COMPANY REGISTRATION NUMBER 07884713

CONERGY UK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2014

CONERGY UK LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	R S Goss Mrs L J Geraghty
Company secretary	Taylor Wessing Secretaries Limited
Registered office	Luminous House 300 South Row Central Milton Keynes MK9 2FR
Independent Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW
Bankers	Royal Bank of Scotland Plc Milton Keynes
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW

Introduction

The Strategic report sets out:

1. Company's Objectives and Strategy
2. Performance and Development during the period
3. Risks and uncertainties

1. Company Objectives and Strategy

The company seeks to create quality development opportunities and provide sector leading Electrical, Procurement and Construction (EPC) services backed up by first class Operational and Maintenance activities. By forming strategic partnerships with developers in the United Kingdom to develop shovel ready assets, securing along the way planning permissions, grid connection agreements and a suitable land lease agreement with the landowner, the shovel ready asset is then sold to strategic exit partners via Share Purchase Agreements (SPA) allowing the company to realise a healthy development margin. As part of the SPA, the company negotiates an EPC contract with the exit partner. This generates further profit margin for the company.

The Strategy of the company is driven by the significant energy issues facing the country. To meet Government energy policy objectives of sustainability and security of supply, significant investment will be required in the coming years. This has allowed the company to pursue its objectives and implement its intended strategy.

2. Performance and development during the period

During the 2014 financial year, the company was responsible for acquiring eight projects and commencing construction on seven of them, with the final project entering the construction phase in January 2015. A further three EPC contracts were entered into.

In the first quarter of 2014, the company finished the construction of the four EPC projects started at the end of 2013. These projects, along with two additional EPC contracts entered into in the first quarter, totalling 44mW of solar installation have not as yet achieved Provisional Acceptance Certificate (PAC) largely down to facing extreme adverse conditions during the construction phase. This combined with sub-par subcontractor performance has resulted in the company experiencing delays in the construction programme and consequential remedial works being required to bring the project to an acceptable standard prior to being issued with PAC. However, the ability to deliver investment grade constructed assets to the market was demonstrated and the reputation for delivering quality installations was established in the UK.

In the middle of 2014, the company acquired its first development project, The Grange, (21mW) and entered into an EPC contract to build what is currently the largest solar farm in the UK, Kencot Solar Farm (37.1mW).

The company also continued to work with strategic developer partners to realise a further 11.2mW of projects and secure EPC contracts on an additional 47.5mW. At the end of December, the total mW installed in completed and partially completed projects was 133.5mW. In the first quarter of 2015, these projects will result in 23.6mW of installation.

During this period, the company continued to invest in the development of its pipeline projects in order to secure the strategy and longer term business plan. The company invested a total of £1.937m in developing a pipeline which has already resulted in the sale and commencement of construction of three projects totalling 21mW.

Risks and uncertainties

Regulatory risk
Solar PV currently receives support, in varying forms, from the consumer as part of centrally administered schemes. As should be expected, this means Value for Money is scrutinised. The central Governments change to the support structure in the 2014 financial year has meant the company has been forced to adapt to the changing market conditions by focusing on sub 5mW size schemes allowing it to continue to compete for the incentivised Renewable Obligation Certificates(ROC's).

The PV industry has made real progress in levelised cost, reducing from £282 per mWh in 2011 to circa £130 per mWh in 2014 with analysts forecasting Solar PV to reach £100 per MWh by 2019.

In May 2014 the Department for Energy and Climate Change (DECC) announced that Solar PV >5mW was to be removed from the ROC scheme effective 1 April 2015. A replacement support mechanism, Contract for Difference (CfD) will be the regime applicable for installations >5mW, competing against onshore wind, with no minima in the framework. However, the ROC regime will still remain applicable for installations <5mW. This has allowed the company to focus on the smaller <5mW schemes which have the distinct benefit of having a much higher success rate of receiving planning permission.

Site selection has been key to managing this risk and by choosing high irradiation sites in the South of England, they are well placed to compete. The pipeline acquisition of projects around the 5mW level has given the company significant competitive advantage with these projects continuing to be eligible for the ROC regime (1.3 ROCs) from 1 April 2015.

The announcement in July 2014 of the £50m budget for the first round of CfD auctions is below expectations but still delivers a market size of 800mW for projects > 5mW. At present the company has chosen not to participate in the CfD scheme. This will remain the status quo until such time as it is deemed a better alternative to the current business model.

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 a 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, as outlined in this Strategic Report, 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
Operating in large scale PV developments as opposed to exclusively the residential or commercial rooftop market increases the liquidity risk to the business. This risk is managed at the earliest stage using one of the following financing routes open to us:

- Arranging a sale structure where cash receipts driven by construction milestone payments that are in advance of cash out flows to suppliers. This model has been adopted by our preferred exit partner in 2014, Magnetar Solar. Consequently, the company has experienced a positive cash flow in the latter parts of 2014.

- Arranging a pre-construction bridge finance which is non-recourse to the wider Group. The short nature of PV construction means the fixed costs of establishing the facility are expensive and we have not chosen this route in 2014 and it would appear 2015 will follow suit;

In addition to these project specific measures the company has sufficient cash to manage its day to day liquidity risks. The Parent Company (Kawa Solar Europe sarl) can also provide further liquidity support.

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 balance sheet 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.

Signed on behalf of the directors
R S GOSS

Director

Approved by the directors on 30th June 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £8,184,918. The directors have not recommended a dividend.

FINANCIAL INSTRUMENTS

Details of the company's financial risk management objectives and policies are included in within the Strategic Report.

DIRECTORS

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

R S Goss
Mrs L J Geraghty

DIRECTORS' RESPONSIBILITIES

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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.
- ensure applicable UK Accounting Standards have been followed and that any material departures are explained and disclosed in the financial statements.

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.

AUDITOR
Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

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

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

Signed on behalf of the directors

R S GOSS

Director

Approved by the directors on 30th June 2015

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

YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of Conergy UK Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement 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).

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.

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 2014 and of its profit 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Jeremy Read

JEREMY READ
(Senior Statutory Auditor)
For and on behalf of
Grant Thornton UK LLP
Chartered Accountants
& Statutory Auditor
Milton Keynes

30 June 2015

CONERGY UK LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
TURNOVER	2	**138,388,599**	17,456,237
Cost of sales		**(120,506,837)**	(15,489,922)
GROSS PROFIT		**17,881,762**	1,966,315
Distribution costs		**(158,707)**	(108,708)
Administrative expenses		**(7,431,023)**	(2,812,108)
OPERATING PROFIT/(LOSS)	3	**10,292,032**	(954,501)
Non operating exceptional item	6	**–**	1,337,702
		10,292,032	383,201
Interest receivable		**32,436**	–
Interest payable and similar charges	7	**(339,249)**	(15,828)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**9,985,219**	367,373
Tax on profit on ordinary activities	8	**(1,800,302)**	–
PROFIT FOR THE FINANCIAL YEAR	17	**8,184,918**	367,373

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 12 to 21 form part of these financial statements.

CONERGY UK LIMITED

BALANCE SHEET

31 DECEMBER 2014

	Note	2014 £	2014 £	2013 £
FIXED ASSETS				
Tangible assets	9		**36,889**	8,176
CURRENT ASSETS				
Stocks	10	**18,280,749**		12,693,285
Debtors	11	**17,241,551**		15,752,665
Cash at bank and in hand		**10,328,194**		2,399,941
		45,850,494		30,845,891
CREDITORS: Amounts falling due within one year	12	**38,360,325**		31,519,674
NET CURRENT ASSETS/(LIABILITIES)			**7,490,169**	(673,783)
TOTAL ASSETS LESS CURRENT LIABILITIES			**7,527,058**	(665,607)
PROVISIONS FOR LIABILITIES				
Deferred taxation	13		**7,747**	–
			7,519,311	(665,607)
CAPITAL AND RESERVES				
Called-up equity share capital	16		**1,000**	1,000
Profit and loss account	17		**7,518,311**	(666,607)
SHAREHOLDERS' FUNDS/(DEFICIT)	18		**7,519,311**	(665,607)

These accounts were approved by the directors and authorised for issue on 30 June 2015 and are signed on their behalf by:

....

R S Goss

Company Registration Number: 07884713

The notes on pages 12 to 21 form part of these financial statements.

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2014 £	2013 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		**8,271,676**	2,319,151
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	19		**(306,813)**	(15,828)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	19		**(36,610)**	(7,951)
INCREASE IN CASH	19		**7,928,253**	2,295,372

The notes on pages 12 to 21 form part of these financial statements.

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of preparation

The accounts have been prepared on the basis the company is a going concern, which the directors' consider appropriate for the following reasons:

The financial position of the company at 31 December 2014, its cash flows and liquidity position are shown in the balance sheet and cash flow statement. The company has access to a broad range of business expertise within its parent's group and as a consequence, the Board believes that the company is well placed to manage its business risks successfully. After making enquiries, the Board has reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Board continues to adopt the going concern basis in preparing these financial statements.

Turnover

Turnover represents amount chargeable, net of value added tax, in respect of the sale of goods and services to customers.

Turnover for installation and operations & maintenance is recognised as contract activity progresses and the right to the consideration is earned. It is recognised to the extent it is probable that the economic benefits will flow to the company and that revenue can be reliably measured.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

Computer equipment - Straight line over 3 years

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.

1. **ACCOUNTING POLICIES** *(continued)*

Related parties transactions

The company is a wholly owned subsidiary of Kawa Solar Europe SARL, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Kawa Solar Europe SARL group.

Construction contracts

Contracts to plan, manufacture, design, and assemble complex photovoltaic systems based on customer-specific requirements are reported in the 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.

Long-term contracts will appear in the balance sheet 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 costs incurred, net of amounts transferred to 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 balance sheet 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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

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:

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 currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company, that being the development, construction and sale of large scale solar photovoltaic systems.

An analysis of turnover is given below:

	2014	2013
	£	£
United Kingdom	**138,054,220**	17,420,515
Europe	**334,379**	35,722
	138,388,599	17,456,237

3. OPERATING PROFIT/(LOSS)

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

	2014	2013
	£	£
Depreciation of owned fixed assets	**7,897**	2,955
Staff pension contributions	**24,374**	13,687
Auditor's remuneration		
- as auditor	**27,600**	16,840
Operating lease costs:		
- Land and buildings	**102,102**	-
- Other	**67,785**	45,582
Net (profit)/loss on foreign currency translation	**(407,929)**	12,899

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2014	2013
	No	No
Number of administrative staff	**34**	17

The aggregate payroll costs of the above were:

	2014	2013
	£	£
Wages and salaries	**1,440,086**	659,029
Social security costs	**155,788**	78,018
Other pension costs	**43,620**	66,945
	1,639,494	803,992

5. DIRECTORS' REMUNERATION

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

	2014	2013
	£	£
Aggregate remuneration	**288,248**	202,697
Value of company pension contributions to money purchase schemes	**19,246**	53,258
	307,494	255,955

Remuneration of highest paid director:

	2014	2013
	£	£
Total remuneration (excluding pension contributions)	**175,348**	–
Value of company pension contributions to money purchase schemes	**11,796**	–
	187,144	–

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

	2014	2013
	No	No
Money purchase schemes	**2**	2

6. NON OPERATING EXCEPTIONAL ITEM

The non-operating exceptional item relates to an intercompany loan, which was written off during 2013 prior to the sale of the immediate parent company as part of the restructuring of the previous owners of the business.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£	£
Other similar charges payable	**339,249**	15,828

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2014	2013
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 21% (2013 - 20%)	**1,792,555**	-
Total current tax	**1,792,555**	-
Deferred tax:		
Origination and reversal of timing differences (note 13) Capital allowances	**7,747**	-
Tax on profit on ordinary activities	**1,800,302**	-

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21.5% (2013 - 20%).

	2014	2013
	£	£
Profit on ordinary activities before taxation	**9,985,219**	367,373
Profit on ordinary activities by rate of tax	**2,146,822**	73,475
Expenses not deductible for tax purposes	**77,321**	4,622
Capital allowances for period in excess of depreciation	**(6,030)**	(999)
Utilisation of tax losses	**(416,762)**	-
Unrelieved tax losses	**-**	190,442
Tax chargeable at lower rates	**(8,796)**	-
Exceptional item disallowed	**-**	(267,540)
Total current tax (note 8(a))	**1,792,555**	-

9. TANGIBLE FIXED ASSETS

	Computer equipment £
COST	
At 1 January 2014	**11,131**
Additions	**36,610**
At 31 December 2014	**47,741**
DEPRECIATION	
At 1 January 2014	**2,955**
Charge for the year	**7,897**
At 31 December 2014	**10,852**
NET BOOK VALUE	
At 31 December 2014	**36,889**
At 31 December 2013	8,176

10. STOCKS

	2014 £	2013 £
Long-term contract balances	**18,280,749**	12,693,285

11. DEBTORS

	2014 £	2013 £
Trade debtors	**3,649,153**	7,327,886
Amounts recoverable on contracts	**11,570,588**	-
Amounts owed by group undertakings	**49,889**	1,485
Other debtors	**–**	25,000
Prepayments and accrued income	**1,971,921**	8,398,294
	17,241,551	15,752,665

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

12. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Trade creditors	12,517,387	18,089,221
Amounts owed to group undertakings	4,675,599	1,118,336
Other creditors including taxation and social security:		
Corporation tax	1,792,555	–
PAYE and social security	89,706	24,189
VAT	1,066,609	2,751,755
Other creditors	4,823	2,563
	20,146,679	21,986,064
Construction accruals	2,728,854	-
Payments on account	3,055,992	9,333,683
Other accruals and deferred income	12,428,800	199,927
	38,360,325	31,519,674

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.

13. DEFERRED TAXATION

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

	2014	2013
	£	£
Profit and loss account movement arising during the year	7,747	-
Provision carried forward	7,747	-

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2014	2013
	£	£
Excess of taxation allowances over depreciation on fixed assets	7,747	-
	7,747	-

In 2013 a deferred tax asset of £416,762 had not been recognised in respect of tax losses carried forward which are available for offset against future trading profits given the lack of established operating profit at the balance sheet date. The potential deferred tax asset was calculated at 21%. All brought forward losses have been used within the current year tax computations and therefore no deferred tax asset exists in 2014.

14. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and buildings	**Other Items**	Land and buildings	Other Items
	£	**£**	£	£
Operating leases which expire:				
Within 1 year	**76,134**	**28,895**	-	2,392
Within 2 to 5 years	**-**	**46,596**	66,897	33,180
	76,134	**75,491**	66,897	35,572

15. RELATED PARTY TRANSACTIONS

The company was under the control of Kawa Solar Europe SARL throughout the current and previous year.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8. The company has taken advantage of the exemption under Financial Reporting Standard 8 from providing details of related party transactions with wholly owned group related parties.

16. SHARE CAPITAL

Allotted, called up and fully paid:

	2014		2013	
	No	**£**	No	£
Ordinary shares of £1 each	**1,000**	**1,000**	1,000	1,000

17. PROFIT AND LOSS ACCOUNT

	2014	2013
	£	£
Balance brought forward	**(666,607)**	(1,033,980)
Profit for the financial year	**8,184,918**	367,373
Balance carried forward	**7,518,311**	(666,607)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014	2013
	£	£
Profit for the financial year	**8,184,918**	367,373
Opening shareholders' deficit	**(665,607)**	(1,032,980)
Closing shareholders' funds/(deficit)	**7,519,311**	(665,607)

19. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014	2013
	£	£
Operating profit/(loss)	**10,292,032**	(954,501)
Depreciation	**7,897**	2,955
Increase in stocks	**(5,587,464)**	(12,527,286)
Increase in debtors	**(1,488,885)**	(14,068,685)
Increase in creditors	**5,048,096**	28,528,966
Non operating exceptional item	**-**	1,337,702
Net cash inflow from operating activities	**8,271,676**	2,319,151

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2014	2013
	£	£
Interest received	**32,436**	-
Interest paid	**(339,249)**	(15,828)
Net cash outflow from returns on investments and servicing of finance	**(306,813)**	(15,828)

19. NOTES TO THE CASH FLOW STATEMENT *(continued)*

CAPITAL EXPENDITURE

	2014 £	2013 £
Payments to acquire tangible fixed assets	**(36,610)**	(7,951)
Net cash outflow from capital expenditure	**(36,610)**	(7,951)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £	2013 £
Increase in cash in the period	**7,928,253**	2,295,372
Movement in net funds in the period	**7,928,253**	2,295,372
Net funds at 1 January 2014	**2,399,941**	104,569
Net funds at 31 December 2014	**10,328,194**	2,399,941

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2014 £	Cash flows £	At 31 Dec 2014 £
Net cash:			
Cash in hand and at bank	**2,399,941**	**7,928,253**	**10,328,194**
Net funds	**2,399,941**	**7,928,253**	**10,328,194**

20. ULTIMATE PARENT COMPANY

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