eEnergy

Annual Report and Financial Statements 30 June 2020






About eEnergy

Our goal is to help schools, businesses and other customers to reduce their energy consumption, carbon emissions and costs through "Energy Efficiency as a Service" (EEaaS).

We replace legacy installations, such as outdated lighting, with modern efficient infrastructure which complies with the latest environmental legislation.

Our turnkey solutions deliver energy efficiency upgrades, lower monthly costs and cashflow benefits with no upfront capital investment and fixed monthly fees entirely paid for by the energy savings.

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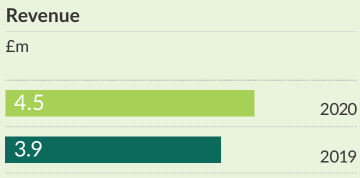
Highlights

Financial Highlights for the year ended 30 June 2020:

Revenue

£4.5m +14%

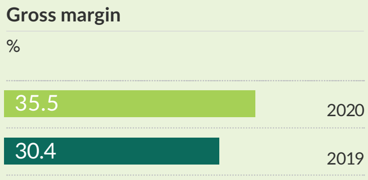
2019 £3.9m



Gross Margin

35.5% +510bps

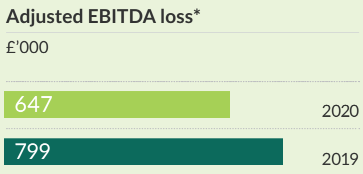
2019 30.4%



Adjusted EBITDA loss*

£647,000 +19%

2019 £799,000



* Adjusted EBITDA is a non-statutory measure that represents earnings before interest, taxation, depreciation and amortisation adjusted for non-recurring items and share based payments.

- **Positive operating EBITDA for each month in fourth quarter**
- **Loss before tax of £3.2 million (including reverse takeover costs of £1.3m) (2019: Loss of £1.4 million)**
- **Cash at bank £1.5 million (2019: £196,000)**
- **Net debt (including IFRS16 lease liabilities) of £528,000 (2019: £424,000)**

Operational Highlights:

- **The Group successfully completed its readmission to AIM on 9 January 2020 raising £2.0 million (before expenses)**
- **Number of LED lighting installations completed at schools and businesses in the UK & Ireland: 125 (2019: 109)**
- **Expanded eLight operations into Northern Ireland**
- **New relationships with suppliers led to efficiency gains and boosted gross margins**
- **Formed partnership with Irish smart energy supplier Pinergy to create a new sales channel**

Since the year end:

- **Completed first acquisition: Renewable Solutions Lighting Limited ("RSL"), a specialist in providing the UK education sector with fully funded LED lighting solutions**
- **Secured new project funding partner SUSI Partners AG ("SUSI"). SUSI has provided a facility of up to €15 million to fund Light-as-a-Service (LaaS) projects in Ireland, giving the Group's Irish business a significantly enhanced competitive advantage**
- **70 installations completed in the first quarter of FY21**

Chairman's statement

£4.5m

Group Revenue +14%
2019: £3.9m

125
+15%

Projects completed
2019: 109

Overview

We have been delighted with the progress that we have made since coming to the market. The Group successfully completed its admission to the AIM market of the London Stock Exchange on 9 January 2020 via the reverse takeover of the Company, previously known as Alexander Mining plc and at the same time raised £2.0 million (before expenses) via a placing of new ordinary shares.

Notwithstanding the inevitable operational challenges of COVID-19, the Group responded quickly and has made significant financial and strategic progress in a short time, particularly in the education sector in the UK and Ireland.

Strategy

As well as our continued focus on driving the organic growth of eLight, both in the education and commercial sectors, the Board's strategy is to develop eEnergy as a broader energy services company and acquire other businesses in the energy management sector. In keeping with that strategy, we completed our first acquisition of RSL on 1 July 2020. In line with our previously stated "buy and build" strategy, we continue to assess a number of further strategic acquisition opportunities that meet our criteria.

Brexit

On 31 January 2020, the UK left the European Union. Whilst we continue to assess the evolving situation carefully, the Board does not believe the impact of Brexit will be material as, while we operate in the UK and Ireland, the level of cross-border trading and associated supply chain management is low.

People

I would like to thank everyone at eEnergy for their commitment in supporting the continued progress of the Group despite the challenges they have faced over the last few months due to the COVID-19 pandemic.

During the last six months, we have strengthened our operational management team. In January, Martyn Sheridan was appointed as eLight's UK Sales Director to manage and grow our sales channels. Martyn brings considerable industry experience to the Group. He joined from E.ON where he spent eight years, most recently as Head of

National Sales for E.ON's Energy Solutions Division.

Furthermore, in July, eLight appointed Lee Mason as its UK Operations Director. Lee increases eLight's engineering capability and capacity to meet the growing demand for LaaS, particularly in the education sector. A qualified engineer, he previously worked for three years at GE Current, where he completed one of the biggest LED retrofit programmes in Europe across 220 Sainsbury's superstores and distribution centres in the UK.

The Board has also sought to retain and incentivise key management personnel. In July, we implemented a new management incentive plan ("MIP"). The rationale and details of the MIP were outlined at the time of the Group's readmission to AIM. The Group's Remuneration Committee sought the advice of a "Big 4" accounting firm to ensure that incentives were granted on terms which incentivise sustainable long-term growth and align Directors' and employees' interests with the interests of shareholders.

Outlook

The past six months have presented challenges for many businesses, including eEnergy, however, the pandemic has also created opportunities for growth and we remain optimistic about the future. Over the longer term, and in-line with government strategy, we believe energy efficiency will become an increasing focus for companies and the public sector, not only to increase efficiency and save money but to help meet increasingly ambitious environmental goals. In particular recent announcements from the government have included significant plans and funding to decarbonise the UK public sector which includes improving the energy efficiency of UK public buildings, including schools.

As well as rapidly growing our LaaS business, we are encouraged by the momentum of our pipeline. In addition, we continue to explore options to increase our ability to meet all the energy efficiency needs of our clients, such as proactive energy management and heating, including through acquisition as part of our "buy and build" strategy. The Board believes that market trends and its strategy mean the Group is well-positioned to execute on our ambitious growth plans and deliver significant value to shareholders in the coming years.

David Nicholl
Chairman
13 October 2020

At a glance

Company information at a glance

Who we are and what we do

eEnergy Group plc is an established "Energy Efficiency-as-a-Service" (EEaaS) business currently focused on providing "Light-as-a-Service" (LaaS) to education and commercial customers through eLight and RSL. The Group helps businesses and schools switch to LED lighting for a fixed monthly service fee, avoiding any upfront payments. For customers, the energy savings are greater than the monthly service fee, allowing them to unlock free cash-flow from day one as well as to improve the quality of their lighting and reduce carbon emissions. eLight procures, funds, installs and maintains the LED lighting, meaning the customer has no risk.

eEnergy was admitted to AIM in January 2020, and has been awarded The Green Economy Mark by the London Stock Exchange, which recognises a company's work on sustainability.

Strategy

eEnergy is now the leading "Energy Efficiency-as-a-Service" (EEaaS) business in the UK and Ireland. It is currently focused on "Light as a Service" (LaaS) to schools and businesses through its eLight and RSL subsidiaries. The Group has a proven operating platform with over 1,000 client projects completed by its management team. eLight has recently started operating in Northern Ireland.

eEnergy's strategy is to develop as a broader Energy Services business through the acquisition of adjacent businesses in the energy management sector which offer strategic and synergistic growth opportunities. There is considerable market opportunity as demands for greater energy efficiency grow as organisations need to reduce costs and governments need to meet strict carbon targets.

There are four legs to the growth strategy:

- Sales Growth: Rapid growth of existing LaaS business focused on education and using targeting marketing. Government policy is driving the agenda and we are now facing into an active rather than passive market.
- New Revenue Channel (services): drive the roll out of the eLight app to approved contractors to fulfil smaller projects, particularly primary schools and SME customers.
- Leveraging existing customers with wider EEaaS: Launch eHeat – renewable heat solution – allowing schools to reduce energy costs of heating through Heat as a Service
- Consolidation buy and build in a fragmented sector. Significant opportunities for consolidation within the Energy Management sector to create a digitised energy services business delivering an end to end solution for customers to achieve net zero carbon. Delivers synergies and savings within back office.

Further details of the Group's current strategy are included on the Company's website.

Business Model

EEaaS is a business model for delivering energy efficiency improvements with no upfront capital costs to the end user or customer. It is an emerging segment of the overall energy efficiency market and LaaS which takes advantage of the high efficiency of LED lighting, has been one of the first examples of EEaaS to gain market traction.

eLight's core LaaS business model generates positive cash flows upon completion of a customer installation. eLight's finance partner pays the net value of the contract to eLight and assumes the ongoing credit risk of the customer's payment obligations under the service agreement.

With our proprietary software app we audit a customer's site and design the solution, using high quality technology sourced directly from leading UK and European manufacturers. The solution is optimised to deliver financial and energy savings for the customer from Day 1. There is no upfront capital cost and the simple fixed monthly or quarterly fee includes full maintenance of the LED lighting.

Market overview

Energy efficiency, that is reducing the amount of energy consumed to undertake a specific activity, can be improved by better management of existing plant and equipment and/or replacing equipment with higher efficiency units and systems.

The market in the EU for energy efficiency services was approximately €25 billion in 2017 and is expected to double by 2025. Buildings account for 39 per cent. of the EU's total final energy consumption and 75 per cent. of the EU's building stock is regarded as energy inefficient. The rate of building renovation remains very low, at around 0.4 per cent. to 1.2 per cent. per year, relative to where it needs to be (3 per cent. per annum) in order for the EU to meet its emissions targets. The European Commission estimates that €100 billion needs to be invested annually to achieve Europe's 2050 energy efficiency targets.

Although there are many positive drivers to encourage businesses to adopt improved energy efficiency there are also several barriers including the need to make capital investments into plant and equipment that are non-core to most businesses. Many businesses, particularly SMEs, do not have or do not wish to allocate capital for non-core investments even though energy efficiency investments would reduce operating costs.

EEaaS business models are expected to capture a growing share of the energy efficiency market as they overcome this barrier. The global LaaS market is expected to grow from $662 million in revenues in 2017 to $2.6 billion by 2026, a CAGR of 16 per cent.

eEnergy is targeting independent and state funded schools as well as the food services, healthcare and distribution and logistics sectors in the UK and Ireland.

There are over 25,000 schools in the UK, of which between 70-80 per cent. have not yet transitioned to LED lighting. With the budgetary pressure on state schools and the UK government's focus on promoting energy efficiency in the public sector the Directors remain convinced of the opportunity within the education sector in particular.

CEO's report

Overview

The Group has seen strong financial progress, despite the challenges created by COVID-19. Overall, Group revenue was up 14% to £4.5 million (2019: £3.9 million) and our adjusted EBITDA loss reduced to £647,000 (2019: loss £799,000).

Reflecting the one-off costs of the reverse takeover in January 2020 of £1.3 million, the incremental costs of being a public company and the investment we have made in growing our sales and operational capability in the year, our loss before tax grew to £3.2 million (2019: loss of £1.4 million). These losses are in line with our expectation as we invest in building the business and the underlying level of growth means that the core operating business, before corporate overheads, has been profitable in each of the last 6 months.

We have a strong balance sheet with cash of £1.5 million (2019: £196,000) and net debt (including IFRS 16 lease liabilities) of £528,000 (2019: £424,000).

In the first quarter of our financial year, and in support of our focused growth strategy, the Group has experienced a significant acceleration in growth, generating revenues of £4 million, a 6-fold increase on the equivalent period of the prior year. In that time, we completed 70 installations and have a current pipeline of qualified and engaged education and commercial opportunities (where we have issued a formal proposal) for several significant opportunities.

While the COVID-19 crisis resulted in the delay of a number of installations, none were cancelled, and they were ultimately completed over the summer before schools had to manage the complex return of pupils. The Group takes the prudent approach of only recognising revenue at the point of installation. The delays in starting installations, which also applied to RSL, have had the effect of pushing over £1m of revenue from the fourth quarter of FY20 into the first quarter of the new financial year.

We continue to expect the Group to achieve breakeven profit after tax in the six-month period to 31 December 2020.

COVID-19 Update

Like many businesses, coronavirus has created operational challenges but we have worked hard to adapt quickly to provide an uninterrupted and enhanced service to our customers, including a new sanitising package. All 32 of our employees were able to work remotely as needed, and the Group's installation partners observed all social distancing precautions when they worked.

In Ireland, we took advantage of the wage support programmes offered by the government but we did not furlough any eLight staff in the UK.

The decision by the UK and Irish governments to close schools led to a spike in interest in the Company's LaaS proposition. During this period, many schools took time to consider maintenance and upgrade projects, including switching to LED lighting. To help support businesses and schools, eEnergy offered new LaaS clients a three-month payment rebate as an incentive to accelerate their transition to LED lighting. This incentive was combined with a deep hygiene clean to reduce the risk of future COVID-19 infections, which proved popular with schools.

In Ireland, the sales strategy has been rebalanced away from the commercial SME sector, which has been hit hardest by COVID-19, towards public sector schools in Ireland and Northern Ireland where we have delivered our first 2 large school projects over the summer.

M&A

RSL Acquisition

In line with our stated strategy, we completed our first acquisition in July 2020. Founded in 2016, Renewable Solutions Lighting Limited ("RSL") provides fully funded, turnkey LED lighting solutions to the education sector across the UK.

The Board believes that the combination of eEnergy and RSL has created the UK's market leader in providing EEaaS solutions to the education sector. There is currently limited overlap between the two businesses, which provides an opportunity for eEnergy to deepen its exposure to the state school and Academy sector.

RSL focuses on the state schools and completed 32 projects last year with an average contract value of over £50,000. RSL has built a market-leading position in the Academy sector, which serves almost four million pupils across England. Since RSL joined the Group on 1 July, it has completed 28 projects across England & Wales.

The total consideration for the acquisition, assuming all earn-out payments are made, is £2.0 million, which is to be paid to the existing shareholders of RSL entirely in new eEnergy shares. The initial consideration was satisfied by the issue of 13.3m new ordinary shares and the contingent consideration, which is based upon six times the adjusted EBITDA generated by RSL in excess of £296,000 in the year following acquisition.

The maximum number of shares to be issued, including the initial consideration and assuming all earn-out payments are made, is approximately 29.3 million new eEnergy shares, or approximately 18.3% of the share capital, as enlarged by the maximum consideration shares.

In addition to the consideration payable, RSL will make payments equal to 3% of revenue generated during the earn-out period to an RSL director as settlement of historical obligations agreed between RSL and the director plus RSL will repay an existing loan of £250,000 due to an RSL director, with £130,000 paid on completion and £120,000 due on the first anniversary of completion.

M&A Strategy

In addition to driving organic growth, the Group continues to evaluate other targeted acquisition opportunities as it aims to broaden its offer to customers. Our "buy and build" strategy is focused on strategically significant businesses in adjacent sectors, including energy management. We are pleased with the development of the pipeline of opportunities under consideration and will continue to use the same disciplined

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approach in order to create long-term shareholder value.

Our targets are businesses that provide integrated energy management solutions (including software) and an established corporate or public sector customer base where we believe our capability to offer energy reduction through LaaS and broader EEaaS offerings gives us genuine synergy opportunities.

Education Sector

The Board believes that schools represent a substantial growth opportunity where the pressing needs to save money and fight climate change mean energy efficiency is topping the agenda with support from Government. Analysis by eEnergy of the energy consumption of state schools across England has shown that lighting costs account for approximately 50% of energy costs, with over £326 million being wasted every year because of the failure to switch to more efficient LED lighting.

Through eLight, and the acquisition of RSL, the Group is now a leading supplier of energy efficiency services to the education sector in the UK and Ireland.

The Group has completed LED lighting installations at more than 250 schools over the last four years, with 88 undertaken in 2020 alone. eLight has been especially successful in working with the independent school sector. In 2020, the Group installed LED lighting at several leading independent schools, including Marlborough College, Wycliffe College and Kings Ely. RSL focuses on academies and other state funded schools and completed 32 projects last year, plus a further 28 since it joined the Group.

In addition to completing committed projects, the Group continues to generate a strong pipeline and has a significant number of qualified and engaged opportunities with completed proposals.

With more than 27,000 schools in the UK, the Board believes that the education sector represents a significant opportunity for the Group. The Directors estimate that over 80% of UK schools have not yet transitioned to energy-efficient lighting, which represents a market opportunity of over £1.5 billion.

Commercial sector

Much of the Commercial sector has been hit hard by the COVID-19 pandemic and the resultant recession, particularly in Ireland. However, there are areas, for instance, in food services, distribution / logistics and healthcare, where the pandemic has led to a significant increase in demand and therefore energy consumption. This has prompted a number of larger businesses in these niche sectors to look at energy reduction strategies, including LED replacement and LaaS. The Group is currently involved in several large, multi-site tender processes for LED lighting roll outs in the commercial sector and will continue to target these opportunities.

New Funding Agreement

In August 2020, the Group announced a major agreement with a new project funding partner, SUSI Partners AG ("SUSI"). The agreement will underpin our market-leading proposition in Ireland and allow us to grow revenues as we take on significantly more projects over the next three years to meet the increasing demand from schools and businesses.

Under the agreement, SUSI, via its Energy Efficiency Fund II, has provided a dedicated funding facility (the "Facility") to the Group of up to €15 million.

The terms of the Facility provide for SUSI to purchase the future receivables arising from new LaaS projects in the Republic of Ireland. The Facility will cover new projects installed for the next three years or until the Facility has been fully utilised, whichever is earlier.

This new funding structure provides the Group with a significantly enhanced competitive advantage, relative to the previous funding arrangements. The Facility provides the Group's Irish business with greater flexibility to deploy capital, to extend the length of contracts offered to customers and improves the economics for the Group.

The Group will have control over the implementation and management of contracts and retain an economic interest over the life of each contract, thereby improving returns.

Northern Ireland expansion

While eLight is already well established in the Republic of Ireland, we believe the Northern Ireland energy efficient lighting market is underdeveloped. The Board sees significant growth potential, particularly in the education sector, where schools tend to be larger than in the Republic of Ireland. Accordingly, in March, eLight expanded its operations into Northern Ireland, adding to its presence in Dublin and London. The first installations in Northern Ireland at Wallace High School and Sperrin Integrated College have been completed over the summer and the sales team is in advanced discussions with several educational bodies in Northern Ireland.

Partnerships

The Group announced in March that it had formally agreed a partnership with the Irish smart energy supplier, Pinergy. This partnership creates a significant new sales channel for eLight, which will provide a LaaS product to Pinergy's business customers. Pinergy supplies its business customers with 100% renewable energy, meaning its customers are focused not only on cost but also on sustainability, ensuring close alignment between the two businesses.

eLight has already delivered lighting solutions for a number of Pinergy clients and the partnership is expected to improve eLight's development pipeline. Pinergy joins Lynch Interact which formed a partnership with eLight in December 2019. Lynch Interact is the leading Irish owned company specialising in the provision of complete Facility Support and Building Fabric Services for the built environment.

Outlook

We are cautiously optimistic about the next six months, supported by the number of orders that have been secured since the beginning of the calendar year, a reduction in lead times and an increase in proposal activity. Interest and awareness in LaaS is growing, in particular in the education sector, as schools look to cut costs and reduce their carbon emissions in-line with government strategy. However, we perceive a growing opportunity in the commercial and wider public sector arenas and have a clear plan in place to raise awareness of LaaS and complement this with adjacent energy efficiency revenue streams over the coming years.

Since the beginning of July, we have completed 64 energy efficiency projects, generating over £4 million of revenue. We are excited about the prospect for organic and inorganic growth opportunities and making further financial progress on last year, with the Board continuing to expect the Group to achieve breakeven profit after tax in the six months to 31 December 2020.

Harvey Sinclair
Chief Executive Officer
13 October 2020

> *'With carbon reduction being our main agenda, eLight provided our Trust with a way of transitioning all our schools to LED with zero capital outlay for the business, provided through a fully compliant funded agreement. The installation was seamless and the outcome is fantastic, plus we have no maintenance to worry about moving forward!'*
>
> *Mike Fowler*
> *Strategic Finance Officer*
>
> *The Wythenshawe Catholic Academy Trust, England*

BEFORE

AFTER

Annual lighting costs **£57,664**

Annual lighting costs **£21,246**

63%
Reduction in lighting cost

560 TCO2
Carbon reduction over 10 years

£36,418
Year 1 gross savings

£251,005
10 years net savings

Over

1,000

projects completed across the UK & Ireland

Selected clients:

PLUMBASE

MARLBOROUGH COLLEGE

Roadbridge

CLAYTON HOTELS

Irish Country Meats

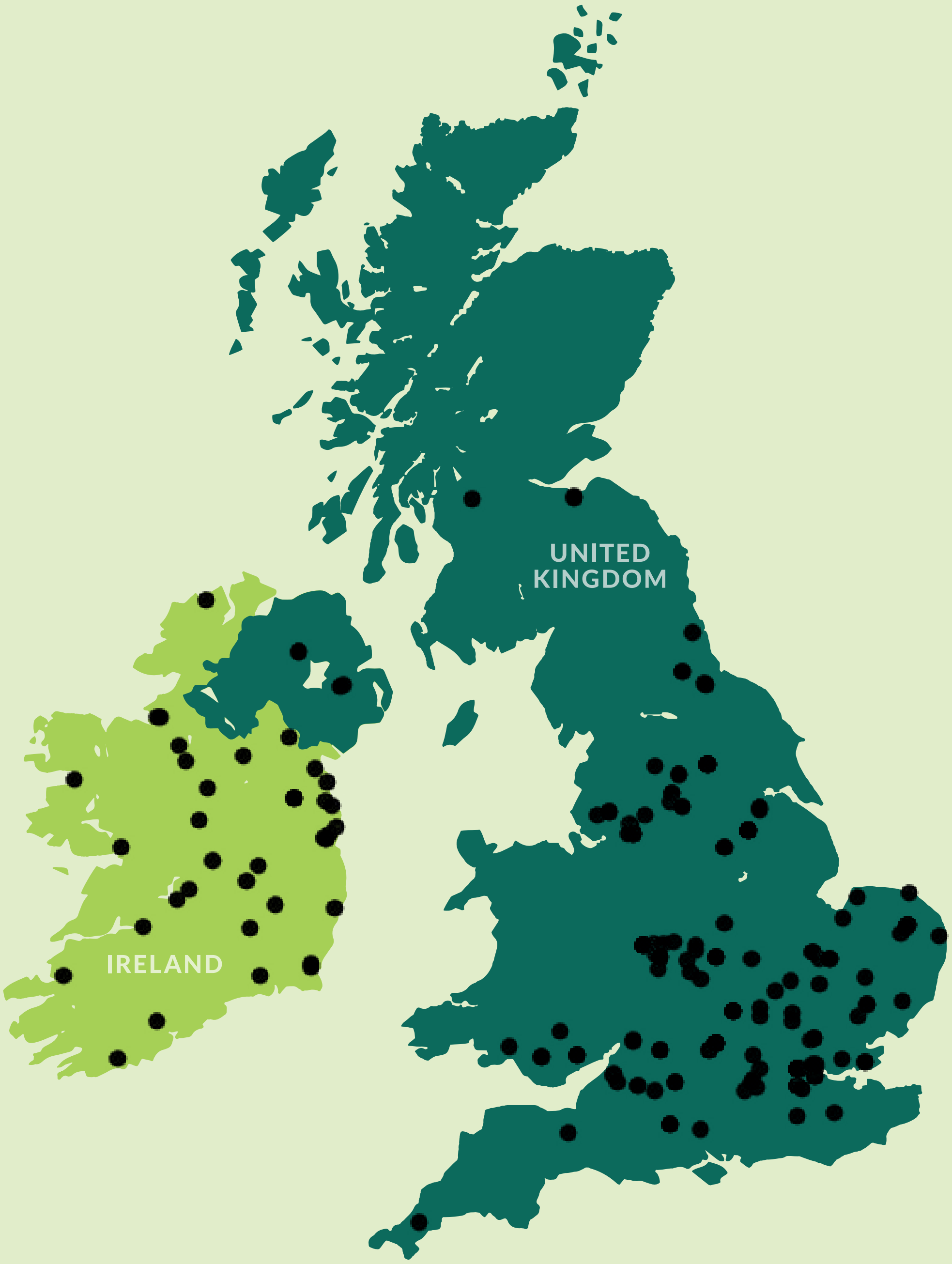
I·RES

WEST CORK DISTILLERS

euro car parks

Ladbrokes

BROOKS



UK

2,893

Annual savings realised

Annual carbon reduction from projects completed between July 2019 and June 2020

IRELAND

2,418

Annual savings realised

Annual carbon reduction from projects completed between July 2019 and June 2020

CFO's Report

I am delighted to present my first report since we completed the reverse takeover that created eEnergy in January 2020. We had a strong start to 2020 and have been able to respond robustly to the demands and challenges of the COVID-19 pandemic. The Board remains confident for the year ahead and we are able to evaluate opportunities in the challenging business environment.

Key performance indicators

- Total Contract Value (TCV) secured in FY20 was £7.0 million (FY19: £6.5 million)
- Order Book of £2.2 million at 30 June 2020 was 94% higher than the prior year (£1.2 million)
- Revenue increased 14% to £4.5 million from £3.9 million
- Gross margin at 35.5% in FY20 was 510 bps better than the 30.4% gross margin achieved in FY19
- Positive operating EBITDA in each month of the fourth quarter (which has continued throughout the first quarter of FY21)
- Operating EBITDA improved from a loss of £799,000 in FY19 to a loss of £647,000 in FY20
- The loss before and after tax for the year was £3.2 million (after £1.3 million of reverse takeover expense) compared to £1.4 million in the prior year
- Cash at bank increased to £1,478,000 at 30 June 2020 from £196,000 at 30 June 2019
- Net debt (including IFRS 16 lease liabilities) increased to £528,000 from £424,000 at 30 June 2019

Financial position and liquidity

Having successfully completed our Placing and raised £1.66 million of net proceeds in January we have been able to manage our financial position well. At period end, we had cash of £1.5 million and we have recently increased our debt facility, originally agreed in September 2019, and deferred the start of our principal repayments by a quarter.

In August 2020 we agreed a €15 million committed facility with SUSI Partners for our Euro denominated business in Ireland, which provides sufficient funding for our projects for up to 3 years. This facility increases our revenue and cash generation from each project compared to the previous facility we had in place.

We have modelled a number of potential scenarios that management believe are reasonably likely for the ongoing impact of COVID-19 on our financial performance and cash generation and the Board is confident that the Group has sufficient financial resources and headroom within its debt covenants for the foreseeable future, should the worst of these scenarios be realised.

The Board continues to focus actively on cash management, taking proactive steps to preserve our cash position.

Reverse acquisition accounting and financial presentation

On 9 January 2020, we completed the reverse acquisition of Alexander Mining to create eEnergy Group plc. Although eEnergy Group plc (then known as Alexander Mining plc) was the legal acquirer of eLight Group Holdings Limited, the consolidated results that are presented within our June 2020 financial statements are as if eLight had acquired the plc. Therefore, we present a full twelve month profit and loss and cash flows for the year ended 30 June 2020 together with comparatives for the period ended 30 June 2019.

In addition, the accounting for the reverse itself is deemed to be the issue of shares to the original plc shareholders by eLight and this is accounted for as a "share based payment" which gives rise to a charge in the P&L for the year of £1.1 million, which is included within the reverse acquisition expense.

The Reverse Acquisition accounting is described in more detail in Note 3 to the financial statements.

Due to the change of year end of eEnergy Group plc, the Company only financial statements are for the six-month period from 1 January to 30 June 2020.

We are also presenting eEnergy's results in Pounds Sterling, whereas the historical results for eLight Group have been presented in Euros. This is because Pounds Sterling is now the principal functional currency of the Group as a whole due to the underlying growth in the UK and Northern Ireland being higher than in the Republic of Ireland and the increase in Sterling denominated suppliers.

Financial highlights

eLight UK

The 11% progression in revenue reported year on year masks the momentum that is continuing to be seen in the second half of the calendar year as the focus pivots to the education sector. This has made our financial performance more resilient to COVID-19 as we were able to complete scheduled installations in schools during and after the Easter holidays. As at 30 June 2020 our order book of contracts won but not yet installed was at £1.5 million (2019: £0.4 million), predominantly for schools scheduled to be installed before the start of the autumn term when all the students returned.

Our gross margin for eLight UK improved from 28% to 36% reflecting the benefit of new and improved relationships with our OEM partners secured during the year. Our operating costs increased £0.2 million year on year as we invested in our sales and marketing team after the reverse takeover. This investment in sales and marketing was a significant contributing factor to the increased sales momentum and the improvement in our order book.

eLight Ireland

Revenue improved year on year by 18% largely due to migrating away from the historical project funding relationship when the exclusivity term expired which has enabled us to retain a higher proportion of the value of each project that we install. At 30 June 2020 our order book for contracts won but not yet installed was £0.7m (2019 - £0.7m) of which schools were 63% compared to 33% in the prior year.

The impact of COVID-19 in Ireland on businesses has been more severe than in the UK and during lockdown we were unable to complete any installations. We availed ourselves of the Irish Government support for our staff, all of whom we have retained, to partially mitigate the impact on revenue and as a result we held our operating costs flat year on year. We successfully started up in Northern Ireland and secured two large school contracts for installation over the summer holidays, both of which were completed on schedule.

Central costs

The eLight central costs reflected that we had been building the business for growth and had targeted a reverse takeover from the summer of 2019. Therefore, the year on year increase in our central costs was in line with our expectations, including the resultant additional overheads required from being a public company for half of the period presented, primarily from the increased Board and the additional legal and professional costs.

Cash generation

The nature of our business model means that each individual installed project will be cash generative for us. Since 1 April we have generated positive operating EBITDA within eLight in each month, although COVID-19 has pushed back when we expect to achieve our Group profit after tax breakeven point into the first half of the current financial year (FY21).

Acquisitions

On 1 July 2020 we completed the acquisition of RSL. As a post balance sheet event it had no impact on the FY20 financial statements. The initial consideration was paid entirely in eEnergy shares and eEnergy loaned RSL the funds to make a scheduled repayment of a director's loan note.

RSL was a loss-making business when we acquired it but it comes with a healthy order book and a strong pipeline to complement our education focused business in the UK.

Borrowings

In September 2019, eLight Group Holdings entered into a loan agreement for €1.6 million. The whole balance was drawn at the time to fund investment in our technology and fund working capital. The loan facility is secured on the assets of eLight Group Holdings and is guaranteed by the eLight trading companies. It includes covenants relating to total contracted orders, revenue and operating EBITDA, all measured over a rolling 12 month period, plus a covenant requiring us to retain a minimum level of cash in the eLight Group. In September 2020 we increased the loan to €1.8 million and our acquisition, Renewable Solutions Lighting Limited, became a guarantor of the facility. Principal repayments commence in December 2020 and will be made monthly over the next three years.

Working capital

Our acceleration in trading during the fourth quarter has contributed to the increase in our working capital balances at 30 June 2020 when compared to the prior year.

Trade and other receivables (predominantly accrued income) have increased to £1.1 million from £149,000 reflecting the timing of completion and funding of projects at the year end.

Inventories have increased to £356,000 from £224,000 due to technology product being held at the client sites for installations starting in July 2020.

Financial assets at fair value through profit and loss are energy credits earned on projects completed in Ireland. Although the value has increased, during the year we entered into a contract that enables us to monetise energy credits we earn on a more timely basis. However we also recorded a write down of £78,000 in the carrying value of historical energy credits at the beginning of the year due to a softening in the market price.

Trade and other payables have increased by £1.4 million to £4.0 million reflecting the balances due to our suppliers for installations completed in the fourth quarter and the value of technology product ordered for installations starting in July.

Project Funding

Our business model depends upon working with a range of project funding partners to finance our client projects and we actively work to identify the best partners to work with. There is no doubt that the COVID-19 pandemic has made project funders more cautious and selective and we have built that caution into our own credit assessment processes. In Ireland we have completed the migration from our principal historical relationship to the committed €15 million facility with SUSI Partners, announced in August 2020, which increases our share of each contract we install and provides us with access to 7 or even 10-year contracts. In the UK we continue to enjoy strong relationship with our primary funding partners and have created new relationships to broaden the range of our offering.

Changes to accounting policies

From 1 July 2019 the Group has adopted IFRS 16: Accounting for Leases. On adoption, IFRS 16 gives rise to the recognition of Right of Use assets and lease liabilities for future lease payments. The Right of Use asset is depreciated on a straight-line basis over the life of the lease and interest is recognised on the lease liabilities. On transition we have recognised Right of Use assets and lease liabilities of £522,000, predominantly for our property in Ireland. There is no adjustment to our opening reserves as it is immaterial. The impact on our income statement has been to reduce operating costs by £79,000 which is offset by increases in depreciation and interest so there is no net effect on the income statement.

There is no impact on actual cash flow from the adoption of IFRS 16 although the presentation within the cash flow statement mirrors the changes to the income statement.

Summary

Having completed the reverse takeover, we are well placed to address the economic uncertainty which has arisen due to COVID-19 and we expect to deliver on the strategy set out in the Admission Document published in December 2019.

Ric Williams
Chief Financial Officer
13 October 2020

'The environmental agenda is being driven by children all over the world. Our students are part of the generation that are taking leadership and demanding change. We were delighted to enter this partnership with eLight.'

Deborah O'Hare
Principal

Wallace High School,
Northern Ireland

Principal risks and uncertainties

We have identified our main risks and are taking appropriate action to prevent, manage and mitigate these.

Risk review

Effective management of risk is an integral part of how the Group operates.

The responsibility for identifying risks and developing appropriate mitigation rests with the management of the business. The risks detailed below are those that are considered to be the principal risks based upon the likelihood of occurrence and the severity of the potential impact, in accordance with section 414C of the Companies Act.

The most significant risk faced by the Group is the economic disruption caused by the COVID-19 pandemic. Our response to the pandemic is discussed in the Chairman's and CEO's statements. This risk is managed by the Board as a whole.

Risk area and potential impact	Mitigation	Change	Link to strategy
Competitive markets The Group operates in a competitive market place and larger competitors may be able to invest more resources or bundle services that may make our solution less compelling to prospective clients.	The Group closely monitors the activities of its competitors and potential competitors. The nature of the relationship with our OEM partners and the inherent capabilities within the Group give us flexibility in responding to market challenges.	↔	Organic Growth; New Channels; Leverage relationships; Buy and build
Dependence on third party suppliers The Group procures technology from third parties and works with a network of preferred installation partners. Factors outside of the control of the Group may impact on its supply chain resulting in lower revenue and / or profitability.	The Group develops long term and deep relationships with its key suppliers to closely align the interests of the supply chain with the Group.	↔	Organic Growth; New Channels; Leverage relationships
Dependence upon funding partners The Group assigns contracts or contract receivables to its Funding Partners which ensures each project is cash positive for the Group. The appetite of the Funding Partner may vary over time and the availability or rates for finance may result in lower revenue or profits.	We have secured a €15m committed facility in Ireland from SUSI Partners AG to provide certainty of funding and we are looking to replicate a committed facility for the UK. In the meantime we work with a panel of funders so as to diversify our funding relationships.	↔	Organic Growth; New Channels; Leverage relationships
Key personnel The Group's business is dependent upon the relationship it builds and maintains with its customers and suppliers. These are typically held by the senior managers and the Directors. In the event that key personnel leave the Group it may not be possible to replace them with staff with the requisite relationships, skills and experience.	The Directors and most of the senior management team have equity interests in the Group or interests in share based incentives which aligns their interest to the long term interests of shareholders.	↔	Organic Growth; New Channels; Leverage relationships; Buy and build

On 31 January 2020, the UK left the European Union. The Directors do not believe the impact of Brexit to be material as whilst we operate in the UK and Ireland the level of cross border trading and supply is low.

↑	Increase
↔	No change
↓	Decrease

S172 statement

We describe our values and who we consider to be our key stakeholders in the Corporate Governance report. The Board is committed to engaging with all of our key stakeholders as we believe that this is the best way to build sustainable value for the business.

The Board of Directors of eEnergy consider both individually and together that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act) in the decisions taken during the year ended 30 June 2020.

Our purpose is to provide Energy Efficiency as a Service solutions, primarily Light as a Service solutions, that allow our clients to reduce their carbon footprint, release cash flow from their utility bills and improve the quality of their education or work environment.

Our strategy is designed to deliver meaningful growth to the Group which in turn supports our employees, our supply chain partners and our shareholders as well as providing tangible benefits to our customers in the UK and Ireland and reducing their carbon footprint.

The Group is committed to be a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, environment, communities and society as a whole.

People

Our people are fundamental to the delivery of our strategy. For the Group to succeed we need to manage our people's performance and develop and bring through talent, while ensuring we operate as efficiently as possible. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our employees is one of our primary considerations in the way we do business.

Promoting a culture of respect and equal opportunity is as important as ensuring the right skills fit our business. Engaged and committed employees are integral to our overall Group performance and the delivery of great customer service. We currently share information via email, Director presentations and meetings.

Our relatively small size has meant that the Directors (including the non-executive directors) have been able to meet periodically with all employees. Whilst this direct engagement has reduced during the COVID-19 related restrictions the Directors and senior managers have maintained that engagement over video and calls.

Suppliers

We work closely with our installation partner network in the UK and Ireland and provide training to their staff. All installation partner staff are liveried as eLight and in the UK will attend our Training Academy in Bury St Edmunds where we train them in the eLight way. We work collaboratively with our key equipment suppliers to develop product suited to our key markets and to share with them our expectations for each coming quarter.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors or private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard, and any issues or questions raised properly considered.

Customers

We actively listen to our clients in order to understand their needs and priorities and evaluate how we can best achieve their objectives, be it to maximise savings, reduce carbon consumption or optimise their teaching or workplace environment. We will develop new product offerings and variations to enhance the customer's experience of working with us and have adapted our contracts to suit the needs of different customer segments.

As the Board of Directors, our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected of a business such as ours and in doing so, contributing to the delivery of our strategy.

Strategic report approval

The strategic report on pages 1 to 13 was approved by the Board on 13 October 2020 and signed on its behalf by:

RM Williams
Company Secretary

Corporate Governance Statement

Corporate Governance

The Directors recognise the importance of good corporate governance and have chosen to comply with the principles set out in the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). For further information on how eEnergy applies the QCA code. Please see –

https://eenergyplc.com/investors/

The Board has established appropriately constituted Audit & Risk, Remuneration and Nomination Committees with formally delegated responsibilities.

The Board of Directors

The Board of Directors currently comprises five members, including two executive directors and three non-executive directors. The Board has a wealth of experience in both the energy efficiency markets and corporate finance. The structure of the Board ensures that no one individual or group dominates the decision making process. Board meetings are held regularly, typically monthly and as required, to provide effective leadership and overall management of the Group's affairs through the schedule of matters reserved for Board decisions. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of financial statements. All directors have access to the advice and services of the Company's solicitors and the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Company's expense in the furtherance of their duties.

The Company held 8 board meetings between 1 January and 30 June 2020. Attendance was as follows:

David Nicholl	8 of 8
Harvey Sinclair	8 of 8
Ric Williams	8 of 8
Nigel Burton	8 of 8
Andrew Lawley	7 of 8

The Audit & Risk Committee (ARC)

The ARC, comprises Nigel Burton (as chairman) and Andrew Lawley, and meets not less than twice a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Company is properly monitored and reported. In addition, the ARC receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Company. The ARC considers, manages and reports on the risks associated with the Company as well as ensuring the Company's compliance with the AIM Rules and the Market Abuse Regulations concerning disclosure of inside information.

The Remuneration Committee

The Remuneration Committee comprises Nigel Burton (as chairman), Andrew Lawley and David Nicholl and meets at least once each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company.

The Nomination Committee

The Nomination Committee, comprises David Nicholl (as chairman) and Nigel Burton, and meets at least once each year. This committee is responsible for reviewing the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure the Board operates effectively as well as being responsible for the annual evaluation of the performance of the Board and of individual directors. The Nomination Committee is expected to meet when necessary to do so. The Nomination Committee also identifies and nominates suitable candidates to join the Board when vacancies arise and makes recommendations to the Board for the re-appointment of any Non-Executive Directors.

Internal Controls

The directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst the directors acknowledge that no internal control system can provide absolute assurance against material misstatement or loss, they have reviewed the controls that are in place and are taking the appropriate action to ensure that the systems continue to develop in accordance with the growth of the Group.

Relations with Shareholders

The Board attaches great importance to maintaining good relations with its shareholders. Extensive information about the Group's activities is included in the Annual Report and Accounts and Interim Reports, which are sent to all shareholders. Market sensitive information is regularly released to all shareholders concurrently in accordance with stock exchange rules. The Annual General Meeting provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Company maintains a corporate website where information on the Group is regularly updated and all announcements are posted as they are released. The Company welcomes communication from both its private and institutional shareholders.

MAR Dealing Code and Policy Document

The Company has in place a share dealing code for the Existing Directors which is appropriate for a company whose shares are admitted to trading on AIM and subject to the Market Abuse Regulations

Core Values

Our values underpin every aspect of how we operate as a business and as a corporate citizen. Our core values are:

- **Decarbonisation** – To help the organisations we work with and the countries in which we operate towards the goal of carbon neutrality
- **Sustainability** – To focus on delivering greater sustainability for our customers and the wider community; to lead by example, in our own operations
- **Empathy** – To understand and support the needs and hopes of our customers and employees as well as the wider societal demand to improve the environment
- **Integrity** – To act with integrity at all times with all those with whom we are involved, while respecting commercial and personal confidentiality
- **Passion** – To operate with passion and professionalism in a culture committed to continuous improvement which delivers a return on investment for both customers and our shareholders

Our Stakeholders

We are committed to developing mutually beneficial partnerships with our stakeholders throughout the life cycle of our activities and operations.

Our principal stakeholders include our shareholders; employees, their families, and employee representatives; the communities in which we operate; our business partners and local and national governments.

Environmental Policy

Promoting decarbonisation and sustainability is at the heart of energy efficiency and hence core to what we do. We are deeply aware of the impact our operations may have on the environment and we aim to lead by example to ensure that our activities have the minimum environmental impact.

The Group intends to meet or exceed international standards of excellence with regard to environmental matters. Our operations and activities will be in compliance with applicable laws and regulations. We will adopt and adhere to standards that are protective of both human health and the environment.

Each employee (including contractors) will be held accountable for ensuring that those employees, equipment, facilities and resources within their area of responsibility are managed to comply with this policy and to minimise environmental risk.

Ethical Policy

The Group is committed to comply with all laws, regulations, standards and international conventions which apply to our businesses and to our relationships with our stakeholders. Where laws and regulations are non-existent or inadequate, we will maintain the highest reasonable standards appropriate. We will in an accurate, timely and verifiable manner, consistently disclose material information about the Group and its performance. This will be readily understandable by appropriate regulators, our stakeholders and the public.

The Group complies and will continue to comply to the fullest extent with current and future anti-bribery legislation.

We will endeavour to ensure that no employee acts in a manner that would in any way contravene these principles. The Group will take the appropriate disciplinary action concerning any contravention.

Community Policy

The Group's aim is to have a positive impact on the people, cultures and communities in which it operates. It will be respectful of local people, their values, traditions, culture and the environment. The Group will also strive to ensure that surrounding communities are informed of, and where possible, involved in, developments which affect them, throughout the life cycle of our operations. It will undertake social investment initiatives in the areas of need where we can make a practical and meaningful contribution.

Labour Policy

The Group is committed to upholding fundamental human rights and, accordingly, we seek to ensure the implementation of fair employment practices. The Group will also commit to creating workplaces free of harassment and unfair discrimination.

Health and Safety Policy

The Group is committed to complying with all relevant occupational health and safety laws, regulations and standards. In the absence thereof, standards reflecting best practice will be adopted.

Directors' remuneration report

This report to shareholders for the period ended 30 June 2020 sets out the Group's remuneration policies. As the Company's shares are listed on the AIM market of the London Stock Exchange, the Company is required to report in accordance with the remuneration disclosure requirements of the AIM Rules. The Group is not required to prepare a Directors' remuneration report under Companies Act regulations and therefore this report may not contain all the information that would be included were the Group required to do so.

Composition and role of the Remuneration Committee

Membership of the Remuneration Committee during the period consisted of the Non-Executive Directors, Nigel Burton (Chairman), David Nicholl and Andrew Lawley.

The Remuneration Committee oversees the remuneration policies and activities of the Group. The Committee met 3 times in the period from 1 January to 30 June 2020.

The Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company.

Remuneration structure for Executive Directors

Overview

The Remuneration Committee is committed to maintaining high standards of corporate governance and has taken steps to comply with best practice insofar as it can be applied practically given the size of the Group and the nature of its operations.

Remuneration policy

The Committee aims to ensure that the total remuneration for the Executive Directors is soundly based, internally consistent, market competitive and aligned with the interests of shareholders. No Director takes part in decisions regarding their personal remuneration.

To design a balanced package for the Executive Directors and senior management, the Committee considers the individual's experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary. The Committee also considers the link between the individual's remuneration package and the Group's long-term performance aims.

Basic salary

Salaries are benchmarked against businesses acting within the energy efficiency and procurement market. The review process is undertaken having regard to the development of the Group and the contribution that individuals will continue to make as well as the need to retain and motivate individuals. At the time of the RTO the Remuneration Committee agreed key performance thresholds that triggered an increase in the basic salaries of the Executive Directors. The first threshold was achieved as of 1 July 2020 with the successful acquisition of RSL. The second threshold, relating to the achievement of sustainable monthly operating EBITDA, was achieved in September 2020.

Performance-related pay

The Chief Executive Officer and Chief Financial Officer can earn a cash bonus of up to 100% of their annual basic salary payable against meeting personal and business targets as set out by the Committee at the beginning of each period.

Service contracts

Each Executive Director has a service contract with the Group which contains details regarding remuneration, restrictions and disciplinary matters. Executive Directors are appointed by the Group on contracts terminable on no more than twelve months' notice, subject to an initial minimum term of twelve months (from 9th January 2020) before notice can be served.

Non-Executive Directors

The fees of the Chairman are determined by the Committee and the fees of the Non-Executive Directors by the Board following a recommendation from the Chairman. The Chairman and Non-Executive Directors are not involved in any discussions or decisions about their own remuneration.

Single figure disclosure table

The following table sets out the remuneration of the Company's directors who served during the period from 1st January 2020 to 30th June 2020 that was received or receivable:

	Salary & fees £'000	Bonus[7] £'000	FY20 Total £'000	FY19 Total £'000
Harvey Sinclair [1] – CEO (from 9 January 2020)	87	34	121	–
Ric Williams [2] – CFO (from 9 January 2020)	74	32	106	–
David Nicholl [3] – Chair (from 9 January 2020)	20	–	20	–
Andrew Lawley (4) – NED (from 9 January 2020)	32	–	32	–
Dr Nigel Burton - NED	15	–	15	4
M L Rosser [5], [6] – former CEO	–	–	–	140
J S Bunyan [5] – former NED	–	–	–	13
A M Clegg [5] – former Chair	–	–	–	11
	228	66	294	168

(1) Prior to appointment as a director Harvey Sinclair was the CEO of eLight and was paid £93,000 between 1 July 2019 and 9 January 2020.

(2) Prior to appointment as a director Ric Williams was engaged by eLight as interim CFO and was paid £121,000 between 1 July 2019 and 9 January 2020.

(3) Prior to appointment as a director David Nicholl was the Chair of eLight and was paid £18,000 between 1 July 2019 and 9 January 2020.

(4) Prior to appointment as a director Andrew Lawley was engaged as a consultant by eLight and was paid £10,000 between 1 July 2019 and 9 January 2020.

(5) The director resigned with effect from 9th January 2020 and did not receive remuneration for the period from 1st – 9th January 2020

(6) The prior year total includes £30,000 compensation for loss of office.

(7) The bonuses are payable after the year end.

The remuneration report was approved by the Board on 13 October 2020 and signed on its behalf by

Nigel Burton
Chairman of Remuneration Committee

Group Directors' report

The Directors present their report and the audited financial statements for the period ended 30 June 2020.

eEnergy Group plc is incorporated in the United Kingdom and is the ultimate parent company of the eEnergy Group.

On 8 January 2020 the shareholders approved the disposal of Metaleach and the acquisition of the entire share capital of eLight Group Holdings Limited.

A summary of key future developments for the Company and Group and the changes that were approved in the shareholders meeting on 8 January 2020 are included, together with an overview of the business model and the principal risks and uncertainties, in the Strategic Report.

Going concern

The directors evaluate the application of the going concern basis having considered a sensitised trading and cash flow forecast for the Group for a period of not less than 12 months from the date that these financial statements are approved by the Board. The sensitivities applied to the forecast include factors relating to the ongoing uncertainties arising from the COVID-19 pandemic.

The directors have concluded that it is appropriate to prepare these financial statements on the going concern basis.

Dividends

The directors do not recommend the payment of a dividend in respect of the current period (2019 – nil).

Events since the balance sheet date

Material events since the balance sheet date are described in Note 32 of the financial statements.

Directors

The Directors of the Company during the period from 1 January to 30 June 2020 were:

Mr David Nicholl (Chairman) – appointed 9 January 2020

Mr Harvey Sinclair (Chief Executive) – appointed 9 January 2020

Dr Nigel Burton (Independent Non executive director)

Mr Andrew Lawley (Non executive director) – appointed 9 January 2020

Mr Ric Williams (Chief Financial Officer) – appointed 9 January 2020

Mr James Bunyan (Non executive director) – resigned 9 January 2020

Mr Alan Clegg (Chairman) – resigned 9 January 2020

Mr Martin Rosser (CEO) - resigned 9 January 2020

Directors' Indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the year and remain in force at the date of this report.

Financial instruments

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The Group has in place a risk management program that seeks to limit the adverse effects on the financial performance of the Group. Further details are set out in Note 25 of the financial statements.

Directors interests

The Directors of the Company who held office during the year had the following beneficial interests in the shares of the Company at the period end:

	30 June 2020 Number (thousands)	31 December 2019 Number (thousands)
Nigel Burton	**552**	137,500
Andrew Lawley	**93**	–
David Nicholl	**13,222**	–
Harvey Sinclair	**20,739**	–
Ric Williams	**93**	–
James Bunyan	**–**	–
Alan Clegg	**–**	–
Martin Rosser	**3**	925
	34,702	138,425

NOTE: As part of the Reverse Takeover completed on 9 January 2020 the share capital of the Company was subject to a 75,000:1 consolidation and then a 250:1 split so the number of shares held by the Directors at 31 December 2019 needs to be divided by 300 to be comparable to the number at 30 June 2020.

The following Directors had also been granted options to acquire the shares of the Company:

As at 30 June 2020 and 31 December 2019 Number of options (thousands)	Martin Rosser	James Bunyan	Alan Clegg
Exercisable at 4.92p until 22/12/20	9	3	3
Exercisable at 0.22p until 28/07/26	43	22	22
Exercisable at 0.15p until 28/07/26	80	67	80
	132	92	105

The total number of share options held by the Directors at 30 June 2020 and 31 December 2019 was 327,667.

In July 2020 the Company implemented the eEnergy Group Management Incentive Plan (the "MIP"). Details of the MIP are included in Note 32 to the financial statements.

Provision of Information to Auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor and a resolution to re-appoint them will be put to the Annual General Meeting.

This report was approved by the Board on 13 October 2020 and signed on its behalf by:

RM Williams
Company Secretary

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 Group and Parent Company 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 Group and Company and of the profit or loss of the Group for that period.

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

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

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

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

The Company is compliant with AIM Rule 26 regarding the Company’s website.

Board of Directors

Other than Dr Nigel Burton, who was appointed on 16 September 2019, all of the Board were appointed with effect from 9 January 2020.

DAVID NICHOLL – Non-Executive Chairman

David is an internationally experienced and proven technology leader in Industrial Internet of Things ("IIoT") energy management and connected lighting, who has led significant international businesses as President and CEO for Philips Lighting (UK and Ireland), Rockwell Automation (UK and Ireland) and Schneider Electric (Sweden and Romania). He is currently Executive Vice President, Northern Europe, of ABB's Electrification Business division. David has an MBA and a degree in electronic engineering and physics.

HARVEY SINCLAIR – Chief Executive Officer

Harvey co-founded eLight and is a proven technology entrepreneur, who has achieved a number of successful exits of business over the last 15 years across a variety of different sectors; Software, Internet, ecommerce and hospitality. In 2000, Harvey founded The Hot Group Plc (THG), which listed on AIM in 2002 and which he led on a successful consolidation of the online recruitment market, through a buy and build strategy, before leading the sale to Trinity Mirror in 2006. Harvey was investment director for Scottish Enterprise at Design LED between 2015 and 2019.

RIC WILLIAMS – Chief Financial Officer

Ric was an audit and corporate finance partner with Deloitte from 2002 – 2009 and led their London Capital Markets practice helping international companies to list on AIM and the Main Market. He was CFO and then CEO of EQPaymaster, the Pension Administration, payroll and software division of Equiniti Group plc, from 2013-2019. Prior to joining Deloitte, Ric had joined Arthur Andersen after leaving university in 1988, trained as a chartered accountant and made partner in 1999.

DR NIGEL BURTON – Independent Non-Executive Director

Following over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries, Nigel spent 15 years as CFO or CEO of a number of private and public companies. In addition to the Company, Nigel is currently a Non-Executive Director of several AIM listed companies including Modern Water plc, Digitalbox plc, and Corcel plc.

ANDREW LAWLEY – Non-Executive Director

Andrew is a qualified accountant and after roles in corporate finance and corporate recovery, focused on private equity as a Managing Director of the RBS Special Opportunities Fund LLP. In 2012 Andrew joined Dixons Retail Group plc as Group Strategy Director to lead strategy and M&A. Andrew played a leading role in the merger with Carphone Warehouse plc, subsequently becoming integration director and interim CEO of the services division, as well as continuing to lead all strategy and M&A work for the enlarged group. Andrew is currently Executive Chairman of Hunter Boot Limited.

Independent Auditor's Report

Independent auditor's report to the members of eEnergy Group plc

Opinion

We have audited the financial statements of eEnergy Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's and the parent company's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group financial statements as a whole to be £82,000. This was calculated at the average of 2% of revenue and 5% of EBITDA. Benchmarks of revenue and adjusted EBITDA have been selected as we consider these to be the most significant determinants of the group's performance for shareholders. The group has revenue generating subsidiaries in the UK and Ireland, whilst the reverse acquisition and re-admission to AIM during the year gave rise to a number of exceptional costs which are excluded when assessing the underlying trading performance.

The parent company materiality was £31,000 based upon 5% of the adjusted loss before tax in order to ensure adequate coverage of expenditure.

Performance materiality is the application of materiality at the individual account or balance level set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the group and parent company was set at 70% of overall materiality.

Component materiality for significant and/or material subsidiary undertakings ranged from £33,000 to £11,000.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of £4,100 for the group and £1,550 for the parent company.

An overview of the scope of our audit

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

All significant and/or material subsidiary undertakings were audited directly by PKF Littlejohn LLP.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue recognition Revenue for the year ended 30 June 2020 amounted to £4.5million and details of the related judgements and estimates are disclosed in note 2.11. The Group has various revenue streams comprising Light as a Service ("Laas"), capital expenditure contracts and trading of energy credits. Each revenue stream has different contractual and performance obligations which in turn require separate revenue recognition policies. There is further risk that revenue contracts involving finance partners are not accounted for and disclosed appropriately in accordance with the terms of those arrangements. Revenue recognition is therefore a key focus for our audit.	Our testing in this area included the following: • Updating and checking by walkthrough tests our understanding of the internal control environment for the significant income streams; • Substantively testing a sample of contracts concluded and in progress at the year end, including contract assets and liabilities and deferred and accrued income; • Testing contract cut-off at year end having regard to timing and stage of installation, subcontractor and material costs; and • Reviewing post year end cash receipts and documents to test the completeness, cut-off and accuracy of revenue around the year end.
Reverse acquisition and AIM re-admission (Note 3) On 9 January 2020 eLight Group Holdings Limited, together with trading subsidiaries eLight UK Limited and eLight Ireland Limited, completed the reverse acquisition of Alexander Mining plc (subsequently renamed eEnergy Group plc). The enlarged group was re-admitted to trading on AIM on the same date. This was a significant transaction during the accounting period and was a key focus of our audit.	Our testing in this area included the following: • Reviewing the Admission Document and related documentation to ensure the terms of the reverse acquisition are accurately reflected in the accounting treatment and disclosures. • Checking the basis for calculating the 'deemed acquisition cost', comprising the consideration shares, together with the fair value of the assets and liabilities acquired within eEnergy Group plc. • Re-performing the consolidation adjustments. • Checking and agreeing the presentation and disclosures relating to the reverse acquisition in the financial statements.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors’ Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

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

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

Responsibilities of directors

As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
13 October 2020

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

For the year to 30 June 2020

	Note	Year to 30 June 2020 £'000	Period to 30 June 2019 £'000
Continuing operations			
Revenue from contracts with customers	5	**4,501**	3,943
Cost of sales	6	**(2,913)**	(2,746)
Gross profit		**1,588**	1,197
Operating expenses	7	**(4,433)**	(2,562)
Included within operating expenses are:			
– Group central costs		**878**	503
– Reverse acquisition expenses	3	**1,320**	–
– Other exceptional items		**–**	63
Adjusted operating expenses		**(2,235)**	(1,996)
Adjusted earnings before interest, taxation, depreciation and amortisation		**(647)**	(799)
Earnings before interest, taxation, depreciation and amortisation		**(2,845)**	(1,365)
Depreciation	13, 21	**(72)**	(19)
Finance costs – net	10	**(277)**	(4)
Loss before taxation		**(3,194)**	(1,388)
Income tax	11	**–**	–
Loss for the year from continuing operations attributable to the owners of the company		**(3,194)**	(1,388)
Other comprehensive income – items that may be reclassified subsequently to profit and loss			
Translation of foreign operations		**(82)**	(33)
Total other comprehensive loss		**(82)**	(33)
Total comprehensive loss for the year attributable to the owners of the company		**(3,276)**	(1,421)
Basic and diluted loss per share from continuing operations (p)	12	**(2.96)p**	(1.60)p

The accompanying notes on pages 32 to 58 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 £'000	As at 30 June 2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**130**	75
Intangible assets	14	**211**	211
Right of use assets	20	**538**	–
Total non-current assets		**879**	286
Inventories	16	**356**	224
Trade and other receivables	17	**1,073**	149
Financial assets at fair value through profit or loss	18	**414**	351
Cash and cash equivalents	19	**1,478**	196
Total current assets		**3,321**	920
TOTAL ASSETS		**4,200**	1,206
NON-CURRENT LIABILITIES			
Lease liability	21	**506**	–
Borrowings	22	**1,120**	–
Total non-current liabilities		**1,626**	–
CURRENT LIABILITIES			
Trade and other payables	20	**3,955**	2,558
Lease liability	21	**76**	–
Borrowings	22	**304**	51
Total current liabilities		**4,335**	2,609
TOTAL LIABILITIES		**5,961**	2,609
NET ASSETS (LIABILITIES)		**(1,761)**	(1,403)
Equity attributable to owners of the parent			
Share capital	23	**15,725**	18
Share premium	23	**22,375**	–
Other reserves		**82**	–
Reverse acquisition reserve	3	**(35,246)**	–
Foreign currency translation reserve		**(115)**	(33)
Accumulated losses		**(4,582)**	(1,388)
Total equity		**(1,761)**	(1,403)

The notes on pages 32 to 58 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13 October 2020 and were signed on their behalf by:

RM Williams – Director

eEnergy Group plc Registered Number: 05357433

Parent Company Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 £'000	As at 31 Dec 2019 £'000
NON-CURRENT ASSETS			
Investment	15	**6,574**	–
Total non-current assets		**6,574**	–
Loan to subsidiaries		**480**	–
Trade and other receivables	17	**26**	106
Cash and cash equivalents	19	**909**	101
Total current assets		**1,415**	207
TOTAL ASSETS		**7,989**	207
CURRENT LIABILITIES			
Trade and other payables	20	**368**	289
Total current liabilities		**368**	289
TOTAL LIABILITIES		**368**	289
NET ASSETS (LIABILITIES)		**7,621**	(82)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	23	**15,725**	15,376
Share premium	23	**22,375**	14,468
Other reserves		**82**	–
Accumulated losses		**(30,561)**	(29,926)
TOTAL EQUITY		**7,621**	(82)

A separate income statement for the parent company has not been presented, as permitted by section 408 of the Companies Act 2006. The Company's loss for the period was £635,000 (2019: loss of £915,000).

The notes on pages 32 to 58 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13 October 2020 and were signed on their behalf by:

RM Williams – Director

eEnergy Group plc Registered Number: 05357433

Statements of Cash Flows

For the year ended 30 June 2020

	Note	Group		Parent company	
		Year to 30 June 2020 £'000	Period to 30 June 2019 £'000	**Period to 30 June 2020 £'000**	Year to 31 Dec 2019 £'000
Cash flow from operating activities					
Operating loss – continuing operations		**(3,194)**	(1,388)	**(635)**	(915)
Adjustments for:					
Depreciation		**72**	20	**–**	–
Finance cost (net)		**277**	(3)	**3**	–
Shares and warrants issued to settle expenses relating to the reverse acquisition		**108**	–	**108**	–
Gain on disposal of subsidiary - Metaleach		**–**	–	**(150)**	
Finance charge on lease liabilities		**53**	–	**–**	–
Foreign exchange movement		**(14)**	–	**–**	–
Reverse acquisition share based payment expense	3	**1,052**	–	**–**	–
Operating cashflow before working capital movements		**(1,646)**	(1,371)	**(674)**	(915)
(Increase)/decrease in trade and other receivables		**(998)**	(446)	**98**	(74)
(Decrease)/increase in trade and other payables		**1,236**	1,655	**148**	187
Increase in inventories		**(187)**	(161)	**–**	–
Increase in deferred income		**–**	421	**–**	–
Share option charge		**–**	–	**–**	2
Inter-company recharge		**–**	–	**–**	121
Net cash (outflow) inflow from operating activities		**(1,595)**	98	**(428)**	(679)
Cash flow from investing activities					
Amounts paid to group undertakings		**–**	–	**(428)**	(121)
Cash acquired on acquisition of subsidiary		**105**	147	**–**	–
Proceeds from disposal of subsidiary		**150**	–	**150**	–
Purchase of property, plant and equipment		**(82)**	(94)	**–**	–
Net cash inflow (outflow) from investing activities		**173**	53	**(428)**	(121)
Cash flows from financing activities					
Interest (paid) received		**(225)**	3	**–**	–
Repayment of lease liabilities		**(40)**	–	**–**	–
Proceeds from the issue of share capital, net of issue costs		**1,664**	–	**1,664**	460
Proceeds from loans and borrowings		**1,342**	–	**–**	–
Net cash inflow from financing activities		**2,741**	3	**1,664**	460
Net increase (decrease) in cash & cash equivalents		**1,319**	154	**808**	(340)
Effect of exchange rates on cash		**14**	(9)	**–**	–
Cash & cash equivalents at the start of the period		**145**	–	**101**	441
Cash & cash equivalents at the end of the year	19	**1,478**	145	**909**	101

The reconciliation of the movement in net debt is set out in Note 27.

The notes on pages 32 to 58 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Share Capital £'000	Share Premium £'000	Reverse Acqn. Reserve £'000	Other Reserves £'000	Foreign Currency Reserve £'000	Accum: Losses £'000	Total Equity £'000
At incorporation	–	–	–	–	–	–	–
Other comprehensive loss	–	–	–	–	(33)	–	(33)
Loss for the period	–	–	–	–	–	(1,388)	(1,388)
Total comprehensive loss for the period attributable to equity holders of the parent	–	–	–	–	(33)	(1,388)	(1,421)
Shares issued during the period	18	–	–	–	–	–	18
Total transactions with owners	18	–	–	–	–	–	18
Balance at 30 June 2019	**18**	**–**	**–**	**–**	**(33)**	**(1,388)**	**(1,403)**
Other comprehensive loss	–	–	–	–	(82)	–	(82)
Loss for the year	–	–	–	–	–	(3,194)	(3,194)
Total comprehensive loss for the year attributable to equity holders of the parent	–	–	–	–	(82)	(3,194)	(3,276)
Shares issued during the year	51	–	–	–	–	–	51
Transfer to reverse acquisition reserve	(69)	–	69	–	–	–	–
Recognition of plc equity at acquisition date	15,376	14,468	(28,741)	–	–	–	1,103
Issue of shares for acquisition of subsidiary	263	6,311	(6,574)	–	–	–	–
Issue of shares for cash	80	1,920	–	–	–	–	2,000
Issue of shares in settlement of fees	6	144	–	–	–	–	150
Issue of warrants	–	–	–	82	–	–	82
Cost of share issue	–	(468)	–	–	–	–	(468)
Total transactions with owners	15,707	22,375	(35,246)	82	–	–	2,918
Balance at 30 June 2020	**15,725**	**22,375**	**(35,246)**	**82**	**(115)**	**(4,582)**	**(1,761)**

The notes on pages 32 to 58 form part of these financial statements.

Parent Company Statement of Changes in Equity

For the year ended 30 June 2020

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Accum. Losses £'000	Total Equity £'000
At 1 January 2019	**15,352**	**14,044**	**–**	**(29,023)**	**373**
Loss for the year	–	–	–	(915)	(915)
Total comprehensive loss for the year attributable to equity holders of the parent	–	–	–	(915)	(915)
Share option and warrant costs	–	–	–	12	12
Shares issued during the year	24	475	–	–	499
Cost of share issue	–	(51)	–	–	(51)
Total transaction with owners	24	424	–	12	460
At 31 December 2019	**15,376**	**14,468**	**–**	**(29,926)**	**(82)**
Loss for the period	–	–	–	(635)	(635)
Total comprehensive loss for the period attributable to equity holders of the parent	–	–	–	(635)	(635)
Issue of shares for acquisition of subsidiary	263	6,311	–	–	6,574
Issue of shares for cash	80	1,920	–	–	2,000
Issue of shares settlement of fees	6	144	–	–	150
Issue of warrants	–	–	82	–	82
Cost of share issue	–	(468)	–	–	(468)
Total transaction with owners	349	7,907	82	–	8,338
Balance at 30 June 2020	**15,725**	**22,375**	**82**	**(30,561)**	**7,621**

The notes on pages 32 to 58 form part of these financial information.

1. General information

eEnergy Group plc ("the Company") (formerly Alexander Mining plc) is a public limited company with its shares traded on the AIM Market of the London Stock Exchange. eEnergy Group plc is a holding company of a group of companies (the "Group"), the principal activities of which are the provision of energy efficient LED lighting solutions to commercial clients in both Ireland and the United Kingdom.

The Company is incorporated and domiciled in England and Wales with its registered office at Salisbury House, London Wall, London, England, EC2M 5PS. The Company's registered number is 05357433.

These financial statements were approved for issue by the Board of Directors on 13 October 2020.

2. Accounting policies

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users, that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified by financial assets at fair value through profit or loss, and the recognition of net assets acquired under the reverse acquisition at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 2.20.

The financial statements present the results for the Group for the year ended 30 June 2020. The comparative period is for the period from 8 June 2018 (when eLight Group Holdings Limited was incorporated) to 30 June 2019. The Group commenced trading on 1 July 2018. The Parent Company financial statements comprise the six months ended 30 June 2020. The comparative period for the Parent Company is the year ended 31 December 2019.

The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently in the financial statements. The consolidated financial statements are prepared in Pounds Sterling, which is the Group's functional and presentation currency, and presented to the nearest £'000.

2.2 New standards, amendments and interpretations

The Group and parent Company have adopted all of the new and amended standards and interpretations issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods commencing on or after 1 July 2019.

IFRS 16 Leases became applicable to the current reporting period, replacing IAS 17 Leases. The key change under IFRS 16 is that most leases designated as "operating leases" under IAS 17 now qualify for balance sheet recognition, subject to certain exceptions.

The Group reviewed all its leasing arrangements and identified three contracts previously classified as operating leases which have been recognised as lease liabilities in the 1 July 2019 balance sheet. An associated right-of-use asset was recognised for each lease.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate, which averaged 10% across the Group.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases.

2. Accounting policies (continued)

On 1 July 2019, the Group recognised the following lease liabilities:

	£'000
Current	67
Non-current	455
Total	522

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Right-of-use assets recognised on 1 July 2019 were:

	£'000
Properties	492
Motor vehicles	30
Total	522

No other standards or Interpretations that came into effect for the first time for the financial year beginning 1 July 2019 have had an impact on the Group or Company.

2.3 New standards and interpretations not yet adopted

At the date of approval 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 (and in some cases have not yet been adopted by the EU):

- Amendments to References to Conceptual Framework in IFRS Standards – effective 1 January 2020
- Definition of Material (Amendments to IAS 1 and IAS 8) – effective 1 January 2020
- Amendment to IFRS 3 Business Combinations – effective 1 January 2020*
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – effective 1 January 2022*

*subject to EU endorsement

The effect of these new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

2.4 Going concern

The financial information has been prepared on a going concern basis, which assumes that the Group and Company will continue in operational existence for the foreseeable future. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant information about the current and future position of the Group and Company, including the current level of resources and the ability to trade within the terms and covenants of its loan facility over the going concern period of at least 12 months from the date of approval of the financial statements. The eEnergy group meets its working capital requirements from its cash and cash equivalents and its loan facility, which is secured by a debenture over the trading subsidiaries and assets of eLight.

The directors note that COVID-19 has had a significant negative impact on the global economy and has resulted in the Group's clients and prospects delaying orders. Since the lockdown restrictions started to be lifted in June 2020 the Group has seen a strong rebound of orders and the directors expect the Group to trade strongly over the foreseeable future. Having prepared budgets and cash flow forecasts covering the going concern period which have been stress tested for the negative impact of possible scenarios from COVID-19, the Directors believe the Group has sufficient resources to meet its obligations for a period of at least 12 months from the date of approval of these financial statements. Discretionary expenditure will be curtailed, if necessary, in order to preserve cash for working capital purposes and ensure compliance with covenants.

Taking these matters into consideration, the Directors consider that the continued adoption of the going concern basis is appropriate having prepared cash flow forecasts for the relevant period. The financial statements do not reflect any adjustments that would be required if they were to be prepared other than on a going concern basis.

2. Accounting policies (continued)

2.5 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Please refer to note 3 for information on the consolidation of eLight Group Holdings Limited and the application of the reverse acquisition accounting principles.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in £ Sterling, which is the Company's presentation and functional currency. The individual financial statements of each of the Company's wholly owned subsidiaries are prepared in the currency of the primary economic environment in which it operates (its functional currency). IAS 21 The Effects of Changes in Foreign Exchange Rates requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period).

(ii) Transactions and balances

Transactions denominated in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction. Assets and liabilities in foreign currencies are translated to the functional currency at rates of exchange ruling at the balance sheet date. Gains or losses arising from settlement of transactions and from translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement for the period.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at the average exchange rate; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2. Accounting policies (continued)

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Board of Directors.

2.8 Impairment of non-financial assets

Non-financial assets and intangible assets not subject to amortisation are tested annually for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment review is based on discounted future cash flows. If the expected discounted future cash flow from the use of the assets and their eventual disposal is less than the carrying amount of the assets, an impairment loss is recognised in profit or loss and not subsequently reversed.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units or 'CGUs').

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions and bank overdrafts.

2.10 Financial instruments

IFRS 9 requires an entity to address the classification, measurement and recognition of financial assets and liabilities.

a) Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost, and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payment of principal and interest.

b) Recognition
Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

d) Impairment
The Group assesses, on a forward looking basis, the expected credit losses associated with any debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. Accounting policies (continued)

The Group classifies energy credits at fair value through profit or loss. Information about the method used in determining fair value is provided in note 26.

2.11 Revenue recognition

Under IFRS 15, Revenue from Contracts with Customers, five key points to recognise revenue have been assessed:

Step 1: Identity the contract(s) with a customer;

Step 2: Identity the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities, as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Where the Group makes sales relating to a future financial period, these are deferred and recognised under 'accrued expenses and deferred income' on the Statement of Financial Position.

The Group derives revenue from the transfer of goods and services overtime and at a point in time in the major product and service lines detailed below.

Revenues from external customers come from the provision of "Light as a Service" (LaaS) agreements where the Group delivers lighting outcomes to its customers over time and from the supply and installation of lighting equipment. The Group may assign the majority or all of its right and obligations under a LaaS agreement to a Finance Partner in accordance with the terms of the agreement and will recognise revenue at the time of assignment.

a) Light as a Service
The Group will undertake to provide Lighting Outcomes to customers over the term of a contract, typically 3, 5 or 7 years. The Group will design the installation of lighting equipment to meet the Lighting Outcomes over the contract term, source and then install that equipment. Once the installation has been accepted the customer will make payments monthly over the contract term. Where a contract is assigned to a Finance Partner then revenue will be recognised at the point of assignment. Where a contract is not assigned the transaction price will be adjusted for the time value of money and the revenue will be recognised rateable over the term.

Included within the LaaS contract is an undertaking to ensure that the agreed Lighting Outcomes are delivered and this may require the repair or replacement of faulty products. This performance obligation is not a material element of the LaaS contract and accordingly revenue is not separately recognised and an accrual for the expected future costs is recognised pro rata to the revenue that is recognised.

b) Supply and installation of lighting equipment
The Group will supply and install lighting equipment for customers. Payment of the transaction price is typically due in instalments between the customer order and the installation being accepted or upon installation acceptance. Revenue is only recognised upon installation acceptance as the Group does not consider the supply of equipment and its installation as distinct performance obligations.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

c) Management services
The Group provides management services to customers and certain other parties under fixed fee arrangements. Efforts to satisfy the performance obligation are expended evenly throughout the performance period and so the performance obligation is considered to be satisfied evenly over time and accordingly the revenue is recognised evenly over time.

d) Energy credits
From time to time the Group will receive consideration for both LaaS and supply & install contracts in Ireland in the form of energy credits. Energy credits are financial assets that are valued at fair value through profit or loss and their initial estimated value is included as part of the transaction price recognised as revenue. Energy credits are validated by the SEAI (the Irish regulator) and once validated are transferred to an undertaking that needs those energy credits, typically a power generation company. Any changes in the fair value of the energy credits between initial recognition and their realisation for cash are recorded as other gains or losses.

2. Accounting policies (continued)

e) Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.12 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

When the Group acquires any plant and equipment it is stated in the financial statements at its cost of acquisition.

Depreciation is charged to write off the costs less estimated residual value of plant and equipment on a straight line basis over their estimated useful lives at the following annual rates:

- Plant and equipment 25%
- Computer equipment 25%

Estimated useful lives and residual values are reviewed each year and amended as required.

2.13 Intangible assets
Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost.

Indefinite life intangible assets comprising goodwill are not amortised and are subsequently measured at cost less any impairment. The gains and losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

2.14 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Leases
The Group leases properties and motor vehicles. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. Accounting policies (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period. Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than £5k) are recognised on a straight-line basis as an expense in profit or loss.

2.16 Equity

Share capital is determined using the nominal value of shares that have been issued.

The Share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the Share premium account, net of any related income tax benefits.

The Reverse Acquisition reserve includes the accumulated losses incurred prior to the reverse acquisition, the share capital of eLight Group Holdings Limited at acquisition, the value of the shares issued to acquire all of the share capital of eLight Group Holdings Limited as well as the reverse acquisition share based payment expense.

For the purposes of presenting consolidated financial statements, the assets and liabilities of group's foreign operations are translated at the exchange rates prevailing at the balance sheet date and items of income and expenditure are translated at the average exchange rate for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in the Foreign Currency Reserve within equity.

Accumulated losses includes all current and prior period results as disclosed in the income statement other than those transferred to the Reverse Acquisition reserve.

2.17 Taxation

Taxation comprises current and deferred tax.

Current tax is based on taxable profit or loss for the period. Taxable profit or loss differs from profit or loss as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information 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 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 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be 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 realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. Accounting policies (continued)

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

2.18 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are capitalised as a prepayment for liquidity services and amortised over the period of the loan to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability or at least 12 months after the end of the reporting period.

2.19 Exceptional items and non-GAAP performance measures

Exceptional items are those items which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's ongoing business. Generally, exceptional items include those items that do not occur often and are material.

In the prior period exceptional items related to the professional fees incurred in forming the Group in 2018, including the acquisition of ELUK described in note 19.

We believe the non-GAAP performance measures presented, along with comparable GAAP measurements, are useful to provide information with which to measure the Group's performance, and it's ability to invest in new opportunities. Management uses these measures with the most directly comparable GAAP financial measures in evaluating operating performance and value creation. The primary measure is Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") and Adjusted EBITDA, which is the measure of profitability before accounting for the central administration function's costs which has been incurred across the Group (and which are disclosed as a separate operating segment in note 3) and expenses relating to the reverse acquisition transaction. These measures are also consistent with how underlying business performance is measured internally.

The Group separately reports exceptional items within their relevant income statement line as it believes this helps provide a better indication of the underlying performance of the Group. Judgement is required in determining whether an item should be classified as an exceptional item or included within underlying results. Reversals of previous exceptional items are assessed based on the same criteria.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP.

2.20 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, management makes estimates and assumptions that have an effect on the amounts recognised in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The following are the critical judgements the directors have made in the process of applying the Group's accounting policies.

Impairment assessment

In accordance with its accounting policies, each CGU is evaluated annually to determine whether there are any indications of impairment and a formal estimate of the recoverable amount is performed. The recoverable amount is based on value in use which require the Group to make estimates regarding key assumptions regarding forecast revenues, costs and pre-tax discount rate. Further details are disclosed within note 11. Uncertainty about these assumptions could result in outcomes that require a material adjustment to the carrying amount of goodwill in future periods.

Energy credits

Energy credits are valued based on management's assessment of market price fair value underlying the energy credit. Such assessment is derived from valuation techniques that include inputs for the energy credit asset that are not based on observable market data. Further details are disclosed within note 21. Uncertainty about the market price fair value used in valuing the energy credit assets could result in outcomes that require a material adjustment to the value of these energy credits assets in future periods.

3. Reverse acquisition

On 9 January 2020, the Company acquired through a share for share exchange the entire share capital of eLight Group Holdings Limited, whose principal activity is the provision of energy efficient LED lighting solutions to education and commercial clients in the United Kingdom and Ireland.

Although the transaction resulted in eLight Group Holdings Limited becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition as the previous shareholders of eLight Group Holdings Limited own a substantial majority of the Ordinary Shares of the Company and the executive management of eLight Group Holdings Limited became the executive management of eEnergy Group plc

In substance, the shareholders of eLight Group Holdings Limited acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of the AIM Listing, acquiring eLight Group Holdings Limited and raising equity finance to provide the required funding for the operations of the acquisition it did not meet the definition of a business in accordance with IFRS 3.

Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 "Share-based Payments" and associated IFRIC guidance. Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors have prepared these financial statements using the reverse acquisition methodology, but rather than recognising goodwill, the difference between the equity value given up by the eLight Group Holding Limited's shareholders and the share of the fair value of net assets gained by the eLight Group Holdings Limited shareholders is charged to the statement of comprehensive income as a share based payment on reverse acquisition, and represents in substance the cost of acquiring an AIM listing.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated statements of eLight Group Holdings Limited and its subsidiaries and include:

- The assets and liabilities of eLight Group Holdings Limited and its subsidiaries at their pre-acquisition carrying value amounts and the results for both years; and
- The assets and liabilities of the Company as at 9 January 2020 and its results from the date of the reverse acquisition (9 January 2020) to 30 June 2020

On 9 January 2020, the Company issued 87,651,000 ordinary shares to acquire the 2,023,000 ordinary shares of eLight Group Holdings Limited. At 9 January 2020, the quoted share price of the Company was £0.075 and therefore valued the investment in eLight Group Holdings at £6,574,000.

Because the legal subsidiary, eLight Group Holdings Limited, was treated on consolidation as the accounting acquirer and the legal Parent Company, eEnergy Group plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by eLight Group Holdings Limited was calculated at £1,103,000 based on an assessment of the purchase consideration for a 100% holding of eEnergy Group plc.

The fair value of the net assets of eEnergy Group plc at acquisition was as follows:

	£'000
Cash and cash equivalents	105
Other assets	253
Liabilities	(307)
Net Assets	51

The difference between the deemed cost (£1,103,000) and the fair value of the net assets assumed per above of £51,000 resulted in £1,052,000 being expensed within "reverse acquisition expenses" in accordance with IFRS 2, Share Based Payments, reflecting the economic cost to eLight Group Holdings Limited shareholders of acquiring a quoted entity. Together with the professional fees incurred of £268,000 the total reverse acquisition expenses were £1,320,000.

3. Reverse acquisition (continued)

The reverse acquisition reserve which arose from the reverse takeover is made up as follows:

	£'000
Pre-acquisition equity[1]	(29,793)
eLight Group Holdings Limited share capital at acquisition[2]	69
Investment in eLight[3]	(6,574)
Reverse acquisition expense[4]	1,052
	(35,246)

1. Recognition of pre-acquisition equity of eEnergy Group plc as at 9 January 2020.
2. eLight Group Holdings Limited had issued share capital of £69,000. As these financial statements present the capital structure of the legal parent entity, the equity of eLight Group Holding Limited is eliminated.
3. The value of the shares issued by the Company in exchange for the entire share capital of eLight Group Holdings Limited. The above entry is required to eliminate the balance sheet impact of this transaction.
4. The reverse acquisition expense represents the difference between the value of the equity issued by the Company, and the deemed consideration given by eLight Group Holdings Limited to acquire the Company.

4. Segment reporting

The following information is given about the Group's reportable segments:

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the Group. Management has determined the operating segment based on the reports reviewed by the Board.

The Board considers that during the year ended 30 June 2020 the Group operated in the single business segment of LED lighting solutions.

2020	United Kingdom £'000	Ireland £'000	Central £'000	**2020 £'000**
Revenue	2,241	2,260	–	**4,501**
Cost of sales	(1,429)	(1,484)	–	**(2,913)**
Gross Profit	812	776	–	**1,588**
Operating expenses	(1,027)	(1,208)		**(2,235)**
Operating EBITDA	(215)	(432)	–	**(647)**
Central management costs	–	–	(878)	**(878)**
Depreciation	(3)	(64)	(5)	**(72)**
Finance and similar charges	(24)	(52)	(201)	**(277)**
Reverse acquisition expenses	–	–	(1,320)	**(1,320)**
Loss before and after tax	(242)	(548)	(2,404)	**(3,194)**
Net Assets				
Assets:	978	2,037	1,335	**4,350**
Liabilities	(1,256)	(2,896)	(1,959)	**(6,111)**
Net assets / (liabilities)	(278)	(859)	(624)	**(1,761)**

2019	United Kingdom £'000	Ireland £'000	Central £'000	**2020 £'000**
Revenue	2,027	1,916	–	**3,943**
Cost of sales	(1,452)	(1,294)	–	**(2,746)**
Gross Profit	575	622	–	**1,197**
Operating expenses	(833)	(1,222)	(4)	**(2,059)**
Operating EBITDA	(258)	(600)	(4)	**(862)**
Central management costs	–	–	(503)	**(503)**
Depreciation	–	(19)	–	**(19)**
Finance and similar charges	–	(3)	–	**(3)**
Loss before and after tax	(258)	(622)	(507)	**(1,387)**
Net Assets				
Assets:	271	714	221	**1,206**
Liabilities	(614)	(1,883)	(112)	**(2,609)**
Net assets / (liabilities)	(343)	(1,169)	109	**(1,403)**

5. Revenue from contracts with customers

	2020 £'000	2019 £'000
Sales revenue	**4,324**	3,625
Energy credits	**177**	318
	4,501	3,943

Within the sales revenue, one customer in the UK accounted for greater than 10% of total revenue of the Group, being £1,080,000 (2019: two customers £855,000 and £585,000). In Ireland, £2,009,000 (2019: £1,615,000) was earned under the contract with eLight Projects Limited ("MPL"), a company of which Ian McKenna, a director of eLight Group Holdings Limited, is a director.

6. Cost of sales

	2020 £'000	2019 £'000
Cost of sales – labour	**1,195**	959
Cost of sales – other	**1,718**	1,787
	2,913	2,746

7. Operating expenses

Operating expenses by nature include:

Charge (credit)	2020 £'000	2019 £'000
Wages and salaries	**1,904**	1,235
Outsourced sales lead generation	**156**	553
Rent, utilities and office costs	**60**	241
Professional fees	**389**	131
Travel and motor vehicle expenses	**170**	173
Reverse acquisition expenses	**1,320**	–
Other exceptional items	**–**	63
Foreign exchange losses (gains)	**(14)**	–
Write down of assets recorded at fair value through the P&L	**78**	–
Other expenditure	**370**	166
	4,433	2,562

8. Auditors remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	**31**	15
Tax compliance services	**2**	–
Corporate finance fees	**60**	–
	93	15

9. Staff costs and directors' emoluments

Directors' remuneration for the Group and the Company is set out in the report of the Remuneration Committee on page 17.

The aggregate staff costs for the year were as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Directors remuneration	**480**	314	**294**	168
Other staff wages and salaries	**1,287**	833	**–**	40
Social security costs	**137**	88	**22**	4
	1,904	1,235	**303**	212

On average, excluding non-executive directors, the Group and Company employed 7 technical staff members (2019: 7) 13 sales staff members (2019: 8) and 13 administration and management staff members (2019: 7).

10. Finance costs – net

	2020 £'000	2019 £'000
Interest expense – borrowings	**(151)**	(4)
Finance charge on leased assets	**(53)**	–
Finance costs – net	**(277)**	(4)

11. Taxation

No liability to income tax has arisen in the year or prior year.

The current tax for the year differs from the loss before tax at a standard rate of corporation tax in the UK.

The differences are explained below:

	2020 £'000	2019 £'000
The charge / credit for year is made up as follows:		
Corporation taxation on the results for the year	**–**	–
Income tax (charge) / credit for the year	**–**	–
A reconciliation of the tax charge / credit appearing in the income statement to the tax that would result from applying the standard rate of tax to the results for the year is:		
Loss per the financial statements	**(3,194)**	(1,387)
Tax credit at the weighted average of the standard rate of corporation tax in Ireland of 12.5% and UK of 19% (2019: 14.7%)	**(549)**	(204)
Impact of costs disallowed for tax purposes	**181**	11
Unrelieved tax losses arising in the year	**368**	193
Income tax (charge) / credit for the year	**–**	–

Estimated UK and Ireland tax losses of £0.8m and £1.8m respectively (2019: £0.5m and £0.9m) are available for relief against future profits. The parent company has accumulated tax losses of £9.3m (2019: £8.7m)

No deferred tax assets in respect of tax losses have been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

Factors affecting the future tax charge

The standard rate of corporation tax in the UK and Ireland is 19% and 12.5% respectively.

12. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares in issue during the year

	2020	2019
Loss for the year from continuing operations – £	3,194,000	1,388,000
Weighted number of ordinary shares in issue	108,080,337	86,654,469
Basic earnings per share from continuing operations – pence	**(2.96)**	(1.60)

There is no difference between the diluted loss per share and the basic loss per share presented. Share options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year presented. See note 28 for further details.

13. Property, plant and equipment

	Plant & equipment £'000	Computer equipment £'000	Total £'000
Cost			
Additions in the period	93	2	95
At 30 June 2019	93	2	95
Additions in the year	14	68	82
At 30 June 2020	107	70	177
Depreciation			
Charge for the period	20	–	20
At 30 June 2019	20	–	20
Charge for the year	19	8	27
At 30 June 2020	39	8	47
Net book value 30 June 2019	73	2	75
Net book value 30 June 2020	68	62	130

14. Intangible assets

The intangible assets relate to the Goodwill arising on the acquisition of eLight UK. See note 24 for further details. The Group tests the intangible asset for indications of impairment at each reporting period, in line with accounting policies. The intangible asset is a key asset and is recognised as an intangible asset with an indefinite useful life.

	2020 £'000	2019 £'000
Opening balance	**211**	–
Additions during the year	**–**	211
	211	211

The recoverable amount of the cash generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management which are built "bottom up" for the next three years. Within those cash flow projections revenues increase at a compound annual growth rate of 49%. The annual discount rate applied to the cash flows is 10%.

The directors have considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount to exceed recoverable amount.

15. Investment

COMPANY ONLY	2020 £'000	2019 £'000
Opening balance	–	–
Additions during the year – consideration shares (note 3)	6,574	–
	6,574	–

Company subsidiary undertakings

As at 30 June 2020, the Group owned interests in the following subsidiary undertakings, which are included in the consolidated financial statements:

Name	Holding 2020	Holding 2019	Business Activity	Country of Incorporation	Registered Address
Direct subsidiary undertaking					
eEnergy Holdings Limited	100%	–	Holding Company	England & Wales	32 Threadneedle St London EC2R 8AY
Indirect subsidiary undertakings					
eLight Group Holdings Limited	100%	–	Holding Company	Ireland	1-3 the Green, Malahide, Co. Dublin K36 N153
eLight EAAS Projects Limited	100%	–	Trading Company	Ireland	1-3 the Green, Malahide, Co. Dublin K36 N153
e-Light Ireland Limited	100%	–	Trading Company	Ireland	1-3 the Green, Malahide, Co. Dublin K36 N153
eLight U.K Limited	100%	–	Trading Company	England & Wales	32 Threadneedle St London EC2R 8AY

16. Inventory

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	31 Dec 2019 £'000
The balance at year end comprised:				
Work in progress	175	188	–	–
Finished goods	181	36	–	–
	356	224	–	–

Inventories are stated at the lower of cost and net realisable value.

17. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	31 Dec 2019 £'000
Trade receivables	426	68	–	–
Prepayments	99	50	25	98
Accrued revenue	535	–	–	–
Other receivables	13	31	1	8
	1,073	149	26	106

All trade receivables are short term and are due from counterparties with acceptable credit ratings so there is no expectation of a credit loss. Accordingly, the Directors consider that the carrying value of trade and other receivables approximates to their fair value.

18. Financial assets at fair value through profit and loss

The Group classifies the following financial assets at fair value through profit or loss:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	31 Dec 2019 £'000
Energy credits	**414**	351	**–**	–
	414	351	**–**	–

The energy credits are measured under level 2 of the fair value hierarchy as described in note 25.

19. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short term deposits held with banks with a A-1+ rating. The carrying value of these approximates to their fair value. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	31 Dec 2019 £'000
Cash at bank and in hand	**1,478**	196	**909**	101
Bank overdraft	**–**	(51)	**–**	–
Cash and cash equivalents	**1,478**	145	**909**	101

20. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	31 Dec 2019 £'000
Current liabilities				
Trade payables	**2,683**	1,602	**118**	38
Accrued expenses and deferred income	**836**	700	**110**	251
Social security and other taxes	**388**	109	**84**	–
Other payables	**48**	147	**56**	–
	3,955	2,558	**368**	289

Trade payables and accruals principally comprise amounts outstanding for trade purchases and continuing costs. The Directors consider that the carrying value of trade and other payables approximates to their fair value. Refer Note 26.

Deferred income represents revenues collected but not yet earned as at the year end.

21. Leases

The Group had the following lease assets and liabilities:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	31 Dec 2019 £'000
Right of use assets				
Properties	**477**	–	**–**	–
Motor vehicles	**61**	–	**–**	–
	538	–	**–**	–
Lease liabilities				
Current	**76**	–	**–**	–
Non-current	**506**	–	**–**	–
	582	–	**–**	–

Maturity on the lease liabilities are as follows:

	2020 £'000
Current	76
Due between 1-2 years	81
Due between 2-5 years	159
Due beyond 5 years	266
	582

Right of use assets

A reconciliation of the carrying amount of each class of right of use asset is as follows:

	2020 £'000
Properties	
Opening balance on adoption of IFRS 16	**492**
Depreciation	**(26)**
Impact of foreign exchange	**11**
	477
Motor vehicles	
Opening balance on adoption of IFRS 16	**30**
Additions	**47**
Depreciation	**(19)**
Impact of foreign exchange	**3**
	61

22. Borrowings

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	31 Dec 2019 £'000
Current				
Borrowings	**304**	51		–
	304	51		–
Non-current				
Borrowings	**1,120**	–	**–**	–
	1,120	–	**–**	–

During the prior period, eLight Group Holdings Limited obtained a bank overdraft facility that attracted an interest rate of 7.85%. This was settled in full in the current year.

During the year eLight Group Holdings Limited (the Borrower) entered into a loan agreement to borrow €1,556,000 over a four year term. The loan principal is repayable in equal instalments commencing in December 2020 whilst interest charged at 13.50%per annum is paid monthly. In the event that the loan is repaid early an additional fee is payable in cash. It includes covenants relating to total contracted orders, revenue and operating EBITDA all measured over a rolling 12 month period plus a covenant requiring a minimum level of cash in the eLight Group. At the year end the loan is guaranteed by e-Light Ireland Limited and eLight U.K Limited and is secured through debentures issued by the Borrower and the Guarantors.

The maturity of the borrowings is:

	2020 £'000
Current	304
Due between 1-2 years	456
Due between 2-5 years	664
Due beyond 5 years	–
	1,424

23. Share capital and share premium

GROUP	Ordinary Shares [1] number	Share Capital £'000	Share Premium £'000	Total £'000
At incorporation	100	–	–	–
Issue of shares during the period[1]	1,999,900	18	–	18
As at 30 June 2019[1]	**2,000,000**	**18**	**–**	**18**
Ordinary shares issued during the period[1]	23,000	51	–	51
Transfer of capital of eLight Holdings Group Limited to Reverse Acquisition Reserve 9 January 2020	(2,023,000)	(69)	–	(69)
Issued capital of eEnergy Group plc at acquisition 9 January 2020	14,608,500	43	14,468	14,511
Issue of shares for acquisition of subsidiary 9 January 2020	87,651,000	263	6,311	6,574
Issue of shares at placing price of £0.075	26,666,667	80	1,920	2,000
Issue of shares of settlement of fees	2,000,000	6	144	150
Cost of share issue			(468)	(468)
As at 30 June 2020 (ordinary shares of £0.003 each)	**130,926,167**	**392**	**22,375**	**22,767**
Deferred share capital		15,333		
Total share capital		**15,725**		

1 In 2019, eLight Group Holdings Limited had three classes of shares, being A ordinary shares (1,120,000), B ordinary shares (800,000) and C ordinary shares (80,000), all of par value €0.01. A and B ordinary shares have equal voting rights and the C ordinary shares are non-voting. All of the ordinary shares rank pari passu for the distribution of dividends and repayment of capital. The A ordinary and C ordinary shares are called up and unpaid, whilst the B ordinary shares are all fully paid.

The issued capital of the Group for the period 6 June 2018 to 9 January 2020 is that of eLight Group Holdings Limited. Upon completion of the acquisition the share capital of eLight Group Holdings Limited was transferred to the Reverse Acquisition Reserve (see note 3) and the share capital of eEnergy Group plc was brought to account.

Details of share options and warrants issued during the year and outstanding at 30 June 2020 are set out in note 28.

23. Share capital and share premium (continued)

COMPANY	Ordinary Shares number	Share Capital £'000	Share Premium £'000	Total £'000
As at 1 January 2019	1,888,730,149	1,889	14,044	15,933
Subdivision of shares *	–	(1,870)	–	(1,870)
Shares issued for cash at 0.02p	2,375,000,000	23	452	475
Shares issued in lieu of fees at 0.02p	118,750,000	1	23	24
Cost of share issue			(51)	(51)
As at 31 December 2019	4,382,480,149	43	14,468	14,511
Issue of registrar shares **	69,851	–	–	–
Total number of shares before consolidation	4,382,550,000			
Effect of 75,000:1 share consolidation	(4,382,491,566)			
Total number of shares after consolidation	58,434			
Effect of 1:250 sub-division of shares	14,550,066			
Total # of shares after sub-division of shares	14,608,500			
Issue of shares for acquisition of eLight 9 January 2020	87,651,000	263	6,311	6,574
Issue of shares at placing price of £0.075	26,666,667	80	1,920	2,000
Issue of shares in settlement of fees	2,000,000	6	144	150
Cost of share issue			(468)	(468)
As at 30 June 2020 ordinary shares at £0.003 each)	**130,926,167**	**392**	**22,375**	**22,767**
Deferred share capital		15,333		
Total share capital		**15,725**		

Deferred shares	Number of shares	Deferred share capital £'000
Balance at 1 January 2019	135,986,542	13,463
Subdivision of shares following special resolution *	1,533,115,064,009	1,870
Balance at 31 December 2019	**1,533,251,050,551**	**15,333**
Movement during the year	–	–
Balance at 30 June 2020	**1,533,251,050,551**	**15,333**

* On 28 June 2019, special resolutions were passed whereby:

- each of the issued ordinary shares of 0.1p each in the capital of the Company were subdivided into 1 ordinary share of 0.001p each and 99 deferred shares of 0.001p each; and
- each of the issued deferred shares of 9.9p each in the capital of the Company be subdivided into 9,900 new deferred shares.

** Shares issued in order to deal with fractions arising under the share consolidation.

The deferred shares have no voting, dividend, or capital distribution (except on winding up) rights. They are redeemable at the option of the Company alone.

The share premium represents the difference between the nominal value of the shares issued and the actual amount subscribed less; the cost of issue of the shares, the value of the bonus share issue, or any bonus warrant issue.

24. Business combination

eLight U.K Limited
On 28 June 2018 eLight Group Holdings Limited acquired all of the share capital of E-light Works Limited (now known as eLight U.K Limited). Consideration was the issue of 800,000 B ordinary shares at their nominal value. The acquisition created a larger LaaS business across the UK & Ireland which has realised operational and cost synergies.

The fair value of the assets acquired and liabilities assumed of eLight U.K Limited at the date of acquisition are as follows:

	£'000
Property, plant and equipment	1
Cash at bank	147
Trade and other receivables	69
Trade and other payables	(421)
Total identifiable net assets / (liabilities) acquired	(204)
Goodwill	211
Total consideration	7

Costs incurred that are related to the acquisition of eLight U.K Limited and the formation of the Group of £76,000 have been expensed and classified as exceptional items in the income statement in the prior period.

Goodwill relates to the accumulated "know how" and expertise of the business and its staff.

None of the goodwill is expected to be deductible for income tax purposes.

Renewable Solutions Lighting Limited
On 1 July 2020 the Company completed the acquisition of all of the share capital of Renewable Solutions Lighting Limited ("RSL").

RSL specialises in providing the UK education sector with fully funded LED lighting solutions.

The total consideration for the acquisition, assuming all earn-out payments are made, is £2.0 million, which is to be paid to the existing shareholders of RSL ("Sellers") entirely in new eEnergy shares.

Background and Rationale
Founded in 2016, RSL provides fully funded, turnkey LED lighting solutions to the education sector across the UK. Based in Suffolk, RSL focuses on the state school sector and has completed 32 projects last year with an average contract value of over £50,000. RSL has built a market-leading position in the Academy sector, which serves almost four million pupils across England.

The combination of eEnergy and RSL creates the UK's market leader in providing EEaaS solutions to the education sector. There is currently limited overlap between the two businesses, which should provide an opportunity for eEnergy to expand geographically and deepen its exposure to the state education sector.

For the 15 months ended 30 June 2020, RSL recorded revenues of £1,272,000 with a significantly reduced net loss of £122,000.

Consideration
The total consideration for the acquisition, assuming all earn-out payments are made, will be £2.0 million. The consideration, to be paid entirely in new eEnergy shares, is structured as follows:

- Initial consideration, payable on completion, with a nominal value of £1 million. This will be satisfied by the issue of 13,333,333 new ordinary shares of eEnergy (the "Initial Consideration Shares") based on an issue price of 7.5 pence per share, a premium of 27.7% to the closing mid price on 30 June 2020). Accordingly, the market value of the Initial Consideration shares at issue was £783,000; and
- Contingent consideration, payable after one year, up to a maximum of £1.2 million in new eEnergy shares based on an issue price of 7.5 pence per share ("The Earn Out"). The Earn Out will be calculated for the 12-month period to 30 June 2021, based on six times adjusted EBITDA in excess of £296,000 generated by RSL.

The maximum number of shares payable, assuming all earn-out payments are made, is 29,333,333 new eEnergy shares, or approximately 18.3% of the share capital, as enlarged by the maximum consideration shares.

In addition to the consideration payable, RSL will make payments equal to 3% of revenue generated during the earn-out period to an RSL director as settlement of historical obligations agreed between RSL and the director plus RSL will repay an existing loan of £250,000 due to an RSL director. £130,000 was paid on completion and £120,000 will be paid on the first anniversary of completion.

24. Business combination (continued)

The initial estimate of the fair value of the assets acquired and liabilities assumed of RSL at the date of acquisition are as follows:

	£'000
Property, plant and equipment	1
Cash at bank	11
Inventory	6
Trade and other receivables	83
Trade and other payables	(586)
Total identifiable net assets / (liabilities) acquired	(485)
Goodwill	2,468
Consideration	
Initial consideration (recorded at the market value of the shares issued)	783
Contingent consideration	1,200
Total consideration	1,983

The initial accounting for the acquisition of RSL is incomplete as at the date of these financial statements given the short period of time since the acquisition was completed.

Costs incurred that are related to the acquisition of RSL of £25,000 have been expensed at the acquisition date.

Goodwill relates to the accumulated "know how" and expertise of the business and its staff. None of the goodwill is expected to be deducted for income tax purposes.

25. Financial instruments and risk management

Capital Risk Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and the Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, foreign exchange reserves , the Reverse Acquisition Reserve, Other Reserves and accumulated losses as disclosed in the Consolidated Statement of Changes of Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange and liquidity risks. The management of these risks is vested to the Board of Directors.

The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in finance expense / decrease in interest income.

Fair Value Measurements Recognised in the Statement of Financial Position

The following provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 & 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 2 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).
- Level 3 assets are assets whose fair value cannot be determined by using observable inputs or measures, such as market prices or models. Level 3 assets are typically very illiquid, and fair values can only be calculated using estimates or risk-adjusted value ranges.

Equity Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes.

25. Financial instruments and risk management (continued)

Interest Rate Risk

The Group is exposed to interest rate risk whereby the risk can be a reduction of interest received on cash surpluses held and an increase in interest on borrowings the Group may have. The maximum exposure to interest rate risk at the reporting date by class of financial asset was:

	2020 £'000	2019 £'000
Bank balances	**1,478**	196

Given the extremely low interest rate environment on bank balances, any probable movement in interest rates would have an immaterial effect.

The maximum exposure to interest rate risk at the reporting date by class of financial liability was:

	2020 £'000	2019 £'000
Bank overdraft	**–**	51
Borrowings	**1,424**	–
	1,424	51

The bank overdraft attracts an interest rate of 7.85%. Assuming the amount at period end was held for a year, a 10% movement in this rate would have a £400 effect on amount owing.

The borrowings are at a fixed interest rate of 13.5%.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Indicators that there is no reasonable expectation of recovery include, amongst others, failure to make contractual payments for a period of greater than 120 days past due.

The carrying amount of financial assets represents the maximum credit exposure.

The principal financial assets of the Company and Group are bank balances, trade receivables and energy credits. The Group deposits surplus liquid funds with counterparty banks that have high credit ratings and the Directors consider the credit risk to be minimal.

The Group's maximum exposure to credit by class of individual financial instrument is shown in the table below:

GROUP	**2020 Carrying Value £'000**	**2020 Maximum Exposure £'000**	2019 Carrying Value £'000	2019 Maximum Exposure £'000
Cash and cash equivalents	**1,478**	**1,478**	196	196
Trade receivables	**426**	**426**	68	68
Energy credits	**414**	**414**	351	351
	2,318	**2,318**	615	615

COMPANY	**2020 Carrying Value £'000**	**2020 Maximum Exposure £'000**	31 Dec 2019 Carrying Value £'000	31 Dec 2019 Maximum Exposure £'000
Cash and cash equivalents	**909**	**909**	101	101
Trade receivables	**–**	**–**	–	–
	909	**909**	101	101

No aged analysis of financial assets is presented as no financial assets are past due at the reporting date.

25. Financial instruments and risk management (continued)

Trade receivables

The Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRS's. IFRS 9 introduces requirements for the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a loss event to have occurred before credit losses are recognised.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. During the period, there were no credit losses experienced and no loss allowance being recorded.

Currency Risk

The Group operates in a global market with income and costs arising in a number of currencies and is exposed to foreign currency risk arising from commercial transactions, translation of assets and liabilities and net investment in foreign subsidiaries. Exposure to commercial transactions arise from sales or purchases by operating companies in currencies other than the Company's functional currency. Currency exposures are reviewed regularly.

The Group has a limited level of exposure to foreign exchange risk through their foreign currency denominated cash balances, trade receivables and payables:

	2020 £'000	2019 £'000
EURO		
Cash and cash equivalents	**105**	134
Trade receivables	**158**	31
Trade payables	**(1,960)**	(1,558)
	(1,697)	(1,123)

The table below summaries the impact of a 10% increase / decrease in the relevant foreign exchange rates versus the €EUR rate for the Group's pre-tax earnings for the period and on equity:

	2020 £'000	2019 £'000
Impact of 10% rate change		
Euro	**154**	112
	154	112

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group seeks to manage liquidity risk by regularly reviewing cash flow budgets and forecasts to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group deems there is sufficient liquidity for the foreseeable future.

The maturity of the Group's borrowings is described in Note 22.

The Group had cash and cash equivalents at period end as below:

	2020 £'000	2019 £'000
Cash and cash equivalents	**1,478**	145

26. Financial assets and financial liabilities

2020 - GROUP	Financial assets at fair value through profit or loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets / liabilities				
Fair value assets through profit or loss	414	–	–	414
Trade and other receivables	–	439	–	439
Cash and cash equivalents	–	1,478	–	1,478
Trade and other payables	–	–	(3,567)	(3,567)
Lease liabilities (current and non-current)	–	–	(582)	(582)
Borrowings (current and non-current)	–	–	(1,424)	(1,424)
	414	1,917	(5,573)	(3,242)

2020 - COMPANY	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets / liabilities			
Trade and other receivables	26	–	26
Cash and cash equivalents	909	–	909
Trade and other payables	–	(284)	(284)
	935	(284)	651

2019 - GROUP	Financial assets at fair value through profit or loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets / liabilities				
Fair value assets through profit or loss	351	–	–	351
Trade and other receivables	–	99	–	99
Cash and cash equivalents	–	196	–	196
Borrowings – bank overdraft	–	–	(51)	(51)
Trade and other payables	–	–	(2,449)	(2,449)
	351	295	(2,500)	(1,854)

As at 31 Dec 2019 - COMPANY	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
Financial assets / liabilities			
Trade and other receivables	8	–	8
Cash and cash equivalents	101	–	101
Trade and other payables	–	(289)	(289)
	109	(289)	(180)

27. Net debt

The reconciliation of the movement in net debt is set out below:

	At 1 July 2019 £'000	New borrowing £'000	Interest added to debt £'000	Debt repaid £'000	Other cashflows £'000	Foreign exchange £'000	**At 30 June 2020 £'000**
Cash at bank	196	1,424	–	(230)	74	14	**1,478**
Borrowings	(51)	(1,424)	(139)	190			**(1,424)**
Lease liabilities	–	(569)	(53)	40			**(582)**
Net Cash (debt)	145	(569)	(192)	–	74	14	**(528)**

	At 8 June 2018 £'000	New borrowing £'000	Interest added to debt £'000	Debt repaid £'000	Other cashflows £'000	Foreign exchange £'000	**At 30 June 2019 £'000**
Cash at bank	–	51	–	–	154	(9)	**196**
Borrowings	–	(51)	–	–	–	–	**(51)**
Net Cash (debt)	–	–	–	–	154	(9)	**145**

The Net debt (including IFRS 16 lease liabilities) at 30 June 2019, had the Group adopted IFRS 16 at that date rather than 1 July 2019 would have been £424,000 rather than net cash of £145,000. The Directors consider this alternative performance measure to be the appropriate comparative for the net debt at 30 June 2020.

28. Share based payments and share options

(i) Executive Share Option Plan

The Group operates an Executive Share Option Plan, under which directors, senior executives and consultants have been granted options to subscribe for ordinary shares. All options are share settled.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. This estimate is based on the Black-Scholes model which is considered most appropriate considering the effects of vesting conditions, expected exercise period and the payment of dividends by the Company.

(ii) Other share options or warrants

On 22 November 2017, the Company issued 400,000,000 new shares of 0.01p each for cash at 0.15p each to raise £600,000 (gross). In connection with that placing, the Company issued 200,000,000 warrants to the placees on the basis of one warrant for every two Ordinary shares subscribed pursuant to the placing, valid for 2 years to subscribe for ordinary shares at 0.225p per share – the subscriber warrants. This is not a share based payment and therefore this is recorded directly in equity. In addition the Company also issued 40,000,000 warrants, for broker services, to JIM Nominees Limited as nominee for Turner Pope Investments (TPI) Ltd as part of its remuneration for effecting the Placing, valid for 3 years from the date of admission of the new placing shares at 0.15p per share.

On 16 August 2019, the Company issued 2,375,000,000 new shares of 0.01p each for cash at 0.02p each to raise £475,000 (gross). In connection with that placing, the Company issued 142,500,000 warrants, for broker services, to JIM Nominees Limited as nominee for Turner Pope Investments (TPI) Ltd as part of its remuneration for effecting the Placing, valid for 2 years from the date of admission of the new placing shares at 0.025p per share. The fair value of the broker warrants amounted to £12,000 which equates to the fair value of services received.

On 9 January 2020 the Company issued 26,666,667 new shares of 0.03p each for cash at 7.5p each to raise £2 million (gross). In connection with that placing, the Company issued 1,600,000 warrants, for broker services to JIM Nominees Limited as nominee for Turner Pope Investments (TPI) Ltd as part of its remuneration for effecting the Placing, valid for 3 years from the date of admission of the new placing shares and exercisable at 7.5p per share. These broker warrants had estimated value of £36,320 which is based on the Black-Scholes model which is considered most appropriate considering the effects of vesting conditions, expected exercise period and the payment of dividends by the Company.

Also on 9 January 2020 the Company issued 1,575,929 warrants to a number of advisors as part of the reverse acquisition transaction completed on that date which are exercisable for the 4 years following the anniversary of the date of issue at 7.5p per share. These advisor warrants had an estimated value of £45,544 which is based on the Black-Scholes model which is considered most appropriate considering the effects of vesting conditions, expected exercise period and the payment of dividends by the Company.

On 2 February 2020 the Company issued 10,000 warrants to an advisor for services provided to the Company which are valid for 3 years from 9 January 2020 and exercisable at 7.5p per share. These advisor warrants had an estimated value of £224 which is based on the Black-Scholes model which is considered most appropriate considering the effects of vesting conditions, expected exercise period and the payment of dividends by the Company. The expected price volatility is based on the historical share price volatility, adjusted for any expected changes to future volatility over the life of the warrants.

28. Share based payments and share options (continued)

The estimated fair values of warrants which fall under IFRS 2, and the inputs used in the Black Scholes Option model to calculate those fair values are as follows:

Date of grant	Number of warrants	Share Price	Exercise Price	Expected volatility	Expected life	Risk free rate	Expected dividends
9 Jan 2020	1,600,000	£0.075	£0.075	45.00%	3	0.00%	0.00%
9 Jan 2020	1,575,929	£0.075	£0.075	45.00%	5	0.00%	0.00%
2 Feb 2020	10,000	£0.075	£0.075	45.00%	3	0.00%	0.00%

Total contingently issuable shares

	2020	2019
Executive share Option Plan	**514,000**	154,200,000
Other share options and warrants	**3,794,262**	182,500,000
	4,308,262	336,700,000

The number and weighted average exercise price of share options and warrants are as follows:

	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	0.287p	336,700,000	0.361p	436,559,373
Granted during the year (Warrants for broker services)			0.02p	142,500,000
Lapsed during the year (Subscriber warrants)			0.45p	(34,999,998)
Lapsed during the year (Warrants for broker services)			0.4p	(7,359,375)
Lapsed during the year (Subscriber warrants)			0.225p	(200,000,000)
Effect of net 300:1 share consolidation	85.734p	(335,577,667)		
Revised balance at beginning of the year	86.021p	1,122,333		
Granted during the year (Warrants for broker services)	7.5p	1,600,000		
Granted during the year (Warrants for advisor services)	7.5p	1,585,929		
Granted during the year (Share options)	–	–	–	–
Outstanding at the end of the year	27.955p	4,308,262	0.287p	336,700,000
Exercisable at the end of the year	39.753p	2,732,333	0.287p	336,700,000

Share options and warrants outstanding at 30 June 2020, had a weighted average exercise price of 27.955 pence (31 December 2019: 0.287 pence) and a weighted average contractual life of 3.11 years (31 December 2019: 3.55 years). To date no share options have been exercised. There are no market based vesting conditions attaching to any share options outstanding at 30 June 2020.

43,000 options outstanding at the end of the year have a final exercise date of 22 December 2020. 471,000 options outstanding at the end of the year have a final exercise date of 28 July 2026.

133,333 warrants issued for broker services outstanding at the end of the year have a final exercise date of 22 November 2020. 475,000 warrants issued for broker services outstanding at the end of the year have a final exercise date of 22 August 2021.

29. Capital commitments

There were no capital commitments for the Group at 30 June 2020 or 30 June 2019 nor for the Company at 30 June 2020 and 31 December 2019.

30. Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2020 or 30 June 2019 nor for the Company at 30 June 2020 and 31 December 2019.

31. Related party transactions

Key management personnel are considered to be the Board of Directors. The remuneration of the Directors and their interest in the share capital is disclosed in the Remuneration Committee report on pages 16 to 17.

Balances and transactions between companies within the Group that are consolidated and eliminated are not disclosed in these financial statements.

Ian McKenna is a director of MPL and E-Light Solutions DAC ("Solutions"). MPL was the principal customer of the Group in Ireland and during the year paid the Group to provide LaaS solutions to its customers. The Group earned €2,008,859 (2019: €1,615,000) in revenue from MPL and had net balances owing to MPL, of €521,932 (2019: €687,000). During the year the Group purchased services from Solutions totalling €92,782 (2019: 759,000). At the year end the Group owed Solutions €696,000 (2019: 659,000) which is included in trade payables in note 20.

32. Events subsequent to period end

Acquisition of RSL

On 1 July 2020 the Company completed the acquisition of all of the share capital of Renewable Solutions Lighting Limited ("RSL"). Further details are provided in Note 26.

Management incentive plan ("MIP")

On 7 July 2020 the Company made a series of awards under the eEnergy Group Management Incentive Plan.

The MIP is linked to the growth in the value of the Company. The forms of incentive award to be implemented as part of the MIP comprise:

(a) "Growth Share Awards": awards granted in the form of an immediate beneficial interest to be held by participants in a discrete and bespoke class of ordinary shares ("Growth Shares") in eEnergy Holdings Limited, a wholly owned subsidiary of the Company. After a minimum period of three years, the Growth Shares may be exchanged for new ordinary shares of 0.3 pence each in the Company ("Ordinary Shares"), subject to meeting performance conditions.

(b) "Share Options": awards granted in the form of a share option with an exercise price equal to the market value of an Ordinary Share at the date of Grant. These are structured to qualify for the tax advantaged Enterprise Management Incentive ("EMI Share Options").

Under the MIP, the aggregate value of EMI Share Options and the Growth Shares is capped at 12.5% of the Company's market capitalisation on conversion of the Growth Shares.

Malus, clawback and leaver provisions apply to the MIP as outlined in the Admission Document.

Growth Shares

The following Directors ("Participants") have agreed to subscribe for Growth Shares in eEnergy Holdings Limited for their tax market value as set out in the table below. This value was determined by the Company's independent advisers, Deloitte LLP. Payment of the subscription monies by the Participants is a firm commitment, with payment normally deferred until the MIP matures.

Director	Percentage of Growth shares	Aggregate Subscription Price
Harvey Sinclair	55	£298,650
Ric Williams	25	£135,750
Andrew Lawley	10	£54,300
David Nicholl	10	£54,300
Total	**100**	**£543,000**

The Participants earn a percentage share of the "Value Created", being the difference between the Group's market capitalisation (one-month average) at the start and end of the measurement period (which is at least three years) adding any returns to shareholders such as dividends and deducting the value of new shares issued for cash or otherwise. The percentage share of the Value Created is subject to a minimum Total Shareholder Return ("TSR") hurdle of 5% and up to 15% TSR is equal to the annual TSR realised by shareholders over the measurement period, and thereafter increased on a straight line basis so that at 25% TSR the share of the Value Created is 20%, which is the maximum percentage of the Value Created allocated to the MIP.

Growth Shares can be exchanged for Ordinary Shares after three or four years at the Company's or Participant's option, based on the Value Created at that time. The value of any EMI Share Options held by a Participant are deducted from the value of their Growth Shares before conversion to Ordinary Shares. The Remuneration Committee must be satisfied that the gains on the Growth Shares are justified by the underlying financial performance of the Group.

32. Events subsequent to period end (continued)

Participants will be required to hold 50% of any Ordinary Shares acquired on conversion of the Growth Shares until the end of the fourth year (30 June 2024).

On a change of control, the TSR growth rate up to that date is measured and if the 5% minimum is achieved, Participants will share in the value created.

EMI options
The Company has granted the following EMI Share Options over Ordinary shares at an exercise price of 6.12 pence, based on the closing price on Monday 6 July 2020:

Director	EMI Share Options	Percentage of issued share capital
Harvey Sinclair	4,084,960	2.8%
Ric Williams	4,084,960	2.8%
Total	**8,169,920**	**5.6%**

The EMI options are exercisable when the MIP matures, being after a minimum period of three years. The Remuneration Committee must be satisfied that the returns are justified by the underlying financial performance of the Group.

Project Finance facility in Ireland
On 5 August 2020 the Group agreed a €15m dedicated funding facility (the "Facility") with SUSI Partners AG ("SUSI") via it Energy Efficiency Fund II. The Facility will cover new projects installed in Ireland for the next three years, or until it is fully utilised, whichever is earlier.

33. Control

In the opinion of the Directors as at the period end and the date of these financial statements there is no single ultimate controlling party.

Officers and Advisers

Directors	
Non-Executive Chairman	David Nicholl
Chief Executive	Harvey Sinclair
Chief Financial Officer	Ric Williams
Non-Executive Director	Dr Nigel Burton
Non-Executive Director	Andrew Lawley
Company Secretary	Ric Williams
Business Address	32 Threadneedle Street London EC2R 8AY
Registered Office	Salisbury House, London Wall, London, EC2M 5PS
Independent Auditor	**PKF Littlejohn LLP** 15 Westferry Circus, Canary Wharf, London E14 4HD
Nominated Advisor and Joint Broker	**N+1 Singer** 1 Bartholomew Lane, London, EC2N 2AX
Joint Broker	**Turner Pope Investments** 8 Frederick's Place, London, EC2R 8AB
Legal Advisers	**Fieldfisher LLP** Riverbank House 2 Swan Lane, London, EC4R 3TT **DWF** 5 George's Dock IFSC, Dublin 1
Financial PR	**Newgate Communications** Sky Light City Tower 50 Basinghall Street, London, EC2V 5DE

Notes

Designed and produced by Black&Callow
london@blackandcallow.com
www.blackandcallow.com
020 3794 1720

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