COMPANY REGISTRATION NUMBER: 07884713

# CONERGY UK LIMITED

## FINANCIAL STATEMENTS

## 31 DECEMBER 2016

**Contents** **Page**

## OFFICERS AND PROFESSIONAL ADVISERS

| | |
|---|---|
| **The board of directors** | Mr S Ronaldson<br>Mr K Mclelland |
| **Company secretary** | Taylor Wessing Secretaries Limited |
| **Registered office** | Carina House, Sunrise Parkway<br>Linford Wood Business Centre<br>Milton Keynes<br>MK14 6LS |
| **Auditor** | Grant Thornton UK LLP<br>Grant Thornton House<br>199 Avebury Boulevard<br>Milton Keynes<br>MK9 1AU |
| **Bankers** | Royal Bank of Scotland Plc<br>402 Lower Twelfth Street<br>Milton Keynes<br>MK9 3LF |
| **Solicitors** | Taylor Wessing LLP<br>5 New Street Square<br>London<br>EC4A 3TW |

**Introduction**
The Strategic report sets out:

1. Business Review and Strategy
2. Key Performance Indicators
3. Risks and uncertainties

## 1. Business Review and Strategy

During the 2016 financial year, the company sought to build out the two remaining assets on the statement of financial position, namely Laceby (9.99MW) and Manor Farm (9.5MW). This, coupled with the completion of projects that commenced in late 2015, provided the backbone of the company's activities and consequential revenues. Operational and Maintenance activities (O&M) continued across the portfolio as expected, minimising the risk of downtime and Liquidated Damages. The company, having developed, built and sold over 270MW of ground mounted solar assets in the UK from 2014 through to 2016, entered a phase of contractual performance testing and scrutiny from the various asset owners as the contractual two-year warranty period offered on each solar farm, reached its end.

Rectification works across the portfolio became an intensified activity with specialised task forces being engaged to methodically and carefully repair and prepare the sites for the Final Acceptance (FAC) testing and inspections. Each EPC (Engineering, Procurement and Construction) contract that is entered into must be accompanied by protection for the asset owner, usually provided in the form of an on-demand Warranty Bond. These Warranty Bonds are usually valued at between 7 and 10 percent of the total value of the EPC contract. The rectification and remedial activities are a vital component that ultimately protect the company from having the Warranty Bonds called for non-compliance.

## 2. Key Performance Indicators

Conergy uses, amongst others, two separate KPI's to monitor and evaluate performance; Mega Watts (MW) and EBITDA margin. EBITDA margin is calculated as earnings before interest, tax, depreciation and amortisation divided by total revenue. During the 2016 financial year, the company was responsible for the finalisation (construction having commenced in 2015) of twelve separate construction projects totalling 77MW and the commencement of two new projects totalling 20MW.

EBITDA was a loss of £11.927m, driven by, amongst others, Intercompany interest charges, Warranty bond fees and intra-group management fees as well as significant restructuring fees and charges.

## 3. Risks and uncertainties

**Regulatory risk**
The regulatory environment within the UK has been a volatile space for renewable technology for several years and given that the technology was subsidised by tax payer's money, political parties found traction on both sides of the argument (for and against renewable energy). The end result of this much debated topic, was that renewables and in particular, solar, have been scrapped from the supporting incentives pedestal within the UK. The consequential fall out of this decision has been a near virtual decimation of the UK Solar industry as it has been known for the past few years.

Major players within the market have adapted and chosen to invest and diversify in alternative forms of solar installations such as battery storage. Conergy have chosen not to pursue this avenue of trade, having not invested early risk capital into the technology.

**Liquidity risk**
Conergy UK have a carefully considered cash flow projection that is prepared on a weekly basis. This is provided to the parent company weekly and to the extent that cash flow is constrained on a local level, the parent company, Kawa Solar Holdings Limited has provided funding on a timely and to date, continuous basis.

**Credit risk**
The company's financial assets are bank balances, trade and other receivables. The company's primary credit risk is attributable to its trade receivables. The amounts presented in the statement of financial position are the net of allowances for doubtful receivables. Where specific receivables are identified as irrecoverable, these are written off. Where specific receivables are viewed as doubtful, these are provided for. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Human Capital Risk**
With the end of the UK renewable ROC (Renewable Obligation Certificate) and FiT (Feed in Tariff) era, Conergy entered a period of scaling back and reducing overheads. 2016 saw numerous redundancies coupled with some natural attrition. The danger of the remaining staff deciding to find alternative employment is an inherent risk associated with a company that is trading under limited prospects.

**Financial Risk**
The company is faced with the inherent risk of incurring contractual claims from previously constructed solar assets for which it remains responsible for maintaining a certain guaranteed operational performance. Any result below the minimum guaranteed performance will result in having to pay performance liquidated damages to the asset owner. Careful maintenance and rapid response to issues that arise ensures this risk is managed and limited as far as is possible.

This report was approved by the board of directors on 29 September 2017 and signed on behalf of the board by:

.................................
Mr S Ronaldson
Director

Registered office:
Carina House, Sunrise Parkway
Linford Wood Business Centre
Milton Keynes
MK14 6LS

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

**Directors**

The directors who served the company during the year were as follows:

| | |
|---|---|
| Mr S Ronaldson | (Appointed 30 September 2016) |
| Mr K Mclelland | (Appointed 31 October 2016) |
| Mrs L J Geraghty | (Resigned 30 September 2016) |
| Mr P Weaver | (Resigned 31 October 2016) |

**Dividends**

The directors do not recommend the payment of a dividend.

**Disclosure of information in the strategic report**

In accordance with S414C (11) of the companies act 2006 the company has chosen to include disclosure on future developments and the business review in the company's strategic report.

**Directors' responsibilities statement**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

**Financial risk management policies and procedures**

Details are included in note 24 to the financial statements.

This report was approved by the board of directors on 29 September 2017 and signed on behalf of the board by:

Mr S Ronaldson
Director

Registered office:
Carina House, Sunrise Parkway
Linford Wood Business Centre
Milton Keynes
MK14 6LS

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONERGY UK LIMITED

## YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of Conergy UK Limited for the year ended 31 December 2016 which comprise the statement of income and retained earnings, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- The information given in the 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 the directors report have been prepared in accordance with applicable legal requirements.

**Matter on which we are required to report under the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

**Jeremy Read**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
**Milton Keynes**
Date: 29 September 2017

## STATEMENT OF INCOME AND RETAINED EARNINGS

### YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | £ | £ |
| **TURNOVER** | 3 | **39,197,160** | 86,466,460 |
| Cost of sales | | **(40,298,444)** | (86,681,416) |
| **GROSS LOSS** | | **(1,101,284)** | (214,956) |
| Distribution costs | | **(2,127)** | (8,946) |
| Administrative expenses | | **(10,873,780)** | (8,038,043) |
| Other operating income | 4 | **24,640** | 132,370 |
| **OPERATING LOSS** | 5 | **(11,952,551)** | (8,129,575) |
| Interest payable and similar charges | 9 | **(788,051)** | (940,034) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | **(12,740,602)** | (9,069,609) |
| Tax on (loss)/profit on ordinary activities | 10 | **110** | 1,823,943 |
| **LOSS FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME** | | **(12,740,492)** | (7,245,666) |
| **RETAINED EARNINGS AT THE START OF THE YEAR** | | **272,645** | 7,518,311 |
| **RETAINED (LOSSES)/EARNINGS AT THE END OF THE YEAR** | | **(12,467,847)** | 272,645 |

All the activities of the company are from continuing operations.

There was no other comprehensive income in the year (2015: £nil).



The notes on pages 12 to 30 form part of these financial statements.

# CONERGY UK LIMITED

## STATEMENT OF FINANCIAL POSITION

## 31 DECEMBER 2016

| | Note | 2016 £ | £ | 2015 £ |
|---|---|---|---|---|
| **FIXED ASSETS** | | | | |
| Tangible assets | 11 | | - | 37,257 |
| **CURRENT ASSETS** | | | | |
| Stocks | 12 | - | | 8,201,825 |
| Debtors | 13 | 4,963,705 | | 17,610,084 |
| Cash at bank and in hand | | 639,159 | | 13,273,389 |
| | | 5,602,864 | | 39,085,298 |
| **CREDITORS: amounts falling due within one year** | 14 | 17,230,530 | | 38,007,261 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | | (11,627,666) | 1,078,037 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | (11,627,666) | 1,115,294 |
| **PROVISIONS** | | | | |
| Taxation including deferred tax | 15 | 8,042 | | 8,042 |
| Other provisions | 16 | 831,139 | | 833,607 |
| | | | 839,191 | 841,649 |
| **NET (LIABILITIES)/ASSETS** | | | (12,466,847) | 273,645 |
| **CAPITAL AND RESERVES** | | | | |
| Called up share capital | 18 | | 1,000 | 1,000 |
| Profit and loss account | 19 | | (12,467,847) | 272,645 |
| **MEMBERS FUNDS** | | | (12,466,847) | 273,645 |

These financial statements were approved by the board of directors and authorised for issue on 29 September 2017 and are signed on behalf of the board by:

Mr S Ronaldson
Director

Company registration number: 07884713



The notes on pages 12 to 30 form part of these financial statements.

# CONERGY UK LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>£ | 2015<br>£ |
|---|---|---|---|
| **CASH GENERATED FROM OPERATIONS** | **20** | **(11,786,623)** | 4,355,740 |
| | | | |
| Interest paid | | **(788,051)** | (940,034) |
| Tax paid | | - | (450,000) |
| | | | |
| Net cash (used in)/from operating activities | | **(12,574,674)** | 2,965,706 |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of tangible assets | | **(59,556)** | (20,511) |
| | | | |
| Net cash used in investing activities | | **(59,556)** | (20,511) |
| | | | |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(12,634,230)** | 2,945,195 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **13,273,389** | 10,328,194 |
| | | | |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **639,159** | 13,273,389 |



**The notes on pages 12 to 30 form part of these financial statements.**

## 1. COMPANY INFORMATION

The company is a private company limited by shares, incorporated in the United Kingdom. The address of the registered office is Carina House West, Sunrise Parkway, Linford Wood Business Centre, Milton Keynes, MK14 6LS.

The company's principal activity is that of creation and management of solar powered plants.

## 2. PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

### Going concern

Notwithstanding net liabilities of £12,466,847 at the balance sheet date, the directors have prepared the financial statements on a going concern basis. The nature of the company's operations have changed over time and the current phase of the business is to obtain Final Acceptance for the solar assets, which have been previously sold by the company. The company has accrued for its expectation of contract costs against which it will not achieve further revenue to achieve that Final Acceptance, which is reflected in the company's loss for the year of £12,740,492. The company has net current liabilities of £11,627,666 at the balance sheet date, although a number of the liabilities are owed to group undertakings, or to third parties but are not yet due.

The company has the ongoing support of its parent undertaking, Kawa Solar Holdings Limited "Kawa Solar Holdings". Kawa Solar Holdings has provided the directors with an indication of continuing financial support to the point at which Final Acceptance will be achieved, on the basis of forecasts agreed between the company and its parent. This continued financial support is to enable the company to continue to meet its financial obligations as they fall due as it meets its contractual obligations to achieve Final Acceptance. Management have currently forecast Final Acceptance for the final solar assets will be achieved in May 2018. This period is less than 12 months from the date of approval of these financial statements. Once Final Acceptance has been achieved, Kawa Solar Holdings has indicated it will reconsider the future activities of the company. In the absence of the continuing financial support from Kawa Solar Holdings, the company does not have the financial resources to obtain Final Acceptance.

In light of the above, the directors continue to consider that the going concern basis is appropriate for the preparation of the financial statements.

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Significant judgements and estimates**

Management have made significant judgments and estimates for EPC related accruals and provisions for the forthcoming financial year. These accruals are based on:

- Previous financial performance against expectation, acknowledging trends and identifying likely patterns to follow based on this past information.

- Management and staff who hold significant experience of related EPC issues utilising best knowledge and insight to determine likely outcomes and;

- Industry-wide findings on similar installations

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and rendering of services.

Turnover from the sale of goods is recognised when significant risks and rewards of ownership of the goods has transferred to the buyer.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Turnover in respect of ongoing contracts is recognised on a straight line basis over the contractual term. Fees for any additional work undertaken are invoiced on completion of the work involved.

**Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

**Taxation (continued)**
Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currency translation**

**Presentation currency**
The company's results and financial position are presented in Sterling (£).

**Transactions and balances**
In preparing the financial statements of the company, transactions are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

**Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Equipment | - | 33% straight line |

### Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

### Provisions for liabilities

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

The company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Derivative financial instruments**

Derivative financial instruments, including foreign exchange contracts and loans, are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

**Operating leases**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

**Construction contracts**

Construction contracts plan, manufacture, design, and assemble complex photovoltaic systems based on customer-specific requirements are reported in a statement of financial position as construction contracts in accordance with SSAP 9 (Stock and long term contracts).

Long term contracts are assessed on a contract-by-contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, the business and the industry in which it operates. It is consistently applied between contracts and accounting periods.

Where it is considered that the outcome of a long-term contract can be assessed with reasonable certainty before its conclusion, the prudently calculated attributable profit should be recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract hence the related costs are taken to cost of sales.

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Construction contracts (continued)**

Long term contracts will appear in the statement of financial position in a number of places:

- The amount by which recorded turnover is in excess of payments on account should be classified as 'amounts recoverable on contracts' and separately disclosed within debtors;

- The balance of payments on account (in excess of amounts (I) matched with turnover; and (ii) offset against long-term contract balances) should be classified as payments on account and separately disclosed within creditors;

- The amount of long-term contracts, at cost incurred, net of amounts transferred to the cost of sales, after deducting foreseeable losses and payments on account not matched with turnover, should be classified as 'long-term contract balances' and separately disclosed within the statement of financial position heading 'Stocks'; and

- The amount by which the provision or accrual for foreseeable losses exceeds the costs incurred (after transfers to cost of sales) should be included within either construction accruals or creditors as appropriate.

## 3. TURNOVER

Turnover arises from:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Wholesale revenue | **317,894** | 129,827 |
| Construction revenue | **36,652,729** | 81,277,344 |
| Operations and maintenance revenue | **2,226,536** | 1,335,254 |
| Development revenue | - | 3,724,035 |
| | **39,197,160** | 86,466,460 |

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

| | 2016 | 2015 |
|---|---|---|
| | | £ |
| United Kingdom | **39,183,207** | 86,341,746 |
| Overseas | **13,953** | 124,714 |
| | **39,197,160** | 86,466,460 |

## 4. OTHER OPERATING INCOME

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Other operating income | **24,640** | - |
| Fair value gain on financial asset (note 25) | - | 132,370 |

## 5. OPERATING LOSS

Operating profit or loss is stated after charging/(crediting):

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Depreciation of tangible assets | **25,414** | 18,932 |
| Loss on disposal of tangible assets | **71,399** | 1,211 |
| Foreign exchange differences | **9,218** | (368,298) |
| Defined contribution plan expense | **58,382** | 89,778 |
| Operating lease expenses | **266,127** | 318,882 |

## 6. AUDITORS REMUNERATION

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Fees payable for the audit of the financial statements | **32,500** | 34,000 |

## 7. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

| | 2016 | 2015 |
|---|---|---|
| | No | No |
| Administrative staff | **16** | 14 |
| Operations | **7** | 15 |
| Business Development | **5** | 7 |

The aggregate payroll costs incurred during the year, relating to the above, were:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Wages and salaries | **1,637,054** | 2,331,365 |
| Social security costs | **190,270** | 282,810 |
| Other pension costs | **58,382** | 89,778 |
| | **1,885,706** | 2,703,953 |

## 8. DIRECTORS REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Remuneration | **325,199** | 385,613 |
| Company contributions to defined contribution pension plans | **13,937** | 44,297 |
| | **339,136** | 429,910 |

The number of directors who accrued benefits under company pension plans was as follows:

| | **2016** | 2015 |
|---|---|---|
| | **No** | No |
| Defined contribution plans | **4** | 3 |

Remuneration of the highest paid director in respect of qualifying services:

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Aggregate remuneration | **130,000** | 138,669 |
| Company contributions to defined contribution pension plans | **17,007** | 32,597 |
| | **147,007** | 171,266 |

## 9. INTEREST PAYABLE

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Other interest payable and similar charges | **787,503** | 940,034 |

## 10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Major components of tax (income)/expense

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| **Current tax:** | | |
| UK current tax (income)/expense | **(110)** | (1,825,594) |
| *Adjustments in respect of prior periods* | - | 1,356 |
| Total current tax | - | (1,824,238) |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | - | 295 |
| **Tax on (loss)/profit on ordinary activities** | **(110)** | (1,823,943) |

## 10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (Continued)

### Reconciliation of tax (income)/expense

The tax assessed on the loss on ordinary activities for the year is the higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20%).

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Loss on ordinary activities before taxation | (12,740,602) | (9,069,609) |
| Loss on ordinary activities by rate of tax | (2,548,120) | (1,840,396) |
| Adjustment to tax charge in respect of prior periods | - | (168,240) |
| Effect of expenses not deductible for tax purposes | 175,068 | 183,706 |
| Effect of capital allowances and depreciation | 5,083 | (74) |
| Deferred tax timing difference – capital allowances | (7,997) | - |
| Losses carried forward | 2,376,076 | - |
| Income from deferred tax | - | (295) |
| Prior year over/under provision | - | 1,356 |
| Tax on (loss)/profit on ordinary activities | 110 | (1,823,943) |

**11. TANGIBLE ASSETS**

| | **2016** |
|---|---|
| | **Equipment** |
| | **£** |
| **Cost** | |
| At 1 January 2016 | **59,340** |
| Additions | **59,556** |
| Disposals | **(118,896)** |
| **At 31 December 2016** | **-** |
| **Depreciation** | |
| At 1 January 2016 | **22,083** |
| Charge for the year | **25,414** |
| Disposals | **(47,497)** |
| **At 31 December 2016** | - |
| **Carrying amount** | |
| **At 31 December 2016** | **-** |
| At 31 December 2015 | **37,257** |

**12. STOCKS**

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Work in progress | **-** | 8,201,825 |

## 13. DEBTORS

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Trade debtors | **2,878,662** | 14,742,343 |
| Amounts owed by group undertakings | **236,792** | 1,066,611 |
| Prepayments and accrued income | **1,806,369** | 1,071,076 |
| Corporation tax repayable | **41,882** | 449,890 |
| Other debtors | - | 280,164 |
| | **4,963,705** | 17,610,084 |

All debtors are repayable within one year of the balance sheet date.

## 14. CREDITORS: amounts falling due within one year

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Trade creditors | **753,839** | 9,347,773 |
| Amounts owed to group undertakings | **10,125,225** | 23,130,756 |
| PAYE and social security | **8,075** | 108,803 |
| VAT | **150,291** | 1,728,131 |
| Other creditors | **5,777** | 35,174 |
| | **11,043,207** | 34,350,637 |
| Construction accruals | **5,979,762** | 3,389,502 |
| Other accruals and deferred income | **207,561** | 267,122 |
| | **17,230,530** | 38,007,261 |

**14. CREDITORS: amounts falling due within one year (Continued)**

Included within accruals is a provision for holiday pay which represents accrued holiday balances as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

Deutsche Bank Luxembourg SA hold a fixed and floating charge over the assets of the company in respect of the banking facilities made available to Conergy UK Limited.

The Royal Bank of Scotland Plc hold a fixed charge in respect of funds held in a deposit account as security in respect of facilities made available to Conergy UK Limited.

Included within the construction accruals are costs for the liquidated damages in relation to performance on site.

**15. DEFERRED TAX**

The deferred tax included in the statement of financial position is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Deferred tax | **8,042** | 8,042 |

The movement in the deferred taxation account during the year was:

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Balance brought forward | **8,042** | 7,747 |
| Profit and loss account movement arising during the year | - | 295 |
| **Balance carried forward** | **8,042** | 8,042 |

**16. PROVISIONS**

Warranty provisions included in the Statement of Financial Position are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Balance brought forward | **833,607** | 18,925 |
| Movement arising during the year | **2,468** | 814,682 |
| **Balance carried forward** | **831,139** | 833,607 |

**17. EMPLOYEE BENEFITS**

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £58,382 (2015: £89,778).

**18. CALLED UP SHARE CAPITAL**

Issued, called up and fully paid

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **No** | **£** | No | £ |
| Ordinary shares of £1 each | **1,000** | **1,000** | 1,000 | 1,000 |

## 19. RESERVES

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

## 20. CASH GENERATED FROM OPERATIONS

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Loss for the financial year | (12,740,502) | (7,245,666) |
| | | |
| Adjustments for: | | |
| Depreciation of tangible assets | 25,414 | 18,932 |
| Interest payable and similar charges | 788,051 | 940,034 |
| Loss on disposal of tangible assets | 71,399 | 1,211 |
| Tax on (loss)/profit on ordinary activities | 110 | (1,823,943) |
| Accrued (income)/expenses | - | (13,027,991) |
| | | |
| Changes in: | | |
| Stocks | 8,201,825 | 10,078,924 |
| Trade and other debtors | 11,816,560 | (316,903) |
| Trade and other creditors | (7,771,200) | (3,573,024) |
| Movement on loans from group undertakings | (12,175.712) | 18,489,484 |
| Provisions and employee benefits | (2,763) | 814,682 |
| | (11,786,623) | 4,355,740 |

**21. Operating leases**

The total future minimum lease payments under non-cancellable operating leases are as follows:

| | **2016** | 2015 |
|---|---|---|
| | **£** | £ |
| Not later than 1 year | **142,423** | 40,345 |
| Later than 1 year and not later than 5 years | **122,778** | 149,130 |
| Later than 5 years | **391** | - |
| | **265,592** | 189,475 |

**22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

The company is a guarantor to the group finance facility of $75,000,000 (2015: $75,000,000) given by Kawa Solar Holdings Limited, the ultimate parent company to its bankers.

There were no capital commitments entered into at the year end.

**23. RELATED PARTY TRANSACTIONS**

The company was under the control of Kawa Solar Europe SARL throughout the current and previous year. Kawa Solar Europe SARL is controlled by Kawa Solar Holdings Limited.

The company has taken advantage of the exemption under Financial Reporting Standard 102 s33.1A from providing details of related party transactions with members or investees of the Kawa Solar Europe SARL Group.

**24. FINANCIAL RISK MANAGEMENT**

The company has exposures to four main areas of risk - price risk, liquidity risk, customer credit exposure and foreign exchange currency exposure.

**Price risk**
The recent drop in global oil prices (driven by over-supply and warmer temperatures) has driven the wholesale price of energy down which has slightly affected the sales price of Large Scale solar. The value of PV installation is a function of the value of energy. The majority of the UK grid is still supplied with fossil fuels (Coal and Gas) and the spreads here are the key drivers on power prices.

This has depressed the short term power curve and pressurised the margins for the constructors of non-coal energy generation. However, this is a short term position and the long term predictions for power prices are favourable.

In reality, the negative effects mentioned above have been offset to a large degree by a weakening Euro allowing a large proportion of the construction costs, which are incurred in Euro, to be reduced accordingly. Coupled with this, the developing nature of Solar PV means technology has become cheaper and more efficient, again negating the effects of the energy market.

**Liquidity risk**
The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the company has credit facilities available.

**Customer credit exposure**
The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

**Foreign exchange transactional currency exposure**
The company is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts. The forward foreign exchange contracts all mature within 12 months.

## 25. FINANCIAL ASSETS AND LIABILITIES

| | **2016** | 2015 |
|---|---|---|
| Financial assets measured at fair value through profit or loss | - | 280,164 |
| Financial assets measured at amortised cost | **5,560,982** | 30,433,583 |
| Financial liabilities measured at amortised cost | **11,043,207** | 21,075,953 |

## 26. CONTROLLING PARTY

The ultimate parent is Kawa Solar Holdings Limited, a company registered in The Cayman Islands. The immediate parent company is Kawa Solar Europe SARL an undertaking of Kawa Solar Holdings Limited.