The Carbon Trust

Annual Report for the year ended 31 March 2020

Registered number: 04190230

Company information

Registered office:	4th Floor, Dorset House, 27-45 Stamford Street, London, SE1 9NT
Directors:	Julia King, the Baroness Brown of Cambridge Tom Delay Michael Rea Tim Weller Paul Jefferiss Dorothy Mackenzie Eric Soubeiran (appointed 1 February 2020) Chris Mottershead (resigned 28 November 2019)
Bankers:	Royal Bank of Scotland plc, 119/121 Victoria Street, London SW1E 6RA
Auditors:	Grant Thornton UK LLP, 30 Finsbury Square, London EC2A 1AG

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Strategic Report

Our strategy

The Carbon Trust is a not-for-dividend company. Our mission is to accelerate the move to a sustainable, low carbon economy.

We do this by acting as a catalyst, working with our clients and partners to help them achieve ambitious sustainability goals.

We also create new ventures and collaborations to overcome barriers to change and demonstrate the economic case for action on climate change. In doing so we help transform markets and promote further action.

In this overall context our strategy is, each year, to continue to grow the scope and global reach of our work, in order to have a greater impact against our mission. In 2019/20 we:

- broadened the scope of our services by strengthening our core carbon focussed capabilities and by expanding our work on energy access, energy systems, green finance, net zero ambitions and the sustainable use of resources.
- grew our offices in the UK, China, South Africa, Mexico and Singapore, with representation in Brazil and the USA.
- invested in a new global multi-language website and marketing programme to expand our reach.

The real momentum on addressing climate change, evidenced by the Paris Agreement, the declarations around "Net Zero" and the widespread social and civil movements for change, was overtaken at the end of the financial year by the COVID-19 crisis. However, the underlying conditions and continuing focus on building a greener future, coupled with the Carbon Trust's long-standing experience, brand and reputation means we continue to be well placed to help organisations and governments in the critical time ahead. The true impact of the COVID-19 crisis is still uncertain, but we remain well positioned to play a key role in helping organisations and governments build a more sustainable future, the importance of which is evident now more than ever.

Our impact

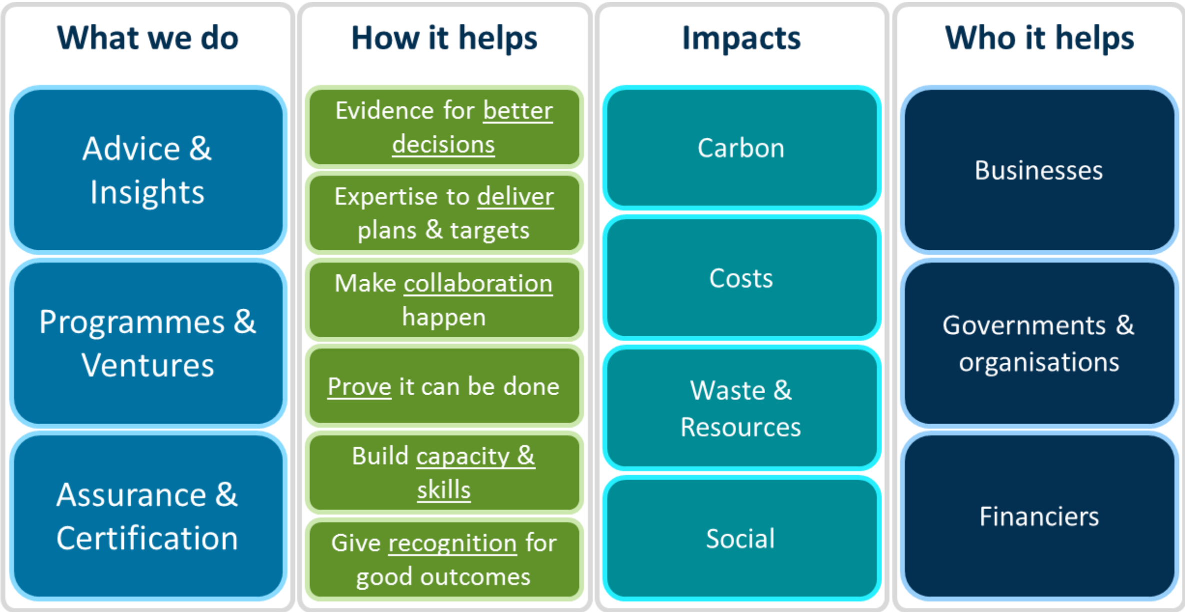
The figure overleaf explains how the Carbon Trust delivers impact. This approach underpins our vision for the future growth of the group.

Critically, we believe our impact is greatest when we are distinctive. We use our brand, know-how and relationships to make things happen that would not happen otherwise.

We consider our mission impact in all we do with integrated mission-related objectives in every employees' aims and performance appraisals, and in deciding which client/partner proposals to prioritise.

We have also invested in growing the Ventures team to to identify and launch significant commercial and non-commercial initiatives with the potential to deliver material climate impact. The team has quickly identified and narrowed down a list of promising initiatives against as set of priority theme areas where we believe we can add value. A number of concepts are now getting ready to launch a proof of concept phase. This coupled with our extensive existing advisory and assurance work will build our mission impact over a longer term across an even wider range of areas.

How the Carbon Trust delivers impact:



As far as possible, we aim to evaluate our performance against our mission. However, given the nature of our engagements - typically acting as a catalyst to support and strengthen the ambitions and effectiveness of our clients and partners - it is often challenging to assess or quantify the full scale of this impact.

To illustrate our impact against our mission in a range of areas of activity, some examples of recent work are included below:

- **We make collaboration happen**. Through the Floating Wind Joint Industry Project we manage collaboration between 16 leading international offshore wind developers and the Scottish Government to support the development of large-scale commercial floating wind farms.

- **We provide analysis and evidence to help green-economies.** Working with Mexico's National Agriculture Development Bank, we have developed mechanisms to help drive more sustainable lending practices to the farm sector.

- **We help our clients develop and deliver plans and targets**. We continue to work with a number of large corporates around the world to help them develop science-based targets and lay plans for a net-zero future e.g. Pearson, VF Corp and Safaricom.

- **We prove that sustainable change is possible.** Our analysis on energy systems shows the steps we can take to build a sustainable low carbon future.

- **We build capacity and develop skills to enable the low carbon economy**. With our Green Business Fund we drove investment and training into British SMEs over a sustained period focusing on energy efficiency and renewables.

- **We recognise success with independent assurance and endorsement**. We certify large organisations to internationally-recognised standards, including our own Carbon Trust Standard. The Carbon Trust's label is increasing used on a number of products globally e.g. Tetrapak, Danone and Quorn.

Our people

Our mission, culture and the work we do helps us to attract and retain great talent. Our success depends on our people, and we employ 217 consultants, policy makers, engineers and other experts, in the UK and across our global offices. (2019-182)

Our values of collaboration, rigour, innovation and impartiality, and our seven group principles[1] set expectations of how we work with each other, our clients, partners and stakeholders, ensuring we create great solutions for our clients and partners, deliver on our mission and maintain high standards of business practice. As we grow, we work to deliver a truly global service to our clients, supporting our growing international teams to do this by international secondments, training, project co-working and group engagement. We leverage technology to bring our people closer together every day, and this has stood us in good stead, as we have recently successfully transitioned to a fully home-working environment as a consequence of COVID-19.

We want our people to have the right training and tools and this year continued to invest to support effective project delivery through training, enhanced knowledge sharing and collaboration tools as well as core skills training. Supporting diversity and inclusion remains important - we want to work in an open and inclusive environment, where diversity is valued. We work to achieve this through supporting policies and practices that improve our ability to attract, retain and support a more diverse workforce, such as unconscious bias training, reporting on diversity statistics, and employee engagement through our Diversity & Inclusion Advisory Group.

Our financial performance

We provide advisory and assurance services for governments, businesses, multilateral organisations and public sector bodies around the world. We provide them with valuable insights into markets and technologies, helping them to develop tailored solutions to achieve their goals. We design and implement projects and programmes, drawing on our deep technical expertise acquired through years of practical experience. We lend credibility to our clients through recognising and certifying real sustainability achievements e.g. science based targets and carbon emissions.

We monitor our financial performance through key performance indicators. A summary is set out below.

GROUP KPIs	2020 (£M)	2019 (£M)	2018 (£M)	2017 (£M)
TOTAL REVENUE[2]	27.2	22.1	22.1	18.3
CONSOLIDATED (LOSS) / PROFIT [3]	(0.2)	1.7	1.5	(4.2)
GROUP UNRESTRICTED CASH BALANCES[4]	17.0	16.6	13.2	12.9

Our revenues are made up of: fees for services delivered; commercial fees earned on a performance basis; contributions to programmes being delivered; and grant income.

This year we earned £27.2m (2019: £22.1m), from client engagements and from long term contracts delivered in conjunction with partners. This reflects our strategy to grow our international business[5], with £4.6m coming from international clients for work delivered outside the UK, representing 17% of our total revenue (2019: £3.9m, 18% of total revenue). We also deliver material international Overseas Development Aid (ODA) programmes for the UK Government which are included in our UK revenues. We continue to actively manage our legacy investment portfolio, which is reflected in our financial statements at a value of £3.5m (2019: £3.8m)[6].

Group loss for the year is £0.2m (2019: £1.7m profit).

[1] https://www.carbontrust.com/who-we-are/principles-and-company-information

[2] Revenue in the consolidated statement of comprehensive income on page 18.

[3] See the consolidated statement of comprehensive income on page 18.

[4] Group unrestricted cash balances, includes liquid investments of £5.5m included in note 20 on page 40, see also note 21 to the financial statements on page 41.

[5] See note 6 to the financial statements on page 30.

[6] See note 14 to the financial statements on page 36.

The results from all our activities are set out in the table below.

YEAR TO 31 MARCH 2020	ADVISORY AND ASSURANCE £000	VENTURES AND INVESTMENTS £000	OTHER £000	TOTAL £000
REVENUE	27,378	(89)	(102)	27,187
PROGRAMME EXPENDITURE	(26,963)	(488)	(50)	(27,501)
OPERATING PROFIT / (LOSS)	415	(577)	(152)	(314)
FINANCE INCOME	218	184	-	402
FINANCE COSTS	(21)	(367)	-	(388)
PROFIT / (LOSS) BEFORE TAX	612	(760)	(152)	(300)
TAX	89	(38)	-	51
PROFIT / (LOSS) FOR THE YEAR	701	(798)	(152)	(249)
PROFIT / (LOSS) FOR 2019	1,691	180	(174)	1,697
PROFIT / (LOSS) FOR 2018	465	(148)	1,224	1,541
(LOSS) / PROFIT FOR 2017	(985)	(1,845)	(1,352)	(4,182)

We assess the performance of our activities over the appropriate period. Our advisory and assurance business are evaluated primarily on their annual performance. Our ventures and investments are assessed in terms of cumulative cash realisations over their investment lifetimes.

Results from our advisory and assurance businesses reflect the progression of ODA programme delivery contracts to their implementation phases working in collaboration with our bid partners, the strength of our offerings to the market and strong demand from our clients   Our experience and strong brand continue to help us to win further innovative programme delivery contracts, to support repeat clients and to win new work showing underlying year on year revenue growth. Our delivery of multi-year ODA programmes in collaboration with partners increased both revenue and subcontractor expense. Growth in earnings also comes from a widening client base. This has meant that our advisory and assurance businesses posted a surplus of £0.7m (2019: £1.7m surplus which incorporated one off development performance fees[7]), which we have deployed towards our mission, in the Ventures team work programme.

Our ventures and investments returned cash dividends of £0.2m (2019: £0.6m) and £nil capital repayments. Ramped up and enhanced 'Ventures' activity yielded a net loss of £0.8m, (2019: £0.2m surplus) after £0.6m expenses (2019: £0.4m) and fair value adjustments of £0.4m (2019: £0.02m).

We continue to manage a small portfolio of interest free loans. Since March 2020 we have provided 12 repayment holidays to loan debtors in response to their request for help with the economic consequences of the COVID-19 crisis. The loans administration, impairments, and amortisation and depreciation of other assets together account for a £0.2m non-cash expense, which is included in operations (2019:£0.2m).

Group cash balances as shown in note 21 to the financial statements on page 41 identify amounts received through government grant for particular purposes and funds designated for a specific purpose.

We remain close to our clients and prospects monitoring their response to COVID-19 and the current economic uncertainty while seeking opportunities to support their emerging response. We managed the transition from our offices to home working in all jurisdictions smoothly, and continue to deliver the high level of service demanded by our clients. Looking ahead to the coming financial year, the business is in a strong position to continue delivering against our mission. We have a strong portfolio of contracted projects in progress, including several multi-year programmes. These enable us to support our increased international growth and business profile.

As stated in the Directors' report on pages 12 to 14 the board has considered the position of, the company, its future plans, prospects and reserves and is satisfied that the company is a going concern.

[7] See note 6 on page 30.

We remain alert to headwinds that may impact our performance including Brexit, various national Governments' response to the COVID-19 pandemic and their future responses to the consequential economic down turn and political changes in some markets that may deprioritise climate change and sustainable development issues.

Notwithstanding these challenges, we will continue to actively explore ways to move our business model beyond advisory and assurance, working with colleagues and partners to develop new commercial propositions and breakthrough concepts that can both deliver on our mission and drive future profitability.

Our environmental performance

To minimise our direct environmental impact, small relative to the positive impact of our delivery work, we measure, manage and reduce our carbon emissions as far as possible. Our approach is set out in our Health, Safety and Environment policy on our website[8].

Our scope 1, 2 and 3 emissions are managed through our accredited ISO 14001 Environmental Management System and are independently verified on an annual basis as part of our operational carbon neutrality commitment. The most significant contributor to our total scope 1 & 2 emissions is the operation of our London office and represents our second largest emissions source overall. The rise in emissions, particularly scope 1, has been driven by work from the landlord to improve the building's maintenance regime enabling the heating, ventilation and cooling systems to operate at the designed capacity and deliver appropriate comfort conditions throughout the site. The increase was also impacted by previously unoccupied floors receiving tenants and increasing the total shared services energy consumption in the building, particularly heating and hot water. Growth of our international presence contributed an 8% rise in our scope 1 and 2 emissions.

International travel remains the most significant source of emissions for the Carbon Trust. The importance of delivering our non-UK work on a local basis has accelerated the growth of our international offices. Localised delivery of the increasing number of international projects has mitigated long haul travel emissions through a shift towards shorter regional journeys, however our scope 3 business travel emissions have risen as UK based business development and delivery support has also risen. As local contact and travel is an essential part of delivering the Carbon Trust mission, staff are encouraged to travel sustainably, to that end we have reduced our UK domestic and European flight emissions by 27%.

Although our absolute carbon emissions have increased in 2019-20, there has been a significant 7% reduction in emissions per person. This demonstrates that the growth of the company, especially in our international offices enables us to deliver on the mission more efficiently.

The COVID-19 pandemic has had a profound effect on the way our business operates. With the support of our Health, Safety and Environment team safe and effective working practices were quickly established along with steps to ensure operational energy consumption is minimised. These measures have included switching off of all office equipment and minimising operation of shared services systems as far as practicable given all colleagues are working from home.

[8] See www.carbontrust.com

Greenhouse Gas Emissions[9]	**2019/20 Total tCO2e**	**2018/19 Total tCO2e**	**2019/20 tCO2e/FTE**	**2018/19 tCO2e/FTE**
Scope 1: Direct Emissions	43.5	29.2	0.22	0.17
Scope 2: Indirect Emissions	69.5	64.3	0.35	0.38
Total Scope 1 & 2 Emissions	**113.1**	**93.5**	**0.57**	**0.55**
Change Relative to Previous Year	21%		4%	
Scope 3: Domestic Travel Emissions	41.3	58.5	0.21	0.34
Scope 3: International Travel Emissions	462	417	2.31	2.44
Total Emissions Including Scope 3	**616**	**569**	**3.09**	**3.33**
Change Relative to Previous Year	8%		-7%	

We choose to report our scope 1 (direct) and scope 2 (indirect, purchased) greenhouse gas emissions in line with the UK Government's mandatory greenhouse gas emissions reporting guidance. For completeness we also report on business travel, which falls within the category of scope 3 emissions.

Offsetting:

We will continue to work hard to reduce our direct emissions and offset our remaining carbon emissions to achieve carbon neutrality. To ensure an accurate and robust process, we undertake an annual independent verification of the organisation's greenhouse gas emissions footprint associated with energy and travel, both domestic and international, to ISO 14064-3.

This 2019-20 footprint will be offset through the purchase of Verified Emissions Reductions (VER) certificates from Verified Carbon Standard or Gold Standard verified projects, specifically selected to deliver additional benefits towards the UN Sustainable Development Goals compatible with the Carbon Trust's mission. We offset 110% of our 2018-2019 footprint by purchasing and publically retiring 630 tCO2e of Gold Standard VERs (these can be found in the Gold Standard Impacts Registry by searching 'Carbon Trust').

[9] All figures are represented in tonnes of CO_2 equivalent, reported both on an absolute basis and by (FTE) in accordance with guidance under the Greenhouse Gas Protocol.

Principal risks and opportunities

The board considers the matters outlined below to be the principal risks and uncertainties that could adversely impact the Carbon Trust group's operations, our strategy for diversified growth and our ability to deliver against our mission to accelerate the move to a sustainable, low carbon economy.

Sitting alongside these risks there are also new opportunities for growth. While Governments' response to COVID-19 and any subsequent reassessment of their fiscal priorities may lead them to question in some cases the affordability and priority given to our work, we recognise an opportunity in 'Build Back Better' and similar coalitions influencing their choices. We continue to recognise UK EU trade negotiations, 'Brexit', as having potential impact on some significant clients' procurement processes, and on the diversity of future job applicants; so far the market reaction to Brexit uncertainty has made our international offer increasingly competitive, and continues to open new market opportunities.

Risk or uncertainty	Potential impact	Main mitigating actions
Risk of a delayed economic recovery	Financial targets not achieved Reduction in our business and our capacity to deliver against our mission	Continue to deliver outstanding service to our current clients to grow our work with them Enhance our customer offer through new product development, providing demonstrable benefits for clients and good value for money Diversify our client and geographical base, including through further international expansion Careful monitoring of our clients and ensuring agile response to their business needs
Risk of dependency on a small number of clients and partners	Delays in procurement by material funders, for political or other reasons, such as changing attitudes to the affordability and priority placed on our mission due to COVID, may lead to loss of future revenues of our advisory and assurance businesses and their opportunity to deliver for our clients and against our mission Subsequent loss in profitability in our advisory and assurance businesses, leads to lack of surplus to invest in our mission	Careful key account management to remain close to our material funders to understand how we can best support their policy response to the COVID economic downturn Medium-term business development focus across a range of clients outside the UK Creating new revenue streams through moving beyond a consultancy-focused business model Where we deliver programmes with partners selected to compliment Carbon Trust skills, careful due diligence prior to contracting to ensure robust resilient programme execution

Risk of securing material contracts at below sustainable cost	Misunderstanding the risk and reward in material tenders may lead to securing engagements with unpriced risks Competitor's chasing revenue at unsustainable rates may lead to our losing tenders to other providers which limits our opportunity to deliver for our clients and against our mission	Ongoing stakeholder engagement plan in target geographies to ensure effective support and sponsorship from beneficiaries Careful bid prioritisation, declining to offer without adequately pricing the risks for an engagement Strong project management to ensure projects are delivered on time and on budget Strong quality assurance processes to ensure supply chain fulfilment of contractual covenants for client compliance Seek consortium roles appropriate to our skills and our reserves capacity to weather exceptional losses
Failure to ensure the continued maintenance and development of a strong brand and reputation in all jurisdictions where we work	Potential effect on the retention, growth and diversification of clients and partners Potential reduction in our capacity to grow our business and deliver against our mission on our planned timescale	Effective publicity, marketing and communications Ensure that Carbon Trust retains control of brand use in partnerships and adequately protects the brand Quality assurance of all work and services Directed expenditure to enhance international brand recognition in targeted jurisdictions
Failure to retain and/or recruit key staff	Reduction in capacity to deliver and grow the business	Appropriate recruitment and retention processes Enhance our training and development programmes Enhance reputation as a world-leading organisation and our sponsorship of thought leadership

Further analysis of the group's financial risk profile may be found in note 25 of the financial statements on pages 44 to 46.

By order of the board,

Tom Delay
Chief Executive
16 July 2020

Directors' report

Directors' report

The directors present their annual report together with the financial statements and Auditors' report for the year ended 31 March 2020. Some of the matters to be dealt with in this report have been included in the strategic report found on pages 4 to 11.

Principal activities

The Carbon Trust is the holding company of the Carbon Trust group. The group's mission is to accelerate the move to a sustainable, low carbon economy.

Our services primarily involve sustainability, policy and innovation consultancy; the measurement and assurance of environmental impacts; and programme design and management.

Over many years our work in the area of climate change and sustainability has led to the Carbon Trust becoming a recognised global leader in this field. Further information on our strategy, business performance and our direct environmental impact may be found in the strategic report on pages 4 to 11.

Directors

During the year ended 31 March 2020 and up until the date of this report, the directors of the Carbon Trust were:

Name	Position	Date of appointment
Julia King, the Baroness Brown of Cambridge	Chair	Appointed 16 July 2018
Tom Delay	Chief Executive	Appointed 13 July 2001
Michael Rea	Chief Operations Officer	Appointed 1 April 2008
Tim Weller	Deputy Chair	Appointed 19 June 2007
Paul Jefferiss	Director	Appointed 16 May 2001
Dorothy Mackenzie	Director	Appointed 28 November 2012
Chris Mottershead	Director	Appointed 1 July 2001 Resigned 28 November 2019
Eric Soubeiran	Director	Appointed 1 February 2020

Results and reserves

The group reported a loss of £0.2m (2019: £1.7m profit) as discussed in the Strategic Report above. It has £23.6m reserves (2019:£23.8m) as detailed in note 26 to the financial statements, on page 46 to 47.

The group's financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The audited financial statements for the year ended 31 March 2020 are set out on pages 18 to 49.

The Carbon Trust, as a company limited by guarantee, is not permitted to pay a dividend.

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the group's business activities and strategy as well as the risks to the group and the applicable controls.

The business activities of the group are reviewed by the board each year in a full business planning process and thereafter considered on a regular basis to ensure the plan accurately reflects the position of the group.

The board have considered a variety of revenue scenarios prepared by management and informed by available sector based economic forecasts which stress-test the organisation's ability in the exceptional economic environment caused by COVID-19 and threatened by Brexit, to manage its cash position, flex resource to client demand and deliver against its mission. Based on these multiple scenarios and their divergence from the group's revenue and expenditure forecasts developed as part of the business planning process, as well as the unrestricted group reserves available to the company, the board is satisfied that the group has adequate resources to operate for the foreseeable future and considers it appropriate for the group to adopt a going concern basis in preparing its financial statements.

Political and charitable contributions

The group did not make any charitable or political contributions during the year.

Directors' indemnity

The company has in place directors' and officers' liability insurance, which gives appropriate cover for legal action taken against the directors. The company has also granted indemnities to the directors and the company secretary in respect of certain losses and liabilities to third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic and directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing the 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

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 financial statements may differ from legislation in other jurisdictions.

Subject to the receipt of any objections as provided under statute or the company's Articles of Association, the company is relying on section 487 of the Companies Act 2006 for the deemed reappointment of Grant Thornton UK LLP as auditors.

Directors' report

To the best of our knowledge:

- the group financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board,

Laura Byrne

Laura Byrne

Company Secretary

16 July 2020

Independent Auditor's report

Independent auditor’s report to the members of the Carbon Trust

Opinion

We have audited the financial statements of The Carbon Trust (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 March 2020, which comprise the consolidated and company statements of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated and company statements of changes in total funds, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (United Kingdom Generally Accepted Accounting Practice).

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 31 March 2020 and of the group’s loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group and parent company’s future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group and parent company’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or company associated with these particular events.

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 or 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group and parent company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group and parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic and directors' reports, other than the financial statements and our auditor's report thereon. Our opinion on the 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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 13-14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Carol Rudge BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
16 July 2020

Consolidated statement of comprehensive income
As at 31 March 2020

	Notes	31 March 2020 £000	31 March 2019 £000
Turnover	6	27,187	22,120
Expenditure	7	(27,501)	(21,185)
Operating (Loss) /profit		(314)	935
Finance income	8	402	733
Finance costs	9	(388)	(41)
(Loss)/profit before tax		(300)	1,627
Tax on (loss)/profit	11	51	70
(Loss)/profit for the year		**(249)**	**1,697**
Total comprehensive (deficit)/income for the year		**(249)**	**1,697**

The accompanying notes on pages 24 to 49 form part of these financial statements.

Consolidated statement of financial position
As at 31 March 2020

	Notes	31 March 2020 £000	Restated 31 March 2019 £000
Non-current assets:			
Intangible assets	12	317	-
Property, plant and equipment	13	233	50
Financial assets - investment portfolio	14	3,462	3,829
Interest free loans receivable	17	554	520
Total non-current assets		**4,566**	**4,399**
Current assets:			
Interest free loans receivable	17	401	604
Trade and other receivables	18	6,984	6,450
Accrued income	19	60	59
Liquid Investments	20	8,500	5,000
Cash and cash equivalents	21	18,615	23,464
Total current assets		**34,560**	**35,577**
Total assets		**39,126**	**39,976**
Current liabilities:			
Trade and other payables	22	(8,978)	(7,720)
Deferred income	23	(5,597)	(7,504)
Total current liabilities		**(14,575)**	**(15,224)**
Provisions for liabilities	24	(997)	(864)
Total liabilities		**(15,572)**	**(16,088)**
Net assets		**23,554**	**23,888**
Funds:			
Members' fund	26	-	-
Retained earnings	26	23,567	23,843
Translation reserve		(13)	45
Total funds		**23,554**	**23,888**

Signed on behalf of the board

Brown of Cambridge

Tom Delay

Baroness Brown of Cambridge, Chair
16 July 2020

Tom Delay, Chief Executive
16 July 2020

Registered number: 04190230

The accompanying notes on pages 24 to 49 form part of these financial statements.

Company statement of financial position
As at 31 March 2020

	Notes	31 March 2020 £000	Restated 31 March 2019 £000
Non-current assets:			
Intangible assets	12	317	-
Property, plant and equipment	13	216	50
Financial assets - investment in subsidiaries	16	9,081	12,127
Interest free loans receivable	17	554	520
Total non-current assets		**10,168**	**12,697**
Current assets:			
Interest free loans receivable	17	401	604
Trade and other receivables	18	1,473	1,867
Accrued income	19	49	59
Liquid Investments	20	3,000	4,000
Cash and cash equivalents	21	5,559	5,065
Total current assets		**10,482**	**11,595**
Total assets		**20,650**	**24,292**
Current liabilities:			
Trade and other payables	22	(3,033)	(3,785)
Deferred income	23	(4,234)	(4,604)
Total current liabilities		**(7,267)**	**(8,389)**
Provisions for liabilities	24	(513)	(402)
Total liabilities		**(7,780)**	**(8,791)**
Net assets		**12,870**	**15,501**
Funds:			
Members' fund	26	-	-
Retained earnings	26	12,870	15,501
Total funds		**12,870**	**15,501**

Signed on behalf of the board

Brown of Cambridge

Tom Delay

Baroness Brown of Cambridge, Chair
16 July 2020

Tom Delay, Chief Executive
16 July 2020

Registered number: 04190230

The accompanying notes on pages 24 to 49 form part of these financial statements.

Consolidated statement of changes in total funds
For the year ended 31 March 2020

	Retained earnings £000	Translation reserve £000	Total members' funds £000	Total funds £000
At 31 March 2018	**22,146**	**19**	**22,165**	**22,165**
Profit for the year	1,697	-	1,697	1,697
Currency translation differences arising in year	-	26	26	26
At 31 March 2019	**23,843**	**45**	**23,888**	**23,888**
Loss for the year	(249)	-	(249)	(249)
Currency translation differences arising in year		(58)	(58)	(58)
Elimination of subsidiary	(27)	-	(27)	(27)
At 31 March 2020	**23,567**	**(13)**	**23,554**	**23,554**

Company statement of changes in total funds
For the year ended 31 March 2020

	Retained earnings £000	Total members' funds £000	Total funds £000
At 31 March 2018	**17,378**	**17,378**	**17,378**
Loss for the year	(1,877)	(1,877)	(1,877)
At 31 March 2019	**15,501**	**15,501**	**15,501**
Loss for the year	(2,631)	(2,631)	(2,631)
At 31 March 2020	**12,870**	**12,870**	**12,870**

Consolidated statement of cash flows
For the year ended 31 March 2020

	Notes	31 March 2020 £000	Restated 31 March 2019 £000
Cash flow from operating activities			
(Loss)/profit for the financial year		(300)	1,627
Adjustments:			
• Change in fair value of investment portfolio and interests accounted for using the equity method		367	17
• Adjustment for dividends received from investments		(157)	(550)
• Depreciation of property, plant and equipment		50	67
• Amortisation of intangible assets		-	16
• Net gain on investment disposals		-	(6)
• Interest receivable (net of bank charges)		(197)	(153)
• Movement in loans and other working capital balances		982	860
• Movement on deferred income		(1,906)	91
• Tax credits		51	70
Cash (outflow)/inflow from operations		**(1,110)**	**2,039**
Cash flow from investing activities:			
• Bank interest received (net of bank charges)		181	122
• Purchase of intangible fixed assets		(317)	-
• Purchase of property, plant and equipment		(233)	(2)
• Net receipts from disposal of investments and capital returns		-	137
• Dividends received from investments		157	550
• Disposal of subsidiary		(27)	-
• Transfer to Liquid investments		(3,500)	(5,000)
Cash outflow from investing activities		**(3,739)**	**(4,193)**
Decrease in cash and cash equivalents		**(4,849)**	**(2,154)**
Cash and cash equivalents at the start of the year		23,464	25,618
Decrease in cash and cash equivalents		(4,849)	(2,154)
Cash and cash equivalents at the end of the year	21	**18,615**	**23,464**

The Group holds no debt and so does not include a net debt statement.

Notes to the financial statements

1 Company information

The Carbon Trust ('the company') is a company registered in England and Wales (registered number 04190230) limited by guarantee incorporated in the United Kingdom under the Companies Act 2006. Its registered office is 4th Floor, Dorset House, 27-45 Stamford Street, London, SE1 9NT. The company is a public benefit entity. The nature of the group's operations and its principal activities are set out in the strategic report on pages 4 to 11.

2 Basis of preparation

The consolidated financial statements for the year to 31 March 2020 on pages 18 to 49 comprise the financial statements for the company and its subsidiaries (together referred to as 'the group'). The company and consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Companies Act 2006.

The financial statements are presented in pounds sterling and all values are rounded to the nearest one thousand pounds except where otherwise indicated.

The consolidated financial statements have been prepared on a going concern basis, the board have considered a variety of revenue scenarios prepared by management and informed by available sector based economic forecasts which stress-test the organisation's ability to manage its cash position, in these exceptional economic circumstances caused by COVID-19 and threatened by Brexit to flex resources to meet client demand and deliver against its mission. Based on these scenarios and their divergence from the group's revenue and expenditure forecasts developed as part of the business planning process, as well as the unrestricted group reserves available to the company, the board is satisfied that the group has adequate resources to operate for the foreseeable future and considers it appropriate for the group to adopt a going concern basis in preparing its financial statements. for further information refer to the directors' report on pages 12 to 14.

The Directors have determined a prior year adjustment for liquid investments is required, see note 31.

The group financial statements consolidate the financial statements of the Carbon Trust ('the company') and all its subsidiary undertakings to the 31 March 2020. The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The company's loss for the year was £2,631,000 (2019: £1,877,000). The company has also adopted the following disclosure exemptions: the requirement to present a statement of cash flows and related notes.

The group paid £106,000 (2019: £88,000) and the company paid £75,000 (2019: £58,500) to its auditors in respect of the audit of the financial statements of the company, see note 7 for the breakdown. Fees paid to Grant Thornton UK LLP for non-audit services to the company itself are not disclosed for the Carbon Trust as group financial statements are prepared which are required to disclose such fees on a consolidated basis.

Directors' remuneration is disclosed in note 10.

3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Carbon Trust and its group subsidiaries as at 31 March 2020.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual company financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent’s share of components previously recognised in other comprehensive income; and
- reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

4 Key judgements and estimates

In preparing these financial statements to conform to Generally Accepted Accounting Practice and by applying the group’s accounting policies, management are required to use judgements in applying estimates and assumptions which affect the reported amounts. The items in the financial statements where these judgements and estimates have been made include:

(i) Revenue

Assessing the stage of completion of a long-term contract requires judgement to be based on a range of factors, including but not limited to, progress milestones achieved, costs incurred relative to total expects costs, and an assessment as to whether milestones and or costs are representation of progress. In addition, estimates may in the passage of time not be proved to be correct and may impact the recognition of revenue, costs, profits, and provision for losses on contracts.

(ii) Financial assets – investment portfolio

Unlisted investments held within the investment portfolio are not traded on an active market and therefore judgement is used in determining the fair value of these investments. In line with the International Private Equity and Venture Capital (IPEVC) guidelines, the management makes judgements as to the fair value of its investments portfolio, based on internal and external indicators. Firstly recent market transactions are used, in the absence of transactions in the investee company, market transactions of like companies are considered. Where available the investee company trading results and or projections are taken into account, and earnings or revenue multiples from market transactions of like companies are used in preparing a detailed assessment of the enterprise values for all companies. The carrying value of investments is compared to the group's share of the enterprise value, taking into account of variations in securities rights to preferential returns. The enterprise value used in the fair value review is calculated on the Value in Use ('VIU') basis, being the discounted pre-tax cash flows of the investee companies. The assumptions used are further discussed in note 14 and their sensitivities discussed note 25.

The principal assumptions underlying the estimation of fair value of the group's investment in the Low Carbon Workplace Limited Partnership are those related to the fair value of investment properties held by the underlying Limited Partnership. In the underlying Limited Partnership, valuations are performed by Jones Lang La Salle Limited ("JLL Limited", who are professional, third party, independent Chartered Surveyors) at the year-end in accordance with RICS Appraisal and Valuation Standards. Assumptions include the receipt contractual rentals, expected future market rentals, void periods, lease incentives, maintenance requirements, appropriate yields/discount rates and, for development properties, future development expenditure and development management fees. These valuations are regularly compared to actual market yield data and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. The attribution of value to the group's investment in a London based commercial property fund as at 31 March 2020 is challenging due to the outbreak of COVID-19 and the consequences for the UK property market. This has led to JLL reporting their valuation for 31 March 2020 on the basis of 'material valuation uncertainty' about the market as per VPS3 and VPGA 10 of the RICS Red Book Global. The Directors' have considered this in their assumptions behind their valuation which they don't consider to have been impacted and the sensitivity is discussed in note 25.

(iii) Contingent assets – interest in deferred consideration

The company makes judgements as to the likelihood of deferred consideration becoming due from the development of onshore wind farm sites. These take into consideration planning risk, technical feasibility risk, grid connection risk and financial risk.

(iv) Interest free loans receivable

Management has judged that Invest NI bears all the risks and reward arising from the Carbon Trust's loan portfolio financed by Invest NI grants and derecognise the loans and repayable grant.

A provision for impairment of loan receivables is established when management estimate that the group will not be able to recover all amounts owed.

(v) Deferred Tax

Management has made judgement as to the probable future profits in its various subsidary companies when considering recognition of deferred tax assets relating to tax losses.

5 Accounting policies

The group's accounting policies applied in preparing the consolidated financial statements for the year ended 31 March 2020 are set out below.

a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into sterling at exchange rates prevailing on the date of the transactions. Exchange differences are recognised in the statement of comprehensive income on settlement of these transactions. Balances outstanding at 31 March are translated at the year-end exchange rate, with unrealised differences recognised in the statement of comprehensive income.

(ii) Foreign statements of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to sterling at the exchange rate prevailing at the reporting date. Income and expenses of foreign operations are translated at average exchange rates in the period in which they arise.

Exchange differences arising on retranslation are recognised directly in other comprehensive income and are shown as a separate component of other comprehensive income.

b) Turnover

Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and revenue can be reliably measured.

- Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates, value added taxes and sales taxes.
- Revenue represents amounts receivable in respect of services provided or fees net of VAT and sales taxes.
- Revenue on services provided is recognised on a percentage completion basis and is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.
- Long-term contracts are included in turnover on the basis of sales value of work performed during the year by reference to the total contract value and stage of completion of these contracts. The amount by which revenue is in excess of payments on account is included in debtors as accrued income. Payments in excess of recorded revenue are included in creditors as deferred income.

Grant income represents non-competitive funding from government departments and Non Departmental Public Bodies (NDPBs). Grant income is recognized based on the accruals model in accordance with FRS 102 section 24.4.

The following conditions must be met before revenue is recognised:

- **Grant income relating to revenue** is recognised in the statement of comprehensive income to match with the expenditure which it is funding. Where grant income is received in advance of the related expenditure being incurred, it is treated as deferred income and held in the statement of financial position. The deferred income is released to the statement of comprehensive income when the related expenditure is incurred.
- **Where grant income is contracted, but has not yet been received in cash when the related expenditure is incurred**, the grant is recognised on the statement of financial position as accrued income

c) Operating leases

Amounts payable in respect of operating leases are charged to the statement of comprehensive statement on a straight-line basis over the lease term.

d) Pension costs

The group makes contributions directly to the providers of employees' defined contribution personal pension plans, which are money purchase schemes. Contributions are charged to the statement of comprehensive income when payable. Differences between contributions payable in the period and contributions actually paid are shown either as accruals or prepayments in the consolidated statement of financial position.

e) Research and development

Research and development expenditure is written off as incurred.

f) Income tax

The group's income is taxed under normal principles, with the exception of grant income, where the company has an agreement with Her Majesty's Revenue and Customs that grant income is not subject to tax. Similarly no tax deduction is available for expenses funded out of grant income. Income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the reporting date.

g) Intangible assets

Intangible assets consist of computer software and website development costs, are measured at cost less accumulated amortisation and accumulated impairment losses. Planning and training costs relating to computer software are expensed to the profit and loss in the period in which they occur.

The assets do not have an infinite life and will therefore be amortised on a straight-line basis over their expected useful lives. Both types of intangible assets are assessed as having a useful economic life of four years.

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

At each financial year, the group's directors assess whether there are any indicators of impairment. If any such indication exists then the assets will be impaired to its recoverable amount at the date of the impairment test.

h) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any accumulated impairment losses. Depreciation, commences when the asset is brought into use and is calculated over their expected useful lives using the straight line method. It is provided as follows:

- Fixtures and fittings – five years;
- Office equipment and computers – three years; and
- Plant & machinery – four years.

i) Financial assets – investment portfolio

(i) Recognition and measurement

Investments are recognised or derecognised when the purchase or sale of the investment becomes unconditional. The group manages its investment portfolio with a view to realising the future value of the investments and the receipt of dividends.

Equity investments are recognised initially at fair value. Subsequently all quoted and unquoted equity investments are measured at 'fair value through profit and loss' and are carried in the statement of financial position at fair value. All unlisted investments are held at fair value by applying the IPEVC valuation guidelines.

Any acquisition costs arising from the purchase of equity investments are expensed immediately in the statement of comprehensive income.

(ii) Income and losses

Investment income arises from the sale of investments within the investment portfolio, being the difference between the net sale proceeds and the carrying value at the start of the accounting period, and unrealised profits or losses on the revaluation of investments, being the movement in the fair value of investments between the start and end of the accounting period. These are included within finance costs or income as appropriate in the statement of comprehensive income.

j) Interest free loans

Loans made under the Energy Efficiency Loans Scheme are classified as concessionary loans. These loans are measured as the amount paid to third parties and are shown in the statement of financial position. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the value of estimated future cash flows.

k) Trade receivables

Trade and other receivables are measured at transaction price, less any impairment.

l) Liquid investments

Liquid investments comprise cash deposits that mature after 3 months but within 6 months.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held at bank with immediate access and bank deposits with maturities of three months or less.

n) Liabilities for goods and services

Trade payables represent goods and services invoiced and not yet paid. Trade and other payables are measured at the transaction price and recognised at the date on which the goods and services are receivable by the group. Where the group is not yet in receipt of a supplier invoice and there is an obligation to pay for goods and services receivable, the amount is recognised as an accrual.

o) Provision for liabilities

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

- The company recognises a provision relating to its constructive obligations to make loans under the group's interest free Energy Efficiency Loans Scheme.
- The group recognizes a deferred tax liability relating to the equity investments held in the group's investment portfolio.

p) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are only recognised to the extent that it is probable that they can be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated using the tax rates and laws that are enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax expense (income) is presented either in statement of comprehensive income, other comprehensive income or equity depending on the transactions that resulted in the tax expense (income).

Deferred tax liabilities and presented within provisions for liabilities and deferred tax assets with debtors. Deferred tax assets and liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities 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, or to realise the assets and settle the liabilities simultaneously.

6 Turnover

Turnover is analysed below

	31 March 2020 £000	31 March 2019 £000
Revenue	25,307	15,290
Green Business Fund	927	2,302
Performance fees	-	2,745
Grant income	953	1,783
Total turnover	**27,187**	**22,120**

Turnover by clients' geography

	31 March 2020 £000	31 March 2019 £000
United Kingdom	22,633	18,179
Overseas	4,554	3,941
Total turnover	**27,187**	**22,120**

Grant income is received from the following funders:

	31 March 2020 £000	31 March 2019 £000
BEIS	142	68
Scottish Government	750	1,500
European Union Grants	28	116
Other Grants	37	20
Total grant receipts and grant receivable	**957**	**1,704**
Movement in deferred grant income	(4)	79
Total grant income	**953**	**1,783**

The movement on deferred income arises as cash grant received in the year to 31 March 2020 settles accrued grant income recorded in the year to 31 March 2019.

7 Analysis of expenditure

Included in expenditure:

	31 March 2020 £000	31 March 2019 £000
Depreciation on property, plant and equipment	50	67
Amortisation of intangible assets	-	16
Research and development expenditure	483	639
Operating lease rentals	395	396
Net foreign exchange losses	63	78

During the year the group obtained the following services from the company's auditor and paid fees:

	31 March 2020 £000	31 March 2019 £000
Fees payable to the company's auditor: company's annual accounts	75	59
Audit fees payable to the company's auditor and its associates: subsidiaries	31	29
Audit-related assurance services and other assurance services	12	9
Taxation services	64	51

8 Finance income

	31 March 2020 £000	31 March 2019 £000
Bank interest receivable	218	172
Gain on disposal of investments and group undertakings	27	11
Dividend income	157	550
	402	**733**

9 Finance costs

	31 March 2020 £000	31 March 2019 £000
Change in fair value of investment portfolio (see note 14)	367	17
Loss on disposal of investments and group undertakings	-	5
Bank charges and interest expense	21	19
	388	**41**

10 Staff costs and directors' remuneration

	31 March 2020 £000	31 March 2019 £000
Wages and salaries	10,647	10,100
Social security costs	1,218	1,171
Pension costs	639	553
	12,504	**11,824**

The average number of Carbon Trust group employees over the year (including executive directors) was 205 (2019: 171). The number of group employees as at 31 March 2020 was 217 (2019: 182).

The staff costs include the following in respect of the highest paid director:

	31 March 2020 £000	31 March 2019 £000
Highest paid director:		
Emoluments	404	364

The remuneration of the executive directors, who are the key management personnel of the group, was as follows:

	31 March 2020 £000	31 March 2019 £000
Executive directors:		
Emoluments	697	628

The remuneration of the non-executive directors was as follows:

	31 March 2020 £000	31 March 2019 £000
Non-executive directors:		
Emoluments	102	90
Total directors' emoluments	**799**	**718**

No directors receive contributions to pension schemes.

11 Tax

a) Analysis of tax credit for the year:

	31 March 2020 £000	31 March 2019 £000
Current tax:		
UK corporation tax	(99)	(31)
Adjustment in respect of prior years	(1)	(36)
Overseas tax	11	-
Total current tax	**(89)**	**(67)**
Deferred tax:		
Current year	38	(3)
Total income tax credit	**(51)**	**(70)**

b) Factors affecting tax credit for the year

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	31 March 2020 £000	31 March 2019 £000
(Loss)/gain on ordinary activities before taxation	(300)	1,627
(Loss)/gain on ordinary activities multiplied by the 2019 UK corporation tax company rate of 19% (2019: 19%)	(57)	309
Effects of:		
Expenses not deductible for tax purposes	263	391
Non-taxable income	(208)	(439)
Tax losses carried forward	258	424
Tax losses utilised	(307)	(638)
Research and development (RD&D) tax credits	(50)	(88)
Adjustment to RD&D tax credit in respect of prior year	(1)	(36)
Chargeable gains	51	7
Total income tax credit	**(51)**	**(70)**

c) Deferred tax

	31 March 2020	31 March 2019
	£000	£000
Deferred tax on financial assets held at fair value (see note 24)	38	(3)
Total deferred tax charge / (credit)	**38**	**(3)**

There is an unrecognised deferred tax asset of £3,827,225 (2019: £4,271,826) as at 31 March 2020 in respect of losses carried forward which are revalued to the future corporation tax rate of 19% (2019: 17%). This deferred tax asset has not been recognised on the basis that there is insufficient evidence of taxable profits arising in the future against which it can be recovered.

12 Intangible assets

The group and the company

	31 March
	£000
Costs:	
At 1 April 2019	-
Additions	317
Disposals	-
As at 31 March 2020	317
Amortisation:	
At 1 April 2019	-
Charge for the year	-
As at 31 March 2020	-
Net book value at 31 March 2020	**317**
Net book value at 31 March 2019	-

The group intangible assets relate to website and software development costs which have been capitalised under FRS 102. The directors have assessed the probability of future economic benefits, based on reasonable and supportable assumptions about conditions that will exist over the life of the asset.

As at 31 March 2020 the group's directors have assessed whether there are any indicators of impairment and do not consider the asset to be impaired in accordance with FRS 102.

13 Property, plant and equipment

The group

	Fixtures and fittings £000	Office equipment and computers £000	Total £000
Cost			
At 1 April 2019	127	315	442
Additions	6	227	233
Disposals	-	-	-
At 31 March 2020	133	542	675
Depreciation			
At 1 April 2019	(127)	(265)	(392)
Charge for the year	(1)	(49)	(50)
Disposals	-	-	-
At 31 March 2020	(128)	(314)	(441)
Net book value at 31 March 2020	**5**	**228**	**233**
Net book value at 31 March 2019	-	50	50

The company

	Fixtures and fittings £000	Office equipment and computers £000	Total £000
Cost			
At 1 April 2019	127	315	442
Additions		215	215
Disposals	-	-	-
At 31 March 2020	127	530	657
Depreciation			
At 1 April 2019	(127)	(265)	(392)
Charge for the year	-	(49)	(49)
Disposals	-	-	-
At 31 March 2020	(127)	(314)	(441)
Net book value at 31 March 2020	**-**	**216**	**216**
Net book value at 31 March 2019	-	50	50

At the 31 March 2020 the gross carrying value of fully depreciated property, plant and equipment still in use by the group was £376,672 (2019: £265,293).

14 Financial assets – investment portfolio

The group

Financial assets relate to equity investments held as part of the group's venture capital portfolio, which are classified as 'fair value through profit and loss' in accordance FRS 102.

	31 March 2020 £000	31 March 2019 £000
Equity investments	3,462	3,829

The movement in the value of the equity investments during the year is as follows:

	2020 £000	2020 £000	2020 £000	2019 £000
	IPEVC	Net asset basis	Total	Total
At 1 April 2019	292	3,537	3,829	3,874
Disposals	-	-	-	6
Return of investment	-	-	-	(473)
Reversal of impairment	-	-	-	439
Change in fair value recognised in the income statement using IPEVC valuation guidelines	(292)	-	(292)	(117)
Change in fair value recognised using net assets	-	(75)	(75)	100
At 31 March 2020	**-**	**3,462**	**3,462**	**3,829**

No additions were made in the year. All unlisted investments are held at a fair value using IPEVC valuation guidelines with the exception of the Low Carbon Workplace LP – this is a fund which circulates to unit holders an independent fund valuation quarterly. They have been valued on an independent net asset basis from the March valuation return provided to unit holders.

15 Interests accounted for using the equity method

The group's interests in joint ventures in the year to 31 March 2020 were as follows:

	31 March 2020 Holding %	31 March 2019 Holding %	Country of incorporation
Partnership no.1 Limited	34.0	34.0	England and Wales
Sackville LCW (GP) Limited	33.3	33.3	England and Wales

At 31 March 2020 the group's principal interests and share of post-tax results in joint ventures, which were directly and indirectly held and included in the consolidated financial statements, are as follows:

	31 March 2020 £000	31 March 2019 £000
Total interests accounted for using the equity method	-	-
Total share of joint ventures' profits	-	-

Partnership no.1 Limited

The group, through its subsidiary Carbon Trust Enterprises Limited (CTEL), owns 34% (2019: 34%) of Partnership no 1. Limited. The shareholders put the company into members' voluntary liquidation in December 2018 and the company was dissolved on the 3 May 2020. As at 31 March 2020, the value of the asset was held at £nil (2019: £nil).

Sackville LCW (GP) Limited (Sackville)

The group, through its subsidiary CTEL, held an net investment of £50 (2019: £50), being 33.3% (2019: 33.3%) of Sackville, a joint venture established with Stanhope plc and Threadneedle Property Investments Limited. CTEL's subsidiary, Carbon Trust Advisory Limited (CTA), works with the joint venture.

16 Subsidiaries

The following represent the significant subsidiaries of the group and company.

	% Holding 2020	% Holding 2019	Country of incorporation and registration
Directly held:			
Carbon Trust Enterprises Limited (CTEL)	100	100	England and Wales
Carbon Trust Investments Limited (CTIL)	100	100	England and Wales
Carbon Trust International Limited (CTInt)	100	100	England and Wales
Indirectly held:			
Carbon Trust Advisory Limited	100	100	England and Wales
Carbon Trust Assurance Limited	100	100	England and Wales
Carbon Trust (Beijing) Consulting Limited	100	100	China
Carbon Trust Africa (Pty) Ltd.	100	100	South Africa
Carbon Trust Europe BV	100	100	The Netherlands
Carbon Trust Mexico S.A de C.V.	100	100	Mexico
Carbon Trust Singapore Pte, Ltd **(established 4 April 2019)**	100	-	Singapore

All subsidiaries of the group have a year end of 31 March with the exception of Carbon Trust (Beijing) Consulting Limited and Carbon Trust Mexico S.A. de C.V whose year end is 31 December.

The company

	Total 2020 £000	Total 2019 £000
Cost:		
At 1 April	59,189	59,189
Disposals during the year	(50)	-
At 31 March	**59,139**	**59,189**
Provisions for impairments:		
At 1 April	(47,062)	(47,257)
Reversed /(written off) during the year	(2,996)	195
At 31 March	**(50,058)**	**(47,062)**
Net book value:		
At 31 March	**9,081**	**12,127**

The company holds an investment of £1 in its subsidiary company, CTIL, which acquires and holds venture capital investments.

The company holds an investment of £57.0m (2019: £57.0m) in CTEL which has a carrying value of £8.9m at 31 March 2020 (2019: £11.9m) and an investment of £2.1m in CTInt (2019: £2.1m), which has a carrying value of £0.2m (2019: £0.2m) at 31 March 2020. This represents 100% of the ordinary issued share capital of these companies.

CTInt acts as a holding company for the Carbon Trust group's investments in overseas businesses. CTInt has a £1 investment (2019: £1) in Carbon Trust Europe BV, an investment of £1 (2019: nil) in Carbon Trust Singapore Pte. Ltd, an investment of £884,000 (2019: £784,000) in Carbon Trust (Beijing) Consulting Limited and an investment of £184,379 (2019: £116,056) in Carbon Trust Africa (Pty) Limited both representing 100% of the total registered share capital. It has an investment of £196,601 (2019: £196,601) in Carbon Trust Mexico S.A. de C.V. representing 99.8% of the total registered share capital. The remaining share capital is held by CTIL. In the year to 31 March 2020 the value of these investments are held at £196,601 (2019: £196,601).

CTEL undertakes the Carbon Trust group's commercial activities. CTEL also owns equity in the following companies, which represents 100% of their ordinary issued share capital:

Carbon Trust Advisory Limited - £10.4m (2019: £10.4m): via one fully paid ordinary share of £1 valued at £5.2m (2019: £5.2m), which provides sustainability and other advisory consultancy services

Carbon Trust Assurance Limited - £4.8m (2019: £4.8m): via one fully paid ordinary share of £1 valued at £0.3m (2019: £1.6m), which focuses on providing organisations with certification of their performance in taking action to reduce their carbon emissions and water and waste usage, with the endorsement of the Carbon Trust Standards.

17 Interest free loans receivable

The group and the company

	31 March 2020 £000	31 March 2019 £000
Non-current loans	554	520
Current loans	401	604
	955	**1,124**

Loans receivable comprise balances due under the group's interest free Energy Efficiency Loans Scheme, which are held at cost less bad debts as described in note 5(j). At 31 March 2020 the gross value of interest free loans receivable is £1.6m (2019: £1.9m). Loans are concessionary interest free loans. The loans are made to finance energy efficient equipment replacement with the principal repayable from the derived savings in energy bills.

The repayments from loans of £0.7m (2019: £1.1m) are restricted for reuse in Wales.

18 Trade and other receivables

The group

	31 March 2020 £000	31 March 2019 £000
Trade and other receivables	6,715	6,226
Prepayments	269	224
	6,984	**6,450**

The company

	31 March 2020 £000	31 March 2019 £000
Trade and other receivables	907	1,466
Amounts owed by group undertakings	370	213
Prepayments	196	188
	1,473	**1,867**

19 Accrued income

Accrued income consists of grant income due from funding providers:

The group

	31 March 2020 £000	31 March 2019 £000
BEIS	-	59
IKEA	10	-
Other	50	-
	60	**59**

The company

	31 March 2020 £000	31 March 2019 £000
BEIS	-	59
IKEA	10	-
Other	39	-
	49	**59**

20 Liquid Investments

The group

	31 March 2020 £000	Restated 31 March 2019 £000
Cash deposits > than 3 months maturity	8,500	5,000
	8,500	**5,000**

Included in Liquid investments in £1m (2019: £1m), which is restricted for use in Wales and £2m (2019: £2m) which is received in advance of costs being paid. The remaining is classified as unrestricted funds.

The company

	31 March 2020 £000	Restated 31 March 2019 £000
Cash deposits > than 3 months maturity	3,000	4,000
	3,000	**4,000**

Included in Liquid investments in £1m (2019: £1m), which is restricted for use in Wales and £2m (2019: £2m) which is received in advance of costs being paid. The remaining deposits in the prior year is classified as unrestricted funds.

21 Cash and cash equivalents

Cash and cash equivalent balances held at year end are analysed in the tables below:

The group

	31 March 2020	Restated 31 March 2019
	£000	£000
Carbon Trust unrestricted funds	11,624	14,587
Cash received from Green Business fund in advance of cost being paid (designated funds)	-	994
Carbon Trust group balances restricted for reuse in low carbon technology investments	1,874	2,113
Carbon Trust group balances restricted for reuse in Wales	1,072	967
Cash received in advance of costs being paid other (restricted funds)	4,045	4,803
	18,615	**23,464**

Included in the balance is cash equivalents of £10.5m (2019: £13.0m) relating to cash on deposit with a maturity of less than 3 months. The remaing balance is cash in bank with immediate access.

The company

	31 March 2020	Restated 31 March 2019
	£000	£000
Carbon Trust unrestricted funds	1,779	1,270
Carbon Trust group balances restricted for reuse in Wales	1,072	967
Cash received in advance of costs being paid (restricted funds)	2,708	2,828
	5,559	**5,065**

Included in the balance is cash equivalents of £4.5m (2019: £1.5m) relating to cash on deposit with a maturity of less than 3 months. The remaining balance is cash in bank with immediate access.

22 Trade and other payables

The group

	31 March 2020	31 March 2019
	£000	£000
Trade payables	3,114	1,356
Other taxes and social security	1,227	1,162
Accruals	4,637	5,202
	8,978	**7,720**

The company

	31 March 2020 £000	31 March 2019 £000
Trade payables	1,051	1,116
Amounts owed to group undertakings	186	246
Accruals	1,796	2,423
	3,033	**3,785**

23 Current deferred income

The group

Deferred income relates to receipts in advance of the related costs being incurred. It is made up as follows:

	31 March 2020 £000	31 March 2019 £000
The Scottish Government	418	345
Corporate partners	4,621	3,972
European and other grants	100	287
Green Business Fund	-	925
Overseas Development Aid programme delivery contracts	458	1,975
	5,597	**7,504**

The company

Deferred income relates to receipts in advance of the related costs being incurred. It is made up as follows:

	31 March 2020 £000	31 March 2019 £000
The Scottish Government	418	345
Corporate partners	3,742	3,972
European Grants	74	287
	4,234	**4,604**

24 Provision for liabilities

The group

	Deferred tax £000	Holiday accrual £000	GBF Capital payments £000	Loan obligation £000	Total 31 March 2020 £000	Total 31 March 2019 £000
At 1 April 2019	446	209	16	193	864	769
Deferred tax charge arising on change in tax rate	52				52	
Deferred tax credit to the income statement	(14)				(14)	(3)
Amount raised	-	264	-	249	513	418
Amount used/transferred	-	(209)	(16)	(193)	(418)	(320)
At 31 March 2020	**484**	**264**	**-**	**249**	**997**	**864**

The company

	Holiday accrual £000	Loan obligation £000	Total 31 March 2020 £000	Total 31 March 2019 £000
At 1 April 2019	209	193	402	253
Amount raised	264	249	513	402
Amount used/derecognised	(209)	(193)	(402)	(253)
At 31 March 2020	**264**	**249**	**513**	**402**

The provision for deferred tax is proportional to the fair value of grant funded investments. Future movements in this provision will depend on changes to these valuations or in changes in our holdings, should they occur. Holiday accrual is proportional to the payroll cost of vacation days due to employees which have yet to taken. Funding commitments to beneficiaries under the capital contribution programme, which is part of the green business fund are made when eligible beneficiaries commit to purchase energy efficient capital equipment and are used, when the beneficiary evidences the installation and commissioning of the equipment and receives promised payment. Loan obligations are equal to the outstanding irrevocable commitments to fund future loans.

Provisions are used when the obligation is triggered: deferred tax when investment sales are completed; holiday accrual when vacation is taken and loan obligation when loan offers are honoured upon energy efficient equipment installation.

25 Financial risk management and financial instruments

Financial risk factors

i) Foreign currency risk

At the present time the group's exposure to foreign currency risk is limited. Revenues are mostly contracted in sterling or the international subsidiary's domestic currency, and non-domestic receipts are converted upon receipt into local currency. Non-sterling contracts are limited to contracts in US$, Japanese Yen, and Euro. A 10% appreciation in Sterling against contracted orders for future delivery denominated in foreign currency would result in a loss of £132k in future revenues (2019: £92k). Exposure to international subsidiaries' net assets is minimal.

ii) Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. Its interest rate risk is limited to interest earned on cash balances. The group earns interest income at variable rates on its cash balances. The interest income is sensitive to changes in interest rates receivable on cash balances. For example, based on the year-end balances for Cash and cash equivalents and Liquid assets £27.0m (2019: £28.0m), a 1% increase in the interest rate would have resulted in an additional £0.27m of interest income (2019: £0.28m) on an annualised basis.

iii) Credit risk

The group's principal financial assets are cash balances, interest free loan receivables, trade and other receivables and venture capital investments. All the cash balances held by the group are invested with large financial organisations.

The main credit risk the group faces is in relation to its Energy Efficiency Loan Scheme. This risk is actively managed with formal credit checking procedures at customer acquisition, and allowances for impairment are made where appropriate. Our bad debt provisioning policy is restricted to provide for loans in administration and where, in the opinion of management, recovery is not possible.

The maximum risk that the group is exposed to is limited to the carrying value of the non-repayable loan receivable balances at 31 March 2020.

The movement in the provision for impairment for loans receivables is as follows:

	31 March 2020	31 March 2019
	£000	£000
At 1 April	809	1,109
Charge for the year – specific provision	19	12
Release of provision	(46)	(10)
Write off of debts due from dissolved companies against specific provision	(155)	(302)
At end of year	**627**	**809**

As at 31 March 2020 the analysis of loans receivable which were past due but not impaired is as follows:

	31 March 2020	31 March 2019
	£000	£000
Neither past due or impaired	955	1,124
Past due and impaired	627	809
Gross value of loans	**1,582**	**1,933**
Less provision for past due and impaired	(627)	(809)
Net value of loans	**955**	**1,124**

iv) Liquidity and cash management

The group's commercial activity is subject to commercial credit risk and liquidity of trade receivables. The remainder of Carbon Trust activity is grant funded in advance and has limited liquidity and cash flow risk. The group has some of its own funds generated from commercial profits, investment sales and loan repayments that are held for future reinvestment.

Cash levels are monitored to ensure sufficient resources are available to meet the group's requirements. Cash surpluses are placed on term deposits to manage liquidity whilst optimising the rate of return on cash resources, giving due consideration to risk.

v) Equity price risk

The group is exposed to fluctuations in the fair value of its venture capital portfolio through its income statement as a result of changes in the outcome of the valuation guidelines applied per note 5(i). A 10% decrease or increase to this valuation as at 31 March 2020 would result in a decrease of £0.0m and an increase of £0.0m respectively to the fair value (2019: £0.03m and £0.03m respectively).

The group's investment in Low Carbon Workplace LP is valued at net asset value, comprising buildings and net working capital; the latest valuation being incorporated in these financial statements. A potential change in valuation should the value of the properties increase or decrease by +/-2%, +/- £47k, and +/-10% £230k, respectively (2019 - +/- 2% £61k, +/- 10% £388k respectively).

The company is subject to fluctuations in its subsidiaries valuations, depending on the assumptions underlying the impairment review. A 5% change in profit margin in future year, without any mitigating actions would result in an £0.1m increase in the impairment, and a 5% increase in the discount rates would result in an £0.1m increase in the impairment.

vi) Capital risk management

As a company limited by guarantee, the company is unable to distribute funds to its members and any profits are reinvested in the business. Due to the activities of the group there is no current general business need for any borrowings. As such, the capital risk management policy of the group is limited to liquidity management and compliance with any restrictions included under the terms of the grant offers.

vii) Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability are disclosed in note 5 to the financial statements.

		31 March 2020	Restated	Restated 31 March 2019
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Financial assets				
Trade receivables	6,715	6,715	6,226	6,226
Interest free loans receivable	955	955	1,124	1,124
Cash and cash equivalents	18,615	18,615	23,464	23,464
Liquid investments	8,500	8,500	5,000	5,000
Investment portfolio	2,100	3,462	2,394	3,829
Total financial assets	**36,885**	**38,247**	**38,208**	**39,643**

viii) Fair value of financial instruments

Note 14 in the financial statements analyses the financial instruments that are measured subsequent to initial recognition at fair value, grouped into 2 categories: valued under IPEVC and net asset basis.

26 Funds attributable to members of the company

The nine (2019: 11) members of the company at the end of the year are the:- the Secretary of State for Business, Innovation and Skills; the Minister for Enterprise, Trade and Investment for the Northern Ireland Executive, who resigned on 11 June 2020; and the seven (2019: 7) directors who are not representatives of government departments or bodies.

Members fund: The members' fund at 31 March 2020 was £nil (2019: £nil). Each member is required to pay an amount, not exceeding £1 only, if the Carbon Trust is wound up whilst he or she is a member or within one year after ceasing to be a member. This payment is in settlement of the Carbon Trust's debts and liabilities contracted before he or she ceased to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves.

Translation Reserve: The translation reserve at 31 March 2020 was £13,000 loss (2019: £45,000). It arises from the revaluation of the net assets in subsidiary companies denominated in foreign currencies.

Retained earnings: Comprise the earnings retained for reinvestment in the businesses. These are analysed below between restricted and unrestricted reserves:

The group

	31 March 2020 £000	31 March 2019 £000
Unrestricted reserves	18,915	18,632
Reserves restricted for use in low carbon technology	1,874	2,312
Reserves restricted for use in Wales	2,778	2,899
Retained earnings	**23,567**	**23,843**

The company

	31 March 2020 £000	31 March 2019 £000
Unrestricted reserves	10,092	12,602
Reserves restricted for use in Wales	2,778	2,899
Retained earnings	**12,870**	**15,501**

27 Financial commitments

At 31 March the total commitments for future minimum lease payments under non-cancellable operating leases relating to property leases and office equipment were as follows:

The group

	Operating leases 2020 £000	Operating leases 2019 £000
Due within a year	347	272
Due between one and five years	71	-

The company

	Operating leases 2020 £000	Operating leases 2019 £000
Due within a year	267	255

The group through its subsidiary Carbon Trust Advisory Limited has entered into contracts to deliver UK central government procured Overseas Development Aid (ODA) programme delivery contracts. Under these multiyear contracts the group has entered into contract commitments with sub-contractors to deliver the ODA contract objectives funded by the UK Government. The group has future contract commitments of £9,630,000 to sub-contractors (2019:£6,720,000).

28 Related party transactions

There are no related party transactions.

29 De-recognition of concessionary loans and repayable grants

The company acts as agent for Invest Northern Ireland in administering the jointly branded energy efficiency loans scheme in Northern Ireland. Since 1 October 2016, when a new commercially funded contract came into force replacing the previous grant funding, Invest Northern Ireland bears all the risks and rewards of ownership of this loans portfolio. The loans, associated cash balances and repayable grant were derecognised from the group's and company's statement of financial position as at 31 March 2017. The company receives an administration fee for its services to Invest Northern Ireland. From 1 October 2018 the company started returning cash to Invest NI at their request, the company collects the outstanding loans and returns the cash received net of service fees to Invest NI.

The company holds legal title to £1.1m (2019: £2.8m) loans net of provisions, £0.1m (2019: £0.6m) cash and recognises £1.2m (2019: £3.4m) as repayable to Invest Northern Ireland from these assets.

30 Contingent assets

The group through its subsidiary Carbon Trust Enterprises Limited is entitled to deferred consideration from its share of the deferred proceeds from the disposal of Partnerships for Renewables development portfolio. The directors consider the likelihood of these assets crystallising and becoming due in the immediate term remote and as such have placed no value on these future returns.

Notes to the financial statements

31 Prior period adjustment

The group

	31 March 2019	Prior period adjustment	Restated 31 March 2019
	£000	£000	£000
Cash and cash equivalents	28,464	(5,000)	23,464
Liquid Investments	-	5,000	5,000
Total	**28,464**	**-**	**28,464**

The Company

	31 March 2019	Prior period adjustment	Restated 31 March 2019
	£000	£000	£000
Cash and cash equivalents	9,065	(4,000)	5,065
Liquid Investments	-	4,000	4,000
Total	**9,065**	**-**	**9,065**

FRS102 describes cash equivalents as Short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, which is considered to be convertible in 3 months or less. The Carbon Trust held certain short term investments as cash equivalents, although the terms of these deposits mean that they are only convertible to known amounts of cash in over 3 months.

The banks purpose with the particular account is to ensure it has funds which may be classified by the bank as short term liabilities in its BASEL II equity allocation. Management have therefore restated the prior year accounts to disclose these investments appropriately, there has been no impact on the profit or loss in relation to these changes.

Cash and cash equivalents at the year end held in the consolidated statement of cashflows on page 23, are restated to show £5,000k investment out flow into liquid investments as shown in the table above.

32 Post Balance Sheet events

Management have considered the circumstances related to the spread of COVID-19 and their impact on the statement of financial position. Management has determined there are no adjusting or non-adjusting events which require disclosure in the financial statements.