Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

VE SONNEDIX EQUITYCO, S.L. and SUBSIDIARIES
Consolidated Financial Statements and Consolidated
Management Report for the year ended
December 31, 2018

Building a better
working world

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 23)

To the Sole Shareholder of VE Sonnedix Equityco, S.L. at the request of the Sole Director:

Opinion

We have audited the consolidated financial statements of VE Sonnedix Equityco, S.L. (the Parent), and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Deferred tax assets

Description	At December 31, 2018 the Group has tax loss carryforwards and other deferred tax assets amounting to 4,906 thousand euros. The recoverability of these assets mainly depends on the Group's capacity to generate sufficient future tax profits and within the period for which the Group can provide clear evidence of recovery. We consider the valuation of deferred tax assets as the most relevant audit issue, given the valuation process is complex, requiring Management to perform significant estimates and because the amounts recorded are materials. Breakdowns including key aspects and movements related to the deferred tax assets valuation are reflected in the Note 14 of the accompanying consolidated notes.
Our response	As part of our audit procedures, among others, we have performed: ▶ The analysis of the recoverability of the deferred tax assets by assessing the estimated future taxable profits and other tax hypothesis included in the analysis performed by the Parent's management. ▶ Checking the estimated future taxable profits against historical information. ▶ Review the disclosures included on the accompanying consolidated financial statements comply with the applicable regulatory financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2018 consolidated management report, the preparation of which is the responsibility of the Parent's Sole Director and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the consolidated management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the consolidated financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2018 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Parent's Sole Director responsibilities for the consolidated financial statements

The Parent's Sole Director is responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with the IFRS-EU and other provisions in the regulatory framework applicable in Spain, and for such internal control as they determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's Sole Director is responsible for assessing the Group'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 Parent's Sole Director either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 prevailing audit regulations in Spain 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 consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Parent's Sole Director.

- Conclude on the appropriateness of the Parent's Sole Director use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the Parent's Sole Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's Sole Director, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(signed on the original version In Spanish)

Ambrosio Arroyo Fernández-Rañada
(Registered in the Official Register of
Auditors under con el Nº 20648)

May 30, 2019

VE Sonnedix Equityco, S.L. and Subsidiaries

Consolidated Financial Statements
for the year ended
31 December 2018, and
Consolidated Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

(Thousands of euros)

ASSETS	Notes to the financial statements	2018	2017
NON-CURRENT ASSETS		68,296	76,394
Intangible assets	Note 6	8,179	9,252
Rights of use		7,981	9,046
Other intangible assets		198	206
Property, plant and equipment	Note 7	55,204	62,406
Land and buildings		71	71
Plants		55,133	62,335
Non-current investments	Note 8	7	3
Deferred tax assets	Note 14	4,906	4,733
CURRENT ASSETS		8,165	13,268
Inventories		84	118
Trade and other receivables		2,687	2,903
Trade receivables for sales and services	Note 9	2,686	2,889
Other receivables from Public Authorities	Note 14	1	14
Current financial assets	Note 8	3,312	3,215
Current prepayments and accrued income		6	6
Cash and other cash equivalents	Note 12	2,076	7,026
TOTAL ASSETS		76,461	89,662

EQUITY AND LIABILITIES	Notes to the financial statements	2018	2017
EQUITY		(10,130)	(8,175)
SHAREHOLDERS' EQUITY	Note 11	(10,130)	(8,175)
Share Capital		3	3
Issued capital		3	3
Consolidation reserves		(12,799)	(7,950)
Other shareholder contributions		4,826	4,621
Profit (loss) for the period		(2,160)	(4,849)
NON-CURRENT LIABILITIES		81,181	87,387
Non-current provisions	Note 20	389	377
Non-current borrowings	Note 13.1	63,448	67,428
Bonds and other marketable securities		63,448	67,428
Non-current debt to Group companies and associates	Notes 13.2 and 15	13,256	14,957
Other debt to Group companies and associates		13,256	14,957
Deferred tax liabilities	Note 14	4,088	4,625
CURRENT LIABILITIES		5,410	10,450
Current bank borrowings	Note 13.1	4,050	7,001
Bonds and other marketable securities		4,050	7,001
Current debt to Group companies and associates	Notes 13.2 and 15	618	1,492
Trade and other payables		742	1,957
Other payables	Note 13.3	131	980
Current payables to Group companies and associates	Note 15	-	368
Other accounts payables to Public Authorities	Note 14	611	609
TOTAL EQUITY AND LIABILITIES		76,461	89,662

The accompanying Notes 1 to 23 are an integral part of the consolidated balance sheet at 31 December 2018

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2018
(Thousands of euros)

	Notes to the financial statements	2018	2017
CONTINUING OPERATIONS			
Revenue	**Note 16.a**	**11,018**	**10,046**
Income from electricity sales		11,018	10,046
Income from provision of services			
Other operating revenues		**2**	**-**
Procurements	**Note 16.c**	**(768)**	**(710)**
Other operating expenses	**Note 16.d**	**(1,052)**	**(3,717)**
Depreciation and amortization charge	**Note 16.e**	**(8,275)**	**(7,603)**
OPERATING INCOME/ (EXPENSE)		**925**	**(1,984)**
Finance cost		**(3,795)**	**(4,399)**
Finance costs, financial entities	**Note 16.f**	-	(1,925)
Finance costs, bonds and other marketable securities	**Note 16.f**	(2,507)	(1,171)
Finance costs, Group companies and associates	**Note 15 y 16.f**	(1,266)	(1,015)
Other finance costs	**Note 16.f**	(22)	(288)
NET FINANCE COST		**(3,795)**	**(4,399)**
PROFIT (LOSS) BEFORE TAX		**(2,870)**	**(6,383)**
Income tax	**Note 14**	710	1,534
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,160)**	**(4,849)**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**(2,160)**	**(4,849)**

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of profit or loss for 2018.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018
(Thousands of euros)

	Notes to the financial statements	2018	2017
PROFIT (LOSS) PER STATEMENT OF PROFIT OR LOSS (I)		(2,160)	(4,849)
Income and expense recognized directly in equity			
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		-	-
Transfers to profit or loss			
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		-	-
		-	-
TOTAL COMPREHENSIVE INCOME AND EXPENSE (I+II+III)		(2,160)	(4,849)

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2018

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2018

(Thousands of euros)

	Share Capital (Note 11.a)	Other shareholder contributions (Note 11.b)	Consolidation reserves (Note 11.c)	Profit for the period	Total
BALANCE AT 31 DECEMBER 2016	3	5,749	-	(1,102)	4,650
Total recognized income and expense	-	-	-	(4,849)	(4,849)
Distribution of the consolidated profit 2016	-	-	(1,102)	1,102	-
Transactions with shareholders:					
Shareholders contributions	-	13,323	-	-	13,323
Distribution of dividends	-	(8,702)	-	-	(8,702)
Other changes in equity:					
Incorporation of the new parent	3	-	-	-	3
Output of the old parent	(3)	(5,749)	-	-	(5,752)
Others	-	-	(6,848)		(6,848)
BALANCE AT 31 DECEMBER 2017	3	4,621	(7,950)	(4,849)	(8,175)
Total recognized income and expense	-	-	-	(2,160)	(2,160)
Distribution of the consolidated profit 2017	-	-	(4,849)	4,849	-
Transactions with shareholders:					
Shareholders contributions	-	312	-	-	312
Shareholders contributions returns	-	(107)	-	-	(107)
BALANCE AT 31 DECEMBER 2018	3	4,826	(12,799)	(2,160)	(10,130)

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CASHFLOW FOR 2018

(Thousands of euros)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		**3,454**	**(3,874)**
Profit for the year before tax		**(2,870)**	**(6,383)**
Adjustments for:		**12,070**	**12,002**
- Amortization and depreciation expenses (+)	Note 16.e	8,275	7,603
- Finance income (-)		-	-
- Finance costs (+)	Note 16.f	3,795	4,399
Changes in working capital		**(144)**	**(7,527)**
- Inventories		34	(108)
- Trade and other receivables		216	852
- Trade and other payables		(272)	(4,603)
- Other non-current assets and liabilities		(122)	(3,668)
Other cash flows from operating activities		**(5,699)**	**(1,928)**
- Interest and fees paid		(5,699)	(1,928)
- Interest received		-	-
- Payment of Income Tax		-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(943)**	**(474)**
Payments for investments (-)		**(943)**	**(1,320)**
- Property, plant and equipment	Note 5	(368)	(108)
- Other assets (*)	Note 5	(575)	(1,212)
Proceeds from disposals (+)		-	**846**
- Other assets (cash contributed in business combinations)		-	846
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(7,364)**	**8,089**
Transactions with shareholders	Note 11	**205**	**(7,562)**
- Shareholder contributions (+)		312	1,140
- Return of shareholder contributions (-)		(107)	(8,702)
Proceeds and payments relating to financial liabilities		**(7,569)**	**15,651**
- Redemption and repayment of:			
Payables to third parties (-)	Note 13.1	(5,868)	(57,609)
Payables to Group companies (-)	Note 13.2	(1,701)	-
- Issue of:			
Payables to Group companies (+)	Note 13.2	-	-
Bonds and other marketable securities (+)	Note 13.1	-	74,000
Others (fees for issue of bonds and other marketable securities)	Note 13.1	-	(740)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,950)**	**3,779**
Cash and cash equivalents at beginning of year	Note 12	**7,026**	**3,247**
Cash and cash equivalents at end of year	Note 12	**2,076**	**7,026**

(*) Includes the consideration delivered in the business combinations described in Note 5 and the current financial assets shown on the accompanying consolidated balance sheet.

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018

1. Group activity and companies

VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) and its subsidiaries constitute a group of companies (hereinafter, the "Group").

VE Sonnedix Equityco, S.L. (Sole-Shareholder Company), hereinafter, the "Parent", was incorporated for an indefinite period on April 3, 2017 and was entered in the Companies Registry on that date. The Parent's Sole Shareholder at 31 December 2018 is VE Sonnedix Luxembourg Holdco 2 SARL.

The Group was set up in 2017 as part of the reorganization of companies under the joint control of the Sonnedix España Group, of which the Parent forms part, through which VE Sonnedix Equityco, S.L. (Sole-Shareholder Company), has acquired the companies as part of related party transactions (see Note 2); further information in this regard can be consulted in the Appendix I.

On December 31, 2016, the Parent was Vela Energy Holdings 3, S.L. (Sole-Shareholder Company), whose Sole-Shareholder was at that time Vela Dutch I, B.V. However, on that date, a new share purchase agreement was signed relating to Vela Energy Holdings 3, S.L. (Sole-Shareholder Company) (Group Parent at 31 December 2016), being the sellers Vela Dutch 1, B.V. and Vela Dutch 2, B.V., and the buyers Sonnedix España, S.L.U. and Sonnedix BV.

The agreement included the purchase of the totality of the ordinary shares in Vela Energy Holdings 3, S.L. by Sonnedix España, S.L.U. as well as Vela Dutch 2, B.V. ceded to Sonnedix B.V. the subordinated loans that previously were extended to the Group subsidiaries.

On March 22, 2017 all the clauses included in the aforementioned agreement were fulfilled, so that the Sole-Shareholder of Vela Energy Holdings 3, S.L. (Sole-Shareholder Company) and its subsidiaries since said date became Sonnedix España, S.L.U.

On June 22, 2017, VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) purchased all the shares in Vela Energy Holdings 3, S.L. (Sole-Shareholder Company), being the seller Sonnedix España, S.L.U. Subsequently, on June 26, 2017, VE Sonnedix Luxembourg Holdco 2 SARL (company that is 100% indirectly owned by Sonnedix España, S.L.U.) acquired all the shares in VE Sonnedix Equityco, S.L. (Sole-Shareholder Company).

Thus, as of December 31, 2018, the Parent Company is part of a Group of companies (Sonnedix España Group), whose Parent company is Sonnedix España, S.L.U., a Spanish company that issues Consolidated financial statements and consolidated management report, being its registered office located in Madrid, Principe de Vergara street, number 108.

Likewise, VE Sonnedix Equityco, S.L. is the head of the Group and consolidated financial statements are issued voluntarily pursuant to Spanish law, in accordance with the current regulation as the Parent consolidates in Sonnedix España Group, registering their consolidated financial statements in the Spanish Companies Registry.

The Parent's registered office is at Jenner Street, 3, 4º, in Madrid.

Appendix I sets out a list of subsidiaries, associates and direct or indirect investees of VE Sonnedix Equityco, S.L., as well as key information such as the consolidation method, tax residence and the most relevant financial magnitudes. Furthermore, none of the subsidiaries has been excluded in the consolidation process.

Group activity

The Group's business model is aimed at operating solar energy power plants. The Group uses photovoltaic technology to generate this electricity. At 31 December 2017, the Group's installed capacity is 18.12 MWp (15.86 MW of nominal power).

During 2018, there have not been acquisitions or variations of the scope of consolidation with respect to 2017.

During 2017, the Group has entered into several agreements to acquire different groups of companies and assets used in operating photovoltaic power stations:

- <u>Acquisition of the Cubla project</u>

On July 20, 2017, Vela Energy Holdings 3, S.L.U. (wholly-owned by VE Sonnedix Equityco, S.L.) has signed an agreement with Admiralty Investments Solar España Desarrollos, S.L.U (the seller), whereby it agreed to purchase 100% of shares of Parque Eólico de Cubla, S.L. The project entails a total nominal power of 3.6 MW (see Note 5).

The Group currently operates the following photovoltaic power stations:

- Photovoltaic power station with 36 sub-stations located in Jaén, and owned by the Group company Parque Eólico de Cubla, S.L.
- Photovoltaic power station with 18 sub-stations, located in Málaga and owned by the Group company Vela Energy SPV XIX, S.L.
- Photovoltaic power station with 40 sub-stations, located in La Herrera (Murcia) and owned by the Group company Vela Energy SPV XVII, S.L. This photovoltaic power station is part of the Herrera´s project.
- Photovoltaic power station with 30 sub-stations, located in Corvera (Murcia) and owned by the Group company Vela Energy SPV XVII, S.L. This photovoltaic power station is part of the Corvera´s project.
- Photovoltaic power station with 10 sub-stations, located in Miralcamp (Lleida) and owned by the Group company Vela Energy SPV VII, S.L.
- Photovoltaic power station with 20 sub-stations, located in Monforte de Lemos (Lugo) and owned by the Group company Vela Energy SPV XXVI, S.L.
- Photovoltaic power station with 6 sub-stations, located in Madridanos (Zamora) and owned by the Group company Vela Energy SPV XX, S.L.

In December 2018 and 2017, the total installed capacity of all companies forming part of the VE Sonnedix Equityco Group is 18.12 MW (being 15.86 MW the total nominal power).

Environmental information

In light of the Group's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its equity, financial position and the results of its operations. Therefore, no specific disclosures relating to environmental issues are included in these Notes to the consolidated financial statements, except the disclosures in Note 20 regarding provisions for dismantling.

2. <u>Basis of presentation of the consolidated financial statements</u>

2.1 Financial reporting framework applicable to the Group

The Sole Director has prepared these consolidated financial statements in accordance with the regulatory financial reporting framework applicable to the Group, which is set out in:

a) The Spanish Commercial Code and other commercial and corporate legislation.

b) International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS"), with these standards applicable since 31 December 2017, as adopted by the European Union in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, taking into account all mandatory accounting principles and standards and measurement bases with a material effect and the alternatives permitted by the Standards in this respect.

c) Mandatory standards approved by the Spanish Institute of Accountants and Auditors.

d) All other applicable Spanish accounting legislation.

Note 4 sets out the most significant accounting principles and measurement bases used in preparing these consolidated financial statements.

2.2 *Basis for preparation*

The accompanying consolidated financial statements are prepared in thousands of euros from the accounting records kept by the Parent and by the other entities comprising the VE Sonnedix Equityco Group, being the euro the functional currency for the Parent and for the subsidiaries.

The Group has been set up as part of the reorganization of companies under joint control, through which VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) acquired the companies specified in the Note 1 on June 22, 2017 for a total amount of EUR 12,151 thousand.

The consolidation process has been carried out using the consolidated values of the pre-existing subsidiaries at 1 January 2017. Therefore, the consolidated financial statements for the year ended at 31 December 2017 are not considered initial financial statements and the acquisition method was not applied because the companies were previously under common control (under the control of Vela Energy Holdings 3, S.L., the former Parent at 31 December 2016; see Note 1) and because the directors considered that this would be the most suitable accounting policy for reflecting these transactions and that it falls within the exceptions permitted under IFRS 3 ("pooling of interest" – "predecessor accounting").

The results of subsidiaries incorporated during 2017 and listed in Note 5 are included in the consolidated income statement effective from the business combination date. However, the results of pre-existing subsidiaries at 1 January 2017 and incorporated during 2017, in line with the reorganization task set out in Note 1, are included in the consolidated income statement from the start of the period.

The consolidated financial statements have been prepared the in line with the financial reporting regulatory framework applicable to the Group, established by the International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union (hereinafter, IFRS-EU) and taking into account all mandatory accounting principles and standards and mandatory measurement bases, in addition to the Code of Commerce, the Spanish Limited Liability Companies Law and other applicable trade legislation.

Given that the accounting policies and measurement bases used in preparing these consolidated financial statements may differ from those used by certain Group entities (which use local regulations), adjustments and reclassifications have been made in the consolidation process as required to unify policies and criteria and to bring them in line with the IFRS-EU.

In order to present the different items that make up the consolidated financial statements on a uniform basis, the accounting policies and measurement bases used by the Parent have been applied to all the companies included in the scope of consolidation, the effect of which has had no significant impact on the consolidated financial statements.

These consolidated financial statements of fiscal year 2018 formulated by the sole-director of the Parent will be presented to the sole shareholder for their approval fulfilling the deadlines established in the law. The sole-director estimates that the financial statements will be approved without the need of modifications.

2.3 *Fair view*

These consolidated financial statements give a fair view of the equity, the consolidated results of its operations, the changes in its consolidated equity and in consolidated cash flows at the VE Sonnedix Equityco Group in 2018 and 2017.

2.4 *Adoption of IFRS*

The consolidated financial statements pertaining to VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) and Subsidiaries are presented in accordance with IFRS-EU pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the requirement to prepare consolidated financial statements under IFRS-EU is established in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social order measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

Standards and interpretations approved by the European Union for the first time this year.

None of the new standards, interpretations or modifications to the existing standards developed by the EU during 2018 have impact on the accounting principles of the Group

Standards and interpretations approved by the IASB, but not applicable for this accounting period

The Group VE Sonnedix Equityco intends to adopt the standards, interpretations, and amendments thereof issued by the IASB (which are not mandatory in the European Union for the preparation date of these consolidated financial statements) when they become effective, to the extent applicable to the Group.

Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, the directors of the Parent consider that their first-time application will not have a significant impact on its consolidated financial statements, except for when *IFRS 16 - Leases* becomes effective from January 1, 2019.

IFRS 16 - Leases

IFRS 16 was issued in January 2017 and replaces IAS 17 - Leases, as well as other interpretations of said standard issued by the IASB.

IFRS 16 establishes the rules for recognizing, measuring and presenting leases and the related disclosure requirements. It requires that all leases be accounted for using a single balance sheet model similar to that prescribed for finance leases under IAS 17. The standard provides for two lease recognition exceptions for lessees: (i) leases of low-value assets; and (ii) short-term leases (i.e., leases with a term of 12 months or less). On the lease inception date, the lessor has to recognize a liability for the payments to be made under the lease (that is, the lease liability) and an asset representing the right to use the underlying asset during the lease term (that is, the right-of-use asset). Lessees must recognize the interest corresponding to the lease liability and the expense associated with amortization of the right of use separately.

The lessees will also be obliged to reevaluate the lease liability when certain events occur (for example, a change in the lease duration, changes in future lease payments which result from changes in an index or rate used to determine the payments). The amount of any such restatements will generally be recognized by the lessee by adjusting the right-of-use asset.

Transition to IFRS 16

The VE Sonnedix Equityco expects to adopt IFRS 16 for its entire operating lease portfolio at the transition date, applying the modified retroactive simplified method. Nevertheless, during 2018 the Group performed a detailed analysis of the lease agreements it was party to, assessing the potential effect of IFRS 16 on its consolidated financial statements at January 1, 2019.

The Group shall apply the exemptions proposed in the standard to the lease contracts which finalize within twelve months subsequent to the initial application date, and to those lease contracts for which the underlying asset is of a low value.

As a result of the analysis performed, the Group estimates that the opening consolidated financial position at the transition date will reflect an increase in assets and liabilities amounting to approximately 4,583 thousand euros, corresponding to the impact of the lease agreements for the land where the photovoltaic installations are located.

2.5 *Group's presentation currency*

The accompanying consolidated financial statements are presented in thousands of euros as this is the presentation currency for all Group companies.

2.6 *Non-mandatory accounting principles applied*

No non-mandatory accounting policies have been applied. The Parent's Sole Director authorized these consolidated financial statements for issue taking into account all the mandatory accounting principles and standards with a significant effect on the consolidated statement of financial position. All mandatory accounting principles were applied.

2.7 *Critical issues regarding the measurement and estimation of uncertainties*

In preparing the accompanying consolidated financial statements, estimates were made by the Parent's Sole Director in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Although these estimates were made on the basis of the best information available at year-end 2018, future events may make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Any changes in accounting estimates are recognized prospectively.

These estimates relate basically to the following:

- The assessment of potential losses due to the impairment of certain assets (see Note 4.c).

- The calculation of the solar plants dismantling provision (see Note 4.i).

- The expected corporate income tax settlement (see Note 4.g).

  The calculation of the income tax expense requires the interpretation of prevailing tax legislation. Significant estimates and judgements must be applied in determining the expected outcome of pending lawsuits and other disputes.

  The Group evaluates the recoverability of deferred tax assets on the basis of estimated future profits and the capacity to generate sufficient profits during the periods in which the deferred tax assets are deductible. Deferred tax liabilities are recognized in accordance with the estimated net assets that will not be tax deductible in the future.

2.8 *Comparison of information*

The information contained in these consolidated financial statements for the year 2018 are presenting, for comparative purposes, with the information for 2017.

2.9 *Changes in the scope of consolidation*

During 2018, there have not been acquisitions or variations of the scope of consolidation with respect to 2017.

The most significant changes in the scope of consolidation during 2018 are as follows:

- **Acquisition of the Cubla project:** during 2017, Parque Eólico de Cubla, S.L. was included in the scope of consolidation. This transaction generated goodwill at consolidated level (see Note 5).

- **Merge of the companies involved in the Herreras y Corveras project:** during 2017 the Group subsidiary Vela Energy SPV XVII, S.L. has merged with its corresponding subsidiaries (see Note 5).

- **Incorporation of new companies:** the following companies have been incorporated within the VE Sonnedix Equityco Group:

  - VE Sonnedix Equityco, S.L.U (incorporated in 2017; the new Group Parent company).

  - VE Sonnedix Finance, S.A. (incorporated in 2017)

2.10 *Grouping of items*

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows have been aggregated with other items to make them easier to understand; however, whenever the amounts involved are material, the information is disclosed separately in the related Notes to the consolidated financial statements.

2.11 *Basis of consolidation*

All subsidiaries or associates of the Parent disclosed in Appendices I were considered in the consolidation process.

The Group applied the following criteria to determine the consolidation method applicable for each of its companies:

- The full consolidation method was utilized to consolidate those investees over which the Group has effective control due to holding a majority in their representative and decision-making bodies. At December 31, 2018 and 2017 all companies that make up the VE Sonnedix Equityco were consolidated under this method.

The full consolidation method

Consolidation of the operations of the Parent and consolidated subsidiaries was performed in accordance with the following principles:

- The acquisition by the Parent of control of a subsidiary constitutes a business combination, to be measured using the acquisition method. In subsequent consolidations, the investment-equity of subsidiaries is generally eliminated based on values obtained by applying the acquisition method described below at the date on which control is obtained.

- Business combinations are accounted for using the acquisition method, which requires identification of the acquisition date, calculation of the cost of the combination, and recognition of the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Consequently, and for certain Group companies, during 2017 and 2016 the Group recognized the fair value of the rights of use acquired (rights not recognized in the individual financial statements of said companies), corresponding to licenses and administrative procedures necessary for development of a project and which were acquired from third parties. These acquired rights of use corresponds to the necessary administrative requirements (concessions, permits, licenses, etc.) which are mandatory for construction and starting up the assets associated with each project. Thus, they are also amortized over the useful life of the project assets.

- Goodwill or the negative consolidation difference is calculated as the difference between the fair values of the recognized assets acquired and liabilities assumed and the cost of the business combination, all as of the acquisition date. Changes subsequent to obtaining control, the purchase and sale of non-controlling interest, which do not represent a change in control, shall not be considered business combinations, and consequently the differences recognized on first consolidation are not modified.

At the date of preparation of the accompanying consolidated financial statements, the Q-Energy III Group had not concluded the valuation process for investments made in photovoltaic installations acquired during 2018 (Note 5). In accordance with the prevailing regulations, said valuation can be reviewed and adjusted within the twelve months subsequent to the acquisition date. Thus,

a) The carrying amounts of assets, liabilities, and identifiable contingent liabilities, which are recognized or adjusted to complete the initial accounting, shall be calculated as if the fair value of the acquisition date had been recognized at said date.

b) Goodwill or any gains shall be adjusted, effective from the acquisition date, by an amount equal to the adjustments made to the fair values at said date of the assets, liabilities, or identifiable contingent liabilities being recognized or adjusted.

c) The comparative information presented for the years prior to completing the initial accounting for the business combination, shall be presented as if it had been completed at the acquisition date. This includes both additional amortization/depreciation, as well as any other effect recognized in results for the year as a consequence of completing the initial accounting.

The cost of a business combination is the aggregate of:

- The acquisition-date fair values of the assets received, the liabilities incurred or assumed, and any equity instruments issued.

- The fair value of any contingent consideration that depends on future events or fulfilment of pre-determined conditions.

The cost of a business combination does not include expenses related to the issuing of any equity instruments or financial liabilities delivered in exchange for the items acquired.

If the business combination is carried out in stages, so that prior to the acquisition date, there is a previous investment, the goodwill or negative difference is obtained by the difference between:

- The cost of the business combination, plus the fair value at the date of acquisition of any prior participation of the acquiring company y the acquire, and

- The value of the identifiable assets acquired less of the liabilities assumed, determined in accordance with the before mentioned.

Any gain or loss arising from measurement at fair value at the date control of the prior interest held in the investee is obtained is recognized in the consolidated income statement. If said investment in the investee had been measured previously at fair value, any changes in fair value not yet recognized in profit or loss for the year shall be transferred to the consolidated income statement. Further, the cost of the business combination is presumed to be the best reference for estimating acquisition-date fair value of any previously held equity interest.

In the exceptional event of a negative difference arising upon the combination, this will be recognized in the consolidated income statement as income.

If at the end of the reporting period in which the business combination occurs it is not possible to complete the valuation work needed to apply the acquisition method outlined above, the business combination is accounted for provisionally. The provisional amounts recognized can subsequently be adjusted within the period required to obtain the necessary information, which can under no circumstances exceed one year. The effects of the adjustments made during said period are accounted for retrospectively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, unless the consideration has been classified in equity, in which case subsequent changes in its fair value are not recognized.

The balances and transactions and results of operations between fully consolidated Group companies were eliminated on consolidation.

The Group companies applied uniform accounting principles and procedures in order to present the consolidated financial statements on a consistent basis.

3. Regulatory framework applicable to the renewable energy production activities

The VE Sonnedix Equityco Group currently operates in the electricity generation market in Spain through the promotion, development and operation of renewable energy production facilities (with the Group employing photovoltaic solar power technology). At the time of preparing these consolidated financial statements, the Group's investments were located in Spain.

The bases of the new regulatory framework that regulates the activity of energy production through renewable sources in Spain are detailed below:

Electricity Sector Act and Royal Decree Law 9/2013 of July 12

At 2018 and 2017 year end, the main legislative reference for electricity production was Law 24/2013, of December 26, on the Electricity Sector, which repealed Law 54/1997 of November 27.

The Act states that the remuneration system for energy from renewable sources, cogeneration, and waste shall be based on the facilities' necessary participation in the market, supplementing, if necessary, market revenue with specific regulated remuneration allowing these technologies to compete on an equal footing with the other technologies in the market. This specific complementary remuneration shall be sufficient to reach the minimum level required to cover costs that, unlike with conventional technologies, cannot be recovered in the market, thus allowing for reasonable returns based on a standard installation in each applicable case.

Under this criterion, the specific remuneration, in accordance with the technology, shall consist of:

- A term per unit of installed power to cover the investment costs of a standard installation that cannot be recovered by the sale of energy in the market, and

- A term for the operation to cover the shortfall between operating costs and revenue from participating in the market.

Remuneration shall be calculated based on a standard installation over its regulatory useful life, taking into account:

- Standard revenue from sale of the energy generated, valued at the (estimated) price on the production market,

- Standard operating costs, and

- The standard value of the original investment.

Regulatory periods of six years and half-periods of three years are established to calculate the specific remuneration. The first regulatory period began on July 14, 2013 and ends on December 31, 2019.

In the review corresponding to each regulatory period, all remuneration parameters may be modified. This includes the value used to calculate the reasonable return on the remainder of the regulatory useful life of the standard installations, which shall be set by law. Once the regulatory useful life or standard value of the initial investment in an installation has been recognized, these values may not be revised under any circumstances.

Estimates of revenue from the sale of energy generated, measured at the market production price, will be revised every three years for the rest of the regulatory period based on market price trends and forecasts for operating hours.

In addition, remuneration parameters shall be adjusted based on deviations in the market price from the estimates made for the preceding three-year period. The adjustment method shall be established by regulation and be applicable for the remainder of the installation's useful life.

Reasonable return is defined as a return generated on a project, calculated, before taxes, based on the average yield in the secondary market of Spanish 10-year bonds and applying the appropriate spread.

The first additional provision of Royal Decree Law 9/2013 sets the reasonable return for facilities entitled to premium remuneration when Royal Decree Law 9/2013 became effective, such as the average return on the secondary market of Spanish 10-year bonds for the 10 years prior to the entry into force of Royal Decree Law 9/2013, plus 300 basis points (equivalent to 7.398% for the first regulatory period).

Further, the law specifies the criteria for priority access and dispatch of electricity from high-efficiency renewable energy sources and cogeneration, as set out in European Union directives.

Royal Decree 413/2014, Order IET/1045/2014, and Order IET/130/2017

On June 6, 2014, Royal Decree 413/2014 was published, regulating the production of electric energy from renewable energy sources, cogeneration, and waste. Subsequently, on June 20, 2014, Order IET/1045/2014, of June 16, approving the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste, was published.

On February 17, 2017, Order IET/130/2017 was published for application to the regulatory half-period beginning January 1, 2017, updating the remuneration parameters of standard facilities applicable to certain installations that produce electricity from renewable sources, cogeneration, and waste.

This new remuneration includes the adjustments to the remuneration parameters based on deviations in the market price from the estimates made for the preceding three-year period.

In the opinion of the directors of the Parent, the income generated by the Group under the new regulatory framework should be reasonably sufficient to guarantee continuity of its operations.

Royal Decree Law 15/2018

Royal Decree Law 15/2018 was published on October 5, 2018, on urgent measures for energy transition and protection of consumers.

Its sixth and seventh additional provisions establish the basis for determining tax on the value of electric energy produced and the amount of tax payment installments for the years 2018 and 2019, respectively.

Further, its eighth additional provision establishes the basis for reviewing the remuneration parameters applicable to installations that produce electricity from renewable energy sources, cogeneration, and waste as a consequence of the modification of Law 15/2012, of December 27, on tax measures for energy sustainability, and the modification of Law 38/1992, of December 28, on special taxes.

Sixth additional provision (2018)

Tax on the value of electric energy production for 2018 corresponds to the total amount receivable for the tax-paying entity for production and incorporation of electricity in the electric energy system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the last natural quarter.

The payment installments for the last quarter will be calculated based on the value of electric energy production measured in power station busbars during the tax period, less the remuneration corresponding to electricity incorporated in the system during the last natural quarter, applying the tax rate established in article 8 of Law 15/2012, of December 27, on tax measures for energy sustainability, and deducting the amounts already paid on the previous installments.

Seventh additional provision (2019)

Tax on the value of electric energy production for 2019 corresponds to the total amount receivable by the tax-paying entity for production and incorporation of electricity in the electric energy system, measured in power station busbars, for each installation during the tax period, less remuneration corresponding to the electricity incorporated in the system during the first natural quarter.

The payment installments will be calculated based on the value of electric energy production measured in power station busbars from the beginning of the tax period until the end of the three, six, nine, or twelve months to which the previous section referred, less the remuneration corresponding to electricity incorporated in the system during the first natural quarter, applying the tax rate established in article 8 of Law 15/2012, of December 27, on tax measures for energy sustainability, and deducting the amounts already paid on the previous installments.

Eighth additional provision

The eighth additional provision stipulates that within a period of three months the Ministry for Ecological Transition, via ministerial order, will approve the remuneration parameters for standard installations applicable to the installations that produce electricity from renewable energy sources, cogeneration, and waste, reviewed taking into account the modifications to Law 15/2012, of December 27, on tax measures for energy sustainability, and modifications to Law 38/1992, of December 28, on special taxes, to which the sixth and seventh additional provisions refer, as well as the final first provision of this Royal Decree Law, respectively.

At the date of approval of these consolidated financial statements, said remuneration parameters had not yet been approved. Once approved, they will be applicable as soon as the aforementioned modifications to Law 15/2012 of December 27 and Law 38/1992, of December 28 come into effect, without prejudice to the reviews foreseen in article 14 of Law 24/2013 and the corresponding regulatory developments.

Royal Decree Law 1/2019

On January 12, 2019 the Official State Gazette ("BOE" in Spanish - Boletín Oficial del Estado) published this Royal Decree Law, the purpose of which is to adapt the responsibilities of the National Markets and Competition Commission ("CNMC" in Spanish - Comisión Nacional de los Mercados y la Competencia) to EU legislation, subsequent to the requirements established by EU authorities.

With respect to the installations that produce energy based on renewable sources, high-efficiency co-generation, and waste with a specific remuneration scheme, said Royal Decree Law stipulates that the value used to calculate the reasonable return on the remainder of the regulatory useful life of a standard installation, which is set by law, can be modified when the corresponding reviews for each regulatory period are performed.

Amendments to tax regulations approved in previous years

The following tax regulations, which are still effective and continue to have an impact on the Group's activity, were approved in previous years:

- Royal Decree Law 3/2016, of December 2, 2016, by virtue of which the following tax measures were adopted:

  This Royal Decree Law establishes tax measures designed to consolidate public finances and other urgent social measures. These measures affect the recoverability of tax losses incurred by companies and the impairment losses on shares which were deductible in the past.

  In addition, new limits are established for offsetting tax loss carry forwards, taking into account the minimum limit of one million euros for all cases:

  - 70% of taxable income: for periods beginning on or subsequent to January 1, 2017.

  - 50% of taxable income: when revenue amounts to at least 20 million euros but less than 60 million euros for the 12-month period.

  - 25% of taxable income: when revenue amounts to at least 60 million euros for the 12-month period.

- Royal Decree Law 12/2012, of March 30, introducing various tax and administrative measures designed to reduce the public deficit.

  Among the changes introduced, this regulation provides that net finance costs shall be deductible up to a limit of 30% of operating profit for the year. In any event, net finance costs of 1 million euros shall be deductible for the tax period.

  For companies taxed on a consolidated basis, this limit shall refer to the tax group.

- Law 16/2012, of December 27, adopting various tax measures to consolidate public finances and promote economic activity.

  Amongst other measures, this law provided that accounting depreciation of PP&E items and investment properties and accounting amortization of intangible assets for tax periods commencing in 2013 and 2014 shall be deducted from the tax base by up to 70% of the amount that would have been deducted if that percentage did not apply.

  Accounting depreciation and amortization that was not deductible in 2013 and 2014 is deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset, from the first tax period commencing in 2015.

- Law 27/2014, of November 28, on Corporate Income Tax

  The applicable tax rate was 28% from January 1, 2015 and 25% from January 1, 2016. The Law also modifies the treatment of tax loss carryforwards, which may now be applied in the future without any time limit. However, a quantitative limit on taxable income before offsetting tax loss carryforwards is established at 60% for 2016 and 70% for 2017 and beyond, allowing for a minimum of 1 million euros in any case. Furthermore, offsetting tax loss carryforwards from the year 2015 will be based on the previous regulation, which established a limit of 50% for taxable income prior to said offsetting when during the 12-month period revenue amounts to between 20 million euros and 60 million euros; and 25% of taxable income prior to said offsetting when during the 12-month period revenue amounts to more than 60 million euros.

4. Accounting policies and measurement bases

The main measurement bases used by the Group in preparing the 2018 consolidated financial statements are as follows:

a) *Intangible assets (see Note 6)*

In general, intangible assets are measured initially at acquisition or production cost. After initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment. These assets are amortized over their years of useful life.

Rights of use

As required by prevailing international standards, the Group analyzed the fair values of the assets and liabilities acquired and recognized the items at the fair values determined. As indicated in Note 2.11, the Group recognized the fair value of the acquired rights to use on the consolidated balance sheet, although these rights are not recognized on the balance sheets of the acquired companies. These assets are amortized on a straight-line basis over the useful lives of the assets associated with each photovoltaic power station, namely 18 years. In summary, these assets correspond to the acquisition price paid to third parties for carrying out the project up to the acquisition date.

Other intangible assets

Intangible assets also includes amounts paid for rights of way and electric power easements. These rights are amortized on a straight-line basis over the contracted period or the operations period.

Intangible assets are derecognized when disposed of or when no future economic benefits or returns are expected therefrom.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and will be taken to the consolidated statement of profit or loss for the year incurred.

b) *Property, plant and equipment (see Note 7)*

Property, plant and equipment are initially recognized at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses, recognized as indicated below.

Upkeep and maintenance costs relating to property, plant and equipment are taken to the consolidated statement of comprehensive income for the period in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized.

At the end of the useful life of certain photovoltaic power stations, the Group must dismantle them. Upon initial measurement of the asset, the Group estimates the fair value of the future cost of dismantling, retirement and restoration and capitalizes, as an increase in the cost of the asset, the discounted amount of the dismantling cost. The balancing entry for this measurement is a provision, which is discounted in subsequent periods.

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the related assets, as follows:

	Years of estimated useful life
Plant	18

The useful life indicated is counted from the start-up of the installations (regardless of when the asset was acquired by the Group).

Items of property, plant and equipment are derecognised when disposed of or when no future economic benefits or returns are expected therefrom. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and will be taken to the consolidated statement of profit or loss for the year incurred.

c) *Impairment of intangible assets and property, plant and equipment (see Notes 6 and 7).*

At each consolidated balance sheet date, the Group reviews the carrying amounts of its intangible asset and items of property, plant and equipment to determine whether there are indications of impairment. However, this process is carried out at least at the close of each period for intangible assets with indefinite useful lives and for intangible assets that have not yet entered use. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent of other assets, the Group estimates the recoverability of the cash-generating unit to which the asset belongs.

Cash-generating units relate to each of the projects carried out by the Group, i.e., to each photovoltaic power station.

Recoverable amount is the higher of market value less costs to sell and value in use, which is the determined by calculating the present value of estimated future cash flows. Generally, this parameter is used by the Company when calculating impairment, except when there is evidence of a purchase transaction, in which case the reference value is the transaction price. It is worth noting that, as an identifiable asset that generates no cash flows independently, the recoverable amount of the cash-generating unit to which said asset belongs is calculated.

In order to quantify value in use, for each cash-generating unit the Group prepares estimates with a time horizon of, generally, the useful life of the assets, and based on budget estimates and the most recent business plans approved by the Sole Director, prepares the expected future pre-tax cash flows, incorporating the best available estimates of income and costs of the cash-generating units and using reasonable growth rates and macroeconomic assumptions based on corporate projections drawing from sector knowledge, past experience and future business expectations.

In order to determine the present value of these cash flows, the Group uses a pre-tax discount rate incorporating the cost of capital of the business and the corresponding geographic area. This calculation takes into account the time value of money and the risk premiums generally used by analysts and investment banks for each specific business and geographic area. If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss is subsequently reversed, the carrying amount of the assets (cash-generating unit) is increased to the revised estimate of the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately as income, except in the case of goodwill, the impairment losses on which cannot be subsequently reversed.

d) *Leases*

Leases are classified as operating leases whenever the terms of the lease indicate that the risks and rewards incidental to ownership of the leased asset are not transferred to the lessee. All other leases are classified as finance leases.

In general, a lease is considered to be a finance lease when:

- The lessor transfers ownership of the asset to the lessee at the end of the lease term.

- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised.

- The lease term covers the majority of the economic life of the asset.

- At the inception of the lease, the present value of the minimum lease payments amounts to virtually the entire fair value of the leased asset.

- The leased assets are of a specialized nature such whereby only the lessee can use them without major modifications being made.

Operating leases

Costs from operating leases are recognized in the consolidated statement of profit or loss for the year when they are incurred.

Any receipts or payments carried out upon arrangement of an operating lease are treated as an advance receipt or payment and charged to profit or loss over the entire lease term, as benefits from the leased asset are received or provided.

Finance leases

In finance leases in which the Group acts as lessee, the cost of the leased assets (depending on the nature of the leased assets) is presented in the consolidated statement of financial position and, simultaneously, a liability is recognized in the same amount. This amount is the lower of the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments, plus the purchase option, when there is no reasonable doubt that it will be exercised. The calculation does not include contingent payments, service costs or taxes that may be passed on by the lessor. The total finance charge on the lease is recognized in the consolidated income statement for the year in which it is incurred, using the effective interest rate method. Contingent payments are recognized as an expense in the period in which they are incurred.

Assets recognized under finance leases are depreciated on the basis of their nature, using similar criteria to those applied to other items of property, plant and equipment.

At December 31, 2018 and 2017, the Group had not entered into any lease agreements with the characteristics of a finance lease.

As indicated in Note 2.4 to the accompanying consolidated financial statements, VE Sonnedix Equityco Group will adopt the new IFRS 16 for its entire operating lease portfolio at the transition date (January 1, 2019), applying the retroactive modified simplified method.

e) Financial instruments (see Notes 8 and 13)

i. Financial assets

Classification

At the time of its initial recognition, financial assets are classed under the following categories depending on their type and purpose, at the time of initial recognition "at fair value through profit or loss, "investments held to maturity", "financial assets available for sale" and "loans and receivables". Investments held to maturity and loans and receivables are measured at amortized cost, using the effective interest rate method and reduced, as applicable, by impairment losses. Other categories are measured at their fair value. The financial assets held by the Group are classified as follows:

- Loans and receivables: financial assets arising on the sale of goods and the rendering of services in the course of the company's trade operations, and non-trade receivables that are neither equity instruments nor derivatives, with fixed or determinable payments and which are not traded in an active market.

Initial recognition

Financial assets are initially recognized at the fair value of the consideration given plus directly attributable transaction costs.

Subsequent measurement

Loans and receivables are measured at amortized cost.

At least at each reporting date, the Group tests its financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognized in the statement of profit or loss.

In particular, the Group calculates impairment allowances for trade and other receivables, where applicable, by performing an individualized analysis at each year end in order to identify any impaired accounts receivable.

The Group derecognizes financial assets when the rights to receive the asset's cash flows have expired or are sold and substantially all the risks and rewards of ownership have been transferred, such as the outright sale of assets, the assignment of trade loans in factoring operations in which the Company does not retain any credit or interest rate risk, sales of financial assets under repurchase agreements at fair value or securitizations of financial assets in which the selling company does not retain subordinated financing or grant any type of guarantee or assume any other type of risk.

ii. Financial liabilities

Financial liabilities are the Group's debts and payables arising on the purchase of goods and services in the course of the Group's trade operations, and non-trade payables that are not derivatives.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. These financial liabilities are subsequently measured at amortized cost.

Short- and long-term loans are shown at their repayment value. Any implicit interest paid, included in either the nominal value or the repayment value, is considered a direct reduction in the nominal value of the debt. This interest is calculated using financial methods based on the life of the financial debt. When the debt matures, the main liability is derecognized. Any difference between the liability recognized and the amount paid is included in the consolidated income statement under "Finance costs".

The Group derecognizes financial liabilities when the obligations giving rise to them cease to exist.

f) Cash and cash equivalents (see Note 12)

This section of the consolidated statement of financial position includes cash, sight deposits and other highly liquid short-term investments with a maturity of less than three months that are readily convertible into cash and are not subject to the risk of changes in value.

g) Income tax (see Note 14)

Income tax expense (revenue) comprises current tax expense (current tax revenue) and deferred tax expense (deferred tax revenue).

Current tax is the amount of taxes the Group pays as a result of income tax settlements for a period. Deductions and other tax relief, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax loss carryforwards and tax credits. These amounts are measured by applying the tax rate at which the asset is expected to be realized or the liability is expected to be settled to the corresponding temporary difference or tax asset.

Deferred tax liabilities are recognized for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilized.

Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognized with a charge or credit, respectively, to equity.

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognized deferred tax assets are also reassessed at the end of each reporting period and are recognized where it has become likely that they will be recovered through future taxable profits.

Since January 1st 2018, the individual companies in the Group, have started to tax following the special tax regime of fiscal consolidation regulated by the Law 27/2014, November 27th, of the Corporate Income Tax (Chapter VI, being VE Sonnedix Equityco, S.L. (sole-shareholder company) the tax representative of the fiscal Group formed by the companies mentioned in Appendix I, except from those companies with registered office outside Spain (only the case of VE Sonnedix Finance, S.A.). The ones outside the Spanish territory liquidate individually their Income Tax Declaration according to the Fiscal standards of application on their territory.

This specific tax regime of fiscal consolidation, implies the joint settlement of the Group's tax result along with the determination of the additions and deductions to the tax base. In this case, we understand that the Group (in fiscal terms), it is formed by the individual companies that whose registered office is in Spain, those whose capital is direct or indirectly participated at least in a 75% by the Parent Company, and those who fulfill the requirements that regulate the special tax regime of fiscal consolidation.

The share of the tax burden is accomplished as accorded by the companies in the Group of fiscal consolidation and following the established standards settled by the Spanish Institute of Accounting and Accounts Auditing.

At 31 December 2017, all the VE Sonnedix Equityco Group companies file taxes on an individual basis.

h) Income and expenses (see Note 16)

Income and expenses are recognized on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less discounts and tax.

Revenue from sales is recognized when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction at the consolidated balance sheet date provided the result of the transaction can be estimated reliably.

Interest received on financial assets is recognized using the effective interest method, while dividend revenue is recognized when the shareholder's right to receive payment has been established. In any case, interest and dividends on financial assets accrued after the date of acquisition are recognized as income in the consolidated statement of profit or loss.

The totality of Group revenues arise from the sale of electricity generated by the Group's photovoltaic power stations.

i) Provisions and contingencies (see Note 20)

In preparing the consolidated financial statements, the Parent's Sole Director made a distinction between:

- Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which is uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations arising from past events, the materialization of which will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the Group.

The consolidated financial statements include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed in the Notes, unless the possibility of an outflow is considered remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognized as a finance cost on an accrual basis and are estimated at each reporting date.

j) Environmental assets and liabilities

Environmental assets are those used on a lasting basis in the Group's operations and whose main purpose is to minimize environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

Given the nature of the Group's activity, it does not have a significant impact on the environment. In summary, in light of the Group's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material effect on its equity, financial position and the results of its operations. Therefore, no specific disclosures relating to environmental issues are included in these notes to consolidated financial statements, except those in Note 20.

k) Related party transactions (see Note 15)

The Group carries out transactions with related parties at arm's length. Transfer prices are adequately documented. Therefore, the Parent's Sole Director considers that there are no significant risks that could give rise to any material future liabilities. Transactions with Group companies have been eliminated on consolidation.

l) Current and non-current classification

The Group presents assets and liabilities on the consolidated balance sheet as current or non-current. To that end, assets and liabilities are classified as current when they are associated with the Group's operating cycle and are expected to mature, be disposed of or realised within that cycle, when they are expected to mature, be disposed of or realised within one year, when they are classified as held for trading (with the exception of non-current financial derivatives), and when they are cash and cash equivalents. All other assets and liabilities are classified as non-current.

As an exception to the foregoing, all deferred tax assets and liabilities are classified as non-current assets or non-current liabilities.

m) Segment reporting (see Note 21)

Operating segments have been prepared under the management approach, which requires that segments be presented on the basis of internal reports on the components of the entity. These reports are regularly reviewed by the chief operating decision-maker in order to decide which resources should be allocated to the segment and to assess its performance.

n) ***Consolidated statement of cash flows***

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, defined as short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result lead in to changes in the size and composition of equity and borrowings and are not operating activities.

o) ***Consolidated statement of changes in equity***

The accompanying consolidated statement of changes in equity shows the movements in consolidated equity accounts arising during the year. This information is in turn broken down into two parts: the consolidated statement of comprehensive income and the consolidated statement of changes in equity. The main features of the disclosures included in both statements are described below:

<u>Consolidated statement of comprehensive income</u>

This section of the consolidated statement of changes in equity presents the income and expenses generated by the Group during the year as a result of its activities, distinguishing between income and expenses recognized in the consolidated income statement for the year and other income and expenses recognized directly in equity, in keeping with prevailing accounting regulations.

Accordingly, these statements present:

a) Profit as per the consolidated income statement

b) Income and expenses which must be directly recognized in consolidated equity as required by measurement standards

c) The transfers made to the consolidated income statement, in keeping with adopted measurement standards

d) The corresponding tax effect, if any, of the letters b) and c) above.

e) Total recognized income and expense, this being the sum of all the above.

<u>Consolidated statement of changes in equity</u>

This section of the consolidated statement of changes in equity presents all the movements in consolidated equity accounts, including those arising from changes in accounting criteria and corrections of misstatements, if any. This statement therefore reconciles the carrying amounts at the start and end of the period of all the items composing consolidated equity, grouping the movements into the following categories in accordance with their nature:

a) Total recognized income and expense: shows the aggregate total of the aforementioned items recognized in the consolidated statement of comprehensive income.

b) Transactions with shareholders: shows the changes in consolidated equity arising from subscriptions and redemptions carried out, if any, during the year.

c) Other changes in equity: shows the remaining items recognized in consolidated equity, such as appropriation of results, transfers among equity items, and any other increase or decrease in consolidated equity.

5. Business combinations

During 2018, on the contrary to the previous year, the Group has not been involved in any business combination.

Projects acquired in 2017

5.1. Acquisition of the Cubla project:

Description of the transaction

On July 20, 2017, Vela Energy Holdings 3, S.L.U. (wholly-owned by VE Sonnedix Equityco, S.L.) has signed an agreement with Admiralty Investments Solar España Desarrollos, S.L.U (the seller), whereby it agreed to purchase 100% of shares of Parque Eólico de Cubla, S.L., whose corporate purpose is the operation of photovoltaic power stations by purchasing all shares in the company (see Note 1).

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 759 thousand. This amount can be broken down as follows:

	Thousands of euros
Cash	759
Total consideration transferred	759

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities recognized at the acquisition date were as follows:

	Thousands of euros
Property, plant and equipment	11,439
Deferred tax assets	601
Trade and other receivables	515
Other assets	203
Cash and cash equivalents	846
Assets acquired	**13,604**
Non-current liabilities	12,326
Current liabilities	664
Liabilities acquired	**12,990**
Total value of net assets acquired	**614**

Goodwill (negative difference) arising on the business combination

Details of the goodwill generated on this business combination are as follows:

	Thousands of euros
Consideration transferred	759
Less - Value of net assets acquired	614
Difference	**145**
Assigned to rights of use	**193**
Deferred tax liabilities	**48**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2017 are as follows:

	Thousands of euros
Revenue	677
Profit or loss for the period	(545)

Had the aforementioned business combination been undertaken at the start of 2017, income and profit / (loss) at 31 December 2017 would have been as follows:

	Thousands of euros
Revenue	1,654
Profit or loss for the period	(1,141)

6. Intangible assets

As mentioned in Note 1, during 2017 and 2016, the Group acquired Assets both by merger processes and by the acquisition of photovoltaic installations.

The section "Rights of Use" of the consolidated financial statement is composed by the net cost of the rights of operation acquired during the above-mentioned merger processes. This net cost rises to 7,981 thousands of euros at December 31st 2018 (9,046 thousands of euros at December 31st 2017).

Besides, in the section "Other Intangible Assets" is registered the intangible asset for access easement, where it is located the photovoltaic project "Fotocampillos", formed by 18 installations of 100Kw each, located in Campillos (Malaga). These "Other Intangible Assets" at December 2018 and 2017 register net amounts of 198 and 206 thousands of euros respectively.

The breakdown and changes in this heading in the accompanying consolidated balance sheet and the summary of transactions during 2018 and 2017, are as follows:

2018

	Thousands of euros					
	Opening balance	Acquisitions due to business combinations	Additions	Derecognition	Transfers	Closing balance
Cost:						
Rights of use	10,271	-	-	-	-	10,271
Other intangible assets	216	-	-	-	-	216
Total cost:	**10,487**	-	-	-	-	**10,487**
Accumulated amortization:						
Rights of use	(1,225)		(1,065)	-	-	(2,290)
Other intangible assets	(10)		(8)	-	-	(18)
Total accumulated amortization	**(1,235)**		**(1,073)**	-	-	**(2,308)**
Impairment (rights of use)	-			-	-	-
Total intangible assets, net	**9,252**		**(1,073)**	-	-	**8,179**

2017

	Thousands of euros					
	Opening balance	Acquisitions due to business combinations	Additions	Derecognition	Transfers	Closing balance
Cost:						
Rights of use	10,061	193	17	-	-	10,271
Other intangible assets	216	-	-	-	-	216
Total cost:	**10,277**	**193**	**17**	-	-	**10,487**
Accumulated amortization:						
Rights of use	(164)	-	(1,061)	-	-	(1,225)
Other intangible assets	(2)	-	(8)	-	-	(10)
Total accumulated amortization	**(166)**	-	**(1,069)**	-	-	**(1,235)**
Impairment (rights of use)	-	-	-	-	-	-
Total intangible assets, net	**10,111**	**193**	**(1,052)**	-	-	**9,252**

a) Acquisitions due to business combinations

As indicated in Note 5, during 2017 the Group has recognized intangible assets amounting to EUR 193 thousand in connection with the acquisition of the subsidiary Parque Eólico de Cubla, S.L. specifically attributed to rights to use the photovoltaic power stations.

b) Additions, derecognition and transfers to operating condition

During 2018 and 2017, there were no additional significant additions other than those deriving from the business combination.

c) Amortization and impairment

The intangible asset amortization charge recognized in the 2018 consolidated statement of profit or loss amounted to EUR 1,073 thousand (EUR 1,069 thousand in 2017) (see Note 16.e).

The estimated useful life of technical facilities and, consequently, the useful life of the rights to use those facilities, arising from the business combinations described in the Note 5, is 18 years.

In addition, "Other intangible assets" include rights of way and electric power easements corresponding to acquired companies, which are amortized over a 35-year period.

At 31 December 2018, the Group has evaluated the existence of signs (both external and internal), that indicate the necessity of performing an impairment test of the Intangible Assets. After the analysis, the sole-director has concluded that there is not existence of these signs that reveal the need of review the amounts on accounting of the Intangible assets, so the test has not been performed at December 31st, 2018.

During 2017, the company fulfilled the same analysis for impairment, and the result was the same as the one in 2018, revealing no need to perform the Impairment test.

At 2018-year end, the Group had not fully amortized any of its intangible assets.

d) Other information

Rights of use recognized on the accompanying consolidated balance sheet represent the fair value of the rights of use acquired.

At 31 December 2018 and 2017, the Group did not have any intangible assets under development.

All the Group's intangible assets are directly used in operations at 31 December 2018 and 2017.

At 31 December 2018 and 2017, no intangible assets were subject to guarantees, nor had the Group received any subsidies to acquire any of the intangible assets recognized.

At 31 December 2018, the Group did not have any commitments to invest in intangible assets.

7. Property, plant and equipment

The breakdown and changes in this heading in the accompanying consolidated balance sheet and the summary of transactions during 2018 and 2017, are as follows:

2018

	Thousands of euros				
	Opening balance	Acquisition due to business combinations	Additions	Derecognition and Transfers	Closing balance
Cost:					
Land and buildings	71	-	-	-	71
Plant	69,740	-	-	-	69,740
Total cost	**69,811**	-	-	-	**69,811**
Accumulated depreciation					
Plant	(7,405)		(7,202)	-	(14,607)
Total accumulated depreciation	**(7,405)**	-	**(7,202)**	-	**(14,607)**
Impairment	-	-	-	-	
Total property, plant and equipment, net	**62,406**	-	**(7,202)**	-	**55,204**

2017

	Thousands of euros				
	Opening balance	Acquisition due to business combinations	Additions	Derecognition and Transfers	Closing balance
Cost:					
Land and buildings	71	-	-	-	71
Plant	57,541	11,439	760	-	69,740
Total cost	**57,612**	**11,439**	**760**	**-**	**69,811**
Accumulated depreciation					
Plant	(871)	-	(6,534)	-	(7,405)
Total accumulated depreciation	**(871)**	**-**	**(6,534)**	**-**	**(7,405)**
Impairment	-	-	-	-	-
Total property, plant and equipment, net	**56,741**	**11,439**	**(5,774)**	**-**	**62,406**

At 31 December 2018 and 2017, "Plant" in the accompanying consolidated balance sheet primarily reflects the cost of the photovoltaic power stations indicated in Note 1.

Additionally, "Land and Buildings" contains the register of the cost of the plot of land where the Photovoltaic Farm Plant of the project Madridanos is settled.

a) ***Business combinations, additions, derecognition and transfers***

During 2018, the Group has not been involved in further acquisitions nor by merger processes, neither by asset acquisitions. Besides, there has not been any PP&E acquisition, removal or transfer.

At July 30, 2017 the Group purchased a number of assets through acquisition of all the shares in the company Parque Eólico de Cubla, S.L. (see Notes 1 and 5). These assets correspond to the technical facilities for the photovoltaic energy exploitation activity. The net cost of the property, plant and equipment derived from the acquisition amounted to EUR 11,439 thousand.

On the other hand, in 2017 additions have taken place for the sum of EUR 475 thousand in relation to the services rendered and invoiced to the Group by Vela Energy, S.L. for the improvements (basically the renewal of the solar inverters) made in some Group photovoltaic power stations in order to adapt these facilities to the quality standards established by the new Sole-Shareholder (indirectly), Sonnedix España, S.L.U. (see Note 1).

Furthermore, in 2018 the Group has recorded an addition for the sum of EUR 285 thousand corresponding to the reestimation of the decommissioning provisions of those Group photovoltaic power stations. The new expected costs have been calculated based on the conclusions derived from a technical report prepared by an independent specialist in which dismantling costs are estimated according to the size and the installed capacity of each plant (see Note 20).

b) ***Depreciation and impairment***

The property, plant and equipment depreciation charge recognized in the 2018 and 2017 consolidated statement of profit or loss amounted to EUR 7,202 thousand and EUR 6,534 thousand respectively (see Note 16.e).

The register of the depreciation of the photovoltaic installations is performed taking into account the estimated useful life of the technical facilities (18 years).

At 31 December 2018, the Group has evaluated the existence of signs (both external and internal), that indicate the necessity of performing an impairment test of the PP&E. After the analysis, the sole-director has concluded that there is not existence of these signs that reveal the need of review the amounts on accounting of the Intangible assets, so the test has not been performed at December 31st, 2018. During 2017, the company fulfilled the same analysis for impairment, and the result was the same as the one in 2018, revealing no need to perform the Impairment test.

At 31 December 2018 and 2017, the Group had no significant fully-depreciated items of property, plant and equipment.

c) *Other information*

At 31 December 2018 and 2017, the Group had no property, plant and equipment under construction. All the Group's property, plant and equipment are directly used in operations and all of it is located in Spain both at December 2018 and 2017.

At 31 December 2018 and 2017, the Group did not have any significant commitments to invest in property, plant and equipment.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. At 31 December 2018, all items of property, plant and equipment were fully insured against these risks.

8. Financial assets

Details of financial assets at 31 December 2018 and 2017, are as follows:

	Thousands of euros	
	2018	
	Non-current financial instruments	Current financial instruments
Financial assets	7	3,312
	7	**3,312**

	Thousands of euros	
	2017	
	Non-current financial instruments	Current financial instruments
Financial assets	3	3,215
	3	**3,215**

Current financial assets

Under this heading, at 31 December 2018, the Group has mainly recognized in the consolidated balance sheet the amount of EUR 3,312 thousand corresponding to balances maintained at financial institutions relating to the debt service reserve fund and the maintenance reserve (EUR 3,215 thousand at 2017). These elements are essential sums that are retained by Subsidiaries pursuant to the requirements set out in guaranteed bond issue framework agreements signed on July 20, 2017 to secure payments to be made in the following months. The bond has been used mainly to refinance the existing debt in the Group companies, resulting in the cancellation of the previous financing agreements maintained with the financial institution Caixabank (see Note 13.1).

The aforementioned accounts bear interest at the market rate.

9. Trade receivables for sales and services

At 31 December 2018, "Trade receivables for sales and services" reflects the amount receivable on sales of electricity generated at photovoltaic power stations, for EUR 2,686 thousand (EUR 2,889 thousand at 31 December 2017).

At 31 December 2018 and 31 December 2017, no impairment allowances had been made for these receivables.

10. Financial risk management policy

In order to manage its financial risks, VE Sonnedix Equityco Group uses both an economic perspective, evaluating, through the review of business plans, the relationship between the exposure posed by an investment and the present value of that investment's cash flows, as well as an accounting perspective, which allows the Group to evaluate the status of different risk situations.

The Parent's Sole Director has established the necessary mechanisms to control its exposure to fluctuations in interest rates and to credit and liquidity risks.

General exposures or adverse situations that could give rise to losses or negative deviations in the Group's financial performance and that, therefore, generate risks that must be managed, include the following:

- **Liquidity risk.**
- **Credit risk.**
- **Other market risks: price risk.**

These risks are monitored and controlled periodically, as described below:

a) Liquidity risk

Liquidity risk is defined as a company's inability to settle its obligations, due to adverse situations in debt and/or capital markets that hinder or prevent the company from securing the necessary financing.

The Group manages liquidity risk by having sufficient financing available in order to negotiate, in the best conditions, the substitution of payables nearing maturity with new transactions, and in order to cover its short term cash needs, thereby avoiding having to secure funds in unfavorable conditions. Liquidity risk coverage is considered adequate when financing is available to cover at least six months of debt service.

b) Credit risk

In terms of financial operations, credit risk arises when a counterparty is unable to meet its contractual obligations. When transactions could generate counterparty risk for a subsidiary, the Group ensures that the transactions are arranged with a counterparty whose credit quality rating is equal to or higher than that of the Group.

During 2018, the Group held receivables from highly-solvent companies, as follows:

- Electricity distribution companies to which energy generated is sold, although the sale is invoiced to and paid by the Spanish competition authorities (Comisión Nacional de Mercados y Competencia, CNMC), along with the market representatives.

  As from 1 January 2014, all parties performing settlements must bear the timing mismatch between income and costs in the electricity system. In that regard, the CNMC might not pay 100% of monthly settlements, in which case the Group companies, as receivers of the system costs, become the party financing these monthly timing mismatches.

  At 31 December 2018, the CNMC paid 87.33% (88.04% at 31 December 2017) of investment and operation supplements accrued up to October.

Consequently, the Parent's Sole Director considers that this credit risk is remote. Besides, the Parent's Sole Director considers that, taking into account an annualized view of flows generated by projects, the Group's current working capital, along with the working capital it expects to generate in the coming months, is sufficient to meet the Group's short-term financial obligations.

At 31 December 2018, none of the Group's financial assets were in arrears or were considered impaired.

c) Other market risks: price risk

In addition to the financial risks detailed above, the Group is exposed to operational risks, primarily in respect of fluctuations in the sales price of the electricity generated.

As indicated in Note 3, the remuneration regime for renewable, cogeneration and waste-generated energies will be based on the necessary market share of each facility, supplementing market income, where necessary, with specific regulated remuneration so that these technologies can compete on an equal basis with other market technologies.

This specific supplementary remuneration will be sufficient to reach the minimum level necessary to cover the costs that, in contrast to conventional technologies, cannot be recovered in the market and that will allow these energy producers to obtain returns that are reasonable for a standard facility in each case.

11. Equity

a) Share capital

On 22 June 2015, the former Parent, Vela Energy Holdings 3, S.L., was incorporated with a capital of EUR 3 thousand, represented by 3,000 shares with a par value of EUR 1 each. The Sole Shareholder was Vela Dutch I, B.V.

On April 3, 2017, the new Parent, Cudworth Invest, S.L.U. (subsequently named VE Sonnedix Equityco, S.L.U.) was incorporated with a capital of EUR 3 thousand, represented by 3,000 shares with a par value of EUR 1 each. On June 22, 2017, the Sole-Shareholder of Cudworth Invest, S.L.U. approved by public deed the change of the corporate name to be named VE Sonnedix Equityco, S.L.U.

On June 22, 2017, the new Group Parent, VE Sonnedix Equityco, S.L.U., acquired all the shares in Vela Energy Holdings 3, S.L., being the seller Sonnedix España, S.L.U.

At 26 June 2017, VE Sonnedix Luxembourg Holdco 2 SARL, a company wholly indirectly owned by Sonnedix España, S.L.U., acquired the totality of the shares in VE Sonnedix Equityco, S.L.U.

Thus, at 31 December 2018 and 2017, VE Sonnedix Luxembourg Holdco 2 SARL is the Parent's Sole-Shareholder.

The ultimate objective of capital is to fund the development plan defined by the Parent's Sole Director and to provide adequate returns for shareholders.

b) Other shareholder contributions

During 2018, VE Sonnedix Equityco, S.L.U., has received the following contributions from its sole shareholder aiming to enforce the financial situation of the company and to enforce the equity of the parent company:

- Cash contribution for the sum of EUR 246 thousand dated 2nd February 2018.

- Cash contribution for the sum of EUR 66 thousand dated 7th May 2018.

On September 26, 2018 the Parent company has returned contributions to VE Sonnedix Luxembourg Holdco 2 SARL for an amount of EUR 107 thousand, by cash disbursement.

On June 27, 2017, the new Parent, VE Sonnedix Equityco, S.L.U., has received the following contributions from its Sole Shareholder, VE Sonnedix Luxembourg Holdco 2 SARL:

- Non-monetary contribution of a receivable held by the Sole-Shareholder on VE Sonnedix Equityco, S.L.U. in exchange for the payment of the consideration transferred for the shares in the subsidiary Vela Energy Holdings 3, S.L.U. amounted to EUR 12,151 thousand. The purpose of this contribution in kind is that the receivable is extinguished by confusion, by becoming under the same company, debtor of this receivable, in creditor thereof.

- Non-monetary contribution of a receivable held by VE Sonnedix Luxembourg Holdco 2 SARL on the Parent in exchange for the payment made in the capital in the subsidiary VE Sonnedix Finance, S.A. amounted to EUR 32 thousand. The purpose of this contribution in kind is that the receivable is extinguished by confusion, by becoming under the same company, debtor of this receivable, in creditor thereof.

- Cash contribution for the sum of EUR 16 thousand in order to strength the Parent's equity situation.

On July 19, 2017, VE Sonnedix Luxembourg Holdco 2 SARL made a cash contribution for the sum of EUR 728 thousand. This contribution has been used to finance the business acquisition of Parque Eólico de Cubla, S.L.

On July 20, 2017, the Group received financing through a guaranteed bonds issuance (see Note 13.1.1) the Parent agreed to distribute a dividend charged to Sole-Shareholders contributions amounted to EUR 8,702 thousand.

On September 7, 2017, VE Sonnedix Equityco, S.L.U. has received a cash contribution from its Sole Shareholder amounted to EUR 31 thousand.

Furthermore, at 13 December 2017, the Sole Shareholder made a cash contribution to the Parent for the sum of EUR 365 thousand.

c) *Consolidation reserves*

During 2018, the total consolidated profit of 2017 (amounted EUR 4,389 thousand, losses) was distributed to the Group's consolidated reserves.

During 2017, the Group set up as part of the reorganization of companies under joint control (see Notes 1 and 2), through which VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) acquired the shares previously belonging to Vela Energy Holdings 3, S.L. as specified in Note 1 on 22 June 2017 for a total amount of EUR 12,151 thousand. Given that the consolidation process has been completed using consolidated values of the pre-existing subsidiaries at 1 January 2017, the revaluation of shares acquired by VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) has had an adverse effect, recognized under the Group's consolidation reserves, of EUR 6,848 thousand.

In addition, during 2017 the totality of the 2016 consolidated profit amounted to EUR 1,102 thousand has been distributed to the Group's consolidation reserves.

12. Cash and cash equivalents

The breakdown of this heading in the consolidated balance sheet at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Cash and cash equivalents	2,076	7,026
	2,076	**7,026**

This section of the consolidated statement of financial position includes cash, sight deposits and other highly liquid short-term investments with a maturity of less than three months that are readily convertible into cash and are not subject to the risk of changes in value.

In general, accumulated cash balances earn interest at market rates. No significant restrictions have been placed on the use of cash, except for the cash recognized in respect of projects in operation (see Note 8).

There are no significant differences between the market value and the carrying amount of cash and cash equivalents.

13. Financial liabilities

13.1 *Bonds and other marketable securities*

On 22 July 2017, VE Sonnedix Finance, S.A., agreed to issue guaranteed bonds (from now on, "Cefalo Bond"), used mainly to refinance the existing debt in Group companies. After obtaining the guaranteed bond, the Group cancelled the loans held by the subsidiaries with Caixabank.

The par value of the issue came to EUR 74,000 thousand, maturing on 31 December 2036 with instalments payable on a half-yearly basis. The bond bears annual nominal interest of 3.429%, payable on a half-yearly basis. The first repayment on both the principal and the interest is due on 2 January 2018, with subsequent repayments on 30 June and 31 December each year.

At 31 December 2018, the sums recognized as long-term and short-term bonds and other marketable securities of EUR 63,448 thousand and EUR 4,050 thousand. Furthermore, the par value of long-term bonds and other marketable securities for the sum of EUR 635 thousand have been netted as debt arrangement expenses.

At 31 December 2017, the sums recognized as long-term and short-term bonds and other marketable securities of EUR 68,132 thousand and EUR 5,868 thousand and EUR 1,133 thousand corresponding to finance expenses accrued and pending payment, respectively. Furthermore, the par value of long-term bonds and other marketable securities for the sum of EUR 704 thousand have been netted as debt arrangement expenses.

Holdings in guarantor Parent and subsidiaries are pledged and correspond to bonds deriving from the issue of bonds with all their assets. The breakdown of guarantor companies is as follows:

Guarantor companies	
Parque Eólico de Cubla, S.L.U. Vela Energy Holdings 3, S.L.U. Vela Energy SPV VII, S.L.U. Vela Energy SPV XVII, S.L.U.	Vela Energy SPV XIX, S.L.U. Vela Energy SPV XX, S.L.U. Vela Energy SPV XXVI, S.L.U.

The public deed corresponding to the issue establishes the causes of early repayment as any non-payment, unless attributable to administrative causes with payment being made in the following 3 working days of the maturity of the issue and the debt servicing coverage ratio for the range of companies financed by the bond dropping beneath 1.05. During both 2018 and 2017, the Group has accomplished the financial ratio requirements as established in the contract.

The financial debt maturity structure at 31 December 2018, is as follows:

	Thousands of euros						
	2019	2020	2021	2022	2023	2024 and thereafter	Total
Bonds	4,050	3,134	3,208	3,309	3,417	51,015	68,133
Interest on bonds and debentures	-	-	-	-	-	-	-
	4,050	3,134	3,208	3,309	3,417	51,015	68,133

13.2 Current and non-current payables to Group companies and associates

On March 22, 2017, the subordinated loans received by the Group subsidiaries in 2016 by Vela Dutch II, B.V. were transferred to Sonnedix, B.V. in accordance with the established in the share purchase agreement in relation to Vela Energy Holdings 3, S.L. (see Note 1).

Following the acquisition of the projects, in 2016 the Group entered into subordinated loan agreements with Vela Dutch II, B.V. for EUR 15,124 thousand. These loans mature in 17 years and bear interest at a fixed rate of 10%. On 25 November 2016, an amount of EUR 2,956 thousand of the above-referenced loans were repaid in advance of the maturity date, leaving an outstanding balance of EUR 12,168 thousand at 31 December 2016.

On July 20, 2017, an amended of said subordinated loans took place, modifying the bear interest at a fixed rate of 9% until the maturity dates. On the same day, the subsidiary Parque Eólico de Cubla, S.L. signed a new subordinated loan agreement with Sonnedix, B.V. for the sum of EUR 2,789 thousand. This loan mature in 31 December 2036 and bear interest at a fixed rate of 9%.

On December 31, 2018, the individual companies have partially amortized the principals of the aforementioned loans by the amount of EUR 1,701 thousand. This way, the total nominal outstanding balance with Sonnedix, B.V. amounted to EUR 13,256 (EUR 14,957 thousand, on December 31, 2017).

Furthermore, the accrued interest payable at 31 December 2018 and 2017 recognized in the short-term amounted to EUR 618 thousand and EUR 1,492 thousand, respectively.

The accrued finance costs related to these subordinated loans for the years 2018 and 2017 has amounted to EUR 1,266 and 1,015 thousand respectively (see Note 16.f).

13.3 Other payables

Other payables

On December 31, 2018, the Group registers an amount of EUR 131 thousand in the section "Other Payables" on the attached consolidated financial statement, which correspond to amounts pending to be payed to third parties for services received related to Operation & Maintenance of the photovoltaic installation, tax, technical and legal advisory services along with audit services.

Under "Other payables" on the accompanying statement of consolidated financial position at 31 December 2017, the Group has primarily recognized the amount outstanding related to the payment of the electric power generation tax established in Law 15/2012 of 27 December on tax measures for energy sustainability for the sum of EUR 295 thousand.

Furthermore, in 2018 is recognized an amount of EUR 575 thousand related to the outstanding balance payable from the subsidiary Vela Energy SPV XXVI, S.L. for the acquisition of assets, licenses and contracts associated to the photovoltaic power station Campo Lugar, project acquired at the end of 2016. This amount has been payed during 2018.

13.4 Information on the average payment period to suppliers

On 4 February 2015, the State Official Newsletter carried notice of the ICAC resolution of 29 January 2016 on information to be disclosed in the Notes to consolidated financial statements on the average payment period to suppliers in commercial transactions. The objective of this resolution was to comply with the express mandate set out in Law 31/2014 of 3 December, which repealed the previous regulation in that regard, ICAC resolution of 29 December 2010 on information to be disclosed in the notes to financial statements on delayed payments to suppliers in commercial transactions, which originated from the previous wording of additional provision three of Law 15/2010 of 5 July, modifying Law 3/2004 of 29 December.

The Group reports average payment period to suppliers in 2018 and 2017 were as follows:

	31/12/2018	31/12/2017
	Days	
Average period of payment to suppliers	27	26
Ratio of transactions settled	27	25
Ratio of outstanding transactions	13	50
	Amount (Thousands of euros)	
Total payments made	1,406	5,178
Total payments outstanding	6	108

The data in the table above in connection with payments to suppliers refer to trade payables to suppliers of goods and services. Accordingly, they include the "Trade and other payables" figures shown under current liabilities on the consolidated balance sheet.

The average payment period to suppliers is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment. The average period of payment to suppliers is calculated as the quotient whose numerator is the sum of the ratio of transactions settled multiplied by the total amount of the payments made and the ratio of transactions not yet settled multiplied by the total amount of outstanding payments, and whose denominator is the result of adding the total amount of the payments made to the total amount of outstanding payments.

The ratio of transactions settled is calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amounts paid by the number of days of payment (the number of calendar days elapsing from the date the period was started to the date of effective payment of the transaction) and whose denominator is the total amount of the payments made.

In addition, the ratio of transactions not yet settled is calculated as the quotient whose numerator is the result of the sum of the products of multiplying the amount of the transactions not yet settled by the number of days in which payment has not been made (the number of calendar days elapsing from the date the period was started to the last day of the period reported) and whose denominator is the total amount of the outstanding payments.

The statutory payment period applicable to the Group companies in 2018 and 2017 under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, is 30 calendar days, unless agreed otherwise between the parties, who may resolve to extend the period to up to 60 calendar days.

14. Taxation

Since January 1st 2018, the individual companies in the Group, have started to tax following the special tax regime of fiscal consolidation regulated by the Law 27/2014, November 27th, of the Corporate Income Tax (Chapter VI, being VE Sonnedix Equityco, S.L. (sole-shareholder company) the tax representative of the fiscal Group formed by the companies mentioned in Appendix I, except from those companies with registered office outside Spain (only the case of VE Sonnedix Finance, S.A.). The ones outside the Spanish territory liquidate individually their Income Tax Declaration according to the Fiscal standards of application on their territory.

This specific tax regime of fiscal consolidation, implies the joint settlement of the Group's tax result along with the determination of the additions and deductions to the tax base. In this case, we understand that the Group (in fiscal terms), it is formed by the individual companies that whose registered office is in Spain, those whose capital is direct or indirectly participated at least in a 75% by the Parent Company, and those who fulfill the requirements that regulate the special tax regime of fiscal consolidation.

The share of the tax burden is accomplished as accorded by the companies in the Group of fiscal consolidation and following the established standards settled by the Spanish Institute of Accounting and Accounts Auditing.

At 31 December 2017, all the VE Sonnedix Equityco Group companies file taxes on an individual basis.

Balances held with Public Administrations

The details of the balances held with Public Administrations are as follows:

Receivables from public authorities

	Balance	
	2018	2017
Deferred tax assets	4,906	4,733
Total non-current	**4,906**	**4,733**
Sundry tax receivables	1	14
Total current	**1**	**14**

Accounts payables to Public Administrations

	Balance	
	2018	2017
Deferred tax liabilities	4,088	4,625
Total non-current	**4,088**	**4,625**
VAT payable	611	608
Personal income tax payable	-	1
Total current	**611**	**609**

Deferred tax assets primarily comprise the following items:

- The tax credit for tax loss carryforwards generated and capitalized by the Group, in the amount of EUR 4,209 thousand at 31 December 2018 (EUR 4,286 thousand at 31 December 2017).
- Tax credit for non-deductible finance costs, for EUR 582 thousand at 31 December 2018 (EUR 313 thousand at 31 December 2017).
- Deferred tax assets derived from non-deductible depreciation in 2013-2014, in the amount of EUR 115 thousand at 31 December 2018 (EUR 134 thousand at 31 December 2017).

Deferred tax liabilities primarily comprise the following items:

- The amounts recognized as a result of application of accelerated tax depreciation for Vela Energy SPV XVII, S.L.U. for amount of EUR 2,534 thousand at 31 December 2018 (EUR 2,863 thousand at 31 December 2017).

- Deferred tax liabilities recognized as a result of allocation of the difference between the amounts paid on the acquisitions made during the year and the net assets acquired, recognized as an increase in the value of intangible assets with a definite useful life (rights of use; see Notes 5 and 6). This allocation will be reversed over the useful life of the assets associated with these rights. At 31 December 2018, the amounts recognized under this heading in the consolidated balance sheet were EUR 1,554 thousand (EUR 1,762 thousand at 31 December 2017).

Calculation of the Group's taxable income

The reconciliation of aggregate individual accounting profit / (loss) and the Group's taxable income (tax loss) is as follows:

2018

	Thousands of euros		
	Increases	Reductions	Total
Aggregate Group profit/(loss) before tax	-	-	**(2,870)**
Permanent differences and consolidation adjustment:	**31**	-	**31**
Temporary differences:			
Non-deductible amortization and depreciation	-	(76)	(76)
Accelerated depreciation	1,315	-	1,315
Amortization of rights of use	832	-	832
Non-deductible finance expenses	1,074	-	1,074
Last years negative tax bases compensation	-	(306)	(306)
Taxable income/ (tax loss)	**3,252**	**(382)**	-

2017

	Thousands of euros		
	Increases	Reductions	Total
Aggregate Group profit/(loss) before tax			**(6,656)**
Permanent differences and consolidation adjustment:	**247**	-	**247**
Temporary differences:			
Non-deductible amortization and depreciation	-	(76)	(76)
Accelerated depreciation	1,315	-	1,315
Amortization of rights of use	823	-	823
Non-deductible finance expenses	1,173	-	1,173
Taxable income/ (tax loss)	**3,558**	**(76)**	**(2,901)**

The temporary differences recognized mainly comprise the following:

- Non-deductible amortization of use of rights for the sum of EUR 832 thousand at 31 December 2018 (EUR 823 thousand at 31 December 2017) as a positive temporary difference.

- Deductibility of depreciation and amortization derived from the approval on 27 December 2012 of Royal Decree-Law 16/2012, introducing a temporary measure limiting tax-deductible amortization for 2013 and 2014 for those entities that, in those tax periods, did not meet the requirements established in articles 108.1, 108.2 and 108.3 of the Revised Text of the Corporate Income Tax Law, approved by Royal Legislative Decree 4/2004 on 5 March. Under that regulation, up to 70% of depreciation or amortization that would have been tax deductible had the subject percentage not been applied will be deducted from taxable income, in accordance with articles 11.1 and 11.4 of the law. Any depreciation or amortization expenses that are not tax deductible pursuant to that article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset as from the first tax period beginning in 2015. The negative temporary difference recorded by the Group in 2018 was EUR 76 thousand (EUR 76 thousand in 2017).

- Due to the accelerated tax depreciation followed by the subsidiary Vela Energy SPV XVII, S.L.U, (following what stipulated by the accelerated tax depreciation option approved in Law 4/2008 of 23 December) the subsidiary has recorded a positive temporary difference to the Taxable income (loss) for this matter amounted to EUR 1,315 thousand (same amount on 2017).

- The limitation on the deductibility of financial expenses included in Royal Decree-Law 12/2012, of March 30, later modified by Royal Decree-Law 20/2012, which establishes as deductible financial expense limit the 30% of operating income (defined in the aforementioned Royal Decree-Law: basically, operating result increasing by amortization charged) or EUR 1 million. In fact, in any case the first 1 EUR million will always be tax deductible. In 2018, Vela Energy SPV XVII, S.L. has recorded a positive temporary adjustment to the Taxable income (loss) for this matter for an amount of 1,074 thousand euros (1,173 thousand euros, on December 31, 2017).

- Due to the compensation of fiscal losses generated during past years in the individual company Vela Energy SPV XVII, S.L., the Group has registered in 2018 a negative adjustment to the Income Tax base for this concept for an amount of EUR 306 thousand.

The theoretical base tax for 2018 and 2017 are calculated at the tax rate of 25%.

Reconciliation between taxable income (tax loss) and income tax expense

The reconciliation of taxable income (tax loss) and income tax expense is as follows:

	Thousands of euros	
	2018	2017
Aggregate Group profit (loss) before tax	**(2,870)**	**(6,383)**
Permanent differences and consolidation adjustment	**31**	**247**
Temporary differences:		
Non-deductible finance expenses	1,074	1,173
Amortization of rights of use	832	823
Non-deductible amortization and depreciation	(76)	(76)
Accelerated depreciation	1,315	1,315
offset of tax loss carryforwards recorded in previous years	(306)	-
Adjusted profit (loss)	-	**(2,901)**
Theoretical tax calculated at 25%	-	**725**
Application of unrecognized tax credits	-	-
Tax payable / refundable (Group current income tax)	-	**725**
Impact of temporary differences:		
Non-deductible finance expenses	269	293
Amortization of rights of use	208	206
Non-deductible amortization and depreciation	(19)	(19)
Accelerated depreciation	329	329
Compensation of Negative Tax Bases	(77)	-
Adjustment for tax loss carryforwards recognized in the year	-	725
Total Income tax (expense)/refund	**710**	**1,534**

Given that the rights of use acquired and not recognized in the individual financial statements are not tax deductible, the Company adjusts the amortization of these rights within its provision for income tax. In addition, the Company recognizes a deferred tax liability for the difference between the accounting valuation and the tax valuation of the asset in question. The corresponding deferred tax liability amounted to EUR 1,554 thousand at 31 December 2018 (EUR 1,762 thousand at 31 December 2017).

During 2018 and 2017, income tax was calculated applying a tax rate of 25%.

Recognized deferred tax assets and liabilities

Details at 31 December 2018 and 2017 are as follows:

Deferred tax assets

	Thousands of Euros	
	2018	2017
Non-deductible amortization and depreciation	115	134
Tax loss carryforwards	4,209	4,286
Non-deductible finance costs	582	313
Total deferred tax assets	**4,906**	**4,733**

These deferred tax assets were recognized in the consolidated balance sheet since the Parent's Sole Director considers that, based on the best estimates of future results, including certain tax planning measures, it is likely that these assets will be recovered.

Deferred tax liabilities

	Thousands of euros	
	2018	2017
Accelerated depreciation	2,534	2,863
Temporary differences (rights of use)	1,554	1,762
Total deferred tax liabilities	**4,088**	**4,625**

Movement in deferred tax liabilities due to amortization of rights of use

	Thousands of euros	
	Negative temporary differences (rights of use)	
	2018	2017
Opening balance 2016	**1,762**	**1,920**
Changes in the scope of consolidation	-	48
Amortization of rights of use	(208)	(206)
Closing balance 2017	**1,554**	**1,762**

Unrecognized deferred tax assets

Details of unrecognized deferred tax assets at 31 December 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	2018	2017
Tax loss carryforwards	330	330
Environmental tax credits	3,593	3,593
Total deferred tax assets not recorded	**3,923**	**3,923**

Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations period has expired. The Parent's Sole Director considers that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

15. Related party transactions and balances

Related party transactions

During 2018, the VE Sonnedix Equityco Group carried out transactions with Sonnedix B.V. in the amount of EUR 1,266 thousand (EUR 1,015 thousand during 2017), relating to interest on financing received from (see Note 13.2).

The details of the finance costs accrued during 2018 and 2017 for Group company deriving from the loan extended by Sonnedix, B.V. are as follows:

Finance costs, Group companies	Thousands of euros 2018	2017
Vela Energy SPV VII, S.L.	43	41
Vela Energy SPV XVII, S.L.	638	550
Vela Energy SPV XIX, S.L.	190	157
Vela Energy SPV XX, S.L.	34	33
Vela Energy SPV XXVI, S.L.	121	121
Parque Eólico de Cubla, S.L.	240	113
	1,266	**1,015**

Furthermore, "Other procurements" reflects the EUR 682 thousand (EUR 582 thousand in 2017) expense accrued during 2018 for maintenance and operation services invoiced by the Vela Energy, S.L. Group company in accordance with the contracts entered into by the parties. The contracts stipulate an annual fixed cost proportional of nominal installed capacity.

Balances with related parties

The details of consolidated balance sheet with related parties were as follows at 31 December 2018 and 2017:

	31/12/2018		
	Non-current debt to Group companies	Trade payables to Group companies	Current debt to Group companies
Payables to Group companies	13,256	-	618
	13,256	**-**	**618**

	31/12/2017		
	Non-current debt to Group companies	Trade payables to Group companies	Current debt to Group companies
Payables to Group companies	14,957	368	1,492
	14,957	**368**	**1,492**

The details of non-current debt to Group companies and associates at 31 December 2018 relating to the loan held with Sonnedix B.V. The balance is as follows (see Note 13.2):

	Thousands of euros		
	Non-current		
	31/12/2018		
Company	**Balance**	**Maturity**	**Interest rate**
Vela Energy SPV VII, S.L.	355	30/11/2033	9%
Vela Energy SPV XVII, S.L.	6,748	30/11/2033	9%
Vela Energy SPV XIX, S.L.	2,043	31/01/2029	9%
Vela Energy SPV XX, S.L.	339	31/01/2029	9%
Vela Energy SPV XXVI, S.L.	1,202	01/04/2033	9%
Parque Eólico Cubla	2,569	31/12/2036	9%
	13,256		

	Thousands of euros		
	Non-current		
	31/12/2017		
Company	**Balance**	**Maturity**	**Interest rate**
Vela Energy SPV VII, S.L.	558	30/11/2033	9%
Vela Energy SPV XVII, S.L.	7,400	30/11/2033	9%
Vela Energy SPV XIX, S.L.	2,144	31/01/2029	9%
Vela Energy SPV XX, S.L.	441	31/01/2029	9%
Vela Energy SPV XXVI, S.L.	1,625	01/04/2033	9%
Parque Eólico Cubla	2,789	31/12/2036	9%
	14,957		

On the other hand, at 31 December 2018, the Group recognized an amount of EUR 618 thousand (EUR 1,492 thousand, at 31 December 2017) corresponding to accrued interest payable to the related party Sonnedix B.V.

In 2018, under the heading "Trade payables with Group companies" are included the balances payable for the sum of EUR 368 thousand (registered since 2017) related to the services rendered by Vela Energy, S.L. for the improvements made to some Group's photovoltaic installations in order to adapt these plants to the quality standards established by Sonnedix España, S.L.U. This amount was payed by the Group in February 2018.

16. Income and expense

a) *Revenue*

Revenue in 2018 came to EUR 11,018 thousand and totally corresponds to the sale of electricity generated in the different photovoltaic power stations. During 2017, the revenue regarding the sale of electricity generated in the different photovoltaic power stations amounted to EUR 10,046 thousand.

b) *Details of expenses and services, by origin*

During 2018 and 2017, no fixed assets were purchased abroad.

c) *Procurements*

At 31 December 2018, "Procurements" comprises EUR 768 thousand (EUR 710 thousand euros at year-end 2017), which primarily relates to maintenance and operation work performed on the Group's photovoltaic power stations by Vela Energy, S.L. The costs of these services are established at a fixed annual price for each Group subsidiaries.

d) *Other operating expenses*

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2018 is as follows:

	Thousands of euros	
	2018	2017
External services:		
Leases	262	229
Insurance premiums		9
Banking and similar services	2	21
Independent professional services	15	2,653
Repairs	125	1
Other services	-	-
Other taxes	648	804
	1,052	**3,717**

The Group files the lease payments corresponding to the plots of land on which photovoltaic assets are located under "Leases". In 2018, the cost of leases came to EUR 262 thousand (EUR 229 thousand in 2017).

In 2017, "Independent professional services" primarily includes EUR 2,329 thousand for advisory services on the project acquisitions and refinance. This section also includes the expense of advisory services incurred during the acquisition of Parque Eólico de Cubla, S.L.U., which amounted EUR 210 thousand.

Furthermore, "Other taxes" primarily reflects the electric power generation tax established in Law 15/2012, of 27 December, on tax measures for energy sustainability.

e) *Depreciation and amortization*

The breakdown of these items in the accompanying consolidated statement of profit or loss for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Amortization of intangible assets (Note 6)	1,073	1,069
Depreciation of property, plant and equipment (Note 7)	7,202	6,534
	8,275	**7,603**

f) ***Finance income and costs***

Finance costs primarily relate to interest on borrowings obtained by subsidiaries for financing photovoltaic power station operations. Details of finance costs are as follow:

Finance costs	Thousands of euros	
	2018	2017
Finance costs, bonds and other marketable securities	2,507	1,171
Finance costs, financial entities	-	1,925
Finance costs, Group companies	1,266	1,015
Other finance costs	22	288
Total	**3,795**	**4,399**

Finance costs related to bonds and other marketable securities

Finance costs related to bonds and other marketable securities correspond to the interest on financing deriving from the guaranteed bond issue in 2018 for EUR 2,438 thousand (EUR 1,135 thousand in 2017). Under this epigraph is also includes the finance cost resulting from the accrual of the fee to open the guaranteed bond for the sum of EUR 69 thousand in 2018 (EUR 36 thousand in 2017) (see Note 13.1).

Finance costs with financial entities

In 2018, the Group has accrued any financial cost with financial entities.

However, last year, EUR 1,925 thousand corresponded to the finance costs accrued in relation to the Project Finance agreements held by subsidiaries with Caixabank that were repaid on July 20, 2017.

Finance costs related to debt with related parties

In 2018, finance costs with related companies correspond to those associated with the derivatives obtained from Sonnedix B.V. and amounted to EUR 1,266 thousand (EUR 1,015 thousand in 2017) (see Note 15).

Other finance costs

Under this epigraph is also included the finance costs accrued from the measurement of the decommissioning provisions at present value related to the fiscal year 2017 for the sum of EUR 12 thousand (see Note 20).

Additionally during 2017, under "Other finance costs" is recognized the sum of EUR 273 thousand regarding the financial expenses accrued by the Group subsidiaries related to the financing received from Vela Dutch II, B.V. for the period between January 1, 2017 and March 22, 2017.

17. Information regarding conflicts of interest involving the Parent's Sole Director and in relation to remuneration to Senior Management

Information regarding conflicts of interest involving the Sole Director

At year-end 2018 and 2017, the Parent's Sole Director did not report any situation of direct or indirect conflict that the Sole Director, or persons related thereto, as defined in the Consolidated Text of the Corporate Enterprises Act, might have with the Parent's interest.

Remuneration and other benefits to Senior Management and the Sole Director

During 2018 and 2017, the Group companies recorded no expense in relation to wages and salaries accrued by former or current Sole Directors or by the members of senior management. In 2016, the functions of the Group's senior management were assumed by the Sole Director.

At 31 December 2018 and 2018, the Group had not granted any loans, advances or guarantees of any type to former or current Sole Director.

In addition, the Group had not made any pension or life insurance commitments in respect of the Sole Director or senior management.

18. Financing structure (see Note 13)

The Group finances its projects using Group-wide financing obtained via the bond Céfalo set out in Note 13.1. In addition to the bonds, some subsidiaries are financing through the subordinated loans granted by Sonnedix B.V. (see Note 13.2).

19. Audit fees

In 2018 and 2017 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, S.L. (previously Deloitte, S.L.), and the fees for services billed by the auditors of the separate financial statements of the consolidated companies and by companies related to them through control, common ownership or management, were as follows:

Description	Thousands of euros	
	Services rendered by the main auditor	
	2018	2017
Audit services	58	64
Total audit and related services	**58**	**64**
Other services	-	-
Total	**58**	**64**

20. Provisions

At the end of the useful life of certain photovoltaic power stations, the Group must dismantle them. Upon initial measurement of the fixed assets, the Group estimates the future cost of dismantling, retirement and other activities associated with those fixed assets, such as the costs of restoring the site on which it is located.

In 2017, the Group has carried out a review of the decommissioning provisions recorded on the consolidated balance sheet for some of the photovoltaic power stations based on a new technical report issued by an independent expert. From this report, a change in the accounting estimates have taken place in relation to the future cost of dismantling regarding the size and the total installed capacity for each plant, which will range between EUR 27 thousand and EUR 45 thousand per MW installed. These changes in the accounting estimates are applied prospectively from January 1, 2017.

The Group recognized a provision of EUR 389 thousand at 31 December 2018 (EUR 377 thousand at 31 December 2017) in the consolidated balance sheet in connection with some of these photovoltaic power stations. This provision will not entail an outflow of cash until the end of the useful life of the related photovoltaic power station.

At each reporting date, provisions are measured at the present value of the best possible estimate and where discounting is used, adjustments made to provisions are recognized as a finance cost on an accrual basis and are estimated at each reporting date (see Note 16.f).

21. Segment information

In 2018, the Group's activities were focused on a single lien of business: operation of photovoltaic solar stations in Spain, including, among other activities, the generation and sale of electricity using solar energy. This segment is the only segment on which Group management reports to the Sole Director and the only segment used for managing the Group.

22. Events after the reporting period

There are no subsequent events after the reporting period that require to be disclosed in this consolidated financial statements.

23. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

VE Sonnedix Equityco, S.L. and Subsidiaries

Consolidated Directors' Report for the year ended 31 December 2018

1. Group performance in Spain

Operating profit stood at EUR 925 thousand (EUR 1,984 thousand loss in 2017), reaching a volume of revenues amounted to EUR 11,018 thousand for the year ended 31 December 2018 (EUR 10,046 thousand in 2017)

The pre-tax loss on continue operations for the year 2018 has amounted to EUR 2,870 thousand (EUR 6,383 thousand loss in 2017) while the Group's overall net loss has been EUR 2,160 thousand (EUR 4,849 thousand loss in 2017)

The Group will continue operating the above-listed photovoltaic power stations in the Note 1 over the coming years.

2. Main risk inherent to the business

The main risk inherent to the business performed by the Group is related to potential regulatory changes that could occur in the different markets in which it operates. Insofar as the Group performs its activities in developed, legally secure countries, it is able to manage the risk and does not expect any relevant issues that may have a significant impact on its equity in the future.

Otherwise, the Group does not face significant risks, given that the critical business variables (electricity sales price and power station lease cost) are known and honored with contractually agreed terms; therefore, the Group's evolution during the operating period of the photovoltaic power stations is basically dependent on the hour of sunlight that allow for electricity to be produced.

3. Business outlook

The main strategic objective for the year 2018 is based on ensuring the utmost efficiency in the ongoing operations of its photovoltaic projects, so as to maximize their value.

4. Significant events for the Group after the reporting date

There were no significant events after the reporting date other than those set out on Note 22 to the financial statements.

5. Research and development activities

No research or development activities were carried out in 2018 and 2017.

6. Acquisition of treasury shares.

During 2018, the Group did not perform any transaction with treasury shares. The Group held no treasury shares at 31 December 2018.

Appendix I Subsidiaries of VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) at 31 December 2018

General public	Line of business	Registered Office (2)	% indirect ownership interest	% direct ownership interest	Year acquired	Equity of the subsidiary (in thousands of EUR)				
						Share capital	Reserves	Profit (loss)		Total equity
								Operating	Net	
Vela Energy SPV VII, S.L.	(1)	Spain	100%	-	2016	3	350	166	(31)	322
Vela Energy SPV XVII, S.L.	(1)	Spain	100%	-	2016	3	150	237	(1,102)	(949)
Vela Energy SPV XIX, S.L.	(1)	Spain	100%	-	2016	3	(316)	42	(372)	(685)
Vela Energy SPV XX, S.L.	(1)	Spain	100%	-	2016	3	(6)	97	(30)	(33)
Vela Energy SPV XXVI, S.L.	(1)	Spain	100%	-	2016	3	121	278	(141)	(17)
Parque Eólico de Cubla, S.L.	(1)	Spain	100%	-	2017	1,203	(1,134)	190	(392)	(323)
Vela Energy Holdings 3, S.L.	(1)	Spain	-	100%	2016	3	6,301	-	-	6,304
VE Sonnedix Finance, S.A.	(1)	Luxembourg	-	100%	2017	30	359	(65)	(8)	381

(1) None of the investee companies are listed on the stock exchange. The activity of the companies focuses on the development and promotion of energy projects and everything related to the electricity market.

(2) Company's registered office located at Calle Jenner 3, 4°, 28010 (Madrid) with the exception of VE Sonnedix Finance, S.A., whose registered office are located at 46ª avenue J.F. Kennedy, L-1855 (Luxembourg).

All the presented investments have been fully consolidated.

Appendix I Subsidiaries of VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) at 31 December 2017

General public	Line of business	Registered Office (2)	% indirect ownership interest	% direct ownership interest	Year acquired	Equity of the subsidiary (in thousands of EUR)				
						Share capital	Reserves	Profit (loss)		Total equity
								Operating	Net	
Vela Energy SPV VII, S.L.	(1)	Spain	100%	-	2016	3	574	(69)	(289)	288
Vela Energy SPV XVII, S.L.	(1)	Spain	100%	-	2016	3	2,089	(1,057)	(2,120)	(28)
Vela Energy SPV XIX, S.L.	(1)	Spain	100%	-	2016	3	580	(318)	(896)	(313)
Vela Energy SPV XX, S.L.	(1)	Spain	100%	-	2016	3	160	(31)	(166)	(3)
Vela Energy SPV XXVI, S.L.	(1)	Spain	100%	-	2016	3	780	(147)	(659)	124
Parque Eólico de Cubla, S.L.	(1)	Spain	100%	-	2017	1,203	7	(541)	(1,141)	69
Vela Energy Holdings 3, S.L.	(1)	Spain	-	100%	2016	3	6,055	-	(1)	6,057
VE Sonnedix Finance, S.A.	(1)	Luxembourg	-	100%	2017	30	367	(65)	(74)	323

(1) None of the investee companies are listed on the stock exchange. The activity of the companies focuses on the development and promotion of energy projects and everything related to the electricity market.

(2) Company's registered office located at Calle Jenner 3, 4º, 28010 (Madrid) with the exception of VE Sonnedix Finance, S.A., whose registered office are located at 46ª avenue J.F. Kennedy, L-1855 (Luxembourg).

All the presented investments have been fully consolidated.

VE Sonnedix Equityco and Subsidiaries

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Authorisation by the Sole Director:

On March, 29 2019, the representative of the Sole Director authorised for issue the present consolidated financial statements (comprising the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto) for the year ended 31 December 2018, along with the management report for 2018. The consolidated financial statements and management report comprise 46 pages, numbered 1 to 46, all signed by the Sole Director.

D. Miguel Ángel García Mascuñán