

Company Registration No. 3570325

Solar Century Holdings Limited

Annual Report and Financial Statements

31 March 2010

TUESDAY



LD4 27/07/2010 74
COMPANIES HOUSE

Solar Century Holdings Limited

Report and financial statements 2010

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Income statement	7
Statement of comprehensive loss	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12

Solar Century Holdings Limited

Report and financial statements 2010

Officers and professional advisers

Directors

A Eggenberg	(Non Executive)
A W Lee	(Non Executive)
J S Leggate	(Non Executive)
J K Leggett	(Chairman)
D Newman	
N G Perry	
A J Pike	(Non Executive)
S Salty	(Non Executive)

Company Secretary

J D Faulks

Registered Office

91-94 Lower Marsh
London
SE1 7AB

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

Solicitors

Covington & Burling LLP
265 Strand
London
WC2R 1BH

Auditors

Deloitte LLP
Chartered Accountants
London

Solar Century Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2010 in accordance with International Financial Reporting Standards ("IFRS")

Principal activities

The principal activity of the Company continued to be that of the design, development and supply and installation of solar energy products and systems. The Company expects to continue with this activity.

Business review and future developments

Despite facing the most challenging economic conditions in the Company's history sales increased 23% to £34.5m. UK revenue rose 46% year on year driven by sales of proprietary solar roof tiles to house builders as this industry switched to social housing completions requiring incorporation of renewable technologies to meet building codes. Revenue from the UK solar installer distribution channel also rose significantly as end customers took advantage of grants available for individuals and public bodies. Other European revenue was down 5% year on year as exceptional growth in France (27% of total revenue in 2009/10) was offset by a steep decline in sales to Spain following revision of their Feed in Tariff in September 2009. The UK was 65% of revenue and other European sales 35%.

Management continue to measure sales and growth in revenue from proprietary products as primary KPIs. Proprietary products are sold for use mainly in residential projects where revenue rose 115% year on year in 2009/10. The key non-financial performance indicators relate to the distribution of employees across the business where non-UK based employees have increased as a proportion of total headcount.

Sales were in line with budget and gross margin improved to 21.1% (2008/9 17%) due to improved product mix, increased sales of proprietary products, cost reductions derived from £0.8m (2008/9 £1m) investment in R&D and a worldwide fall in solar module prices. Overheads were up 5% leaving significantly reduced net losses of £0.7m (£2.9m).

Cash of £1.2m was generated from operating activities (2008/9 £0.2m inflow) due mainly to working capital reduction despite inventory rising to £7.8m (2008/9 £5.8m) caused by a shortage of solar modules and other components in the second half of 2009. Cash was £10.0m (2008/9 £9.5m) whilst there is no debt in the year to 31 March 2010.

The key operating risk in 2010/11 is the withdrawal or suspension of support mechanisms for solar photovoltaics (PV) in the UK, Italy and France. However, the UK 'Feed in Tariff' has only recently been made law against a background of cross party support whilst, like most such schemes, funding is from a small charge on customer electricity bills and not from central government cash spending. In other countries well flagged reductions in tariffs are more likely than removal. The Company is also suffering from a worldwide shortage of inverters, a key component of solar PV systems. However, diversification of supply and increased available capacity from existing suppliers in the second half of 2H 2010 is expected to alleviate this situation.

The main financial risk continues to be a lack of working capital to finance large PV projects. However, management can control this by accepting a limited number of contracts simultaneously and has recently put in place a facility with Lloyds TSB to help fund such requirements. Bad debts remain a risk but credit insurance availability has improved significantly in the past 6 months whilst actual uninsured loss experience is still low. Internal credit control resources have been increased.

With economic conditions improved and feed in tariffs now in place in every market where the Company operates the outlook for 2010/11 and beyond is promising. In addition there is planning and building code legislation in most key markets that require the use of renewable technologies on new build and some major retrofit building projects. The Company plans to expand headcount in all markets except Spain whilst investing in R&D and marketing, especially in the UK. With a strong balance sheet the directors expect another successful year in 2010/11.

Environment and society

The Company operates according to ten working principles (see www.solarcentury.com for details). These principles are intended to ensure that the Company operates to the highest environmental, social and ethical standards. The Company holds ISO14001 (Registration EMS535856) and EMAS certification (Registration UK000159) – see www.emas.org.uk

Solar Century Holdings Limited

Directors' report (continued)

Branches

The Company operates sales branches in Europe at the following locations

France	Le Gabut, 1er étage, 6 Promenoir du Drakkar, 17000 La Rochelle
Italy	Via ceradini 12, Milano, 20129
Spain	C/ Josefa Valcárcel, 8 2ª planta, 28027-Madrid

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 Company would continue. It is the policy of the Company 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 options. The directors also believe that the principal activity of the Company together with adherence to the 10 working principles above can help attract and retain colleagues beyond standard compensation methods.

Results and dividends

The loss for the financial year was £0.7m (2009 loss of £2.9m). The directors do not recommend the payment of a dividend for the year (2009 - £nil).

Share capital

Prior to the establishment of the Enterprise Management Incentive (EMI) share option scheme, all established employees and directors were able to buy shares in the Company. Those based in the UK now participate in the EMI share option scheme. The articles require that employees and directors who leave the Company may have to forfeit their shares. An employee benefit trust (EBT) has been established as the vehicle for holding shares available for employees. The EBT held 2,729 shares as at 31 March 2010.

Directors

The Directors who served throughout the year, except as noted, were as follows

A Eggenberg (appointed 20 May 2009)
A W Lee
J S Leggate
J K Leggett
M Nauer (resigned 20 May 2009)
D Newman
N G Perry
A J Pike
S Salty

Directors' interests

The directors' beneficial interests in the shares of the Company are

	Ordinary shares of £1 each	
	31 March 2010	31 March 2009
J K Leggett	3,325	3,325
D Newman	433	-
N G Perry	1,070	-
	Total	Total
	holding at	holding at
	31 March	31 March
	2010	2009
Directors' share options		
D Newman	470	503
N G Perry	46	1,079

Solar Century Holdings Limited

Directors' report (continued)

Directors' interests (continued)

The share options granted prior to 31 March 2003 have an exercise price of £2, had vested by 31 March 2006 and must be exercised within 10 years of grant. The share options granted between 1 April 2003 and 31 March 2006 have an exercise price of £2, vested on 25 July 2005 and must be exercised within 10 years of grant. Most share options granted since May 2006 have an exercise price of £2, 25% vest 12 months after the date of grant with the remainder vesting in 36 equal instalments monthly after the first anniversary of the date of grant. Some grants in 2009/10 vest on the satisfaction of certain performance conditions. No other directors held share options in the Company during the year.

Going concern basis

Solarcentury is an equity funded business with no debt and cash balances of £10m. This strong liquidity position persists into the current financial year which has recorded further rapid year-on-year revenue and gross profit growth. The Directors have undertaken a scenario planning exercise for 2010-11 forecasts. This scenario planning takes account of the directors' view of reasonably possible variations in performance taking into account any uncertainty in current economic conditions. This forecast has been extrapolated on a monthly basis into the 2011/12 financial year and indicates sufficient liquidity headroom even assuming reductions in revenue that are not born out by current trading experience or prospects. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

In the case of each of the persons who are directors of the Company at the date when this report was approved

- 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 Company's auditors are unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

The auditors, Deloitte LLP, have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



J D Faulks
Secretary

21st July 2010

Solar Century Holdings Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 (IFRSs) 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- 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 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 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.

Independent auditors' report to the members of Solar Century Holdings Limited (Company Registration No. 3570325)

We have audited the financial statements of Solar Century Holdings Limited for the year ended 31 March 2010 which comprise the Income Statement, the Statement of Comprehensive Loss, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 31. 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.

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

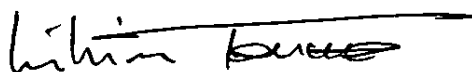
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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.



William Touche (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

21st July 2010

Solar Century Holdings Limited

Income statement

Year ended 31 March 2010

	Notes	2010 £	2009 £
Revenue	4	34,518,174	28,058,530
Cost of sales		(27,237,156)	(23,293,479)
Gross profit		7,281,018	4,765,051
Selling and distribution costs		(2,193,446)	(2,860,414)
Research and development costs		(822,939)	(996,248)
Administrative expenses		(5,434,243)	(4,176,148)
Loss before interest, tax, depreciation, amortisation and impairment		(768,062)	(3,010,919)
Depreciation, amortisation and impairment		(401,548)	(256,840)
Operating loss	5	(1,169,610)	(3,267,759)
Investment revenues	8	90,798	335,636
Finance costs	9	(97)	(273)
Loss before tax		(1,078,909)	(2,932,396)
Tax	10	351,998	-
Loss for the year		(726,911)	(2,932,396)
Attributable to equity holders		(726,911)	(2,932,396)

Solar Century Holdings Limited

Statement of comprehensive loss Year ended 31 March 2010

	2010 £	2009 £
Net income recognised directly in equity		
Loss for the period	(726,911)	(2,932,396)
Loss on available for sale investments	(94,268)	(15,831)
Total comprehensive loss for the year	<u>(821,179)</u>	<u>(2,948,227)</u>
Attributable to equity holders	<u>(821,179)</u>	<u>(2,948,227)</u>

Solar Century Holdings Limited

Balance sheet At 31 March 2010

	Notes	2010 £	2009 £
Non-current assets			
Intangible assets	11	764,738	457,672
Property, plant and equipment	12	153,417	590,866
Investments	13	94,333	188,601
		<u>1,012,488</u>	<u>1,237,139</u>
Current assets			
Inventories	14	7,837,671	5,833,968
Trade and other receivables	16	6,727,521	4,077,550
Derivative financial assets	29	49,435	26,886
Assets held for sale	17	382,204	-
Cash and cash equivalents	18	10,046,983	9,475,038
		<u>25,043,814</u>	<u>19,413,442</u>
Total assets		<u>26,056,302</u>	<u>20,650,581</u>
Current liabilities			
Trade and other payables	20	(11,650,018)	(6,391,787)
Deferred revenue	20	(1,703,374)	(1,162,284)
Provisions	21	(578,298)	(346,244)
Total liabilities		<u>(13,931,690)</u>	<u>(7,900,315)</u>
Net current assets		<u>11,112,124</u>	<u>11,513,127</u>
Net assets		<u>12,124,612</u>	<u>12,750,266</u>
Equity			
Share capital	22	36,463	35,857
Share premium account	23	29,077,274	29,076,668
Own shares	24	(590,956)	(572,616)
Retained earnings	25	(16,398,169)	(15,789,643)
Total equity		<u>12,124,612</u>	<u>12,750,266</u>

The financial statements (Company Reg No 3570325) were approved by the Board of Directors and authorised for issue on 21st July 2010. They were signed on its behalf by



N G Perry
Director

Solar Century Holdings Limited

Statement of changes in equity Year ended 31 March 2010

	Share Capital £	Share Premium Account £	Own Shares £	Retained Loss £	Total Equity £
Balance at 1 April 2009	35,857	29,076,668	(545,041)	(12,914,416)	15,653,068
Loss for the year				(2,932,396)	(2,932,396)
Loss on available for sale investments				(15,831)	(15,831)
Total comprehensive loss for the period				(2,948,227)	(2,948,227)
Credit to equity on share- based payments				73,000	73,000
Purchase of own shares by EBT			(27,575)		(27,575)
Balance at 31 March 2009	35,857	29,076,668	(572,616)	(15,789,643)	12,750,266
Loss for the year				(726,911)	(726,911)
Loss on available for sale investments				(94,268)	(94,268)
Total comprehensive loss for the year				(821,179)	(821,179)
Issue of share capital	606	606			1,212
Credit to equity on share- based payments				212,653	212,653
Purchase of own shares by EBT			(22,088)		(22,088)
Disposed of on exercise of options			3,748		3,748
Balance at 31 March 2010	36,463	29,077,274	(590,956)	(16,398,169)	12,124,612

Solar Century Holdings Limited

Cash flow statement Year ended 31 March 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	26	1,202,217	189,020
Investing activities			
Interest received		74,152	372,461
Purchases of property, plant and equipment		(92,319)	(453,991)
Expenditure on capitalised development costs		(472,375)	(359,531)
Proceeds from the disposal of property, plant and equipment		-	1,430
Net cash used in investing activities		(490,542)	(439,631)
Financing activities			
Interest paid		(97)	(273)
Net investment in own shares		(21,330)	(27,575)
Net cash used in financing activities		(21,427)	(27,848)
Net increase/(decrease) in cash and cash equivalents		690,248	(278,459)
Cash and cash equivalents at beginning of year		9,475,037	9,753,497
Effect of foreign exchange rate changes		(118,303)	-
Cash and cash equivalents at end of year		10,046,982	9,475,038

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

1 General information

Solar Century Holdings Limited is a Company incorporated in Great Britain and registered in England and Wales (Registered Number 3570325) under the Companies Act 2006. The address of the registered office is provided on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments which are carried at fair value. The principal accounting policies adopted are set out below.

The Company has one dormant subsidiary with a share capital of £2, and accordingly there is no material difference between the Company's own financial statements and Consolidated financial statements and thus Consolidated accounts have not been prepared.

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Business Review on page 2.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 April 2009:

IFRS 2	<i>Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009</i>
IFRS 7	<i>Financial Instruments: Disclosures effective 1 January 2009</i>
IAS 1	<i>Presentation of Financial Statements effective 1 January 2009</i>

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below.

Standards affecting presentation and disclosure

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Notes 15, 16, 17, 18 and 20. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 29.

The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive loss: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to IFRS 1	<i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>
Amendment to IFRIC 14	<i>Prepayments of a Minimum Funding Requirement</i>
IFRS 9	<i>Financial Instruments</i>
IAS 24 (revised)	<i>Related Party Transactions</i>
Amendments to IAS 32	<i>Classification of rights issues</i>
Amendments to IFRS 1	<i>Additional Exemptions for First-time Adopters</i>
Amendments to IFRIC 9 and IAS 39	<i>Embedded derivatives</i>

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application.

Non-GAAP Measures

For the presentation of non-GAAP measures the Company chooses to present loss before interest, tax, depreciation, amortisation and impairments (EBITDA) within a box on the face of the income statement. The directors believe this measure to be of benefit to the users. In the prior year this amount excluded £63,597 impairment of intangibles but the directors believe that inclusion of impairments presents a better measure of performance and accordingly the prior-year EBITDA has been adjusted for consistency with the current year presentation.

Foreign currencies

The individual financial statements of each branch are recorded in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of these financial statements, the results and financial position of each entity are expressed in GBP, which is the presentational currency for the financial statements.

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.

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.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

2 Significant accounting policies (continued)

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

Sales of goods are recognised when goods are delivered and/or when significant risk and reward have passed

Revenue from the rendering of services is recognised on a 'percentage of completion' (PoC) basis by reference, at the balance sheet date, to the stage of completion of the service as a proportion of the total revenue due at complete execution of the service. The Company will assess the stage of completion of each service contract based on each party's enforceable rights, the contract consideration, settlement terms and contract performance at balance sheet date

Revenue from 'turnkey contracts' is recognised in accordance with the Company's accounting policy on turnkey contracts (see below)

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

Income from financial instruments is recognised according to the nature of the instrument as described for financial assets and derivative instruments below

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

Turnkey contracts

'Turnkey contracts' are defined by the Company as all-encompassing project contracts covering the design, procurement, equipment supply, installation and commissioning of photovoltaic and solar thermal systems, falling under the definition of IAS 11 *Construction Contracts*

Where the outcome of a turnkey contract can be estimated reliably, revenue and costs are recognised on a 'percentage of completion' (PoC) basis by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is estimated with reference to valuations of work completed and/or contract milestones. Estimates may also refer to the value of contract costs incurred as a proportion of the estimated costs to completion. In these cases, the costs incurred will not include charges assigned to the project for goods and services that remain unutilised at the valuation point. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer

Where the outcome of a turnkey contract cannot be estimated on a PoC basis, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

2 Significant accounting policies (continued)

Operating leases

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term

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

Operating profit

Operating profit is stated before investment income and finance costs

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by 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 the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 the taxable profit nor the 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 Company 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 recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

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 Company intends to settle its current tax assets and liabilities on a net basis

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

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

Computer equipment	2-4 years
Fixtures, fittings and furniture	3-7 years
Tools and equipment	3-5 years
Motor vehicles	2-5 years

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

2 Significant accounting policies (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred and included in Research and Development costs on the face of the Income Statement

An internally-generated intangible asset arising from the Company's development activities is recognised only if all of the following conditions are met

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits whose fair value at the balance sheet date can be reasonably estimated, and
- the development cost of the asset can be attributed and measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. This period is likely to range from 2-5 years for the Company's current and anticipated development projects. The amortisation is included within depreciation, amortisation and impairment costs on the face of the Income Statement and shown separately in Note 11. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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 Company 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 Company estimates the recoverable amount by reference to the cash-generating unit in which the asset belongs.

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.

Inventories

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.

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.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

2 Significant accounting policies (continued)

Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

Investments

Investments comprise equity instruments of another entity in which the Company does not maintain a significant interest or influence

Investments held by the Company are in general held for sale over the medium to long term rather than for speculative trading and are classified as held for sale. Available for sale investments which have a quoted price on a recognised exchange, a history of trading on an active market or which can be reliably valued by an external source are stated at fair value, with any resultant gain or loss recognised directly in equity

All other investments are stated at purchase cost net of direct transaction expenses

Where investments are expected to be held by the Company for more than 12 months from the balance sheet date, they are included under non-current assets within the balance sheet. In all other cases they are reported under current assets

Other financial assets

Trade receivables are held at cost less specific write-downs reflecting the probability of not being able to collect particular payments

Cash and cash equivalents are described below under a separate heading

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (which are marked to market), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted

The carrying amount of the financial asset is reduced by the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In the case of trade receivables, specific write-downs are reviewed periodically, with respect to the age of the outstanding receivable, the trading terms applying and the Company's credit management policy. Any movement in write-down is reflected through profit and loss in the period

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

Financial liabilities and equity

Financial liabilities and equity instruments are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

2 Significant accounting policies (continued)

Other financial liabilities

The Company enters into derivative instruments which may be financial liabilities. The Company's accounting policy for derivatives is described below under a separate heading.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently at amortised cost using the effective interest method (described earlier), with interest expense recognised on an effective yield basis.

Where the remaining maturity of a financial liability is less than 12 months and/or it is expected to be realised or settled within 12 months, the instrument is reported under long-term liabilities. In all other cases it is included under current liabilities.

Derivative financial instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. The Company does not enter into speculative derivative contracts. Details of the Company's derivative financial instruments are disclosed in note 29.

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. 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.

Provisions

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

Provisions are currently recognised by the Company in respect of warranties granted to customers. Management estimates of expected future expenditure under these warranties are supported by established industry failure mode analyses together with the Company's own failure mode data collected by its customer relations department.

Pensions

Pension costs charged in the financial statements represent the contributions payable by the Company 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 Company has applied the requirements of IFRS 2 *Share-based Payment* in respect of its Employee Benefit Trust ("EBT"). 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.

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.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of unbilled revenues

A significant proportion of the Company's revenue is generated from turnkey projects and design and project management services. Revenues from such contracts are recognised over the term of the projects on a percentage of completion (PoC) basis and the estimate of earned but unbilled revenues is recorded as accrued revenue at the balance sheet date (see note 15). Whilst the Company has significant experience in executing such contracts as well as in accurately estimating PoC, some uncertainty will remain on the recoverability of these revenues until completion of each contract.

Recoverability of internally-generated intangible assets

During the year, internally-generated intangible assets were recognised, being a requirement under IAS 38 *Intangible Assets*. They are included in the balance sheet at a value of £640k. The recoverability of development assets capitalised has been considered by management and no need for an impairment charge was identified. There remains an element of uncertainty around projected profit and revenue estimates. Demand and sales will be closely monitored.

Warranty provisions

The Company provides for future liabilities arising from contractual obligations in relation to warranties granted to customers. Estimates of the likely value of these obligations are made using established industry failure mode analyses together with the Company's own failure mode data collected by its customer relations department. 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 note 21).

Fair valuation of employee share options

The value of the employee share options valued under IFRS 2 *Share-based Payment* at the balance sheet date were arrived at by considering various factors set out in note 2, including reference to the price at which ordinary shares of comparable listed companies were trading at the relevant dates of grant of the options. The determination involves judgement in a number of areas including the discounts applied and there remains a level of uncertainty in the comparability of Solar Century Holdings Limited with the identified group of similar companies.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

4 Revenue

An analysis of the Company's revenue is as follows

	2010 £	2009 £
Sales of goods	31,057,260	25,249,206
Rendering of services	3,460,914	2,809,324
Total revenue as indicated on the face of the income statement	34,518,174	28,058,530
Investment income	102,273	335,636
Total revenue as defined by IAS 18	34,620,447	28,394,166

Included within sale of goods and rendering of services are £8,878,690 (£5,484,673 in 2009) attributable to turnkey contracts as described in Note 2 and further disclosed in Note 15

34.9% (2009 – 44.9%) of the Company's revenue was to continental European markets, the remaining revenue related to the United Kingdom

5 Loss for the year

Loss for the year has been arrived at after charging/(crediting)

		2010 £	2009 £
Net foreign exchange losses/(gains)		237,898	(25,975)
Depreciation of property, plant and equipment	Note 12	146,360	145,459
Amortisation of intangible assets	Note 11	165,309	47,784
Impairment of intangible assets	Note 11	-	63,597
Impairment of asset held for sale	Note 17	89,879	-
Cost of inventories recognised as expense		22,303,356	20,278,702
Write downs of inventories to the income statement		67,297	64,139
Staff costs	Note 7	6,195,161	5,306,878
Impairment losses on trade receivables	Note 16	210,567	93,695
Research and development expense		996,594	996,248
Loss on disposal of property, plant and equipment		1,203	12,431

6 Auditors' remuneration

The analysis of auditors' remuneration is as follows

	2010 £	2009 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	74,000	54,000
Total audit fees	74,000	54,000
Other services		
Tax services	44,328	27,500
Total non-audit fees	44,328	27,500

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

7 Staff costs

The average monthly number of employees (including executive directors) was

	2010 Number	2009 Number
Administration	38	37
Sales and distribution	41	31
Technical	34	38
	<u>113</u>	<u>106</u>

	£	£
Their aggregate remuneration comprised		
Wages and salaries	5,182,356	4,479,566
Social security costs	668,105	650,747
Share-based payments	212,653	72,955
Other pension costs	132,047	103,610
	<u>6,195,161</u>	<u>5,306,878</u>

Aggregate directors' remuneration included within the above figures comprised

	2010 £	2009 £
Emoluments	401,198	379,178
Share-based payments	93,753	23,527
Pension scheme contributions	9,021	10,800

The highest paid director received total emoluments for the year of £152,843 (2009 – £128,276) and pension scheme contributions of £3,300 (2009 – £3,600). The number of directors receiving pension scheme contributions during the year was three (2009 – three).

8 Investment revenue

	2010 £	2009 £
Interest income on bank deposits	68,249	311,380
Profit on fair valuation of derivative financial instruments	22,549	24,256
	<u>90,798</u>	<u>335,636</u>

The derivative instruments comprise forward currency exchange contracts held for non-speculative purposes and are detailed further in note 29.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

9 Finance costs

	2010 £	2009 £
Interest on bank overdrafts and loans	97	273
Total finance costs	97	273

10 Tax

	2010 £	2009 £
Current tax		
UK corporation tax repayment	(351,998)	-

Corporation tax is calculated at 28% (2009 – 28%) of the estimated assessable profit for the year. There is no deferred tax charge for the year (2009 – £nil).

The charge for the year can be reconciled to the profit per the income statement as follows

	2010 £	2009 £
Loss before tax	(1,078,909)	(2,932,396)
Tax at the UK corporation tax rate of 28% (2009 – 28%)	(302,095)	(821,071)
Tax effect of (income)/expenses that are not deductible in determining taxable profit	(89,389)	4,657
Depreciation in excess of Capital allowances/(Capital allowances in excess of depreciation)	26,981	(17,135)
Research & Development credits repaid	(226,998)	-
Research & Development credits accrued	(125,000)	-
Tax effect of tax losses not used	364,503	833,549
Tax credit for the year	(351,998)	-

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

11 Intangible fixed assets

	Development costs £	Software £	Total £
Cost			
At 1 April 2009	423,434	122,396	545,830
Additions	-	127,083	127,083
Internally generated	345,292	-	345,292
At 31 March 2010	768,726	249,479	1,018,205
Amortisation			
At 1 April 2009	-	88,158	88,158
Charge for the year	128,716	36,593	165,309
At 31 March 2010	128,716	124,751	253,467
Carrying amount			
At 31 March 2009	423,434	34,238	457,672
At 31 March 2010	640,010	124,728	764,738

The amortisation period for development capitalised costs is their estimated useful life (likely to range over 2-5 years)

The Company reviews capitalised development costs annually to assess any possible impairment. Following this review no impairment charges were deemed necessary.

12 Property, plant and equipment

	Plant £	Computer equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 April 2009	408,483	483,499	271,628	14,550	1,178,160
Additions	-	23,928	68,391	-	92,319
Disposals	-	(824)	(48,957)	-	(49,781)
Reclassified as asset for sale	(408,483)	-	-	-	(408,483)
At 31 March 2010	-	506,603	291,062	14,550	812,215
Accumulated depreciation					
At 1 April 2009	5,957	357,441	209,346	14,550	587,294
Charge for the year	20,322	88,152	37,886	-	146,360
Eliminated on disposal	-	(487)	(48,090)	-	(48,577)
On asset reclassified as asset for sale	(26,279)	-	-	-	(26,279)
At 31 March 2010	-	445,106	199,142	14,550	658,798
Carrying amount					
At 31 March 2009	402,526	126,058	62,282	-	590,866
At 31 March 2010	-	61,497	91,920	-	153,417

Details of the asset reclassified from plant to held for sale can be found in Note 17

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

13 Investments

Equity instruments of other entities

	Non-current	
	2010	2009
	£	£
Available-for-sale investments carried at fair value		
- New Energies Invest AG	94,331	188,599
Other investments carried at cost		
- Solarcentury.com	2	2
	<u>94,333</u>	<u>188,601</u>

The Company holds a strategic non-controlling interest of 0.2% in New Energies Investment Limited ("NEI"), a Swiss registered investment fund. These shares are not held for trading and accordingly are classified as available for sale. Gains or losses on revaluation are recognised directly in equity. The fair values of the securities are calculated with reference to the published net asset value (NAV) of the fund. There is no quoted market for the shares but they are traded on a matched bargain basis with current prices falling within a discount of 0-25% to the NAV. The Company has provided consultancy services to NEI, from which it can earn an annual fee in addition to a fee for providing a non-executive director to the Board of NEI. The fees, included within Revenue on the Income Statement, parts of which are linked to the published annual NAV of NEI, comprised £29,542 in 2010 (2009 – £24,477).

The investment in Solarcentury.com is a 100% holding in a dormant Company, held at cost.

14 Inventories

	2010	2009
	£	£
Components	7,089,264	5,140,975
Work in progress	748,407	692,993
	<u>7,837,671</u>	<u>5,833,968</u>

Components are shown net of allowances for obsolete and slow-moving items totalling £273,880 (£261,437 in 2009).

Work in progress comprises amounts incurred on turnkey projects and design and project management service contracts against which revenue has not yet been recognised. Work in progress is valued at cost.

15 Turnkey contracts

Turnkey contracts are defined in note 2.

Turnkey contracts in progress at the balance sheet date

	2010	2009
	£	£
Amounts due from turnkey customers included in trade and other receivables	2,338,449	2,191,139
Amounts due to turnkey customers included in trade and other payables	(118,215)	(133,426)
	<u>2,220,234</u>	<u>2,057,713</u>
Contract costs incurred plus recognised profits less recognised losses to date	201,233	377,461
Less progress billings	(193,700)	(352,312)
	<u>7,533</u>	<u>25,149</u>

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

15 Turnkey contracts (continued)

At 31 March 2010, retentions held by customers for turnkey contract work amounted to £3,111 (2009 – £24,921) Advances received from customers for turnkey contract work amounted to £154,720 (2009 – £401,815)

There are no amounts included in trade and other receivables and arising from construction contracts that are due for settlement after more than 12 months

16 Other financial assets

Trade and other receivables

	2010 £	2009 £
Trade receivables	6,495,847	3,875,241
Impairment of trade receivables	(391,699)	(212,463)
Trade receivables net of impairment	6,104,148	3,662,778
Current tax receivable	125,000	-
Other debtors	65,769	285,288
Prepayments	432,604	129,484
	<u>6,727,521</u>	<u>4,077,550</u>

The directors consider that the carrying amount of all trade and other receivables approximates their fair value

Trade receivables

Included in the Company's trade receivable balance are debtors with a carrying amount of £2,989,640 (2009 – £892,621) which are past due at the reporting date for which the Company has not provided 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 Company's credit insurance policy The Company does not hold any collateral over these balances In determining the recoverability of uninsured trade receivables, the Company 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

Aged analysis of overdue but unimpaired trade receivables

	2010 £	2009 £
30-60 days	2,194,638	493,949
60-90 days	449,944	378,496
90+ days	345,058	20,176
	<u>2,989,640</u>	<u>892,621</u>

The impairment of trade receivables is applied separately against the carrying amounts of specific receivables The impairment is applied where the receivable is not covered by the Company's credit insurance policy, where the amount remains outstanding beyond the contracted payment period and where recoverability is judged by management to be in doubt In determining the recoverability of a trade receivable, the Company considers the past credit history of the customer and any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

16 Other financial assets (continued)

Movement in the allowance for doubtful debts

	2010 £	2009 £
Balance at the beginning of the year	212,463	95,508
Impairment losses recognised	337,671	161,248
Amounts written off	(31,331)	-
Impairment losses reversed	(127,104)	(44,293)
Balance at the end of the year	<u>391,699</u>	<u>212,463</u>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Aged analysis of impaired trade receivables

	2010 £	2009 £
<60 days	47,519	69,312
60-90 days	8,651	56,889
90+ days	335,529	86,262
	<u>391,699</u>	<u>212,463</u>

17 Asset held for sale

	2010 £	2009 £
Asset held for sale	<u>382,204</u>	<u>-</u>

In 2008/09 the Company constructed a PV plant in Germany with the plant being capitalised and depreciated over a period of 20 years. The plant has subsequently been actively marketed at its net present value based on projected discounted cash flow generated from the German feed in tariff. A buyer has been identified for the plant and has entered into a conditional purchase agreement which is anticipated to conclude in the summer of 2010. Accordingly the directors believe it is appropriate to reclassify the plant as an asset held for sale under criteria outlined in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

An impairment charge of £89,879 has been recorded at the point of reclassification of the plant to reflect the shortfall of the anticipated sale proceeds against the net book value of the asset. The carrying amount of this asset therefore equates to its fair value.

18 Cash and cash equivalents

	2010 £	2009 £
Cash and cash equivalents	<u>10,046,983</u>	<u>9,475,038</u>

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

Within cash and cash equivalents, an amount of £166,391 is restricted, being held by HSBC to cover the guarantees disclosed in Note 27.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

19 Deferred tax

The Company has no deferred tax liabilities or assets recognised during the current and prior reporting period

A deferred tax asset amounting to £4.4m (2009 – £4.2m) for unused tax losses and accelerated tax depreciation has not been recognised. In the opinion of the directors, it is not probable that taxable profit will be available against which the deferred tax asset could be utilised.

20 Other financial liabilities

Trade and other payables

	2010 £	2009 £
Trade creditors	8,696,388	4,470,942
Other payables and accruals	2,953,630	1,920,845
	<u>11,650,018</u>	<u>6,391,787</u>

Trade creditors comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on outstanding payables. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Other payables and accruals comprise amounts outstanding for trade purchases and ongoing costs as well as payables in respect of VAT, payroll taxes and overseas withholding taxes.

Included within other payables and accruals is £55,000 (2009 – £55,000) in respect of a grant received from The Carbon Trust.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Deferred revenue

	2010 £	2009 £
Turnkey contracts	1,186,932	797,792
Other contracts	516,442	364,492
	<u>1,703,374</u>	<u>1,162,284</u>

Deferred revenue comprises progress billings to customers that exceed the amounts recognised as revenue in respect of those customer contracts. All amounts fall under current liabilities.

21 Provisions

	Warranty provision £
At 1 April 2009	346,244
Additional provision in the year	243,935
Utilisation of provision	(11,881)
At 31 March 2010	<u>578,298</u>
Included in current liabilities	<u>578,298</u>

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

21 Provisions (continued)

The warranty provision represents management's best estimate of the Company's liability under warranties granted to customers. The timing of these potential outflows is uncertain and is project or product specific, although industry data suggests a higher probability of outflows in the first three years after project completion.

22 Share capital

	2010 £	2009 £
Authorised		
40,000 (2009 40,000) shares of £1 each, consisting of		
- A shares	18,555	18,555
- B shares	7,088	7,088
- ordinary shares	14,357	14,357
	<u>40,000</u>	<u>40,000</u>
Issued and fully paid		
36,463 (2009 35,857) shares, consisting of		
- A shares	18,555	18,555
- B shares	7,088	7,088
- ordinary shares	10,820	10,214
	<u>36,463</u>	<u>35,857</u>

During the year 606 new shares were issued to the Solar Century Holdings Employee Benefit Trust at a value of £2 per share.

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 Company. 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. Five A and B shareholders have the right to appoint a director to the Board and both these classes of shares have voting rights on certain reserved matters.

23 Share premium account

	Share premium £
Balance at 1 April 2009	29,076,668
Premium arising on issue of equity shares	606
Balance at 31 March 2010	<u>29,077,274</u>

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

24 Own shares

	Own shares £
Balance at 1 April 2009	572,616
Purchase of own shares by EBT	22,088
Disposed of on exercise of options	(3,748)
	<hr/>
Balance at 31 March 2010	590,956
	<hr/>

The own shares reserve represents the cost of shares held by the Solar Century Holdings Ltd Employee Benefit Trust ("EBT") to satisfy options under the Company's share options scheme (see note 28). The number of ordinary shares held by the Employee Benefit Trust as 31 March 2010 was 2,729 (2009 4,006).

The share option reserve represents the cumulative fair value of share options under the scheme (see note 28).

25 Retained earnings

	£
Balance at 1 April 2009	(15,789,643)
Loss for the year	(726,911)
Loss on available-for-sale investments	(94,268)
Credit to equity on share-based payments	212,653
	<hr/>
Balance at 31 March 2010	(16,398,169)
	<hr/>

26 Notes to the cash flow statement

	2010 £	2009 £
Operating loss for year	(1,169,610)	(3,267,759)
Adjustments for		
Depreciation of property, plant and equipment	146,360	145,459
Amortisation of intangible assets	165,309	47,784
Impairment of intangible assets	-	63,597
Impairment of asset held for sale	89,879	-
Share-based payment expense	212,653	72,955
Loss on disposal of property, plant and equipment	1,203	12,431
Increase in provisions	411,290	56,019
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(142,916)	(2,869,514)
(Increase)/decrease in inventories	(2,003,703)	1,277,429
Increase in receivables	(2,723,101)	(465,387)
Increase in payables	5,844,939	2,225,883
	<hr/>	<hr/>
Cash inflow from operations	975,219	168,411
Income taxes received	226,998	20,609
	<hr/>	<hr/>
Net cash inflow from operating activities	1,202,217	189,020
	<hr/>	<hr/>

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

26 Notes to the cash flow statement (continued)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash held by the Company, current account bank balances and bank deposits accessible at short notice

27 Commitments and contingencies

Operating lease arrangements

The Company as lessee

	2010 £	2009 £
Minimum lease payments under operating leases recognised as an expense in the year	308,424	277,897

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2010 £	2009 £
Within one year	252,093	215,568
After one year but not more than five years	194,005	162,641
	446,098	378,209

The Company has entered into commercial property leases on office premises in London, La Rochelle, Milan and Madrid for periods ranging between six months to five years. In addition the Company leases three warehouse units within the UK under leases running until 2016

Capital commitments

At 31 March 2010, the Company had no outstanding commitments (2009 – £81,876 relating to the implementation of an ERP system)

Guarantees

The Company has provided the following guarantees at 31 March 2010

- A €181,277 construction performance guarantee bond in favour of Provincia di Milano
- A £5,000 monthly guarantee to HM Revenue & Customs to cover deferred import duties payable

28 Share-based payments

The Company operates an equity-settled share option scheme for employees. Options to purchase Company shares are exercisable at a pre-determined price and in pre-defined numbers over a vesting period normally extending to four years (25% on first anniversary of date of grant and the remainder in 36 equal instalments each month thereafter). Options remaining unexercised after the tenth anniversary of their grant date expire. Options are forfeited if an employee leaves the Company, 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

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

28 Share-based payments (continued)

	2010		2009	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	3,371	2 00	3,380	2 00
Granted during the year	1,308	2 00	-	2 00
Lapsed during the year	(198)	2 00	(7)	2 00
Exercised during the year	(2,001)	2 00	(2)	2 00
Outstanding at the end of the year	<u>2,480</u>		<u>3,371</u>	
Exercisable at the end of the year	<u>1,370</u>		<u>2,679</u>	

The Company recognised total expenses of £212,653 in relation to equity-settled share-based payment transactions in the year (£72,955 in 2009). Corresponding credits to equity were made in the period, reported within the share option reserve. An amount of £159,992 (2009 - £nil) has been credited to other reserves in relation to options exercised during the year. The share option reserve was £358,764 at balance sheet date (£306,093 in 2009). These amounts were arrived at through fair value of the options at date of grant (see note 2 for details of the Company's policy for fair valuation).

The weighted average share price at exercise date for share options exercised during the period was £2 (£2 in 2009). The weighted average remaining contractual life for options outstanding at the balance sheet date was 7.17 years (2009 - 7.00 years).

29 Financial instruments and risk management

Capital risk management

The Company does not carry any debt on its balance sheet. The Company is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

29 Financial instruments and risk management (continued)

	2010			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets at FVTPL				
Derivative financial assets	-	49,435	-	49,435
Available-for-sale financial assets				
Unquoted equities	-	94,333	-	94,333
Total	-	143,768	-	143,768

There were no transfers between Level 1 and 2 during the year

Financial risk management objectives

The directors consider that the principal risks to the business include market risk (including currency risk), credit risk, and liquidity risk

Market risk

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

Foreign currency risk management

The Company 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.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2010 £	2009 £	2010 £	2009 £
Euro	5,723,347	1,284,982	6,190,380	2,107,322
US dollar	-	28,406	-	2,213
Swiss Francs	-	-	-	23,881

The following table details the Company's sensitivity to a 10 per cent increase and decrease in Sterling against the Euro being the currency 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 positive number below indicates an increase in profit and other equity where Sterling weakens 10 per cent against the Euro. For a 10 per cent strengthening of Sterling against the Euro, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

29 Financial instruments and risk management (continued)

	Euro currency impact	
	2010	2009
	£	£
Profit or loss	51,893	126,923

The Company's sensitivity to Euro movements at the year end has been reduced as a result of closer matching of Euro-denominated assets and liabilities at the balance sheet date. However, over the course of a year the gap between Euro-denominated assets and liabilities can fluctuate significantly, principally driven by patterns of inventory purchasing.

Forward foreign exchange contracts

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. These are all fair valued through profit and loss. Outstanding contracts at balance sheet date

	Average exchange rate		Foreign currency		Contract value	
	2010	2009	2010	2009	2010	2009
			€	€	£	£
Buy Euros						
Less than 3 months	1.1358	1.1467	€5,000,000	€500,000	4,402,075	436,034

Fair values are obtained by marking to market against identical or (where not practicable) similar instruments. A gain of £49,435 (2009 £26,886 gain) was recognised at the year end in respect of the restatement to fair value. Of this gain £22,549 (2009 £24,256) has been recognised as profit on fair valuation of derivative financial instruments (Note 8) and £26,886 (2009 £2,630) as foreign exchange gains as part of the operating loss for the year.

Interest rate risk management

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

Credit risk management

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

The Company has a credit insurance policy with a reputable third-party insurer. The policy covers a part of the Company'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 Company provides uninsured credit to certain customers based on each customer's trading history with the Company and with reference to credit scoring by an external credit agency.

Liquidity risk management

The Company 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.

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

29 Financial instruments and risk management (continued)

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay

31 March 2010	Within 3 months £	3 months to 1 year £	1-5 years £
Trade Payables	8,696,388	-	-
Taxation & Social Security	562,477	-	-
	<u>9,258,865</u>	<u>-</u>	<u>-</u>

Taxation & Social Security is included within Other Payables and Accruals of £2,953,630 disclosed in Note 20

30 Events after the balance sheet date

There were no material events after the balance sheet date

31 Related party transactions

Trading transactions

During the year, the Company entered into the following transactions with related parties

	Sale of goods/services		Purchase of goods/services	
	2010	2009	2010	2009
	£	£	£	£
Scottish & Southern Energy Plc (SSE)	1,056,309	388,744	704,830	749,390
New Energies Invest Ltd	29,542	24,477	-	-
Vantage Point Venture Partners (VPVP)	-	-	15,976	-

	Amounts owed by related parties		Amounts owed to related parties	
	2010	2009	2010	2009
	£	£	£	£
Scottish & Southern Energy Plc (SSE)	292,161	24,699	185,406	195,314
New Energies Invest Ltd	-	-	123	-
Vantage Point Venture Partners (VPVP)	-	-	124	16,343

SSE is the ultimate parent of SSE Energy Supply Ltd which holds 12% of the share capital of the Company and is entitled to appoint a Director of the Company. The amounts indicated in respect of SSE include those relating to Southern Electric Contracting Ltd, a member of the SSE group of companies

New Energies Invest Limited has a common director with the Company. The Company also owns shares in New Energies Invest Limited (see note 13)

Solar Century Holdings Limited

Notes to the financial statements Year ended 31 March 2010

31 Related party transactions (continued)

VPVP holds 21% of the share capital of the Company and is entitled to appoint a Director of the Company

Sales of goods to related parties were made at the Company's usual market prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

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.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2010 £	2009 £
Short-term employee benefits	401,198	379,178
Share-based payments	93,753	23,527
Post-employment benefits	9,021	10,800
	<u>503,972</u>	<u>413,505</u>