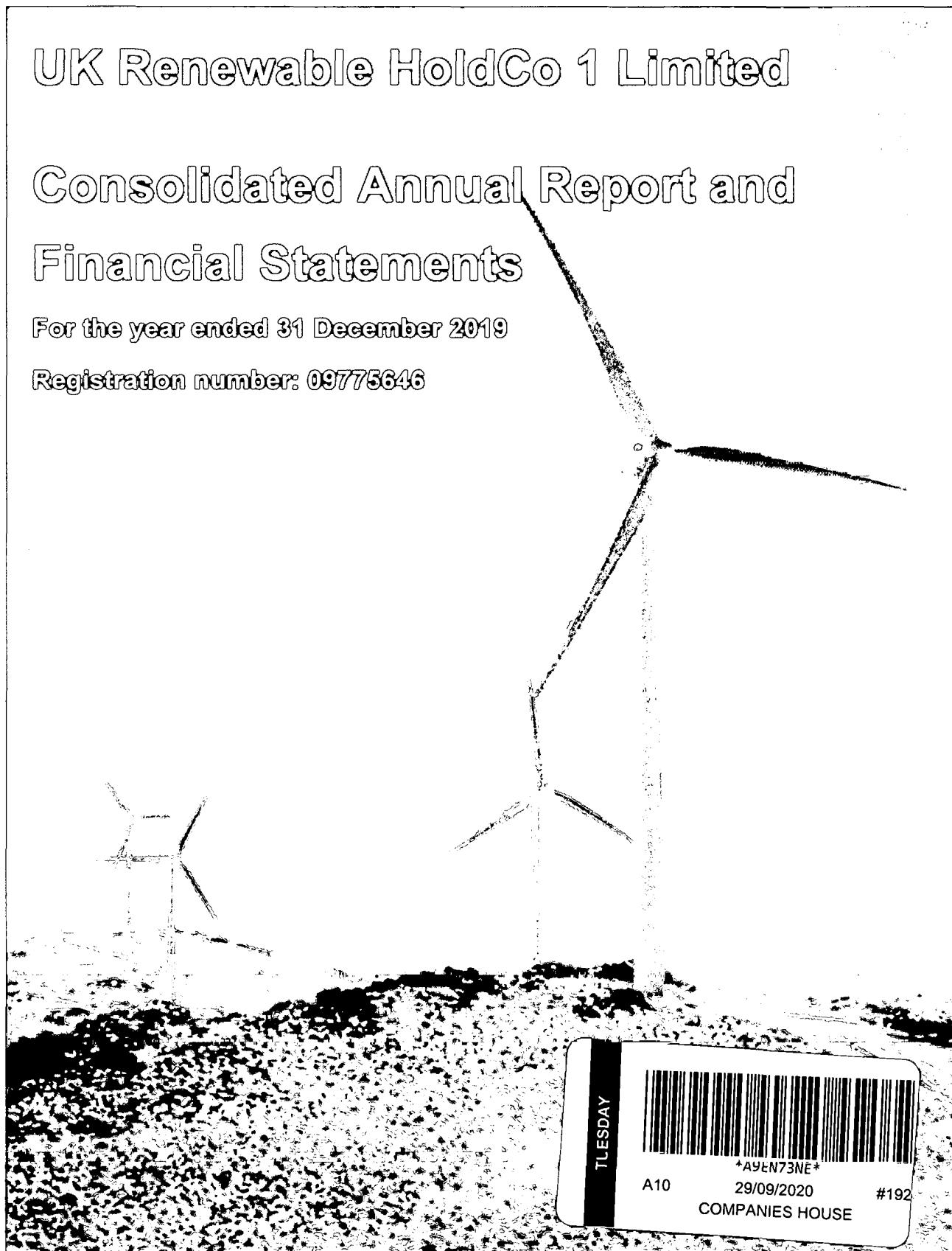


UK Renewable HoldCo 1 Limited

# Consolidated Annual Report and Financial Statements

For the year ended 31 December 2019

Registration number: 09775646



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# Strategic Report

for the year ended 31 December 2019

The directors present their annual report on the affairs of UK Renewable HoldCo 1 Limited, together with the financial statements and auditor's report, for the year ended 31 December 2019.

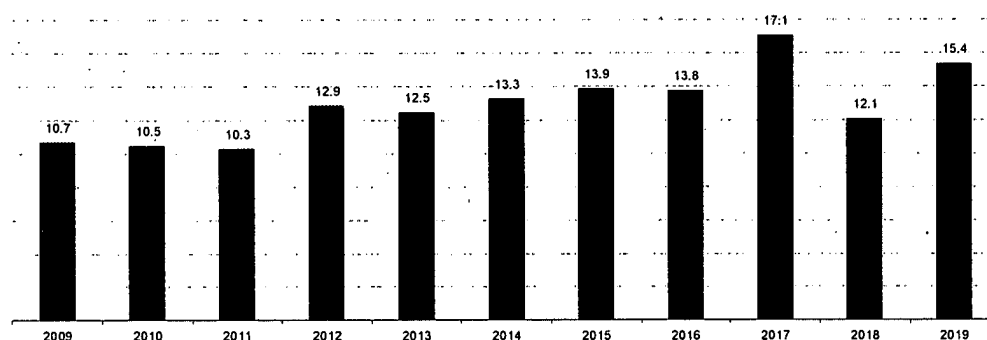
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

## Review of the business

UK Renewable HoldCo 1 Limited (UKR1) is a holding company established as a platform to hold renewable energy investments within Europe. The Iberwind group, a regulated wind farm group based in Portugal, constitutes the trading companies of the group (see note 26 for details). The main business activity of the Iberwind group is: (1) the evaluation, development and operation of wind farms in Portugal; (2) the supply of services related to the development, study and building of wind farms; and (3) the provision of management services. The Iberwind group remains the only trading operations of UKR1 at the balance sheet date and so the strategic report primarily covers the trade activity of that group. UKR1 continues to look for future potential investments which could be acquired.

## Market review

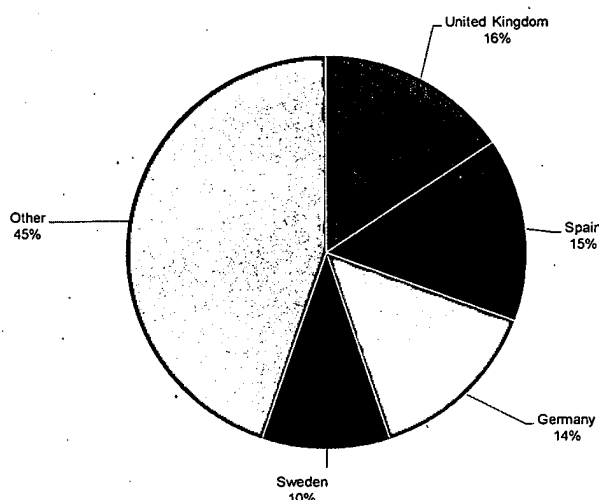
Wind power annually installed in Europe has been steadily developing and growing in recent years. Average annual growth since 2009 amounts to 5.1%. In 2019, United Kingdom was the country that grew most in terms of installed wind power, followed by Spain, Germany and Sweden.



Wind Power in GW Annually Installed in Europe – source: WindEurope

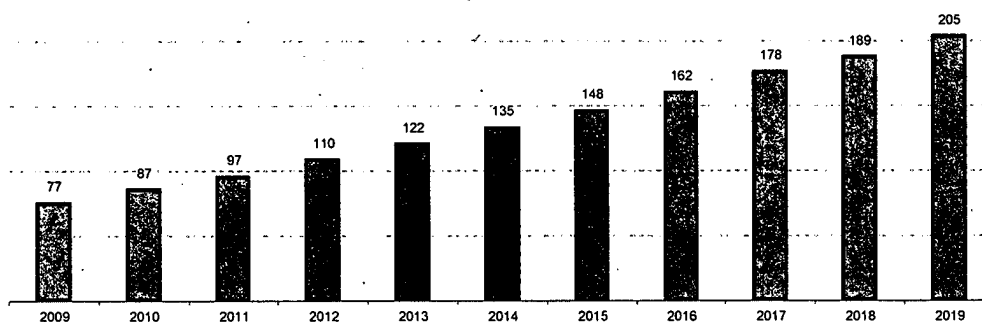
# Strategic Report (continued)

## Market review (continued)

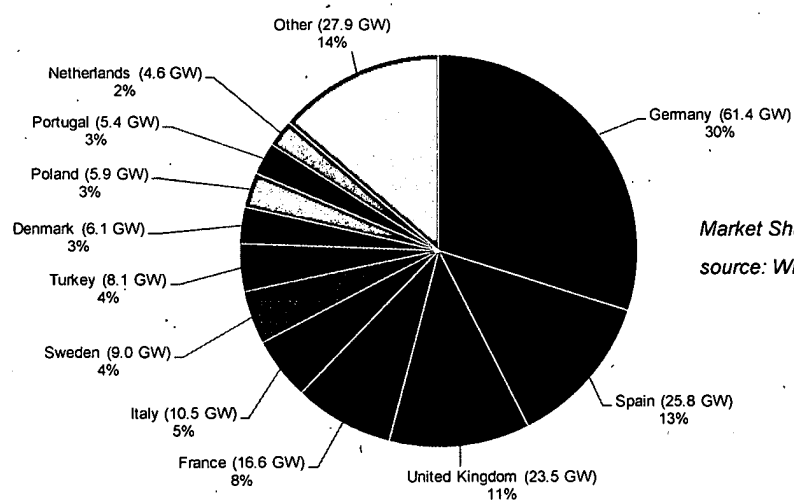


Wind power installed in 2019 source: WindEurope

In cumulative terms, installed wind power in Europe rose to 205 GW at the end of 2019, also taking into consideration the 178 MW decommissioned and 185 MW repowered.



Total Installed Wind Power in GW in Europe – source: WindEurope



Market Share of Accumulated Wind Power in Europe - source: WindEurope

## Strategic Report (continued)

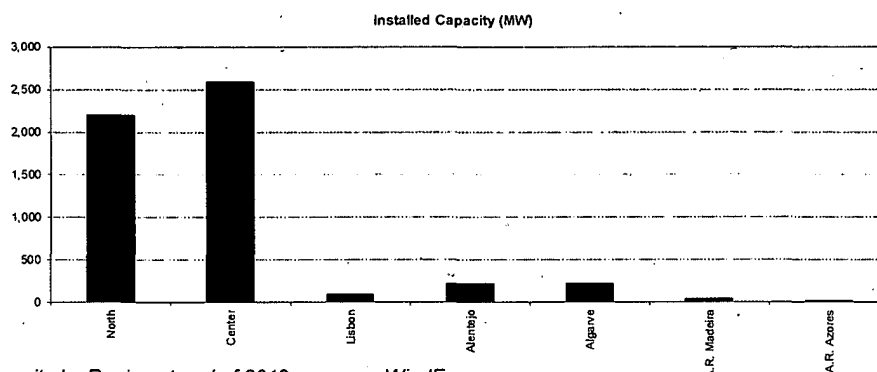
### Market review (continued)

In 2019, in Portugal and according to the General Directorate of Energy and Geology, there was an increase in wind power linked to the public grid, which increased to 5,429 MW, compared to 5,368 MW the previous year.

According to data from the Associação Portuguesa de Energias Renováveis (APREN), Portugal finished the year with an electricity generation total from renewable resources of 27.3 TWh, while total generation was 48.8 TWh.

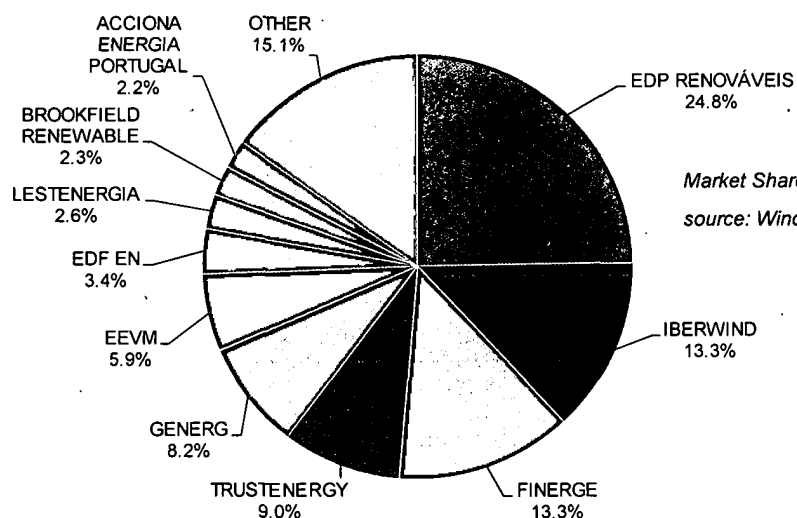
Wind power in Portugal contributed significantly in 2019 to the performance of the energy sector and compliance with the goals for energy generation from renewable sources. It guaranteed about 27.5% of electricity production, according to data of APREN.

The majority of the installed capacity in Portugal is located in mainland Portugal, primarily in the north and central regions of the country. Its distribution is detailed in schematic form in the following chart:



Installed Capacity by Region at end of 2019 – source: WindEurope

Lastly, Iberwind, of which UK Renewables HoldCo 1 Limited is an indirect shareholder, has the second largest market share among developers in 2019, with around 13.3% of installed capacity. The market share of developers in Portuguese territory is indicated in the following chart.



Market Share of Developers in Portugal in 2019 - source: WindEurope

# Strategic Report (continued)

## Financial and operational review

### Group structure

UKR1 holds a 100% shareholding in UK Renewable HoldCo 2 Limited (UKR2), which in turn holds a 100% shareholding in UK Renewable HoldCo 3 (UKR3), both of which are UK based holding companies. UKR3 holds a 100% shareholding in Portugal Renewable Energy – Unipessoal Lda, the top company of the trading group. A full list of the subsidiaries is shown in note 26.

## Financial and operational review

### Operating profit

The consolidated operating profit of the group was €98.1 million (2018 - €93.2 million), composed of:

- Revenue of €189.5 million (2018 - €182.0 million), of which approximately 99% is generated by the regulated income. Turnover of €0.52m per day in 2019 is consistent with the prior year (2018 - €0.50m per day); and
- Expenses of €91.4 million (2018 - €88.8 million), comprising:
  - 1> Cost of sales amounts to €22.1 million (2018 - €24.5 million), in which the cost of maintenance of the wind farms (€15.9 million, 2018 - €16.8 million), specialised work (€3.0 million, 2018 - €2.4 million) and the premiums of insurance contracts (€1.0 million, 2018 - €1.4 million) are of particular relevance. Due to the introduction of IFRS 16, the rent of land where the wind farms and the headquarters are located (€1.8 million, 2018 - €2.0 million) is no longer included within cost of sales, as noted in the "New standards, interpretations, amendments and reviews that came into force in the period" disclosure in the notes to the financial statements;
  - 2> Depreciation and amortisation of non-current assets of €55.4 million (2018 - €54.2 million) representing the depreciation of operating wind energy assets;
  - 3> Employee costs totalling €3.9 million (2018 - €3.6 million), resulting from the salaries and related payroll costs; and
  - 4> Other costs within expenses amount to €10.0 million (2018 - €6.5 million) primarily arising from taxes, which include €5.4 million (2018 - €5.2 million) relating to local council duties under Decree-Law 339-C/2001 and €3.6 million (2018 - €nil) relating to the Extraordinary Energy Sector Contribution (CESE).

### Net financial costs

The following items are particularly significant in regard to the net financial costs for the period of €54.6 million (2018 - €58.1 million);

## Strategic Report (continued)

- i. Interest paid on loans obtained from Well Diamond Development Limited and with Good Chain Investment Limited, being the two parent companies of the group in the amount of €20.3 million (2018 €20.3 million).
- ii. €19.9 million (2018 €22.5 million) from interest rate hedging financial instruments (swaps) contracted by Iberwind II Produção, Sociedade Unipessoal, Lda. and Iberwind III Produção, S.A. in order to mitigate the identified risk, and which is recognised in the accounts at the calculated amounts of the fixed rate of interest payable and floating rate receivable.
- iii. Interest relating to loans from financial entities, of €13.2 million

### *Balance sheet position*

Total assets at the balance sheet date equated to €1,143.4 million (2018 - €1,157.7 million). The reduction in the value of assets year on year is driven by the depreciation and amortisation of the asset base over the remaining life of the portfolio of assets. Given there has been no investment in new wind farms in the year the reduction of asset value year on year is in line with the business model.

### *Key performance indicators (KPIs)*

The key financial and non-financial KPIs, as used by the Board to monitor the group are shown below. All of the below KPI scores meet the expectation of the Board.

KPI	Year ended 31/12/19	Year ended 31/12/2018
Turnover	€ 189.5m	€ 182.0m
Operating results	€ 98.1m	€ 93.2m
Achieve ISO 14001 certification for safety	Achieved	Achieved
Workers satisfaction	3.0 out of 5.0	3.5 out of 5.0

All of the targets for the above KPI's have been achieved. Financial performance is discussed above with the financial and operational review. The group continues to maintain high environmental and safety standards with the retention of 18001 OSHAS and ISO 14001 certification. Worker satisfaction remains important to the group as can be evidenced by the workers satisfaction score which meets the targeted 3.0 out of 5 in 2019.

## Strategic Report (continued)

### Principal risks and uncertainties

The key significant risks of the group are described below:

#### *1> Regulated funding and compliance*

The trade of PTRW is regulated and the risk exists that revenue and grants may reduce by a significant quantum. The risk of non-compliance with regulations exists which could lead to a potential fine of significance, as well as reputational damage.

To mitigate these potential risks, the group engages with the regulatory authorities to ensure it is fully aware of any proposed changes in funding and aware of the required regulations to which the group must adhere.

#### *2> Employees*

The success of the group depends to a significant extent on the contribution of its employees. Fair and effective recruitment, training and employee development are critical to the successful functioning and progression of the business. The ability to adapt in a climate of change is dependent on the appointment and retention of a high calibre, competent, flexible, quality conscious and customer focused workforce all of whom are committed to business success.

Mitigation of this risk is achieved by an employee planning strategy that includes the development of high calibre existing staff to increase retention, and succession planning in critical areas. Effective resourcing and selection processes also play a positive role in improving the image of the group in the community it serves.

#### *3> Health and safety*

There is a risk that an incident within the network leads to injury to an employee, contractor or a member of the general public. Any such incident could have an adverse effect on the reputation of the group, or lead to potential prosecution or reduced productivity.

To mitigate this the group has extensive knowledge of the appropriate health and safety legislation, backed up by appropriate policies and procedures to mitigate the risk of the group being responsible for any health and safety breaches.

#### *4> Brexit*

The majority of the operations of the group occur outside the United Kingdom and as such no material impact to the group is expected to occur.

#### *5> Covid-19*

A pandemic caused by a Coronavirus (Covid-19) has occurred after the Balance Sheet date, which is generating negative economic impacts worldwide. However, for the Group, its customer and reference suppliers, the impact is not expected to be materially relevant. The Group's activity is not expected to be significantly impacted by this fact.

## Strategic Report (continued)

### Financial risk management

The business is exposed to the following risk factors: (1) liquidity risk; (2) the risk of cash flows and fair values associated with interest rates; and (3) tariff risk.

#### *1> Liquidity risk*

The management of the liquidity risk implies maintaining cash and bank deposits at sufficient levels, ensuring the feasibility of the consolidation of floating debt through an adequate amount of credit facilities and the ability to settle market positions. The maturities of financial instruments are managed to ensure no concentration of renewal dates.

Further details of liquidity risk are provided within the Directors' Report under the going concern section.

#### *2> Cash flow and fair value risks associated with interest rates*

The group has no significant interest bearing assets but interest rate risk arises from long-term liabilities. Loans issued at variable rates expose the group to cash flow risks associated with interest rates. Loans issued at fixed rates expose it to fair value risk associated with interest rates.

The group manages the cash flow risk associated with interest rates by transforming variable interest rate swaps into fixed interest rate swaps. The interest rate swaps have the economic effect of converting variable interest rate loans into loans at fixed interest rates. Generally, the group contracts long-term loans at variable interest rates and performs swaps to transform them into fixed interest rates, which are less than those contracted in fixed interest rate loans.

#### *3> Tariff risk*

The special regime electricity generation sector, from renewable energy sources, has its tariffs regulated and so the risk of tariff fluctuations is controllable.

The group has obtained all the necessary licences that allowed it to register its projects under Portuguese Law (Decree-Law 198/88 and Decree-Law 168/99, last amended by Decree-Law 339-C/2001 of 29 December 2001), which provides for a favourable tariff regime.

The subsidiary PEVB - Parque Eólico Vila do Bispo, Lda. - simultaneously undertook in 2011 the repowering and 20% over-equipping of the development it operates, under the provisions of Decree-Law 225/2007 of 31 May 2007, as amended by Decree-Law 51/2010 of 20 May 2010, remaining in the above-referred tariff scheme, despite bearing a reduction of 2.4%.



# Strategic Report (continued)

## Financial risk management (continued)

Publication of Decree-Law 35/2013 of February 28, gave wind energy developers the opportunity to subscribe to a new tariff scheme for the period after the expiry of guaranteed remuneration. The group is obliged under the Decree-Law which, through payment of €5,800 (2013 to 2020) per MW installed for 8 years, permits its operations to be remunerated for an additional period of 7 years. This additional remuneration will be at the market price of the preceding 12 months, with a minimum of €74/MWh and a maximum of €98/MWh.

## Subsequent events

A pandemic caused by a Coronavirus (Covid-19) has occurred after the Balance Sheet date, which is generating negative economic impacts worldwide.

However, for the Group, its customer and reference suppliers, the impact is not expected to be materially relevant.

The Group's activity is not expected to be significantly impacted by this fact.

The group have accepted an offer for the sale of the Iberwind group. The terms of the sale are in negotiations but the directors hope to complete the transaction before the end of December 2020.

## S.172 Statement

As far as the Directors are aware all legal requirements under section 172 of the Companies Act have been complied with during the period and up to the date of signing the accounts.

The below Actions and responsibilities of the Board statement has been produced with regard to the matters set out in section 172(1)(a) to (f) of Companies Act, as listed below:

- the likely consequences of any decision in the long term (approving the strategic direction and values);
- the interests of the company's employees;
- the desirability of the company maintaining a reputation for high standards of business conduct;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment; and
- the need to act fairly as between members of the company.

The company is committed to pursuing leading governance practices as appropriate.

## Strategic Report (continued)

### Actions and responsibilities of the Board

The Board is responsible for and makes key decisions on the following areas.

#### Approving the strategic direction and values, with consideration of the likely consequences in the long term

The Board is responsible to the shareholders for the strategic direction of the company in both the short and long term and seeks to balance the best interests of the company with the objective of enhancing shareholder value.

The long term primary objectives which reflect the strategic value of the company to be a top performing wind farm operators with regard to safety, customer satisfaction and efficiency of delivery. The Board ensure they are aware of how well the company is performing in these areas through the establishment of KPIs.

Each autumn the Board invites the CEO to present the performance targets of the company over the next 5 years, with reference to the strategic direction of the company. If approved the Board set these targets as the budget for the following financial year (short term objectives).

#### Interests of the company's employees

The success of the group depends to a significant extent on the contribution of its employees. We believe that our employees are a distinguishing factor in the markets in which we operate, given their high level of maturity and knowledge. We actively promote a culture based on knowledge sharing, reflecting and learning from experience, in order to improve future performance. We demand rigor in each person's actions. The Board has fully encouraged the SMT to make the UKR1 group an employer of choice and supports the decisions made by the SMT with regard to employee engagement and evaluation. With around 60 specialized employees, the group serves Portugal through the promotion, development and operation of renewable energy projects, allowing the production of clean and renewable energy.

The Board and SMT place considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees. This is achieved through various communications from the operational Board who hold regular business discussions with employees as well as email and letter communication when formal communication is needed.

Employees are encouraged to influence their own working environment, and are able to present changes in working practices, subject to meeting the desired company criteria over customer, safety and efficiency targets.

## Strategic Report (continued)

### Maintaining a reputation for high standards of business conduct

As a company we believe that we are trusted by our stakeholders and have a good reputation for high standards of professionalism within the business we conduct. The Board continues to maintain high standards of safety with the retention of 18001 OSHAS and ISO 14001 certification. Worker satisfaction remains important to the group as can be evidenced by the workers satisfaction score which meets the targeted 3.0 out of 5 in 2019.

### Maintaining a reputation for high standards of business conduct (continued)

As part of this the Board look for a strong control environment which is managed by the operational Board. The Board delegate to the operational Board the ownership of ensuring a high standard of business conduct is met. The operational Board review the group's risk register which includes a quantification of non-financial risks, one of which is reputational risk, which covers the impact of changes in business standards.

The reputation of the company is maintained by the behaviour of its employees and so the Board have approved a code of conduct which is a guide to the professional standards expected of employees. Fraud policies and whistleblowing policies also exist to protect the reputation of UKR1, should any detrimental employee behaviour exist. Suitable recruitment practices exist to minimise this risk.

### Maintaining relationships with key suppliers, customers and other

The UKR1 group's purchases are governed by a management model that is characterized by the globalization of the Procurement activity, the excellence of the buyers, the transparency in the process and the equal opportunities for all suppliers. The process originates from the identification of the need to purchase a good or service, expressed through a new process or the expiry of an existing agreement. After the stages of market analysis, consultation, proposals, analysis of proposals and negotiation, the process is concluded with the award and subsequent contracting. At UKR1 we believe that we must induce responsible social, economic, and environmental practices in our supply chain. The long-term sustainable development of our suppliers is vital for sharing success, which is why we select and actively collaborate with those who share our ethical and sustainability values and commitments. Based on this assumptions UKR1 has built a strong and reliable relationship with O&M Service Providers, which are our are main suppliers.

The sole costumer of the UKR1 group is EDP Serviço Universal, S.A with which there is a strong and cooperating relationship in place.

### Monitoring the impact of the company: environmental matters and community impact

The UKR1 group significantly contributes to sustainable development in Portugal, preventing the emission of more than 1 million tons of CO<sub>2</sub>, and contributing to the reduction of Portugal's trade balance, by contributing to the lowering of expenditure on importing fossil fuel.

## Strategic Report (continued)

### Maintenance of the need to act fairly between members of the company

The Board is comprised of directors who are appointed by the shareholders of the group. As such each shareholder has representation and the ability to contribute to all Board meetings and so influence the decisions made by the Board.

The shareholder agreement in place for UKR1 is a legal entitlement for each shareholder to have this representation and as such the shareholders are appropriately protected.

Approved by and by order of the Board



M J Horsley

Director

25 September 2020

# Directors Report

for the year ended 31 December 2019

The directors present their annual report on the affairs of the group, together with the audited financial statements and auditor's report, for the year ended 31 December 2019. The following disclosures have been disclosed in the strategic report: business, market, financial and operational review including KPI's, financial risk management, principal risks and uncertainties, events after the balance sheet date and future prospects.

## Directors

The directors, who served throughout the period and subsequently except as noted, were as follows:

- L S Chan
- H L Kam
- B Scarsella
- A J Hunter
- M J Horsley
- C Tsai

The daily operations of the business are managed by the senior management of PTRW. All significant decisions are referred to the Board of Directors. Norton Rose LLP act as company secretary.

## Directors' insurance and indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity for the company was in force throughout the period.

## Dividends

The directors do not recommend payment of a final dividend. An interim dividend has been declared and paid in the year for €3,812,000 (2018 - €nil).

## Political donations

No political or charitable donations were made during the period.

## Going concern

The group's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out above within the strategic report. The group is continuing to generate power with all generated power being sold to one customer. The group is able to pay its liabilities as they fall due, due to the reliability of regulated revenue. The group is in a current liability position of €42.8m due to short-term borrowings of €61.7m (see note 14). Due to the nature of the cash generation of the group, the directors believe that they have adequate liquidity resources to pay its debts as they fall due. Specifically, sufficient cash will be generated to satisfy the principle repayments of the short-term borrowings as they fall due as is consistent with the business model for the last number of years.

## Directors Report (continued)

### Going concern (continued)

The directors have made enquiries and reviewed the forecasts, including sensitivity analysis which includes the impact of COVID-19 as detailed in the strategic report, and in light of the facilities available to the group, have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future (as detailed in the strategic report). Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees.

### Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through both formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their current and future interests. Some employees are eligible to receive an annual bonus related to the overall financial and operational performance of the group.

### Auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006. Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved and authorised for issue on behalf of the directors by:



M J Horsley, Director

25 September 2020

3 More London Riverside, London, SE1 2AQ

## Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion:

- the financial statements of UK Renewable Holdco 1 (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies;
- the parent company balance sheet;
- the parent company statement of changes in equity; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED (continued)**

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

## **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED (continued)**

## **Responsibilities of directors**

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK RENEWABLE HOLDCO 1 LIMITED (continued)**

## **Matters on which we are required to report by exception**

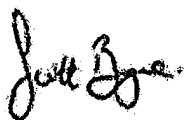
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

## **Use of our report**

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



Scott Bayne FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

25 September 2020

# Consolidated Income Statement

for the year ended 31 December 2019

	Notes	Year ended 2019 €'000	Year ended 2018 €'000
Revenue – sale of electricity	1	187,300	179,658
Revenue - other	1	2,162	2,383
Cost of sales		(22,146)	(24,515)
Depreciation and amortisation of non-current assets		(55,377)	(54,176)
Gross profit		111,939	103,350
Staff costs	4	(3,855)	(3,646)
Other operating expenses		(10,026)	(6,471)
Operating profit		98,058	93,233
Finance costs	2	(54,595)	(58,097)
Investment income	2	14	27
Profit on ordinary activities before taxation	3	43,477	35,163
Tax on profit on ordinary activities	5	(14,263)	(12,829)
<b>Profit for the financial year</b>		<b>29,214</b>	<b>22,334</b>
Attributable to owners of the company		28,533	21,717
Attributable to non-controlling interests		681	617
		<b>29,214</b>	<b>22,334</b>

The above results arise from continuing operations.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Year ended 2019 €'000	Year ended 2018 €'000
Profit for the financial year / period	29,214	22,334
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Cash flow hedges – movement during the year / period (note 18)	11,121	14,219
Tax relating to components of other comprehensive income (note 5)	(2,752)	(3,519)
	<u>37,583</u>	<u>33,034</u>
Attributable to owners of the company	36,902	32,417
Attributable to non-controlling interests	681	617
	<u>37,583</u>	<u>33,034</u>

The above results arise from continuing operations. The accompanying notes are an integral part of both the consolidated statement of income and comprehensive income.

# Consolidated Balance Sheet

as at 31 December 2019

	Notes	2019 €'000	2018 €'000
<b>Non-current assets</b>			
Goodwill	7	80,811	77,468
Right-of-use assets	8	29,145	-
Other Intangible assets	9	390,427	411,468
Property, plant and equipment	10	568,863	598,082
Deferred tax asset	22	17,136	21,307
		<u>1,086,382</u>	<u>1,108,325</u>
<b>Current assets</b>			
Trade and other receivables	12	44,203	41,564
Cash and cash equivalents		12,775	7,819
		<u>56,978</u>	<u>49,383</u>
<b>Total assets</b>		<u>1,143,360</u>	<u>1,157,708</u>
<b>Current liabilities</b>			
Trade and other payables	14	(24,599)	(15,839)
Corporation tax		(3,585)	(2,781)
Borrowings	15	(61,693)	(64,123)
Lease liabilities	20	(1,338)	-
Derivative financial liabilities	19	(8,526)	(9,148)
		<u>(99,741)</u>	<u>(91,891)</u>
<b>Net current liabilities</b>		<u>(42,763)</u>	<u>(42,508)</u>
<b>Non-current liabilities</b>			
Borrowings	15	(373,087)	(429,815)
Trade and other payables	14	(11,032)	(12,416)
Due to group companies	13	(247,690)	(250,000)
Lease liabilities	20	(26,633)	-
Derivative financial liabilities	19	(51,282)	(61,805)
Deferred tax	22	(145,554)	(147,964)
Provisions	16	-	(3,200)
		<u>(855,278)</u>	<u>(905,200)</u>
<b>Total liabilities</b>		<u>(955,019)</u>	<u>(997,091)</u>
<b>Net assets</b>		<u>188,341</u>	<u>160,617</u>
<b>Equity</b>			
Called up share capital	17	-	-
Share premium account	17	43,500	78,500
Fair value reserves and others		47,168	41,161
Retained earnings		90,952	30,639
<b>Equity attributable to owners of the company</b>		<u>181,620</u>	<u>150,300</u>
<b>Non-controlling interest</b>	18	6,721	10,317
<b>Total equity</b>		<u>188,341</u>	<u>160,617</u>

The accompanying notes are an integral part of this consolidated balance sheet.

The financial statements of UK Renewable HoldCo 1 Limited, Registered number 09775646, were approved by the Board of Directors and authorised for issue on 25 September 2020 and signed on its behalf by:

*Mark Horsley*

M J Horsley

Director

25 September 2020

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Notes	Called up share capital €'000	Share premium €'000	Fair value reserves and others €'000	Retained earnings €'000	Total €'000	Non- controllin g interest €'000	Total equity €'000
At 1 January 2018		-	78,500	30,461	8,922	117,883	10,924	128,807
Profit for the year		-	-	-	21,717	21,717	617	22,334
Other comprehensive income		-	-	10,700	-	10,700	-	10,700
Total comprehensive income		-	-	10,700	21,717	32,417	617	33,034
Dividends declared on equity share	6	-	-	-	-	-	-	-
Distribution of profits		-	-	-	-	-	(1,224)	(1,224)
<b>At 31 December 2018 – As previously reported</b>		-	78,500	41,161	30,639	150,300	10,317	160,617
Effect of change in accounting policy for initial application of IFRS 16		-	-	(1,770)	-	(1,770)	-	(1,770)
Balance at 1 January 2019		-	78,500	39,391	30,639	148,530	10,317	158,847
Profit for the year		-	-	-	28,533	28,533	681	29,214
Change in the fair value reserve – hedge derivatives		-	-	7,777	592	8,369	-	8,369
Total comprehensive income		-	-	7,777	29,125	36,902	681	37,583
Dividends declared on equity share	6	-	-	-	(3,812)	(3,812)	-	(3,812)
Share Premium Reduction	17	-	(35,000)	-	35,000	-	-	-
Distribution of profits		-	-	-	-	-	(4,277)	(4,277)
<b>At 31 December 2019</b>		-	43,500	47,168	90,952	181,620	6,721	188,341

# Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Notes	Year ended 2019 €'000	Year ended 2018 €'000
<b>Operating activities</b>			
Received from customers		219,610	217,608
Payments to trade creditors		(24,634)	(29,727)
Payments to employees		(1,790)	(1,692)
Payments of income tax		(18,106)	(17,441)
Other payments from operating activities		(40,766)	(44,078)
Cash inflow from operating activities	21	<u>134,314</u>	<u>124,670</u>
<b>Investing activities</b>			
Proceeds on disposal of property, plant and equipment		64	72
Payments relating to tangible and intangible fixed assets		(5,585)	(6,365)
Cash outflow from investing activities		<u>(5,521)</u>	<u>(6,293)</u>
<b>Financing activities</b>			
Receipts from borrowings	15	5,200	3,000
Interest receipts		14	26
Repayment of borrowings		(75,693)	(65,331)
Repayment of the lease liabilities		(204)	(224)
Interest payments		(45,065)	(56,318)
Payments to minority interests		(4,277)	(1,224)
Dividend paid		(3,812)	-
Cash out/inflow from financing activities		<u>(123,837)</u>	<u>(120,071)</u>
Net increase/ (decrease) in cash and cash equivalents		4,956	(1,694)
Cash and cash equivalents at start of period		<u>7,819</u>	<u>9,513</u>
Cash and cash equivalents at end of period		<u>12,775</u>	<u>7,819</u>



# Accounting Policies

for year ended 31 December 2019

## General information

UKR1 (the company) is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is 3 More London Riverside, London, SE1 2AQ. The principal activities of the Company and its subsidiaries (the group) and the nature of the group's operations are set out in the strategic report on page 2.

The functional currency is considered to be Euros because that is the currency of the primary economic environment in which the group operates. The consolidated financial statements are also presented in Euros. Foreign operations are included in accordance with the provisions set on pages 21-22 (see basis of consolidation accounting policy).

## Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, modified to include certain items at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

## Accounting Policies (continued)

### Basis of accounting (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity 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 for the asset or liability.

All derivative financial instruments are classified as level 2, goodwill is classified as level 3.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December 2019. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## Accounting Policies (continued)

### Basis of consolidation (continued)

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

When the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

## Accounting Policies (continued)

### Going concern

The group's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out above within the strategic report. The group is continuing to generate power will all generated power being sold to one customer. The group is able to pay its liabilities as they fall due, due to the reliability of regulated revenue. The group is in a current liability position of €42.8m due to short-term borrowings of €61.7m (see note 14). Due to the nature of the cash generation of the group, the directors believe that they have adequate liquidity resources to pay its debts as they fall due. Specifically, sufficient cash will be generated to satisfy the principle repayments of the short-term borrowings as they fall due as is consistent with the business model for the last number of years.

The directors have made enquiries and reviewed the forecasts, including sensitivity analysis which includes the impact of COVID-19 as detailed in the strategic report, and in light of the facilities available to the group, have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future (as detailed in the strategic report). Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

## Accounting Policies (continued)

### Business combinations (continued)

When the consideration transferred by the group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information being obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### Goodwill

Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Accounting Policies (continued)

### Revenue recognition

Income from sales is recognised in the income statement at the time the performance obligations occur. The moment of recognition of performance obligations occurs at a specific time. There are no other significant performance obligations to be complied with later on. The revenue from the provision of services is recognised in the income statement with reference to the stage of completion of the services provided at the Balance Sheet date. Revenue from dividends is recognised when entitlement to receive such is issued.

Interest receivable is recognised in accordance with the principle of accrual accounting, taking into account the amount outstanding and effective rate over the period to maturity. Costs and income are recorded in accordance with the principle of accrual accounting, i.e. costs and income are recognised as they arise, regardless of when they are received or paid. Costs and income for the current year for which expenditure and revenue will occur in future periods, as well as expenses and revenues already occurred that relate to future periods shall be imputed to income for each period in that corresponding value. The difference is recorded in Debtors and other current assets and Creditors and other current liabilities.

### Leases

The Group has applied IFRS 16 in the year ended December 31, 2019.

IFRS 16 introduces new or amended requirements regarding lease accounting. Significant changes were introduced in the accounting from the lessee's perspective by removing the distinction between operating and finance leases, and requiring recognition of a right of use asset at the beginning of the lease for all goods, except for short-term and low value leases.

The Group used the option available in the transition to IFRS 16 not to reassess the comparatives. Further narrative around the implications of IFRS 16 can be found within the New standards, interpretations, amendments and reviews that came into force in the period on page 41.

The Company used the option available in IFRS 16 not to reassess whether a contract is a lease or not. Consequently, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases introduced or modified before January 1, 2019.

The change in definition of a lease refers primarily to the concept of control. IFRS 16 determines whether a contract contains a lease based on the fact the customer has the right to control the use of an identified asset for a period of time in exchange for one or more payments.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019.

## **Accounting Policies (continued)**

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Taxation**

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

#### **Current tax**

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

## Accounting Policies (continued)

### Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

### ***Current tax and deferred tax for the period***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



## Accounting Policies (continued)

### Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost net of depreciation and impairment losses. The acquisition cost includes all expenditure directly attributable to the acquisition of the goods and their being made available at the indicated site and under the required operating conditions. The subsequent costs are included in the book value of the asset or recognised as separate assets, as appropriate, only when it is probable that the group will obtain future economic benefits and the cost of the asset can be reliably measured. All expenditure on repairs and maintenance are recognised as a cost in the period in which they are incurred. Tangible fixed assets in progress refer to fixed assets still undergoing construction, and these are registered at acquisition cost net any impairment losses, and they are depreciated from the time when the investment projects are operationally ready.

Depreciation is calculated on the deemed cost or acquisition cost using the straight-line method, according to the following periods of expected useful life of the assets:

	Useful life (years)
Land	n/a
Buildings	28
Equipment	
General equipment	8 and 28
Transport equipment	4 to 5
Tools and utensils	5 to 8
Office equipment	3 to 8

The residual values of assets and their useful lives are reviewed and adjusted, if necessary, on the balance sheet date. Gains or losses arising from the write-off or sale are determined by the difference between the proceeds received on disposals and the asset's book value and are recognised in the income statement as other income or other operating expenses.

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, being 28 years for licences, 3 years for software and between 1 and 28 years for land rights. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## **Accounting Policies (continued)**

### **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be

### **Impairment of tangible and intangible assets excluding goodwill (continued)**

identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

### **Intangible (assets under construction)**

The group recognise an intangible asset (asset under construction which relates to a wind energy tariff scheme for the period after the expiry of guaranteed remuneration). The group is obliged under the Decree-Law which permits its operations to be remunerated for an additional period of 7 years.

### **Impairment of tangible and intangible assets excluding goodwill**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Accounting Policies (continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the group will account for such differences as follows: if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

### Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## **Accounting Policies (continued)**

### **Financial instruments (continued)**

#### ***Cash and cash equivalents***

Cash and cash equivalents include cash at bank.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts)

through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

#### ***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent contract performance and historical collection rates.

#### ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

## Accounting Policies (continued)

### Financial instruments (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

### ***Reclassification of financial assets***

The group has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

## **Accounting Policies (continued)**

### **Financial instruments (continued)**

#### ***Derecognition of financial assets***

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the group retains an option to repurchase part of a transferred asset), the group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### ***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### ***Equity instruments***

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## Accounting Policies (continued)

### Financial instruments (continued)

#### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 18.

#### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Derecognition of financial liabilities**

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## **Accounting Policies (continued)**

### **Financial instruments (continued)**

When the group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

### ***Derivative financial instruments***

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### ***Hedge accounting***

The group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.



# **Accounting Policies (continued)**

## **Financial instruments (continued)**

### ***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### **Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

### **Contingent assets and liabilities**

Contingent liabilities where the possibility of an outflow of funds affecting future economic benefits is unlikely are not recognised in the financial statements, but disclosed in the Notes, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not disclosed. Provisions are recognised for contingent liabilities that meet the requirements established in the above policy.

Contingent assets are not recognised in the financial statements but disclosed in the Notes when the existence of future economic benefits is likely (Note 23).

## Accounting Policies (continued)

### New standards, interpretations, amendments and reviews that came into force in the period

The following standards which have been endorsed by the European Union have been adopted for the first time in 2019.

Standard / Interpretation	Application date (a)
IFRS 16 – Leases	01/01/2019
Amendment to IFRS 9 - Prepayment features with negative compensation	01/01/2019
IFRIC 23 - Uncertainty over income tax treatments	01/01/2019
Improvements to international financial reporting standards (2015-2017 cycle):	01/01/2019
IFRS 3 - Concentration of business activities	
IFRS 11 - Joint ventures	
IAS 12 - Income tax	
IAS 23 - Borrowing costs	
Amendment to IAS 19 - Change in Plan, restrictions or Settlement	01/01/2019
Amendment to IAS 28 - Long-term Interests in Associates and Joint Ventures	01/01/2019
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interests rates benchmark (IBOR Reform)	01/01/2019

(a) applicable in the European Union for financial periods beginning on or after

In the current year, the Group has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

#### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

## Accounting Policies (continued)

### New standards, interpretations, amendments and reviews that came into force in the period (continued)

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

#### *(b) Impact on Lessee Accounting*

##### *(i) Former operating leases*

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- (a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

## Accounting Policies (continued)

### New standards, interpretations, amendments and reviews that came into force in the period (continued)

#### *(ii) Former finance leases*

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

#### *(c) Financial impact of initial application of IFRS 16.*

*[When the lessee elects to apply IFRS 16 using the cumulative catch-up approach in accordance with IFRS 16:C5(b), the lessee shall disclose information about initial application required by IAS 8:28, except for the information specified in IAS 8:28(f). Instead of the information specified in IAS 8:28(f), the lessee shall disclose information in accordance with IFRS 16:C12 which is illustrated below.*

*Note, although IFRS 16.C14 does not require a lessor to make adjustments on transition, if there are changes to lessor accounting (for example in respect of changes in accounting for rental deposits received) the current year impact in line with IAS 8.28(f) would need to be disclosed. ]*

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 2.50%.

## Accounting Policies (continued)

### New standards, interpretations, amendments and reviews that came into force in the period (continued)

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

*Impact on retained earnings as at 1 January 2019*

	€'000
Operating lease commitments at 31-December 2018	39,516
Short-term leases and leases of low-value assets	-
Effect of discounting the above amounts	(9,127)
Finance lease liabilities recognised under IAS 17 at 31 December 2018	608
Present value of the variable lease payments that depend on a rate or index	-
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	-
Write off prepayments	(3,027)
Write off initial costs	(1,403)
Write off accrued expenses	89
Lease liabilities recognised at 1 January 2019	<u>27,970</u>

The Group has recognised €29.8 million of right-of-use assets and €28.0 million of lease liabilities upon transition to IFRS 16. The difference of €1.8 million is recognised in retained earnings.

### New standards, interpretations, amendments and reviews coming into force in the future

The following standards, interpretations, amendments and reviews, with mandatory application in future periods, were endorsed by the European Union by the date of approval of these financial statements:

Standard / Interpretation	Application date (a)
Amendments to Conceptual framework for Financing Reporting	01/01/2020
Amendment to IAS 1 and IAS 8 - The definition of material	01/01/2020

(a) applicable in the European Union for financial periods beginning on or after

Although these standards are endorsed by the European Union, they were not adopted by the Group in 2019 because their application is not yet mandatory. As a result of the application of the abovementioned standards, we do not at present consider any significant impact on the Company's financial statements.

## Accounting Policies (continued)

### Standards, interpretations, amendments and reviews not yet endorsed by the European Union

The following standards, interpretations, amendments and reviews, with mandatory application in future periods, have not yet been endorsed by the European Union by the date of approval of these financial statements:

Standard / Interpretation	Application date (a)
IFRS 17 - Insurance Contracts	01/01/2021
Amendment to IFRS 3 – Business definition	01/01/2021

(a) applicable in the European Union for financial periods beginning on or after

These standards have not yet been endorsed by the European Union and therefore have not been applied by the Group in the year ended December 31, 2019.

It is not expected that the future adoption of these standards and interpretations issued by the IASB but not yet endorsed by the European Union will result in significant impacts on the Group's financial statements.

## **Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

**for the year ended 31 December 2019**

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### ***Critical judgements in applying the group's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

### ***Key sources of estimation uncertainty***

#### **Fair value of derivative financial instruments**

The fair value is based on market prices set by external parties who use generally accepted future cash flow discount techniques, refer to note 18 for explanation of the methodology used, significant judgements and sensitivity analysis.

# Notes to the Financial Statements

## 1 Revenue

The group's turnover is generated from continuing operations, wholly from within Portugal. Over 99% of turnover comes from the sale of electricity generated from windfarms and therefore it is deemed to have one operating segment. Other turnover comes predominantly from government grants, obtained in relation to wind farm activities described within the strategic report on page 2.

	Year ended 2019 €'000	Year ended 2018 €'000
Turnover – sale of electricity	187,300	179,658
Turnover - other	2,162	2,383
	<u>189,462</u>	<u>182,041</u>

## 2 Finance costs

	Year ended 2019 €'000	Year ended 2018 €'000
<b>Finance costs</b>		
Bank and bond loans	13,183	14,429
Interest expense on financial instruments	19,908	22,599
Shareholder loans	20,264	20,329
Interest on leases	566	-
Bank charges	674	740
	<u>54,595</u>	<u>58,097</u>
<b>Investment income</b>		
Interest on financial investments	(14)	(27)
Gains on derivatives (see note 18)	-	-
	<u>(14)</u>	<u>(27)</u>
<b>Net finance costs</b>	<u>54,581</u>	<u>58,070</u>



## Notes to the Financial Statements (continued)

### 3 Profit on ordinary activities before taxation

	Year ended 2019 €'000	Year ended 2018 €'000
Profit for the period has been arrived at after charging/(crediting)		
Profit/(loss) on sale of property, plant and equipment	68	166
Lease operating costs – land and buildings	92	1,952
Depreciation of property, plant and equipment	29,738	30,340
Amortisation of other intangible assets	23,809	23,837
Amortisation on right of use assets	1,830	-
Staff costs (note 4)	3,855	3,646
Fees payable for the audit of financial statements		
Audit of company and consolidation	17	12
Audit of subsidiary companies	46	65
Total audit fees	63	77
Other assurance services (and total of non-audit fees)	-	45
Total fees	63	122

### 4 Staff costs

	Year ended 2019 €'000	Year ended 2018 €'000
Wages and salaries	2,965	2,913
Social security costs	691	646
Other employee costs	199	87
	3,855	3,646
The average monthly number of employee including directors was:	Number	Number
Directors	8	8
Employees	63	58
Total	71	66

Only one of the directors is remunerated through the group, being therefore the highest paid director as detailed below:

Emoluments	893	871
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There have been no transactions with the directors other than remuneration. The other directors are remunerated through other group companies. It is not practical to allocate costs to this company.

## Notes to the Financial Statements (continued)

### 5 Tax on profit on ordinary activities

	Year ended 2019 €'000	Year ended 2018 €'000
The tax charge comprises:		
<b>Corporation tax</b>		
Current period	18,346	16,709
Adjustment in respect of prior periods	(331)	(636)
	<u>18,015</u>	<u>16,073</u>
<b>Deferred tax</b>		
Current period – origination and reversal of timing differences	(3,752)	(3,244)
<b>Total tax on profit on ordinary activities</b>	<u>14,263</u>	<u>12,829</u>

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

	Year ended 2019 €'000	Year ended 2018 €'000
Group profit on ordinary activities before tax	<u>43,477</u>	<u>35,163</u>
Tax on profits at the expected rate within Portugal (24.75%)	10,761	8,967
Effects of:		
Expenses not deductible for tax purposes	3,436	4,358
Differences in tax rates	66	(496)
Group total tax charge for the period	<u>14,263</u>	<u>12,829</u>

The group earns its profits in Portugal and so the standard rate of tax within Portugal is applied (24.75%). In addition to the amount charged to the income statement, a tax charge of €2,752,000 (2018 - €3,519,000) has been recognised in other comprehensive income in relation to cash flow hedge movements.

### 6 Dividends

	Year ended 2019 €'000	Year ended 2018 €'000
Amounts recognised as distributions to equity holders in the period:		
interim dividend paid of €953,036 (2018 - €nil) per ordinary share	<u>3,812</u>	-

## Notes to the Financial Statements (continued)

### 7 Goodwill

	2019 €'000	2018 €'000
<u>Cost and carrying amount:</u>		
Goodwill as at 31 December 2018 and 31 December 2019	80,811	77,468
<b>Analysis of goodwill</b>		
		€'000
As at 31 December 2018		77,468
Additions		3,343
As at 31 December 2019		80,811

The UK Renewable HoldCo 1 Group holds in its consolidated accounts the effects of the purchase price allocations made at the time of the Group's purchase transactions. In accordance with IAS 12, deferred tax liabilities must be set up on the date of those allocations, since there is a temporary difference between the accounting value (fair value at the date of the business combination) and the tax value of the elements subject to fair value allocation. It was identified at December 31, 2019, that in one of those purchase price allocations made in previous years, said deferred tax liability relating to the tangible fixed assets of a wind farm of the Group was not recorded. As required by IFRS 3 - Business combinations, the deferred tax liability resulting from this operation should have been calculated against goodwill. At December 31, 2019, the amount of EUR 3,343,295 relates to the recording of the deferred tax liability related to the allocation of the purchase price to the above mentioned tangible fixed assets.

It is the Management's understanding that this amount is not material, which is why previously disclosed financial information was not restated.

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. No impairment has been needed in the period. Goodwill arose following the acquisition of 100% of the issued share capital of Iberwind, SA in the prior period. The following table sets out the fair values of the identifiable assets and liabilities acquired, the fair value of total consideration and the resulting intangible assets and goodwill.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) or group of units that are expected to benefit from that business combination. There are 37 individual CGU's being each of the separate windfarms. The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGU are determined from value in use calculations.

The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was €80.8million. In making this estimation the following assumptions have been made:

- A discount rate of 5.40% (2018 – 5.61%) has been applied, being the weighted average cost of capital applicable to the group; and
- It has been assumed that cash generation is consistent with that of the past period, subject to known future tariff variances.

Due to the significant headroom in carrying value, no reasonably possible downside could cause an impairment, therefore no sensitivity analysis is deemed necessary by the directors.

## Notes to the Financial Statements (continued)

### 8 Right of use assets

	€'000	€'000	€'000
	Land	Transport equipment	Total
<b>Cost</b>			
At 1 January 2018	-	-	-
Additions	-	-	-
Write offs	-	-	-
At 31 December 2018	-	-	-
Adjustments	30,476	1,071	31,547
Additions	-	149	149
Disposals	-	(83)	(83)
At 31 December 2019	30,476	1,137	31,613
<b>Amortisation</b>			
At 1 January 2018	-	-	-
Charge in period	-	-	-
Disposals	-	-	-
At 31 December 2018	-	-	-
Adjustments	-	(721)	(721)
Charge in period	(1,625)	(205)	(1,830)
Disposals	-	83	83
At 31 December 2019	(1,625)	(843)	(2,468)
<b>Carrying amount</b>			
At 1 January 2018	-	-	-
At 31 December 2018	-	-	-
<b>At 31 December 2019</b>	<b>28,851</b>	<b>294</b>	<b>29,145</b>

The Group leases several assets including land and transport equipment. The average lease term is 30 years (2018: 30 years).

The Group has options to purchase certain transport equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in note 37.

Adjustments in 2019 relate to the adoption of IFRS 16.

## Notes to the Financial Statements (continued)

### 9 Other intangible assets

	€'000	€'000	€'000	€'000	€'000
	Software	Licences tariff	Land rights	Assets under construction	Total
<b>Cost</b>					
At 1 January 2018	492	459,885	1,389	20,221	481,987
Additions	78	-	50	4,113	4,241
Write offs	(248)	-	-	(153)	(401)
At 31 December 2018	322	459,885	1,439	24,181	485,827
Adjustments	-	-	(1,439)	-	(1,439)
Additions	-	-	-	4,171	4,171
Disposals	-	-	-	-	-
At 31 December 2019	322	459,885	-	28,352	488,559
<b>Amortisation</b>					
At 1 January 2018	(391)	(50,358)	(21)	-	(50,770)
Charge in period	(74)	(23,748)	(15)	-	(23,837)
Disposals	248	-	-	-	248
At 31 December 2018	(217)	(74,106)	(36)	-	(74,359)
Adjustments	-	-	-	-	-
Charge in period	(61)	(23,748)	-	-	(23,809)
Disposals	-	-	36	-	36
At 31 December 2019	(278)	(97,854)	-	-	(98,132)
<b>Carrying amount</b>					
At 1 January 2018	101	409,527	1,368	20,221	431,217
At 31 December 2018	105	385,779	1,403	24,181	411,468
At 31 December 2019	44	362,031	-	28,352	390,427

#### Licence tariff

Corresponds to the value attributed to the licences held by the group and the guaranteed tariff it holds for the sale of the electricity produced. There is sufficient headroom and therefore no risk of impairment.

#### Assets under construction

Relates to a wind energy tariff scheme for the period after the expiry of guaranteed remuneration. The group is obliged under the Decree-Law which permits its operations to be remunerated for an additional period of 7 years.

#### Land rights

Relate to a license which allows the group access to private land and the right to operating windfarms. Adjustments relate to the reclassification to right of use assets due to the implementation of IFRS16.

## Notes to the Financial Statements (continued)

### 10 Property, plant and equipment

	€'000	€'000	€'000	€'000	€'000
	Land	Buildings	Equipment	Assets under construction	Total
<b>Cost</b>					
At 1 January 2018	467	1,298	1,253,258	69	1,255,092
Additions	-	-	468	-	468
Disposals	-	-	(2,130)	-	(2,130)
Adjustments	69	-	-	(69)	-
At 31 December 2018	536	1,298	1,251,596	-	1,253,430
Adjustments	-	-	(1,071)	-	(1,071)
Additions	-	-	869	-	869
Disposals	-	-	(188)	-	(188)
Adjustments	-	-	-	-	-
At 31 December 2019	536	1,298	1,251,207	-	1,253,041
<b>Depreciation</b>					
At 1 January 2018	-	(287)	(626,961)	-	(627,248)
Charge in period	-	(64)	(30,276)	-	(30,340)
Disposals	-	-	2,205	-	2,205
At 31 December 2018	-	(316)	(655,032)	-	(655,348)
Adjustments	-	-	721	-	721
Charge in period	-	(41)	(29,696)	-	(29,738)
Disposals	-	-	187	-	187
At 31 December 2019	-	(357)	(683,821)	-	(684,178)
<b>Net book value</b>					
At 1 January 2018	467	1,011	626,297	69	627,844
At 31 December 2018	536	982	596,564	-	598,082
<b>At 31 December 2019</b>	<b>536</b>	<b>941</b>	<b>567,386</b>	<b>-</b>	<b>568,863</b>

Adjustments in 2018 relate to zero net value assets that were no longer being used by the Group. Adjustments in 2019 relate to the reclassification to right of use assets due to the implementation of IFRS16.

### 11 Subsidiaries

The group consists of a parent company, UK Renewable HoldCo 1 Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by UK Renewable HoldCo 1 Limited.

The immediate subsidiary of UK Renewable HoldCo 1 Limited, is UK Renewable HoldCo 2 Limited, the immediate subsidiary of which is UK Renewable HoldCo 3 Limited. Both of these companies are incorporated in the UK, are 100% owned by UK Renewable HoldCo 1 Limited, and have a registered address of 3 More London Riverside, London, SE1 2AQ.

The subsidiaries of UK Renewable HoldCo 3 Limited operate in Portugal. Note 26 to the company's separate financial statements lists details of all the subsidiaries.

## Notes to the Financial Statements (continued)

### 12 Trade and other receivables

	2019 €'000	2018 €'000
Receivable for the sale of goods	26,019	18,692
Prepayments	4,332	11,488
Accrued income	13,423	10,678
Other debtors	429	706
	<u>44,203</u>	<u>41,564</u>

Trade and other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Receivable for the sale of goods of €26,019,000 (2018 - €18,692,000) can be aged as follows: due to terms within 90 days €26,019,000 – (2018 - €18,692,000) and not due to terms €nil (2018 - €nil). No provision for doubtful debt is held at the balance sheet date (2018 - €nil). The level of bad debt write offs in the year was €nil (2018: €nil)

### 13 Due to group companies

	2019 €'000	2018 €'000
Shareholder loans	247,690	250,000

Shareholder loans mature in 2035, with early repayment permitted, and carry interest of 8.0% payable annually. The loans are held with Well Diamond Development Limited (€123,845,000 and €125,000,000 at 31 December 2018) and with Good Chain Investment Limited (€123,845,000 and €125,000,000 at 31 December 2018), being the two parent companies of UKR1.

### 14 Trade and other payables

	2019 €'000	2018 €'000
<b>Current liabilities</b>		
Trade creditors	5,464	2,343
Accruals and deferred income	9,002	7,141
Other taxes	10,133	6,167
Other creditors	-	188
	<u>24,599</u>	<u>15,839</u>
<b>Non-current liabilities</b>		
Accruals and deferred income	11,032	11,989
Other creditors	-	427
	<u>11,032</u>	<u>12,416</u>
<b>Total</b>	<u>35,631</u>	<u>28,255</u>

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value. Other taxes include the reclassification of a provision, according to the presentation of uncertain income tax positions, in accordance with IFRIC 23 - Uncertainty over income tax treatments. See note 16.

## Notes to the Financial Statements (continued)

### 15 Borrowings

	2019 €'000	2018 €'000
<b>Current liabilities</b>		
Bank loans	3,388	3,439
Syndicated loans	58,305	60,684
	<u>61,693</u>	<u>64,123</u>
<b>Non-current liabilities</b>		
Bank loans	11,407	9,830
Syndicated loans	361,680	419,985
	<u>373,087</u>	<u>429,815</u>
<b>Total</b>	<b>434,780</b>	<b>493,938</b>

#### Bank loans

Bank loans mature in 2020, 2025 and 2026 and are reimbursable in half-yearly instalments, earning interest at a rate tied to the 6-month Euribor rate plus spread. They are registered at amortised cost and no material difference to the market value is considered to exist, since they are loans that bear interest at a rate tied to Euribor. In December 2019, the Group contracted new financing for Entreventos in the amount of €5,200,000 plus a debt service reserve line of €800,000.

#### Syndicated loans

The syndicated loans mature in 2025 and 2026 and are repayable between now and the point of maturity. They are repayable in half yearly instalments bearing interest at a rate indexed to the 6-month Euribor plus a margin. They are recognised at amortised cost and no material difference to the market value is considered to exist, since they are loans that bear interest at a rate tied to Euribor.

### 16 Provisions

	€'000
At 31 December 2018	3,200
New provision established	-
Reclassified to current liabilities	(3,200)
At 31 December 2019	-

The provision for taxes referred to the part of the Group's additional corporate income tax settlement of 2014, totalling EUR 5,718,746, which had a payment deadline of January 2019. The Group, not agreeing with the corrections made, opted to present a bank guarantee and file an objection in court of arbitration.

The court of arbitration's decision in October 2019 partially found in favour of the Group, and the amount payable was the value set up as a provision in previous years. The respective rectifying settlement demand had not been issued/received by December 31, 2019.

This provision was reclassified to "other taxes" in 2019, according to the presentation of uncertain income tax positions, in accordance with IFRIC 23 - Uncertainty over income tax treatments.



## Notes to the Financial Statements (continued)

### 17 Called up share capital and reserves

#### Share capital and share premium

	2019 €'000	2018 €'000
Allotted, called-up, authorised and fully-paid shares:		
4 ordinary shares of €1	-	-
Share premium	43,500	78,500
Analysed as:		€'000
At 31 December 2018		78,500
Capital Reduction		(35,000)
At 31 December 2019		43,500

The Company has one class of ordinary shares which carry no right to fixed income. A capital reduction has been made of €35 million to increase to redistributable reserves.

#### Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

#### Retained earnings

Retained earnings are the accumulative earning retained by the group.

### 18 Non-controlling interest

Non-controlling interests relate to the following group investments:

Company name	Shareholding	Contribution to total equity	
		2019 €'000	2018 €'000
Monte Agraço-Energias Alternativas, Lda.	75.000%	4,658	3,549
ENTREVENTOS-Energias Renováveis, S.A.	51.001%	2,063	6,768
		6,721	10,317

The directors do not deem the non-controlling interests material to the group and as such the assets and income statements of these subsidiaries have not been disclosed.

## Notes to the Financial Statements (continued)

### 19 Derivatives and other financial instruments

	2019 €'000	2018 €'000
<b>Analysis of derivatives</b>		
<b>Amounts due within one year:</b>		
Derivatives that are designated and effective as hedge instruments carried at fair value: SWAPS	(8,526)	(6,965)
Financial liabilities carried at fair value through profit or loss (FVTPL): SWAPS	-	(2,183)
	<b>(8,526)</b>	<b>(9,148)</b>
<b>Amounts due after more than one year:</b>		
Derivatives that are designated and effective as hedge instruments carried at fair value: SWAPS	(51,282)	(61,805)
Financial liabilities carried at fair value through profit or loss (FVTPL): SWAPS	-	-
	<b>(51,282)</b>	<b>(61,805)</b>
<b>Total</b>	<b>(59,808)</b>	<b>(70,953)</b>

The fair value of derivatives at 31 December 2019 and 2018 was the following:

Set rate	Date Effective	Term	Amount		Market value	
			Dec-2019	Dec-2018	Dec-2019	Dec-2018
4.165%	15 December 2006	15 August 2024	63,073,296	76,549,725	(7,500,565)	(9,894,096)
4.165%	15 December 2006	15 August 2024	83,203,072	100,980,488	(9,896,706)	(13,036,505)
4.165%	15 December 2006	15 August 2024	63,073,296	76,549,724	(7,500,506)	(9,978,201)
4.165%	15 December 2006	15 August 2024	59,047,341	71,663,572	(7,019,269)	(9,249,056)
4.785%	09 August 2007	16 June 2025	5,417,345	6,484,349	(860,156)	(1,079,703)
4.785%	09 August 2007	16 June 2025	6,341,684	7,872,256	(1,354,113)	(1,251,481)
4.785%	09 August 2007	16 June 2025	5,417,345	6,484,349	(860,645)	(1,088,466)
4.785%	09 August 2007	16 June 2025	5,417,345	6,484,349	(861,134)	(1,080,284)
4.430%	15 December 2009	15 June 2025	3,739,758	4,407,863	(1,670,574)	(1,600,998)
4.430%	15 December 2009	15 June 2025	4,404,302	5,191,127	(1,984,299)	(1,891,661)
4.430%	15 December 2009	15 June 2025	4,404,302	5,191,127	(1,975,685)	(1,901,902)
4.430%	15 December 2009	15 June 2025	4,404,302	5,191,127	(1,974,079)	(1,890,332)
4.000%	15 December 2009	15 June 2025	31,552,773	38,200,939	(4,168,469)	(5,179,413)
4.000%	15 December 2009	15 June 2025	31,552,773	38,200,939	(4,164,582)	(5,218,424)
4.000%	15 December 2009	15 June 2025	27,045,234	32,743,662	(3,565,754)	(4,441,107)
1.620%	15 June 2018	15 December 2026	375,044	560,408	(809,659)	(299,351)
1.500%	15 June 2018	15 December 2026	1,089,423	1,632,792	(1,055,911)	(436,472)
1.476%	15 June 2018	15 December 2026	1,000,416	1,499,207	(969,523)	(383,538)
1.457%	15 June 2018	15 December 2026	753,386	1,129,312	(651,041)	(265,808)
1.080%	15 September 2015	15 December 2026	12,971,888	15,806,863	(642,114)	(532,084)
1.080%	15 September 2015	15 December 2026	6,485,944	7,903,431	(322,920)	(265,369)
			<b>420,770,269</b>	<b>510,727,609</b>	<b>(59,807,704)</b>	<b>(70,953,251)</b>

### Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of net debt (borrowings disclosed in note 14 and note 12 after deducting cash and bank balances) and equity of the group (comprising issued capital, reserves, retained earnings and non-controlling interests as disclosed in the balance sheet). The group is not subject to any externally imposed capital requirements.

## Notes to the Financial Statements (continued)

### 19 Derivatives and other financial instruments (continued)

#### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies.

#### Classification of financial instruments

	2019 €'000	2018 €'000
<u>Financial assets</u>		
Cash	12,775	7,819
Loans and receivables	26,019	19,398
<u>Financial liabilities</u>		
Derivatives measured through the statement of income	(59,808)	(68,770)
Derivatives that are designated and effective as hedge instruments	-	(2,183)
Loans and bonds	(682,470)	(743,937)
Trade payables	-	(40,184)

The group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Year ended 2019 €'000	Year ended 2018 €'000
<u>Interest income and expense on items at amortised cost</u>		
Total interest payable on financial liabilities at amortised cost	(74,490)	(35,564)
Total interest receivable on financial assets at amortised cost	14	27
	(74,476)	(35,537)
<u>Interest income and expense on derivatives</u>		
Total interest payable on financial liabilities designated in an effective hedging relationship	(19,895)	(22,533)
	(19,895)	(22,533)
<u>Fair value gains and losses</u>		
On financial liabilities measured at fair value through the statement of comprehensive income	-	(42)
	-	(42)
<b>Total</b>	<b>(54,581)</b>	<b>(58,112)</b>

## Notes to the Financial Statements (continued)

### 19 Derivatives and other financial instruments (continued)

#### Financial risk management objectives

##### Liquidity risk

The management of the liquidity risk implies maintaining cash and bank deposits at sufficient levels, ensuring the feasibility of the consolidation of floating debt through an adequate amount of credit facilities and the ability to settle market positions. The maturities of financial instruments are managed to ensure no concentration of renewal dates.

##### Cash flow and fair value risks associated with interest rates

The group has no significant interest bearing assets but interest rate risk arises from long-term loans. Loans issued at variable rates expose the group to cash flow risks associated with interest rates. Loans issued at fixed rates expose it to fair value risk associated with interest rates.

The group manages the cash flow risk associated with interest rates by transforming variable interest rate swaps into fixed interest rates swaps. The interest rate swaps have the economic effect of converting variable interest rate loans into loans at fixed interest rates. Generally, the group contracts long-term loans at variable interest rates and performs swaps to transform them into fixed interest rates, which are less than those contracted in fixed interest rates loans.

##### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions contracted is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 12 months.

Trade receivables consist of a large number of customers with ongoing credit evaluation performed on their financial condition. Where appropriate, additional collateral credit support is obtained to mitigate the risk of loss.

The Consolidated Entity does not have significant credit risk exposure to any single counterparty. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

## Notes to the Financial Statements (continued)

### 19 Derivatives and other financial instruments (continued)

#### Impaired trade receivables

The Consolidated Entity applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Consolidated Entity therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. As there have been no credit losses in that period no impairment is necessary.

#### Sensitivity analysis

The fair value of derivatives is based on market prices set by external parties who use generally accepted future cash flow discount techniques. No judgement, other than to use the prices obtained from set external parties is made. As such sensitivity analysis is not performed.

#### Value-at-risk (VaR) analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The directors do not consider the methodology to be suited to the group, adding no control over risk, and as such no VaR has been performed for the period.

#### Interest rate swap contracts

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

## Notes to the Financial Statements (continued)

### 19 Derivatives and other financial instruments (continued)

#### Cash flow hedge

The fair value of derivatives at the balance sheet date was:

	Average contract fixed interest rate		Fair value		Notional principal value	
	2019 %	2018 %	2019 €'000	2018 €'000	2019 €'000	2018 €'000
More than 1 year	3.51	3.51	(59,808)	(70,953)	420,770	510,728
			(59,808)	(70,953)	420,770	510,728

The above profile is based on the maturity date of the facility, whereas the profile within the balance sheet is based on the current terms of the facilities which renew throughout the period to maturity.

### 20 Lease Liabilities

The commitments to third parties at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
	€'000	€'000
Lease commitments - land and buildings	27,970	39,516
Analysed as:		
Non-current	26,632	37,617
Current	1,338	1,899

Total future minimum lease payments under non-cancellable operating leases are as follows:

Amounts payable under finance leases:	€'000	€'000
Within one year	1,338	1,899
In the second to fifth years inclusive	4,975	7,654
After five years	21,657	29,962
Present value of lease obligations	27,970	39,516

## Notes to the Financial Statements (continued)

### 21 Notes to the cash flow

	Year ended 2019 €'000
Operating profit	98,058
Depreciation / amortisation	55,377
(Loss) / profit on sale of fixed assets	55
Payment of income tax	(18,106)
Increase in provisions	(3,200)
Movement in debtors	(5,673)
Movement in creditors	7,803
	<u>134,314</u>

#### Analysis of movement in net debt

	31 December 2018 €'000	Cash movements €'000	Non cash movements €'000	31 December 2019 €'000
Cash and cash equivalents	7,819	4,956	-	12,775
Bank loans	(13,269)	(1,688)	162	(14,795)
Shareholder loans	(250,000)	9,423	(7,113)	(247,690)
Bonds	(480,669)	62,759	(2,075)	(419,985)
	<u>(743,938)</u>	<u>70,494</u>	<u>(9,026)</u>	<u>(682,470)</u>
Net debt	<u>(736,119)</u>	<u>75,450</u>	<u>(9,026)</u>	<u>(669,695)</u>

### 22 Deferred tax

Deferred tax movements across the period is as shown below:

	€'000	€'000	€'000
Deferred tax balance sheet analysis:	Deferred tax asset	Deferred tax liability	Net
At 31 December 2018	21,307	(147,964)	(126,657)
Credited to profit and loss	(2,001)	5,753	3,752
Charged to other comprehensive income	(2,752)	-	(2,752)
Debited to intangible assets - goodwill	-	(3,343)	(3,343)
Effect of change in accounting policy for initial application of IFRS 16 – fair value reserve	582	-	582
At 31 December 2019	<u>17,136</u>	<u>(145,554)</u>	<u>(128,418)</u>

## Notes to the Financial Statements (continued)

### 22 Deferred tax (continued)

	€'000	€'000	€'000	€'000	€'000
Further analysis:					
	Tax losses	On property plant and equipment	Fair value of SWAPS	Other	Total
At 31 December 2018	-	(157,432)	17,317	13,458	(126,657)
Credited to profit and loss	-	554	-	3,198	3,752
Charged to other comprehensive income	-	-	(2,752)	-	(2,752)
Debited to intangible assets - goodwill	-	(3,343)	-	-	(3,343)
Effect of change in accounting policy for initial application of IFRS 16 – fair value reserve	-	-	-	582	582
At 31 December 2019	-	(160,221)	14,565	17,238	(128,418)

"Other" includes that created on the revaluation of tangible fixed assets at acquisition and the fair value movement of swaps. Deferred tax assets have only been provided for in the financial statements to the extent that the directors of the Company feel that it is probable that there will be sufficient taxable profits arising in the foreseeable future against which to recover the asset.



## Notes to the Financial Statements (continued)

### 23 Contingent assets and liabilities

The Tax and Customs Authority, through Communiqué 8/2013, stated that it believes the wind turbines and substations that make up wind farms are regarded as real estate properties for the purpose of real estate tax. In relation to wind turbines, the taxable property should comprise the concrete foundation base and metallic tubular structure.

The Group disagrees with this position and has been challenging/disputing the respective inclusion on the real estate register and the payments it has to make and/or may have to make in relation to real estate tax. The position of the Group is based on opinions issued to APREN by three well-known tax advisors and jurisprudence of higher court cases, which considers that a wind turbine is not a building for the purposes of the municipal real estate tax.

Based on decisions of the higher courts, the Tax Authority has been reimbursing the municipal real estate tax paid and de-registering the alleged properties from the land register in the tax office.

The State Budget for 2017, approved by Law no. 42/2016 of December 28, includes the content of Ordinance No. 268-B/2016 of October 13, which has since been revoked by Ordinance 69/2018 of February 16, which establishes that the guaranteed remuneration (feed-in tariff) for the acquisition of electricity by the last resort supplier from producers under the special regime cannot be accumulated with other government grants. The State Budget for 2019 further established that the Government will approve the mechanism of deduction or restoration of the grants accumulated in the past, which has not yet occurred. The State Budget for 2020 did not establish anything on this issue.

Since the mechanism of deduction or restoration of accumulated grants was not disclosed, no impact was recorded on the Group's accounts. It is the Group's understanding, backed by legal opinions, that this matter will not result in losses, therefore no impact was considered on the consolidated accounts of the Group.

The Group is party to some legal proceedings relating to land, filed by alleged landowners and/or managers of common land. It is a fact that in either of the situations, the land was contracted with the entities that, at the time, demonstrated ownership and/or management of the respective land. There are no overdue rents in any of the cases. The Group considers, therefore, that no materially relevant liabilities will arise from the actual cases, therefore no impact on the accounts was considered.

In the years ended December 31, 2019 and 2018, there were no other contingent assets and liabilities that should be reported.

## Notes to the Financial Statements (continued)

### 24 Related party transactions

Intercompany loans of €247,690,000 (2018 €250,000) are held with Well Diamond Development Limited (€123,845,000) (2018 €125,000) and with Good Chain Investment Limited (€123,845,000) (2018 €125,000), being the two parent companies of UKR1. Interest charged on these loans within the period was €20,264,000.

### 25 Ultimate controlling party

Well Diamond Development Limited and Good Chain Investment Limited each hold a 50% holding in the group and as such there is no ultimate controlling party. The ultimate parent undertakings and registered offices are shown below.

#### Shareholder

#### Ultimate parent undertaking

Well Diamond Development Limited

CK Hutchison Holdings Limited

Registered office: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

Good Chain investment Limited

Power Assets Holdings Limited

Registered office: Unit 2005, 20/F Cheung Kong Center, 2 Queen's Road Central, Hong Kong

# Company Balance Sheet

as at 31 December 2019

	Notes	2019 €'000	2018 €'000
<b>Non-current assets</b>			
Investments	26	328,500	328,500
<b>Current assets</b>			
Due from group companies	28	-	15,973
Cash and cash equivalents		14	29
		<u>14</u>	<u>16,002</u>
<b>Total assets</b>		<u>328,514</u>	<u>344,502</u>
<b>Current liabilities</b>			
Trade and other payables	29	(20,759)	(32,152)
<b>Net current liabilities</b>		<u>(20,745)</u>	<u>(16,150)</u>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	29	(247,690)	(250,000)
<b>Total liabilities</b>		<u>(268,449)</u>	<u>(282,152)</u>
<b>Net assets</b>		<u>60,065</u>	<u>62,350</u>
<b>Equity</b>			
Called up share capital	30	-	-
Share premium account	30	43,500	78,500
Retained earnings		<u>16,565</u>	<u>(16,150)</u>
<b>Equity attributable to owners of the company</b>		<u>60,065</u>	<u>62,350</u>

As permitted by Section 408 of the Companies Act 2018, no separate statement of income or statement of comprehensive income of the company is presented. The profit for the financial period of the parent company was €1,527,000 (2018 – loss of €13,495,000) and total comprehensive income was €1,527,000 (2018 - loss of €13,495,000).

The accompanying notes are an integral part of this consolidated balance sheet.

The financial statements of UK Renewable HoldCo 1 Limited, Registered number 09775646, were approved by the Board of Directors and authorised for issue on 25 September 2020 and signed on its behalf by:



M J Horsley, Director

25 September 2020

# Company Statement of Change in Equity

for the year ended 31 December 2019

	Notes	Called up share capital €'000	Share premium €'000	Retained earnings €'000	Total €'000
At 1 January 2018	27	-	78,500	(2,655)	75,845
Total comprehensive loss		-	-	(13,495)	(13,495)
At 31 December 2018		-	78,500	(16,150)	62,350
Capital Reduction		-	(35,000)	35,000	-
Total comprehensive income		-	-	1,527	1,527
Dividend Paid		-	-	(3,812)	(3,812)
At 31 December 2019		-	43,500	16,565	60,065

## Accounting Policies Applicable to the Company

for the year ended 31 December 2019

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 13 December 2019.

Where required, equivalent disclosures are given in the consolidated financial statements. The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

# Notes to the Company Financial Statements

## 26 Investments

	2019 €'000	2018 €'000
Subsidiary undertakings	328,500	328,500

Subsidiaries represent a 100% holding in the ordinary share capital of UK Renewable Holdco 2 Limited and UK Renewable Holdco 3 Limited. Both company's principal activity is to act as a holding company, and both were incorporated in the United Kingdom and registered in England and Wales. UK Renewable Holdco 3 Limited is the parent company of:

Company name	Location	Activity	Shareholding
Portugal Renewable Energy	Algés	Holding company	100.000%
IBERWIND - Desenvolvimento e Projectos, S.A.	Algés	Renewable energy	100.000%
IBERWIND II Produção - Soc. Unip., Lda	Rio Maior	Renewable energy	100.000%
Iberwind III Produção, S.A.	Algés	Renewable energy	100.000%
Bússola Vanguarda - Parque Eólico Unipessoal, Lda.	Algés	Renewable energy	100.000%
Persisteverde - Parque Eólico, Unipessoal, Lda.	Algés	Renewable energy	100.000%
Espiral Elementar - Parque Eólico, Unipessoal, Lda.	Algés	Renewable energy	100.000%
PESM - Parque Eólico da Serra das Meadas, S.A.	Lamego	Renewable energy	100.000%
PESL - Parque Eólico da Serra do Larouco S.A.	Montalegre	Renewable energy	100.000%
ENERFLORA - Produção de Energia Eléctrica, Lda	Mafra	Renewable energy	100.000%
PEVB-Parque Eólico Vila do Bispo, Lda	Vila do Bispo	Renewable energy	100.000%
PECF - Parque Eólico de Chão Falcão, Lda	Porto Mós	Renewable energy	100.000%
PEL-Parque Eólico da Lousã, Lda	Penela	Renewable energy	100.000%
Parque Eólico de Trevim, Lda	Lousã	Renewable energy	100.000%
PESB - Parque Eólico da Serra de Bornes, S.A	Alfândega-da-Fé	Renewable energy	100.000%
HIDROMARÃO-Sociedade Produtora de Energia, S.A.	Vila Real	Renewable energy	100.000%
Monte Agraço-Energias Alternativas, Lda.	Monte Agraço	Renewable energy	75.000%
ENTREVENTOS-Energias Renováveis, S.A.	Coimbra	Renewable energy	51.001%
Parque de Pampilhosa da Serra, S.A.	Pampilhosa da Serra	Renewable energy	100.000%
Parque Eólico de Malhadas Góis, S.A.	Pampilhosa da Serra	Renewable energy	100.000%
PESB II, Sociedade Unipessoal, Lda.	Algés	Renewable energy	100.000%
PETM - Sociedade Unipessoal, Lda.	Algés	Renewable energy	100.000%
Parque Eólico de Trevim II, Soc. Unipessoal, Lda.	Algés	Renewable energy	100.000%
Poderosa Equação - Parque Eólico, Unipessoal, Lda.	Algés	Renewable energy	100.000%

The above companies have a registered address of: Rua Joao Chagas No53, Piso, Freguesia de Alges, Algés

## Notes to the Company Financial Statements (continued)

### 25 Investments (continued)

Profits arising from non-controlling interests total €681,000 (2018 - €617,000). Details of non-controlling interests can be found in note 18.

### 27 Profit for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own statement of income or statement of other comprehensive income for the period. The loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 3 to the consolidated financial statements.

The company has no employees (2018 – nil).

### 28 Due from group companies

	2019 €'000	2018 €'000
<b>Current assets</b>		
Due from group companies	-	-15,973
<b>Non-current liabilities</b>		
Shareholder loans	(247,690)	(250,000)

No interest was applied to 'due from group companies'. The balance has been settled prior to the signing of these financial statements.

Shareholder loans mature in 2035 and carry interest of 8.0% payable annually. The loans are held with Well Diamond Development Limited (€123,845,000) (2018 - €125,000,000) and with Good Chain Investment Limited (€123,845,000) (2018 - €125,000,000), being the two parent companies of UKR1.

### 29 Trade and other payables

	2019 €'000	2018 €'000
Accruals and deferred income	2,538	2,513
Due to group companies	18,221	29,639
	20,759	32,152

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## Notes to the Company Financial Statements (continued)

### 30 Called up share capital and reserves

#### *Share capital and share premium*

	2019 €'000	2018 €'000
Allotted, called-up and fully-paid share:		
1 ordinary share of €1	-	-
Share premium	43,500	78,500
Analysed as:		€'000
At 31 December 2018		78,500
Capital Reduction		(35,000)
At 31 December 2019		43,500

The Company has one class of ordinary shares which carry no right to fixed income. A capital reduction has been made of €35 million to increase to redistributable reserves.

#### *Retained earnings*

Retained earnings are the accumulative earning retained by the company.