Registration number: 11104018

*Aegletes Holdco Limited*

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2019

**Aegletes Holdco Limited**
**Contents**

**Aegletes Holdco Limited**
**Company Information**

**Directors**
A Osorio
B Moncik
S Disley
O Taleb

**Company secretary**
External Officer Limited

**Registered office**
C/O External Services Limited,
Central House 20 Central Avenue,
St Andrews Business Park,
Norwich, England, NR7 0HR

**Company number**
11104018

**Independent auditors**
PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

**Bankers**
Barclays
Level 4, Apex Plaza, Forbury Road
Reading
RG1 1AX

**Aegletes Holdco Limited**
**Strategic Report for the Year Ended 31 March 2019**

The directors present their strategic report for the year ended 31 March 2019.

**Principle activities**
Aegletes Holdco Limited (the "Company") was incorporated on 8 December 2017 and is incorporated and domiciled in England. The address of its registered office is Beeston Lodge, Beeston Lane, Spixworth, Norwich, England, NR10 3TN.

The principle activity of the Company is as a holding company. It wholly owns Levantera Developments Limited ("Levantera") (together "the Group"). Levantera produces electricity by means of photovoltaic ("PV") systems, comprising of residential and commercial rooftop solar systems in the United Kingdom.

Levantera is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Beeston Lodge, Beeston Lane, Spixworth, Norwich, England, NR10 3TN.

**Significant events**
On June 5, 2018, Legal & General Assurance Society Limited and Legal & General Investment Management Limited as Investment Manager for and on behalf of the board of The Pension Protection Fund ("Lenders") loaned £48,217,923 to the Company with the interest rate of 2.89%. The loan has a term of 17 years, maturing in 2035, and repayments are payable semi-annually.

**Business review**
The directors consider turnover and operating profit to be the key performance indicators of the Group. Turnover for the Group was £5,200,042 (2018 – loss of £211,045) with an operating loss of £228,439 (2018 – loss of £1,176,972). The Group's performance was in line with expectations.

**Principle risks and uncertainties**
The principle activity of the Group is electricity generation, the technical availability of the equipment that is used in the production of electricity is the key risk. During the summer months' generation is at its highest, the technical availability of the equipment during this time has the potential to damage the performance of the Group. Operations and maintenance providers (the "O&M providers") have been appointed by the Group to reduce this risk. The O&M providers provide competent staff to carry out maintenance on the PV systems throughout the year. Key components of the PV systems are covered by warranties and the Group has insurance policies in place.

**Future developments of the Group**
The Group will continue to operate as it is currently is.

Approved by the Board on NOV 29 2019 and signed on its behalf by:

B Moncik
Director

**Aegletes Holdco Limited**
**Directors' Report for the Year Ended 31 March 2019**

The directors present their report and audited the consolidated financial statements for the year from 1 April 2018 to 31 March 2019.

**Incorporation**
The Company was incorporated on 8 December 2017.

**Directors**
The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

A Osorio (appointed 8 December 2017)
B Moncik (appointed 8 December 2017)
S Disley (appointed 8 December 2017)
O Taleb (appointed 24 April 2018)

**Political donations**
The Company did not make any political donations of political expenditure in the current year.

**Cash flows and liquidity risk**
Cash flows are controlled by a financial model (the "model"). The model ensures required balances are maintained and adequate levels of cash are retained within the Group.

**Disclosure of information to the auditors**
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

**Directors' responsibilities statement**
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared both, the Group financial statements and the Company financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**Directors' responsibilities statement (continued)**
The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Significant Events**
During the year, the Company paid three dividends of GBP 44,993,838, GBP 4,000,000 and GBP 1,444,322, respectively, and which together represent an aggregate amount of GBP 50,438,160, to its immediate parent, Aegletes LP. During subsequent accounting and legal analysis of these dividends, the Company discovered that they were declared and paid out of profits that may not have been available for distribution in accordance with Technical Release 02/17BL "Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006". Following discussion with our advisors, this matter is to be corrected in the next financial period through a reorganisation of the Company's reserves which is expected to result in sufficient distributable reserves being generated.

Approved by the Board on November 29, 2019 and signed on its behalf by:

.........................................
B Moncik
Director

# *Independent auditors' report to the members of Aegletes Holdco Limited*

## Report on the audit of the financial statements

### Opinion

In our opinion, Aegletes Holdco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 March 2019; the consolidated statements of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

# *Independent auditors' report to the members of Aegletes Holdco Limited (continued)*

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

*Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

*Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# *Independent auditors' report to the members of Aegletes Holdco Limited (continued)*

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

John Dashwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
29 November 2019

**Aegletes Holdco Limited Group**
**Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2019**

| | Note | 2019 | Period from 8 December 2017 to 31 March 2018 |
|---|---|---|---|
| | | £ | £ |
| Revenue | 3 | **5,739,165** | 778,502 |
| Cost of sales | 3 | **(962,901)** | (105,310) |
| Depreciation and amortization expense | 7,8 | **(3,177,303)** | (794,400) |
| **Gross income/(loss)** | | **1,598,961** | (121,208) |
| Administrative expenses | 3 | **(50,970)** | (39,000) |
| Transaction costs | 3 | **(10,617)** | (1,007,751) |
| **Operating profit/(loss)** | | **1,537,374** | (1,167,959) |
| Finance costs | 3 | **(1,197,830)** | - |
| Tax expense | 4 | **(111,105)** | (9,013) |
| **Profit/(loss) for the year and total comprehensive expense for the year** | . | **228,439** | (1,176,972) |

The above results were derived from continuing operations.

The financial statements on pages 10 to 29 were approved by the Board of Directors on NOV 29 2019 and signed on its behalf by:

B Moncik
Director

The notes are an integral part of these financial statements.

**Aegletes Holdco Limited**
**Consolidated Statement of Financial Position as at 31 March 2019**

| | Note | 31-Mar-19 £ | 31-Mar-18 £ |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | **34,521,865** | 36,654,145 |
| Intangible assets | 8 | **18,148,343** | 18,660,521 |
| Restricted cash | 14 | **1,883,276** | - |
| **Total non-current assets** | | **54,553,484** | 55,314,666 |
| Current assets | | | |
| Debtors | 6 | **1,229,219** | 2,646,150 |
| Cash and cash equivalents | 5 | **359,349** | 5,021,436 |
| **Total Current assets** | | **1,588,568** | 7,667,586 |
| **Total assets** | | **56,142,052** | 62,982,252 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | 9 | **248,997** | 1,976,926 |
| Senior debt falling due within 1 year | 15 | **2,158,362** | - |
| Intercompany payable | 13 | **-** | 290,061 |
| **Total non-current liabilities** | | **2,407,359** | 2,266,987 |
| Non-current liabilities | | | |
| Senior debt falling due after 1 year | 15 | **43,229,171** | - |
| Deferred tax liabilities | 4 | **693,592** | 693,614 |
| **Total liabilities** | | **46,330,122** | 2,960,601 |
| **Equity** | | | |
| Share capital | 10 | **100** | 100 |
| Additional paid up capital | 10 | **10,760,363** | 61,198,523 |
| Accumulated losses | 10 | **(948,533)** | (1,176,972) |
| **Total equity attributable to owners of the Company** | | **9,811,930** | 60,021,651 |
| **Total equity and liabilities** | | **56,142,052** | 62,982,252 |

The financial statements on pages 10 to 29 were approved by the Board of Directors on NOV 29 2019 and signed on its behalf by:

B Moncik
Director

The notes are an integral part of these financial statements.

**Aegletes Holdco Limited**
**(Registration number: 11104018)**
**Company Statement of Financial Position as at**

| | Note | 31-Mar-19 | 31-Mar-18 |
|---|---|---|---|
| | | £ | £ |
| **Assets** | | | |
| Non-current assets | | | |
| Investments in Levantera | 12 | **24,272,708** | 24,272,708 |
| Restricted cash | 14 | **1,883,276** | - |
| Intercompany loan receivable | 11 | **28,446,861** | 36,925,915 |
| Total non-current assets | | **54,602,845** | 61,198,623 |
| Current assets | | | |
| Cash and cash equivalents | 5 | **200,610** | - |
| Debtors | 6 | **119,545** | 1,091,850 |
| Total current assets | | **320,155** | 1,091,850 |
| **Total assets** | | **54,923,000** | 62,290,473 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Intercompany payable | 13 | **25,875** | 240,498 |
| Trade and other payables | 9 | **41,100** | 1,898,103 |
| Senior debt falling due within 1 year | 15 | **2,158,362** | - |
| Total current liabilities | | **2,225,337** | 2,138,601 |
| Non-current liabilities | | | |
| Senior debt falling due after 1 year | 15 | **43,229,171** | - |
| Total liabilities | | **45,454,508** | 2,138,601 |
| **Equity** | | | |
| Share capital | 10 | **100** | 100 |
| Additional paid up capital | 10 | **10,760,363** | 61,198,523 |
| Accumulated losses | | **(1,291,971)** | (1,046,751) |
| **Total equity attributable to owners of the Company** | | **9,468,492** | 60,151,872 |
| **Total equity and liabilities** | | **54,923,000** | 62,290,473 |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company Income Statement. The loss for the Company for the year was £245,220 (2018 – loss of £1,046,751).

The financial statements on pages 10 to 29 were approved by the Board of Directors on NOV 29 2019 and signed on its behalf by:

B Moncik
Director

The notes are an integral part of these financial statements.

**Aegletes Holdco Limited**
**Consolidated Statement of Changes in Equity for the Year Ended**

| | Share capital | Additional paid up capital | Accumulated losses | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| At 8 December 2017 | - | - | - | - |
| Share capital | 100 | - | - | 100 |
| Total comprehensive expense | - | - | (1,176,972) | (1,176,972) |
| Capital contributions | - | 61,198,523 | - | 61,198,523 |
| **At 31 March 2018** | 100 | 61,198,523 | (1,176,972) | 60,021,651 |
| Distributions paid | - | - | **(50,438,160)** | **(50,438,160)** |
| Total comprehensive income | - | - | **228,439** | **228,439** |
| **At 31 March 2019** | **100** | **61,198,523** | **(51,386,693)** | **9,811,930** |

The notes are an integral part of these financial statements.

**Aegletes Holdco Limited**
**Company Statement of Changes in Equity for the Year Ended**

| | Share capital | Additional paid up capital | Accumulated losses | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| At 8 December 2017 | - | - | - | - |
| Share capital | 100 | - | - | 100 |
| Total comprehensive expense | - | - | (1,046,751) | (1,046,751) |
| Capital contributions | - | 61,198,523 | - | 61,198,523 |
| At 31 March 2018 | 100 | 61,198,523 | (1,046,751) | 60,151,872 |
| Distributions paid | - | - | **(50,438,160)** | **(50,438,160)** |
| Total comprehensive income | - | - | **(245,220)** | **(245,220)** |
| **At 31 March 2019** | **100** | **61,198,523** | **(51,730,131)** | **9,468,492** |

The notes are an integral part of these financial statements.

**Aegletes Holdco Limited**
**Consolidated Statement of Cash Flows for the Year Ended**

| | Note | Year Ended 31 March 2019 | Period from 8 December 2017 to 31 March 2018 |
|---|---|---|---|
| | | £ | £ |
| **Operating activities** | | | |
| Net profit/(loss) | | 228,439 | (1,176,972) |
| Adjustments: | | | |
| Depreciation and amortization expense | 7,8 | 3,177,303 | 794,400 |
| Decrease/(increase) in debtors | 6 | 1,416,931 | (1,230,267) |
| (Decrease)/Increase in trade and other payables | 9 | (1,727,929) | 1,917,082 |
| (Decrease)/Increase in intercompany | 13 | (290,061) | 290,061 |
| Increase in deferred tax liabilities | 4 | 22 | 22 |
| Accretion of financing costs | 15 | 78,659 | - |
| **Net cash generated from operating activities** | | 2,883,364 | 594,326 |
| **Investing activities** | | | |
| Disposal of tangible assets | | 6,234 | - |
| Increase in intangible assets | | (539,123) | - |
| Investment, net of cash acquired | 12 | - | (19,845,598) |
| **Net cash used in investing activities** | | (532,889) | (19,845,598) |
| **Financing activities** | | | |
| Proceeds from issue of ordinary shares, net of issue costs | 10 | - | 100 |
| Capital contribution | 10 | - | 61,198,523 |
| Repayment of other borrowings | 11 | - | (36,925,915) |
| Distributions paid | 10 | (50,438,160) | - |
| Increase in restricted cash | 15 | (1,883,276) | - |
| Drawdown of senior debt | 15 | 48,217,923 | - |
| Financing costs | 15 | (973,060) | - |
| Repayment of senior debt | 15 | (1,935,989) | - |
| **Net cash (used)/generated from financing activities** | | (7,012,562) | 24,272,708 |
| Net (decrease)/increase in cash and cash equivalents | 5 | (4,662,087) | 5,021,436 |
| Cash and cash equivalents at start of period | | 5,021,436 | - |
| **Cash and cash equivalents at 31 March** | | 359,349 | 5,021,436 |

The notes are an integral part of these financial statements.

**Aegletes Holdco Limited**
**Company Statement of Cash Flows for the Year Ended**

| | Notes | 31-Mar-19 | Period from 8 December 2017 to 31 March 2018 |
|---|---|---|---|
| | | £ | £ |
| **Operating activities** | | | |
| Net profit/(loss) | | (245,220) | (1,046,751) |
| Adjustments: | | | |
| Decrease/(increase) in debtors | 6 | 972,305 | (1,091,850) |
| Decrease/(increase) in trade and other payables | 9 | (1,857,003) | 1,898,103 |
| (Decrease)/Increase in intercompany | 13 | (214,623) | 240,498 |
| Accretion of financing costs | 15 | 78,659 | - |
| **Net cash generated from operating activities** | | (1,265,882) | - |
| **Investing activities** | | | |
| Investment in Levantera Developments Limited | 12 | - | (24,272,708) |
| **Net cash used in investing activities** | | - | (24,272,708) |
| **Financing activities** | | | |
| Intercompany loan receivable | 11 | - | (36,925,915) |
| Distributions paid | 10 | (50,438,160) | - |
| Proceeds from issue of ordinary shares, net of issue costs | 10 | - | 100 |
| Capital contribution | 10 | - | 61,198,523 |
| Increase in restricted cash | 14 | 8,479,054 | - |
| Repayment of intercompany loan receivable | 11 | (1,883,276) | - |
| Drawdown of senior debt | 15 | 48,217,923 | - |
| Financing costs | 15 | (973,060) | - |
| Repayment of senior debt | 15 | (1,935,989) | - |
| **Net cash (used)/generated from financing activities** | | 1,466,492 | 24,272,708 |
| Net movement in cash and cash equivalents | | 200,610 | - |
| Cash and cash equivalents at start of period | | - | - |
| **Cash and cash equivalents at 31 March** | | 200,610 | - |

The notes are an integral part of these financial statements.

**1. General information**

The Company is a private company limited by share capital, incorporated and domiciled in England.
The address of its registered office is:

C/O External Services Limited,
Central House 20 Central Avenue,
St Andrews Business Park,
Norwich, England, NR7 0HR

**Company Number**

11104018

Aegletes Holdco Limited (the "Company") was incorporated on 8 December 2017 and is incorporated and domiciled in England. The address of its registered office is C/O External Services Limited, Central House 20 Central Avenue, St Andrews Business Park, Norwich, England, NR7 0HR.

**Principal activities**

The principle activity of the Company is as a holding company that wholly owns Levantera Developments Limited ("Levantera") (together "the Group"). Levantera produces electricity by means of photovoltaic ("PV") systems, comprising of residential and commercial rooftop solar systems in the United Kingdom.

Levantera is a private company limited and is incorporated and domiciled in England. The address of its registered office is C/O External Services Limited, Central House 20 Central Avenue, St Andrews Business Park, Norwich, England, NR7 0HR.

**2. Accounting policies**

*Statement of compliance*

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRC"), and include the following accounting policies noted below.

*Functional Currency*

The financial statements for the year ended 31 March 2019 are presented in GBP, which is the currency of the primary economic environment in which the Company operates and is considered the functional and presentation currency of the Company.

*Basis of preparation*

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Company was incorporated on 8 December 2017 and therefore, the periods are not comparable as 2019 is a full year but 2018 was period 8 December 2017 to March 31, 2018.

2. **Accounting policies (continued)**

*Declaration of guarantee*

Under Section 479a of the Companies Act 2006, exemptions from an audit of the financial statements for the year ended 31 March 2019 have been taken by Levantera Developments Limited. As required, the Company guarantees all outstanding liabilities to which the subsidiary company listed above are subject at the end of the year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by and person to whom any of the subsidiary companies listed above is liable in respect of those liabilities.

*Going concern*

The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continues to adopt the going concern basis in preparing its financial statements.

*Use of estimate and critical accounting judgements*

The preparation of the financial statements in compliance with IFRSs requires management to make certain estimates and assumptions that they consider reasonable and realistic. Estimates and judgements are inherent in, but not limited to the following: the existence and valuation of customer contracts of the company (including the discount rate applied), fair value of financial assets and liabilities, revenue relating to the accrued income from the Feed-In Tariff ("FIT") and evaluation of permanent impairment. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions, which could impact the reported amount of the assets, liabilities, equity or earnings.

Management do not consider the estimates and judgements above to be critical estimates or judgements.

*Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March 2019.

*Financial instruments*

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorized as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of related party receivables which is presented within other expenses.

**2. Accounting policies (continued)**

*Financial instruments (continued)*

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash, distributions and related party receivables fall into this category of financial instruments.

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

IFRS 9 Financial Instruments ("IFRS 9"), impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces the IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") 'incurred loss model'. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. "12-month expected credit losses" are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9 (see the "New accounting standards").

The Company's financial liabilities include accounts payable and accrued liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Partnership designated a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance expense or finance income.

**2. Accounting policies (continued)**

*Financial instruments (continued)*

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company does not designate any of its financial instruments as hedging instruments and will not be using hedge accounting.

The Company's financial instruments and their classification are as follows:

| | |
|---|---|
| Cash | Amortized cost |
| Distributions receivable | Amortized cost |
| Due from related parties | Amortized cost |
| Investments | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

*Fair value measurement*

The Company classifies fair value measurements within a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership can access at the measurement date;

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

All investments held by the Company are considered Level 3.

*Offsetting of financial assets and liabilities*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2. Accounting policies (continued)**

*Revenue recognition*

Revenue represents the value of FIT generation, export energy and energy sales by a Power Purchase Agreement ("PPA"), due excluding value added tax. Turnover arises wholly in the UK from Levantera's principle activity, being production of electricity. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group activities.

*Tax*

The tax expense for the year comprises current tax. Tax is recognised in income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

*Property, plant and equipment*

Property, plant and equipment include solar installations and is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

*Depreciation*

Depreciation on the solar installations is calculated on a straight-line basis to allocate the difference between their cost and their residual value over their estimated useful lives, which is 20 years.

*Intangible assets*

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Customer contract intangible asset was acquired in a business combination are recognised at fair value at the acquisition date.

Customer contract intangible asset have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

*Amortisation*

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life for contractual relations is 18 years.

**2. Accounting policies (continued)**

*Investments*

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Restricted cash*

Restricted cash balances include cash and equivalents, where the availability of funds is restricted by agreements.

*Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

*Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

*Borrowings*

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing. Interest expense is recognised on the basis of the effective interest method and is included in interest expense. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Share capital*

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2. **Accounting policies (continued)**
*New accounting standards*
*IFRS 9 Financial Instruments – ("IFRS 9")*

IFRS 9, which replaced IAS 39 and is effective for fiscal years commencing January 1, 2018, makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Company has applied transitional relief and opted not to restate prior periods. There are no arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment.

The adoption of IFRS 9 on January 1, 2018 has impacted the classification of the Company's financial assets. There have been no changes to the measurement or impairment of financial assets or the classification or measurement, or impairment of financial liabilities as a result of the application of IFRS 9.

*IFRS 15 Revenue from Contracts with Customers — ("IFRS 15")*
IFRS 15, Revenue from Contracts with Customers ("IFRS 15") specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied for periods beginning on or after January 1, 2018. An entity may adopt the standard on a fully retrospective basis or on a modified retrospective basis. The adoption of the new standard has had no impact on the Company's financial statements.

3. **Revenue and expenses**
*Revenue*
The whole of the Consolidated Group's revenue is attributable to its market in the United Kingdom and is derived from the principal activity of electricity production.

The whole of the Company's revenue is attributable to its market in the United Kingdom and is derived from the intercompany loan to Levantera.

*Expenses* The operating loss before tax expense:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£** | £ | **£** | £ |
| Operating expenses | **962,901** | 105,310 | **55,970** | - |
| Audit & Accountancy | **39,375** | 39,000 | **39,000** | 39,000 |
| Transaction costs | **10,617** | 1,007,751 | **10,617** | 1,007,751 |
| Amortisation expense | **1,051,297** | 262,820 | **-** | - |
| Depreciation expense | **13,306** | - | **8,056** | - |
| Legal expenses | **1,197,830** | - | **1,197,817** | - |
| Finance costs | **(1,711)** | - | **555** | - |
| Other expenses | **962,901** | 105,310 | **55,970** | - |

The transaction costs are the costs incurred relating to the acquisition of Levantera Developments Limited.

**4. Tax expense**

| Tax credit included in loss | 2019 | 2018 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 19% | 310,851 | 56,625 |
| **Total Current tax** | 310,851 | 56,625 |
| **Deferred tax** | | |
| Amortisation of intangible assets | (199,746) | (47,612) |
| **Total deferred tax** | (199,746) | (47,612) |
| **Tax charge on loss on ordinary activities** | 111,105 | 9,013 |
| **Reconciliation of effective tax rate** | | |
| Current tax charge at 19% (2018 - 19%) | (64,513) | (331,442) |
| Effects of: | | |
| Permanent differences | 2,017 | 191,473 |
| Effect of apportionment of subsidiary tax charge | 173,601 | 148,982 |
| **Total tax charge on loss on ordinary activities** | 111,105 | 9,013 |
| **Deferred Tax Liabilities** | | |
| Tangible assets | 893,360 | 639,614 |
| **Total Deferred Tax Liabilities** | 893,360 | 639,614 |

**Reconciliation of Group's movement in deferred tax**

| Deferred Tax Liabilities | | |
|---|---|---|
| Opening balance | 639,614 | - |
| Deferred tax on acquisition of property, plant and equipment | - | 639,614 |
| Deferred tax credited to profit and loss for the year | 199,746 | - |
| Effect of changes in tax rates | - | - |
| **Balance at the end of the financial year** | 893,360 | 639,614 |

**5. Cash and cash equivalents**

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Cash in bank | 359,349 | 5,021,436 | 200,610 | - |

**6. Debtors**

Trade and other receivables as at 31 March as are follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£** | £ | **£** | £ |
| Trade receivables | **11,162** | 56,657 | **-** | - |
| Accrued income | **969,701** | 1,344,122 | **-** | - |
| Prepaid expenses | **174,709** | 278,961 | **102,595** | 125,440 |
| VAT receivable | **72,547** | - | **16,950** | - |
| Other current assets | **1,100** | 966,410 | **-** | 966,410 |
| **Ending balance** | **1,229,219** | 2,646,150 | **119,545** | 1,091,850 |

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note. The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management note.

**7. Property, plant and equipment**

Breakdown for property, plant and equipment for the group for the year consists of the following:

| | **2019** | 2018 |
|---|---|---|
| | **£** | £ |
| **Cost** | | |
| Opening balance | **42,916,296** | 42,915,156 |
| Disposals | **(7,414)** | - |
| **Cost balance as at 31 March** | **42,908,882** | 42,915,156 |
| Less: | | |
| **Accumulated depreciation** | | |
| Opening balance | **(6,261,011)** | (5,729,431) |
| Depreciation | **(2,126,866)** | (531,580) |
| Total accumulated depreciation | **(8,387,017)** | (6,261,011) |
| **Net book value as at 31 March** | **34,521,865** | 36,654,145 |

The Company has no property, plant or equipment as at 31 March 2018 and 2019.

**8. Intangible asset**

The intangible asset of customer contracts was acquired as part of the Levantera purchase (see note 12 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **£** | £ |
| Opening balance | **18,660,521** | - |
| Additions during the year | **539,119** | 18,923,341 |
| Less: amortisation during the year | **(1,051,297)** | (262,820) |
| **Balance, 31 March** | **18,148,343** | 18,660,521 |

The Company has no intangible assets as at 31 March 2018 and 2019.

## 9. Trade and other payables

Trade and other payables for the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£** | £ | **£** | £ |
| Trade payables | **78,935** | 170,660 | **2,100** | 143,440 |
| Accrued expenses | **49,944** | 1,761,220 | **39,000** | 1,754,663 |
| VAT payable | **-** | 7,695 | **-** | - |
| Tax payable | **120,118** | 9,013 | **-** | - |
| Other payables | **-** | 28,338 | **-** | - |
| **Balance, 31 March** | **248,997** | 1,976,926 | **41,100** | 1,898,103 |

The fair value of the trade and other payables classified as financial instruments are disclosed in note 19. The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management note.

## 10. Share capital

During fiscal 2018, the Company issued a 100 ordinary shares having an aggregate nominal value of £100 for an aggregate consideration of £100 to Aegletes LP. During fiscal 2018, the Company also received £61,198,523 in contributions from Aegletes LP. There were not additional contributions in fiscal 2019.

During the year, the Company paid three dividends of GBP 44,993,838, GBP 4,000,000 and GBP 1,444,322.00, respectively, and which together represent an aggregate amount of GBP 50,438,160, to its immediate parent, Aegletes LP. During subsequent accounting and legal analysis of these dividends, the Company discovered that they were declared and paid out of profits that may not have been available for distribution in accordance with Technical Release 02/17BL "Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006". Following discussion with our advisors, this matter is to be corrected in the next financial period through a reorganisation of the Company's reserves which is expected to result in sufficient distributable reserves being generated.

## 11. Intercompany loan receivable

On January 4 2018, the Company loaned £36,925,915 to Levantera. Interest on the loan accrues at a rate of 4% per annum with the maturity date of 1 November 2035.

| | Company | |
|---|---|---|
| | **2019** | 2018 |
| | **£** | £ |
| Opening balance | **36,925,915** | - |
| Additions | **-** | 36,925,915 |
| Debt repayment | **(8,479,054)** | - |
| **Balance, 31 March** | **28,446,861** | 36,925,915 |
| **Interest paid during the year** | **1,066,795** | - |

**12. Investment**

On 4 January 2018, the Company acquired 100% of the issued share capital of Levantera for a purchase consideration of £24,272,708. As at acquisition, Levantera had a loan of £36,925,915 owed to the previous owners. Upon acquisition, the Company funded an additional £36,925,915 into Levantera in order to repay the loan with the previous owners. Details of the purchase consideration, the net identifiable assets acquired are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£** | £ |
| Opening balance | **61,198,623** | - |
| Acquired | - | 61,198,623 |
| Balance, 31 March | **61,198,623** | 61,198,623 |

There were no other fair value adjustments during the year ended 31 March 2019 and 2018.

**13. Intercompany payable**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£** | £ | **£** | £ |
| Due to Aegletes LP | - | 290,061 | **25,875** | 240,498 |

These payables do not accrue interest are unsecured and are payable on demand. These were repaid in fiscal 2020.

**14. Restricted cash**

The amounts held in the restricted cash account are in accordance with the loan referred to in Note 15. The amounts are in the Debt Service Reserve Account ("DSRA").

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£** | £ | **£** | £ |
| Restricted cash | **1,883,276** | - | **1,883,276** | - |

**15. Senior debt**

On June 5, 2018, Legal & General Assurance Society Limited and Legal & General Investment Management Limited as Investment Manager for and on behalf of the board of The Pension Protection Fund ("Lenders") loaned £48,217,923 to the Company with the interest rate of 2.89%. The loan has a term of 17 years, maturing in 2035, and repayments are payable semi-annually.

| | **£** |
|---|---|
| Balance as at 1 April 2018 | - |
| Acquisition of long-term debt | **48,217,923** |
| Add: financing costs | **(973,060)** |
| Repayment of long-term loan | **(1,935,989)** |
| Accretion of financing costs | **78,659** |
| **Total** | **45,387,533** |
| Less: current portion | **(2,158,362)** |
| **Balance as at 31 March 2019** | **43,229,171** |
| **Interest paid** | **1,118,853** |

**16. Settlement of receivables and payables with previous owners**
During fiscal 2018, the Group settled receivables of £2,381,521 and a loan of £36,925,915 with the previous owners of Levantera.

**17. Auditors' remuneration**
Fees payable to the Group's auditors for the audit of the Group's financial statements is £39,375 in fiscal 2019 (2018 – £39,000).

**18. Directors' and employee remuneration**
During year-ended 31 March 2019 and 2018, all Directors were employed by and received all remuneration from other Fiera Infrastructure Inc. undertakings. The Directors perform directors' duties for multiple entities in the Fiera Infrastructure Inc. group, as well as their employment duties within Fiera Infrastructure Inc. group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed. The Company had nil employees in 2019 (2018 – nil).

**19. Classification of financial and non-financial assets and financial and non-financial liabilities**
The classification of financial assets and financial liabilities by accounting categorisation for the year ending 31 March:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| Financial assets at fair value through profit or loss | | |
| Trade and other receivables | **1,229,219** | 2,646,150 |
| | **1,229,219** | 2,646,150 |
| Financial liabilities at fair value through profit or loss | | |
| Trade and other payables | **248,997** | 1,976,926 |
| Intercompany payable | - | 290,061 |
| Deferred tax liabilities | **693,592** | 693,614 |
| | **942,589** | 2,960,601 |
| Financial assets measured at amortised cost | | |
| Property, plant and equipment | **34,521,865** | 36,654,145 |
| Intangible assets | **17,609,220** | 18,660,521 |
| | **52,131,085** | 55,314,666 |

**20. Parent and ultimate parent undertaking**
The Company's immediate parent is Aegletes LP. The ultimate controlling party of the Company is Fiera Infra GP Inc. as General Partner of EagleCrest Infrastructure Canada LP. The statements are not consolidated at either of these levels.

**21. Financial risk management**
Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company's principal financial assets which are subject to credit risk are cash and cash equivalents, restricted cash and investments. The carrying amounts of financial assets on the statement of financial position, other than derivative financial instruments represent the Company's maximum exposure to credit risk at the statement of financial position date.

**21. Financial risk management (continued)**

The credit risk on cash and cash equivalents and restricted cash is limited because the counterparties are commercial banks or financial institutions with high credit ratings assigned by independent credit rating agencies. The Company's credit risk is attributable primarily to its investments in Levantera. Levantera's primary source of revenue from electricity by means of photovoltaic ("PV") systems, comprising of residential and commercial rooftop solar systems in the United Kingdom and therefore, credit risk is limited.