terms of the contract. On provisional acceptance, 100% of the project value is recognised and provisions made to cover any reasonably expected costs to be incurred in ensuring the project achieves final acceptance and for any residual liabilities thereafter. An estimate of these costs is assessed by reviewing historic costs on projects that have achieved or are close to achieving final acceptance, in conjunction with estimates of any contractual penalties arising from system under-performance as monitored from provisional to final acceptance.

Nevertheless, as performance under specific warranty obligations cannot be anticipated, an element of reasonable uncertainty remains over the amount for warranty obligations included in the balance sheet (see notes 22 and 24).

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Recoverability of capitalised development costs

Development costs are capitalised once the Group is confident that the economics of the underlying project are viable and the costs will be recoverable. The recoverability of capitalised development costs is a key judgement and if any indicators of potential impairment are identified, the development cost balance relating to the project will be reviewed and potentially written off to the income statement if circumstances have arisen that mean the project is no longer economically viable or that the recoverability of the asset is unlikely.

Note 4. Revenue

An analysis of the Group's revenue is as follows:

	Consolidated	
	2020	2019
	£'000	£'000
Revenue from contracts with customers, recognised in line with IFRS 15	190,566	60,610
Non-IFRS 15 revenue	-	39,612
	<u>190,566</u>	<u>100,222</u>
Total revenue from contracts with customers	<u>190,566</u>	<u>100,222</u>

Non-IFRS 15 revenue includes the consideration received for shares sold as part of development projects, as well as the revaluation of retained ownership (if any) fair valued under IFRS 10.

For contracts which consist of an SPA as well as a DSA, the revenue from the contract as well as the proceeds of shares will be treated as non-IFRS 15 income.

Solar Century Holdings Limited
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Note 5. Profit for the year

	Consolidated	
	2020	2019
	£'000	£'000
Profit before income tax includes the following specific expenses:		
Depreciation of property, plant and equipment (note 13)	194	200
Amortisation of intangible assets (note 12)	156	261
Depreciation of right-of-use assets (note 14)	643	-
	<u>993</u>	<u>461</u>
<i>Inventories</i>		
Cost of inventories recognised in cost of sales	111,663	31,865
Write downs of inventories to the income statement	46	293
Reversal of write downs of inventory to income statement	(50)	(64)
	<u>111,659</u>	<u>32,094</u>
<i>Trade receivables</i>		
Impairment losses on trade receivables	169	464
Reversal of impairment losses on trade receivables	(230)	(208)
	<u>(61)</u>	<u>256</u>
<i>Net foreign exchange credit</i>		
Net foreign exchange credit	(1,180)	(986)
<i>Leases</i>		
Minimum lease payments	-	799
Variable lease payments	-	-
Short-term lease payments	80	-
Low-value assets lease payments	6	-
	<u>86</u>	<u>799</u>
<i>Employee benefits expense</i>		
Staff costs	15,703	14,005

Note 6. Staff costs

The average number of employees (including executive directors) during the year was as follows:

	Consolidated	
	2020	2019
Administration	55	47
Sales and distribution	49	45
Technical	97	93
	<u>201</u>	<u>185</u>
Average number of employees	<u>201</u>	<u>185</u>

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Note 6. Staff costs (continued)

The employee benefits expense during the year was as follows:

	Consolidated	
	2020	2019
	£'000	£'000
Wages and salaries	13,443	11,979
Social security costs	1,716	1,312
Other pension costs	406	387
Share-based payments	138	327
	<u>15,703</u>	<u>14,005</u>

As disclosed in note 36, a share-based payment of £150,000 (2019: £327,000) has been recognised in the year.

Note 7. Directors' remuneration

	Consolidated	
	2020	2019
	£'000	£'000
Aggregate remuneration in respect of qualifying services	883	795
Aggregate amounts of contributions to pension schemes in respect of qualifying services	14	22
Highest paid director - aggregate remuneration	364	367
Highest paid director - pension scheme contribution	12	11

Note 8. Finance income

	Consolidated	
	2020	2019
	£'000	£'000
Interest income on bank deposits	5	8
Loan interest received	647	173
	<u>652</u>	<u>181</u>

The principal source of finance income has been the long-term loans made to a number of entities in which the Group retains a minority stake, as identified in note 16.

Note 9. Finance costs

	Consolidated	
	2020	2019
	£'000	£'000
Interest expense on finance lease liability	97	(11)
Interest expense on brought forward contingent consideration	608	-
Other finance costs	3	13
	<u>708</u>	<u>2</u>

The main finance cost incurred in the year has been the unwinding of discounts applied to settled contingent consideration payable in the prior year (as disclosed in note 25) as well as the discount applied to finance lease obligations under IFRS 16 (as disclosed in note 23).

Note 10. Income tax expense

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year.

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Note 10. Income tax expense (continued)

	Consolidated	
	2020	2019
	£'000	£'000
<i>Income tax expense</i>		
UK corporation tax	3,466	81
Overseas tax	1,423	3,834
Deferred tax	(674)	331
	<u>4,215</u>	<u>4,246</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	22,645	14,142
Tax at the statutory tax rate of 19%	4,303	2,687
Tax effect amounts which are not deductible/(taxable) in calculating taxable income	83	(15)
Adjustment to tax charge in respect of previous years	(493)	420
Tax rate changes	(107)	-
Items on which deferred tax has not been recognised	490	412
Difference in tax rates on overseas earnings	(61)	742
	<u>4,215</u>	<u>4,246</u>

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates in the relevant territory that have been enacted or substantially enacted at the balance sheet date.

Note 11. Deferred tax

Consolidated	Fixed assets £'000	Other assets £'000	Tax losses £'000	Retirement benefits £'000	Undistributed earnings £'000	Total £'000
Balance as at 1 April 2019	171	-	734	(12)	(289)	604
(Charge)/credit in the year	79	258	366	13	(42)	674
Exchange differences	-	(6)	(229)	-	49	(186)
	<u>250</u>	<u>252</u>	<u>871</u>	<u>1</u>	<u>(282)</u>	<u>1,092</u>

For financial reporting purposes, certain deferred tax assets and liabilities have been offset and are reported as follows:

	Consolidated	
	2020	2019
	£'000	£'000
Deferred tax assets	1,314	935
Deferred tax liabilities	(222)	(331)
	<u>1,092</u>	<u>604</u>

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Note 11. Deferred tax (continued)

Company	Fixed assets £'000	Other assets £'000	Tax losses £'000	Retirement benefits £'000	Total £'000
Balance as at 1 April 2019	171	-	747	(12)	906
(Charge)/credit in the year	79	187	(521)	13	(242)
Exchange differences	-	-	(115)	-	(115)
Balance as at 31 March 2020	<u>250</u>	<u>187</u>	<u>111</u>	<u>1</u>	<u>549</u>

At the balance sheet date, the Group had gross temporary and timing differences amounting to £1,200,000 (2019: £700,000) available for offset against future taxable profits for which deferred tax has not been recognised. These assets have not been recognised as the future taxable profits in the relevant entities cannot accurately be predicted at this time.

At the balance sheet date, the amount of temporary differences associated with undistributed earnings of subsidiaries from which deferred tax liabilities could arise and for which no deferred tax liabilities have been recognised amounts to £nil (2019: £nil).

Note 12. Intangible assets

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Software - at cost	1,782	1,749	1,621	1,590
Less: Accumulated amortisation	<u>(1,730)</u>	<u>(1,571)</u>	<u>(1,572)</u>	<u>(1,421)</u>
	<u>52</u>	<u>178</u>	<u>49</u>	<u>169</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Software £'000	Total £'000
	Balance at 1 April 2018	401
Additions	38	38
Amortisation expense	<u>(261)</u>	<u>(261)</u>
Balance at 31 March 2019	178	178
Additions	31	31
Disposals	(2)	(2)
Exchange differences	1	1
Amortisation expense	<u>(156)</u>	<u>(156)</u>
Balance at 31 March 2020	<u>52</u>	<u>52</u>
	Software £'000	Total £'000
Balance at 1 April 2018	366	366
Additions	38	38
Amortisation expense	<u>(235)</u>	<u>(235)</u>
Balance at 31 March 2019	169	169
Additions	31	31
Amortisation expense	<u>(151)</u>	<u>(151)</u>
Balance at 31 March 2020	<u>49</u>	<u>49</u>

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Note 13. Property, plant and equipment

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Leasehold improvements - at cost	340	339	340	339
Less: Accumulated depreciation	(164)	(88)	(164)	(88)
	<u>176</u>	<u>251</u>	<u>176</u>	<u>251</u>
Fixtures and fittings - at cost	767	731	679	657
Less: Accumulated depreciation	(710)	(677)	(647)	(625)
	<u>57</u>	<u>54</u>	<u>32</u>	<u>32</u>
Motor vehicles - at cost	18	11	-	-
Less: Accumulated depreciation	(10)	(6)	-	-
	<u>8</u>	<u>5</u>	<u>-</u>	<u>-</u>
Computer equipment - at cost	753	684	738	672
Less: Accumulated depreciation	(628)	(546)	(623)	(545)
	<u>125</u>	<u>138</u>	<u>115</u>	<u>127</u>
Asset under construction - at cost	40	-	-	-
	<u>406</u>	<u>448</u>	<u>323</u>	<u>410</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Consolidated						
Balance at 1 April 2018	298	-	85	72	-	455
Additions	11	9	27	146	-	193
Depreciation expense	(58)	(4)	(58)	(80)	-	(200)
Balance at 31 March 2019	251	5	54	138	-	448
Additions	-	6	40	89	40	175
Disposal on sale of subsidiaries (note 35)	-	-	(3)	(20)	-	(23)
Depreciation expense	(75)	(3)	(34)	(82)	-	(194)
Balance at 31 March 2020	<u>176</u>	<u>8</u>	<u>57</u>	<u>125</u>	<u>40</u>	<u>406</u>
Company						
Balance at 1 April 2018			294	60	70	424
Additions			15	17	132	164
Depreciation expense			(58)	(45)	(75)	(178)
Balance at 31 March 2019			251	32	127	410
Additions			-	22	67	89
Depreciation expense			(76)	(22)	(78)	(176)
Balance at 31 March 2020			<u>175</u>	<u>32</u>	<u>116</u>	<u>323</u>

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Note 14. Right-of-use assets

During the year, the Group adopted IFRS 16 'Leases', replacing IAS 17 'Leases.' The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application (1 April 2019).

The Group has leasing arrangements for office premises, office equipment (such as printers) and vehicles. For more information about the Group's transition to IFRS 16, please refer to note 2, *Significant Accounting Policies*.

The finance lease liability and corresponding right-of-use asset recognised at the date of initial application have been disclosed below.

	Consolidated 1 April 2019 £'000	Company 1 April 2019 £'000		
Right-of-use assets	1,338	1,072		
Lease liability	1,197	960		
	Consolidated 2020 £'000	Company 2020 £'000		
Premises - right-of-use	1,384	1,241		
Less: Accumulated depreciation	(471)	(417)		
	<u>913</u>	<u>824</u>		
Vehicles - right-of-use	467	55		
Less: Accumulated depreciation	(71)	(13)		
	<u>396</u>	<u>42</u>		
Office equipment - right-of-use	104	91		
Less: Accumulated depreciation	(19)	(18)		
	<u>85</u>	<u>73</u>		
	<u>1,394</u>	<u>939</u>		
Consolidated	Right-of-use: Premises £'000	Right-of-use: Vehicles £'000	Right-of-use: Office equipment £'000	Total £'000
Cost				
As at 1 April 2019 (date of transition to IFRS 16)	1,186	152	-	1,338
Acquisitions	332	310	104	746
Disposals	(11)	-	-	(11)
Included within disposal entity (note 35)	(118)	(9)	-	(127)
Foreign currency exchange differences	(5)	14	-	9
As at 31 March 2020	<u>1,384</u>	<u>467</u>	<u>104</u>	<u>1,955</u>
Accumulated depreciation				
Charge for the year	(550)	(74)	(19)	(643)
Disposals	67	-	-	67
Included within disposal entity (note 35)	11	3	-	14
Foreign currency exchange differences	1	-	-	1
As at 31 March 2020	<u>(471)</u>	<u>(71)</u>	<u>(19)</u>	<u>(561)</u>
	<u>913</u>	<u>396</u>	<u>85</u>	<u>1,394</u>

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Note 14. Right-of-use assets (continued)

Company	Right-of-use: Premises £'000	Right-of-use: Vehicles £'000	Right-of-use: Office equipment £'000	Total £'000
Cost				
As at 1 April 2019 (date of transition to IFRS 16)	1,072	-	-	1,072
Acquisitions	169	55	91	315
As at 31 March 2020	1,241	55	91	1,387
Accumulated Depreciation				
Brought forward				
Charge for the year	(417)	(13)	(18)	(448)
	824	42	73	939

Variable leases have not been recognised in the related lease liabilities and are instead expensed as incurred. These variable lease payments consist of variable usage payments, such as excess mileage charges in vehicles and variable charges based on usage for office printers.

Note 15. Investments

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investments in subsidiaries	-	-	585	116
Less: Provision for impairment	-	-	(115)	-
	-	-	470	116
Investment in Zonnepark Budel B.V. - at fair value	404	402	-	-
Investment in Genia Extremadura Solar S.L. - at fair value	5,275	2,450	-	-
Investment in Cabrera Energia Solar S.L. - at fair value	5,464	5,467	-	-
	11,143	8,319	470	116

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Opening carrying amount	8,319	361	116	116
Additions	2,803	7,917	469	-
Foreign exchange differences	21	41	-	-
Impairment of assets	-	-	(115)	-
Closing carrying amount	11,143	8,319	470	116

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Note 15. Investments (continued)

In the prior year, following the sale of 80% of the issued share capital in Genia Extremadura Solar S.L, the Group's retained 20% holding was revalued to reflect the fair value of the investment as per IFRS 10. The valuation used for the sale of 80% of the issued share capital to Encavis S.A. was used to fair value the remaining investment.

In the prior year, following the sale of the issued share capital in Navid Enterprise S.L.U., Narges Develops S.L.U., Neftis Business S.L.U. and Desarrollos Empresariales Luanda S.L.U. as part of the Cabrera transaction, a 20% investment in Cabrera Energia Solar S.L. was retained. Under IFRS 10, this remaining investment was fair valued, using the project valuation in order to establish fair value.

The fair value uplift for the investments in both Genia Extremadura Solar S.L. and Cabrera Energia Solar S.L. was recognised within non-IFRS 15 revenue in the prior year (see note 4) in line with the Group's accounting policy.

In the current year, a capital contribution of £2,803,000 was made to Genia Extremadura Solar S.L. in line with the Group's 20% holding.

In the current year, the Company recognised an impairment of £115,000 against its investments in Solarcentury East Africa Limited, Solarcentury Panamá S.A., and Solarcentury Africa PTY Limited.

During the year, the Company disposed of its investment in Solarcentury Generation Limited and its subsidiaries, as part of the disposal disclosed in note 35. The carrying value of this investment was £1.

The fair value measurement of the investments held by the Group under IFRS 13 would be level 2, using inputs other than quoted prices (included within level 1) that are observable for the investment, either directly or indirectly. In this case, a mix of future cash flows and price paid by the counterparty for control of the project are used.

During the year, there were no such fair value measurements.

Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following directly owned subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / country of incorporation	Principal activities	Company	
			Ownership interest	Ownership interest
			2020 %	2019 %
SCH Projects Limited	United Kingdom	SPV holding company	100%	100%
Solarcentury East Africa Limited	Kenya	Development & construction	100%	100%
Solarcentury Ghana Limited	Ghana	Development & construction	100%	100%
Solarcentury Panamá S.A.	Panama	Development & construction	100%	100%
Solarcentury México S. de R.L. de C.V.	Mexico	Development & construction	100%	100%
Solarcentury Benelux B.V.	Netherlands	Development & construction	100%	100%
Solarcentury Africa PTY Limited	South Africa	Development & construction	100%	100%
Solarcentury Chile SpA	Chile	Development & construction	100%	100%
Solarcentury Projects SpA	Chile	SPV holding company	100%	100%
Solarcentury Generation Limited	United Kingdom	Residential holding company	-	100%
Solarcentury Italia S.R.L.	Italy	Development & construction	100%	-
Solarcentury Africa Limited	United Kingdom	Development & construction	100%	-
Solarcentury Services France S.A.S.	France	Development & construction	100%	-

The following entities have taken advantage of the exemption under s479A of the Companies Act (2006) allowing certain subsidiaries exemption from audit in relation to the financial year ended 31 March 2020.

Company Name	Country of Incorporation	Registered Number
SCH Projects Limited	England & Wales	03583567
Solar Century Argentina Holdco 1 Limited	England & Wales	10860332
Solar Century Argentina Holdco 2 Limited	England & Wales	10859584
Solar Century Argentina Holdco 3 Limited	England & Wales	10859658
Solar Century Argentina Holdco 4 Limited	England & Wales	10859819
Solar Century Argentina Holdco 5 Limited	England & Wales	10859984
Solarcentury Africa Limited	England & Wales	12467417

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Note 15. Investments (continued)

Solar Century Holdings Limited, the parent undertaking, has provided a guarantee under section 479C of the Companies Act (2006), guaranteeing all outstanding liabilities to which the above subsidiaries are subject to as at 31 March 2020, until they are satisfied in full. The guarantee is enforceable against the parent undertaking by any person to whom the above subsidiaries are liable in respect of these liabilities.

Note 16. Long-term receivables

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Long-term receivable - Zonnepark Budel B.V.	2,016	2,007	-	-
Long-term receivable - Genia Extremadura Solar S.L.	15,234	-	-	-
Long-term receivable - Cabrera Energia S.L.	892	-	-	-
Long-term trade receivables	115	-	-	-
	<u>18,257</u>	<u>2,007</u>	<u>-</u>	<u>-</u>

Long-term receivable amounts relate to shareholder loans extended by the Group to projects in which the Group holds a minority investment. The loan to Zonnepark Budel B.V. carries a rate of interest of 5.5% per annum. The loans to Cabrera Energia S.L.U. and Genia Extremadura S.L. carry interest at a rate of 7% per annum.

These loans are secured and are used to fund the construction of the project.

In the year, interest of £100,000 was recognised on the long-term receivable from Zonnepark Budel B.V, with payments of £101,000 received in the year.

In the year, interest of £491,000 was accrued on the long-term receivable from Genia Extremadura Solar S.L, and £56,000 was accrued on the long-term receivable from Cabrera Energia S.L.U.

Long-term trade receivables relate to retentions which are due to be repaid in 2021.

Note 17. Inventories and development costs

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Work in progress	41	27	-	-
Development costs	14,426	5,023	261	-
Components	5,410	1,420	608	951
Less: Provision for impairment	(617)	(831)	(582)	(749)
	<u>4,793</u>	<u>589</u>	<u>26</u>	<u>202</u>
	<u>19,260</u>	<u>5,639</u>	<u>287</u>	<u>202</u>

Work in progress comprises amounts incurred on long-term contracts for undelivered milestones to customers. Work in progress is valued at the lower of cost and net realisable value.

Development costs comprise costs for the development of early stage projects which have not yet reached ready to build status and include assets acquired during the year at their fair value, for which contingent consideration amounts have been recognised (see note 34).

Management undertake regular reviews for impairment based on the status of the underlying projects to which the amounts capitalised relate to.

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Note 18. Trade and other receivables

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	990	2,763	337	1,962
Trade receivables - retentions	-	50	-	50
Less: allowance for expected credit losses	(127)	(294)	(111)	(225)
	<u>863</u>	<u>2,519</u>	<u>226</u>	<u>1,787</u>
Other receivables	2,036	3,517	1,818	1,287
Amounts due from subsidiary undertakings	-	-	40,480	23,465
Accrued revenue	28,570	20,598	14,745	16,742
Prepayments	13,582	532	12,348	241
	<u>45,051</u>	<u>27,166</u>	<u>69,617</u>	<u>43,522</u>

In its prior year adoption of IFRS 9, the Group completed a comprehensive review of receivable balances. The Group used the available practical expedient allowing it to prepare a simplified provision matrix using historical default rates over the expected life of the receivable balances and has adjusted this matrix for forward looking estimates, including credit rating deterioration and overall economic outlook.

Amounts due from subsidiary undertakings as at 31 March 2020 are presented net of an impairment of £3,661,000 (2019: £nil).

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
	%	%	£'000	£'000	£'000	£'000
Not due	-	-	498	1,159	-	-
1-30 days overdue	1%	5%	144	656	1	33
31-60 days overdue	12%	7%	252	473	30	33
61-90 days overdue	-	88%	-	17	-	15
Over 90 days overdue	100%	42%	96	508	96	213
			<u>990</u>	<u>2,813</u>	<u>127</u>	<u>294</u>

Other receivables (including accrued income) are all current and the impact of expected credit losses on these balances is considered immaterial.

Movements in the allowance for expected credit losses are as follows:

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening balance	294	61	225	23
Impairment losses recognised	169	464	119	227
Disposals (note 35)	(11)	-	-	-
Utilised	(95)	(23)	(95)	(23)
Impairment losses released	(230)	(208)	(138)	(2)
Closing balance	<u>127</u>	<u>294</u>	<u>111</u>	<u>225</u>

The ageing of the unimpaired trade receivables is as follows:

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Note 18. Trade and other receivables (continued)

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Not due	498	1,159	157	598
Under 30 days overdue	143	623	69	611
31-60 days overdue	222	440	-	251
61-90 days overdue	-	2	-	3
Over 90 days overdue	-	295	-	324
	<u>863</u>	<u>2,519</u>	<u>226</u>	<u>1,787</u>

The Group has not provided for these balances as there has not been a significant deterioration in credit quality and the amounts are still considered recoverable or the amounts are covered under the Group's credit insurance policy. The Group does not hold any collateral over these balances. In determining the recoverability of uninsured trade receivables, the Group considers any change in the credit quality of the trade receivable from the date uninsured credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the impairments made.

Note 19. Cash and cash equivalents

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents	<u>40,184</u>	<u>18,607</u>	<u>33,356</u>	<u>11,731</u>

Cash and cash equivalents comprise cash held by the Group, current account bank balances and treasury deposits accessible at short notice. The carrying amount of these assets equates to their fair value.

In addition to the cash and cash equivalents shown above, the Group has restricted cash of £223,000 (2019: £942,000), provided as security for bonds. These amounts have been included within trade & other receivables.

Note 20. Trade and other payables

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	59,926	3,639	44,476	2,108
Amounts owed to subsidiary undertakings	-	-	11,170	10,930
Other payables and accruals	15,622	8,136	7,305	6,076
Taxation and social security	(893)	327	(2,453)	296
Deferred revenue	247	819	49	598
Short term contingent consideration payable (note 25)	616	7,796	-	-
	<u>75,518</u>	<u>20,717</u>	<u>60,547</u>	<u>20,008</u>

Refer to note 31 for further information on financial instruments.

Note 21. Income tax

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Corporation tax payable	<u>1,542</u>	<u>3,664</u>	<u>1,028</u>	<u>2,351</u>

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Note 22. Current provisions

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Warranty	299	1,994	159	1,298
Penalty performance	377	1,809	377	1,809
Dilapidation	230	37	212	37
	<u>906</u>	<u>3,840</u>	<u>748</u>	<u>3,144</u>

Note 23. Lease liabilities

Lease liabilities have been split between current (payable in under 12 months) and non-current (payable in over 12 months):

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Short-term lease liabilities	582	-	417	-
Long-term lease liabilities	842	-	539	-
	<u>1,424</u>	<u>-</u>	<u>956</u>	<u>-</u>

	Consolidated 2020 £'000	Company 2020 £'000
Operating lease commitments under IAS 17	1,262	1,262
Other transitional corrections	309	-
Impact of discounting committed future cashflows	(374)	(302)
Opening lease liability on 1 April 2019 (date of transition to IFRS 16)	<u>1,197</u>	<u>960</u>
Additional lease liability related to the acquisition of right-of-use assets during the year	746	315
Lease liability disposed of during the year	(52)	-
Lease liability included within disposal group (see disposals - note 35)	(16)	-
Interest charge for the year	97	72
Payments made during the year	<u>(548)</u>	<u>(391)</u>
Lease liability as at 31 March 2020	<u>1,424</u>	<u>956</u>

Commitments

Prior to the adoption of IFRS 16, the following non-cancellable operating lease commitments were disclosed:

	Consolidated 2019 £'000	Company 2019 £'000
Within 1 year	470	470
Between 1 to 5 years	<u>792</u>	<u>792</u>
Total commitments	<u>1,262</u>	<u>1,262</u>

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Note 23. Lease liabilities (continued)

The maturity analysis of the lease liabilities is presented below:

	Consolidated	Company
	2020	2020
	£'000	£'000
Lease commitments		
Within 1 year	582	417
1 to 5 years	810	539
Over 5 years	32	-
Total commitments	<u>1,424</u>	<u>956</u>
Low-value lease commitments		
1 to 5 years	<u>3</u>	<u>-</u>

There are no outstanding lease commitments relating to short-term leases at the year-end.

Note 24. Non-current provisions

	Consolidated		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Warranty	397	-	106	-
Dilapidation	<u>61</u>	<u>149</u>	<u>61</u>	<u>139</u>
	<u>458</u>	<u>149</u>	<u>167</u>	<u>139</u>

Warranty Provision

The warranty provision represents the fair value of the Group's liability under warranties granted to customers. Within the warranty provision the Group includes provisions for large scale groundmount projects to cover the anticipated costs of achieving client final acceptance of a project, which is generally scheduled to occur two years after the client has provisionally accepted delivery of the project under the terms of the contract. On provisional acceptance, 100% of the project value is recognised and provisions made to cover any reasonably expected costs to be incurred in ensuring the project achieves final acceptance and for any residual liabilities thereafter.

Penalty Performance Provision

The penalty performance provision represents the fair value of the Group's liabilities under performance obligation contracts with customers, which are payable when the contractual minimum performance of projects is not met.

Dilapidation Provision

The dilapidation provision represents the fair value of the Group's obligations under various lease arrangements to return the leased property to the condition required under the lease terms at the end of the leasehold. The potential outflows are forecast to occur at the earlier of the actual lease termination date or any break clause within the leasehold agreement.

Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year are set out below:

	Warranty	Penalty	Dilapidation
	Provision	Performance	Provision
	£'000	£'000	£'000
Consolidated - 2020			
Carrying amount at the start of the year	1,994	1,809	186
Additional provisions recognised	1,165	-	105
Amounts used	(625)	(1,432)	-
Released	(1,831)	-	-
Disposal (see note 35)	<u>(7)</u>	<u>-</u>	<u>-</u>
Carrying amount at the end of the year	<u>696</u>	<u>377</u>	<u>291</u>

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Note 24. Non-current provisions (continued)

Company - 2020	Warranty Provision £'000	Penalty Performance Provision £'000	Dilapidation Provision £'000
Carrying amount at the start of the year	1,298	1,809	175
Additional provisions recognised	962	-	98
Amounts used	(493)	(1,432)	-
Released	(1,502)	-	-
Carrying amount at the end of the year	<u>265</u>	<u>377</u>	<u>273</u>

Note 25. Contingent consideration

As disclosed in note 34, the acquisition of Consortium Solar Power Systems S.A. during the year includes consideration payable upon the achievement of a number of project milestones. At 31 March 2020 this consideration has been split between short-term and long-term as follows:

	Consolidated	
	2020 £'000	2019 £'000
Contingent consideration included within current liabilities	616	7,796
Contingent consideration included within non-current liabilities	4,677	719
	<u>5,293</u>	<u>8,515</u>

The prior year contingent consideration balance relates to the Group's acquisition of Genia Extremadura S.L.

As part of the acquisition of Genia Extremadura S.L. on 11 January 2017, contingent consideration is payable to the sellers, dependent on a number of milestones being met.

In the year ended 31 March 2018, the fair value of the contingent consideration was revalued to £3,071,000 as a result of management's assessment surrounding the likelihood of the milestones being achieved. The corresponding £3,071,000 uplift to the assets acquired was recognised within development costs.

In the year ended 31 March 2019, the fair value of the contingent consideration was again revalued to £8,515,000 as a result of an increased likelihood of the milestones being achieved, with the corresponding uplift recognised within development costs (subsequently cost of sales as a result of the sale of the entity in the year ended 31 March 2019).

This liability was fully settled by the Group in October and November 2019.

Note 26. Share capital

	Company			
	2020 Shares	2019 Shares	2020 £'000	2019 £'000
Ordinary shares - fully paid - nominal value £1	10,820	10,820	11	11
A Class Preference shares - fully paid - nominal value £1	18,555	18,555	18	18
B Class Preference shares - fully paid - nominal value £1	7,088	7,088	7	7
B1 Ordinary shares - fully paid - nominal value £0.01	2,300	2,300	-	-
B2 Ordinary shares - fully paid - nominal value £0.01	6,655	6,655	-	-
	<u>45,418</u>	<u>45,418</u>	<u>36</u>	<u>36</u>

The A shares and B shares have specific rights (prior to distribution amongst all shareholders) to recover their original investments up to certain levels upon sale or liquidation of the entire share capital of the Group. The A shareholders hold this right until they have received, in aggregate, four times their original investment. The B shareholders hold this right until they have received, in aggregate, two and a half times their original investment. Four A and B shareholders have the right to appoint directors to the Board and both these classes of shares have voting rights on certain reserved matters.

The B1 and B2 ordinary shares are non-redeemable and do not carry voting or dividend rights. The shares have the right to participate in a distribution subject to the Articles of Association of the Company. The terms attached to these shares were amended during the year, as disclosed in note 36

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Note 27. Reserves

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Translation reserve	(294)	(595)	-	-
Share premium account	29,077	29,077	29,077	29,077
Own shares	(955)	(955)	(955)	(955)
	<u>27,828</u>	<u>27,527</u>	<u>28,122</u>	<u>28,122</u>

Translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Pound Sterling. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share premium

The share premium reserve represents the excess amount received from investors over the par value of shares issued.

Own shares

The own shares reserve represents the cost of shares held by the Solar Century Holdings Limited Employee Benefit Trust ("EBT") to satisfy options under the Group's share options scheme. The number of ordinary shares held by the EBT at 31 March 2020 was 1,027 (2019: 1,667).

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share premium account £'000	Own shares £'000	Translation reserve £'000	Total £'000
Consolidated				
Balance at 1 April 2018	29,077	(955)	(345)	27,777
Foreign currency translation	-	-	(250)	(250)
Balance at 31 March 2019	29,077	(955)	(595)	27,527
Foreign currency translation	-	-	301	301
Balance at 31 March 2020	<u>29,077</u>	<u>(955)</u>	<u>(294)</u>	<u>27,828</u>

Note 28. Retained earnings

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Retained earnings at the beginning of the financial year	6,316	(3,907)	3,256	(6,568)
Adjustment following adoption of IFRS 16	67	-	67	-
Retained earnings at the beginning of the financial year - restated	6,383	(3,907)	3,323	(6,568)
Profit after income tax expense for the year	18,430	9,896	11,026	9,497
Share-based payment	150	327	150	327
Retained earnings at the end of the financial year	<u>24,963</u>	<u>6,316</u>	<u>14,499</u>	<u>3,256</u>

Note 29. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

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Note 30. Derivative financial instruments

The Group is exposed to adverse changes in the foreign exchange rate for US Dollars, as a number of large supplier payments are settled in USD. The Group enters into derivative instruments in order to mitigate this risk. The Group has elected not to apply hedge accounting and instead the gains and losses relating to these instruments are recognised in the income statement.

	Consolidated		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<i>Current assets</i>				
Forward foreign exchange contracts	513	-	513	-

Note 31. Financial instruments

Financial risk management objectives

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

The Group considers that the principal risks to the business include market risk (including currency risk), credit risk, and liquidity risk.

Market risk

Foreign currency risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The risk of adverse exchange rate movements is measured by estimating future purchases of goods in foreign currency netted against estimated future revenues. Any significant differences are covered by forward foreign exchange contracts.

Fair values are obtained by marking to market against identical or (where not practicable) similar instruments. An unrealised profit of £513,000 (2019: £nil) was recognised during the financial year as part of the overall exchange gains and losses recorded in the income statement.

The carrying amount of the Group's and Company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Consolidated				
Euros	38,933	17,167	54,930	10,597
US Dollars	2,063	1,792	9,913	223
South African Rand	29	32	-	-
Kenyan Shillings	86	56	11	124
Chilean Peso	48	39	37	56
Mexican Peso	28	19	43	20
Colombian Pesos	29	53	1	-
Ghanaian Cedis	130	-	1	-
	41,346	19,158	64,936	11,020
Company				
Euros	33,193	5,457	43,547	144
US Dollars	983	745	23	213
	34,176	6,202	43,570	357

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Note 31. Financial instruments (continued)

The following tables detail the Group's sensitivity to a 10 per cent increase and decrease in Sterling against the Euro & US Dollar being the currencies which, given a 10 per cent fluctuation in the Sterling exchange rate, would have a material impact on the profit and loss and balance sheet for the current and prior years. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates.

A negative number below indicates a decrease in profit and other equity where Sterling weakens 10 per cent against the Euro/US Dollar. For a 10 per cent strengthening of Sterling against the Euro/US Dollar, there would be an equal and opposite impact on the profit and other equity, and the balances below would be reversed.

	% change	Effect on profit before tax
Consolidated - 2020		
Euro currency impact	10%	1,454
USD currency impact	10%	714
		<u>2,168</u>
Consolidated - 2019		
Euro currency impact	10%	657
USD currency impact	10%	157
		<u>814</u>
Company - 2020		
Euro currency impact	10%	(2,928)
USD currency impact	10%	(87)
		<u>(3,015)</u>
Company - 2019		
Euro currency impact	10%	531
USD currency impact	10%	53
		<u>584</u>

Interest rate risk

The Group is not exposed to direct interest rate risk except in relation to the interest revenue on its cash deposits.

Credit risk

The Group has a credit insurance policy with a reputable third-party insurer. The policy covers a part of the Group's receivables except for those due from government-backed customers (such as local authorities and other public bodies). Where the credit insurance Company revises the recommended limit for a customer, the revised limit is immediately applied to the customer account against future transactions, as required by the policy. In certain cases, the Group provides uninsured credit to certain customers based on each customer's trading history with the Group and with reference to credit scoring by an external credit agency or, in the case of large projects, through the use of escrow accounts or other security.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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Note 31. Financial instruments (continued)

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities and by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets, trading receipts and payables.

Remaining contractual maturities

The following tables detail the Group's and Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Within 3 months £'000	3 months to 1 year £'000	2-5 years £'000	Remaining contractual maturities £'000
Consolidated - 2020				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	59,926	-	-	59,926
Income tax	-	1,542	-	1,542
Contingent consideration	-	616	4,677	5,293
Total non-derivatives	59,926	2,158	4,677	66,761

	Within 3 months £'000	3 months to 1 year £'000	2-5 years £'000	Remaining contractual maturities £'000
Consolidated - 2019				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	3,639	-	-	3,639
Income tax	-	3,664	-	3,664
Contingent consideration	-	7,796	719	8,515
Total non-derivatives	3,639	11,460	719	15,818

	Within 3 months £'000	3 months to 1 years £'000	2-5 years £'000	Remaining contractual maturities £'000
Company - 2020				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	44,475	-	-	44,475
Income tax	-	1,028	-	1,028
Total non-derivatives	44,475	1,028	-	45,503

	Within 3 months £'000	3 months to 1 years £'000	2-5 years £'000	Remaining contractual maturities £'000
Company - 2019				
Non-derivatives				
<i>Non-interest bearing</i>				
Trade payables	2,108	-	-	2,108
Income tax	-	2,351	-	2,351
Total non-derivatives	2,108	2,351	-	4,459

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

The maturity analysis of the finance lease liability has been disclosed separately in note 23.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

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Note 32. Auditor remuneration

During the financial year the following fees were paid or payable for services provided by Ernst & Young LLP, the auditor of the Company, and its associates:

	Consolidated	
	2020	2019
	£'000	£'000
<i>Audit services</i>		
Audit of the financial statements	104	93
<i>Other services</i>		
Other services provided to the Company	26	60
	<u>130</u>	<u>153</u>

Note 33. Contingent liabilities

The Group and Company has provided guarantees in bonds denominated in Sterling, Euros and US dollars totalling £100,079,000 (2019: £23,315,000) in value at 31 March 2020 in relation to completed and ongoing projects in the United Kingdom, the Netherlands, Kenya and also in relation to grid connection capacity secured by the Group in Spain and Mexico. In addition to this, bonds have been issued to secure bid entries in France. A majority of the Spanish grid connection bonds are secured with a pledge of the SPV shares or supported by a guarantee from the parent entity in the absence of such a pledge.

At 31 March 2020, the Group had debentures in place with both HSBC and Royal Bank of Scotland to support the Group's banking facilities, with fixed and floating charges across all assets of the Company and the Group.

As disclosed in note 15 Solar Century Holdings Limited, the parent undertaking, has provided a guarantee under section 479C of the Companies Act (2006), guaranteeing all outstanding liabilities for a number of subsidiaries as at 31 March 2020, until they are satisfied in full. The guarantee is enforceable against the parent undertaking by any person to whom those subsidiaries are liable in respect of these liabilities.

Note 34. Acquisitions

During the year, the Group acquired 100% of the issued share capital of Consortium Solar Power Systems S.A., incorporated in Greece. 100% of the consideration payable is contingent on the project meeting a number of milestones.

A probability-based calculation has been used in calculating the present value of these cash flows, with a contingent consideration amount recognised at 31 March of £5,293,000. This has been split between short-term and long-term, depending on the estimated timeline of each milestone.

The net assets acquired have been presented below:

Assets acquired	£'000
Non-current assets	240
Current assets	1
Trade and other payables	(103)
Long-term liabilities	<u>(142)</u>
	<u>(4)</u>

This acquisition is outside the scope of IFRS 3 *Business Combinations*, and as such, the difference between the contingent consideration payable and the net assets acquired has been recognised as a fair value uplift within development costs.

Note 35. Disposals

On 31 March 2020, the Group disposed of its ongoing residential operations in Belgium, Germany, Netherlands and the United Kingdom. The total consideration receivable for the shares in Solarcentury Generation Limited, the intermediate holding company for these operations, amounts to £1,261,000.

The net assets of the disposal group are as follows:

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Note 35. Disposals (continued)

Net assets disposed of	£'000
Non-current assets	63
Inventory	488
Trade and other receivables	2,188
Cash and cash equivalents	309
Trade and other payables	(1,776)
Deferred revenue	(6)
Non-current liabilities	(16)
Total net assets disposed of	<u>1,250</u>

The entities included within the disposal group generated a loss for the year of £839,000.

Note 36. Share-based payments

The Group operates an equity-settled share option scheme for employees. Options to purchase Company shares are exercisable at a predetermined price and in pre-defined numbers over a vesting period normally extending to four years. Options remaining unexercised after the tenth anniversary of their grant date expire. Options are forfeited if an employee leaves the Group, with certain exemptions defined under the scheme or at the Board's discretion. Details of the share options outstanding during the year are as follows:

	2020	2020	2019	2019
	Number of	Weighted av.	Number of	Weighted av.
	share options	exercise price	share options	exercise price
		£		£
Outstanding at beginning of year	645	£17.79	745	£15.67
Lapsed during the year	(5)	£255.00	-	£0.00
Exercised during the year	(640)	£17.81	(100)	£2.00
Outstanding at the end of the year	-	£0.00	645	£17.79
Exercisable at the end of the year	-	£0.00	645	£17.79

An amount of £11,600 (2019: £200) has been credited to other reserves in relation to options exercised during the year.

During the previous year, 2,300 B1 and 6,655 B2 Ordinary Shares were issued to a number of Group employees. The difference between the fair value of these shares at the date of issue and the nominal value paid by the employees was recognised as an employment cost in the profit & loss.

In the current year, the vesting period of these equity instruments was extended, to account for a revised timeline regarding the vesting conditions. Under IFRS 2, this change has been accounted for as a modification. The incremental fair value of the instruments (£2,756,000) will be recognised over the remaining vesting period.

The proportion of the incremental fair value recognised in the year as a share-based payment (as disclosed in note 6) amounts to £138,000.

Note 37. Events after the reporting period

Subsequent to the year end, the Group disposed of its 20% in Cabrera Energia S.L. As a result of this disposal, the Group's funding obligations towards the investee (equal to the investment value, £5.5m) have been extinguished.

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Note 37. Events after the reporting period (continued)

Since the financial year end the Group has added in excess of 2GW to its development pipeline, principally in Spain and Chile, where the Group was successful in a tender by the Ministry of National Assets of Chile, winning the right to develop 3 out of 11 sites auctioned, with a potential of 1.04GWp.

The Group has also drawn down on two separate funding facilities subsequent to the year-end. A €27.7M working capital facility provided by National Westminster Bank to support the working capital requirements of the Group's 2 ongoing projects in Spain, and provided with support from UK Export Finance, which was unutilised at the financial year end has been fully drawn down at the date of signing of these financial statements. The facility is due to be repaid in full at the end of September 2020, and this repayment has been fully factored into the Group's going concern projections.

In June 2020 the Group drew down on a €3M Covid Emergency Loan facility provided by Bankinter as part of the Spanish government's Covid business support measures. The facility has a scheduled repayment date of May 2022.

In July 2020 the Group entered into a non-recourse project finance facility of €23.7M with Cooperatieve Rabobank to support the construction of 2 solar plants in the Netherlands. The facility has an end date of September 2035.

As at the date of signing the financial statements, the combined amount drawn down against these facilities amounts to £46m.

Other than events referred to above, no matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 38. Development projects

During the current year, the only material development project completed by the Group was the Development Services fee received in relation to the Talayuela project, amounting to £30,065,000. This fee was recognised as revenue once the project reached financial close in November 2019, fulfilling the development services agreement performance obligation. The Share Purchase Agreement was signed in the prior year, whereby the Group lost control over Genia Extremadura S.L.

The remainder of this disclosure note relates to transactions that were disclosed in the prior year.

During the prior year, two material transactions gave rise to revenue which was identified as being outside of the scope of IFRS 15 'revenue from contracts with customers', by the IFRS Interpretations Committee ('IFRIC'). These transactions are summarised below.

Talayuela

On 11 January 2017, Solar Century Holdings España S.L. acquired 100% of the share capital in Genia Extremadura S.L. At 31 March 2018, the fair value of the contingent consideration for these shares (which is based upon a number of milestones being met) was fair valued at £3,071,000.

On 9 October 2018, an SPA for the sale of 80% of the issued share capital of Genia Extremadura Solar S.L. was signed, along with a development services agreement between Genia Extremadura Solar S.L. and Solar Century Holdings España S.L., a wholly owned subsidiary of the Group. The full consideration receivable of £9,825,000 under the SPA was recognised as non-IFRS 15 revenue.

During the prior year, the discount applied to the contingent consideration liability was unwound and recognised as a development asset. At the date of sale, the contingent consideration payable to the initial owners was fair valued to £8,515,000 on the basis of an increased probability of the milestones being met, with an equal fair value uplift to development assets.

At the date of sale, the fair value uplifts applied to development assets, as well as the net asset position of the entity, were recognised within cost of sales.

Due to the loss of control exercised by the Group over the entity, and in line with IFRS 10, the remaining 20% holding in the Company was fair valued using available information at the date of sale. This revaluation gain was recognised within non-IFRS 15 revenue in the prior year.

The 20% investment was designated as 'fair value through other comprehensive income' in line with IFRS 9 and will be revalued at each balance sheet date going forward.

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Note 38. Development projects (continued)

La Cabrera

On 27 March 2019, an SPA for the sale of 80% of the issued share capital in four special purpose vehicles (Navid Enterprise S.L.U., Narges Develops S.L.U., Neftis Business S.L.U. and Desarrollos Empresariales Luanda S.L.U.) was signed, as well as a development services agreement for the development of the La Cabrera project.

In this case, the 80% share of the development services agreement attributable to the Group, being £21,871,000 was recognised as non-IFRS 15 revenue, on the basis that the obligations arising under the development services agreement had already been discharged by the Group and the development work had already been completed.

The net asset position of the subsidiaries, being £1,942,000, was transferred to cost of sales, as it represented the development costs incurred and capitalised within the special purpose vehicles.

Due to the loss of control exercised by the Group over the entity, and in line with IFRS 10, the remaining 20% holding in the Companies was fair valued using available information at the date of sale. This revaluation gain was recognised within non-IFRS 15 revenue in the prior year.

The 20% retained investment has been designated as 'fair value through other comprehensive income' in line with IFRS 9 and will be revalued at each balance sheet date going forward.

	2019 Consolidated £'000
Talayuela SPA consideration receivable	9,825
Talayuela 20% investment revaluation	2,450
La Cabrera development services agreement revenue	21,871
La Cabrera 20% investment revaluation	<u>5,466</u>
Total non-IFRS 15 revenue	<u><u>39,612</u></u>

Note 39. Related party transactions

Parent entity

Solar Century Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 15.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<i>Sale of goods and services:</i>				
Solarcentury East Africa Limited	-	-	846	717
Solarcentury Benelux B.V	-	-	484	1,228
Solarcentury Microgen (Deutschland) GmbH	-	-	-	13
Solarcentury Ghana	-	-	235	-
<i>Purchases of goods and services</i>				
VantagePoint Management Inc.	69	78	69	78
Carbon War Limited	52	48	52	48
Grupo Ecos Participations S.A.	16	16	16	8
Solarcentury Chile SpA	-	-	82	-
Solarcentury Services France S.A.S.	-	-	201	-
Solarcentury France S.A.S.	-	-	370	-
Solar Century Italia S.R.L.	-	-	105	-
Solarcentury Mexico	-	-	1,298	-
Solarcentury Benelux B.V.	-	-	2,135	-
Solarcentury Panama S.A.	-	-	479	-

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Note 39. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Current payables:				
VantagePoint Management Inc.	1	25	1	25
Carbon War Limited	-	4	-	-

J.K. Leggett is the non-executive Chairman of SolarAid. The Group makes donations to SolarAid from the net profit declared for the financial year. As at 31 March 2020 the Group has provided for a donation of £896,000 (2019: £675,000).

Grupo ECOS Participations SA (formerly Ecos Sustainable Equity Fund Inc ("ESEF")) holds 21% of the Company's share capital and is entitled to appoint a director of the Company.

VPCP holds 21% of the share capital of the Company and is entitled to appoint a director of the Company. VantagePoint Management Inc. invoice the Group for costs incurred arising from VPCP's appointed director attending board meetings.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.