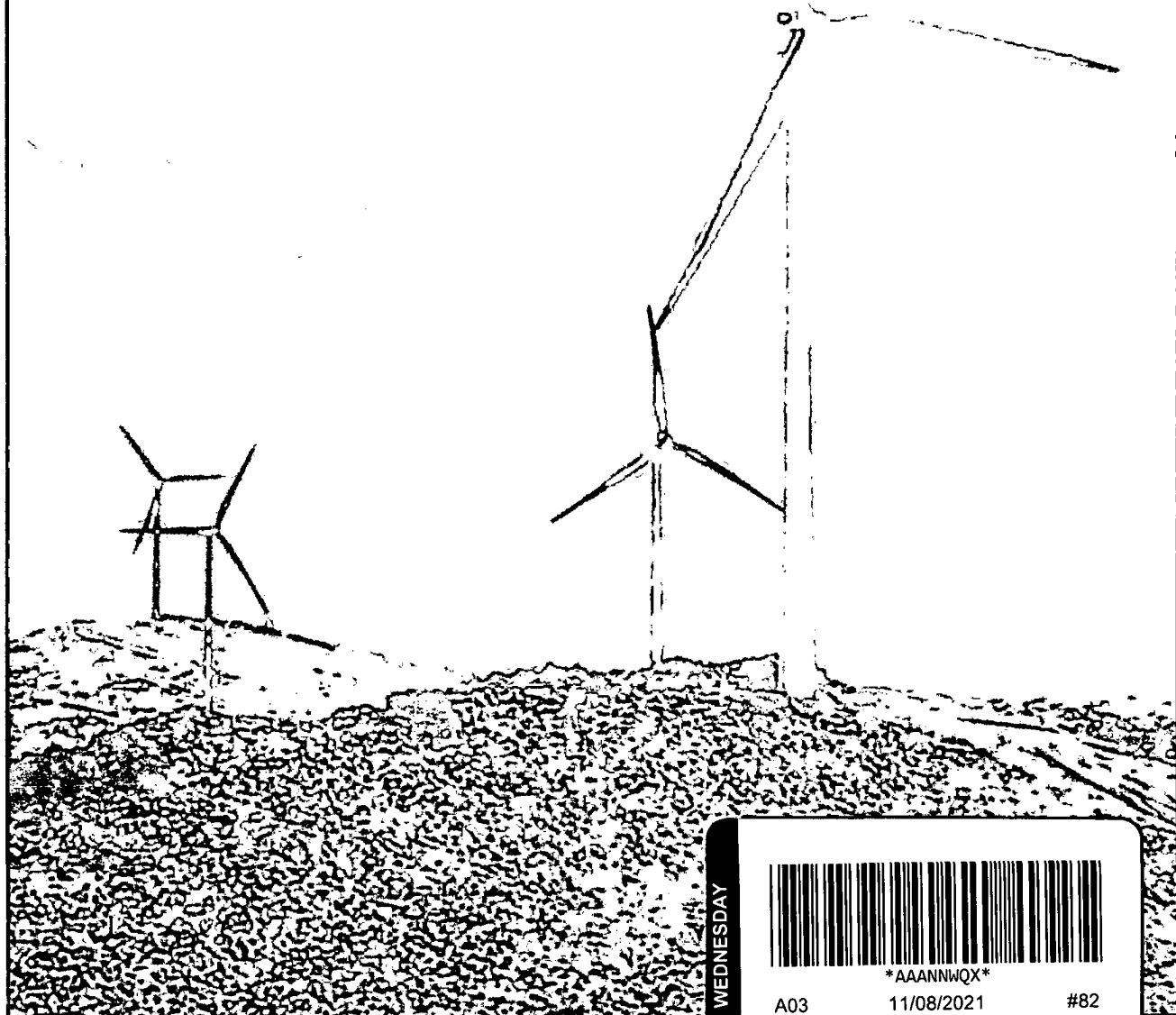


UK Renewable HoldCo 1 Limited

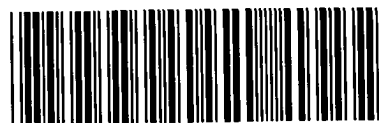
Consolidated Annual Report and Financial Statements

For the year ended 31 December 2020

Registration number: 09775646



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Strategic Report

for the year ended 31 December 2020

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 2020.

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 and the only trading operations of the group was sold during the year (see note 26 for details). UKR1 continues to look for future potential investments which could be acquired.

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 held a 100% shareholding in Portugal Renewable Energy – Unipessoal Lda, the top company of the trading group, which was sold during the year. A full list of the subsidiaries is shown in note 26.

Financial and operational review

As shown in the profit and loss account the group has made a profit of €121m in the year (2019 - 29m), with €123m profit on the sale of Portugal Renewable Energy. The balance sheet shows the group's net asset position of €3.5m (2019 - €188.3m) has increased due to a repayment of loans and other financial liabilities following the disposal of Portugal Renewable Energy investments. The group's directors believe that further key performance indicators for the group are not necessary or appropriate for an understanding of the development, performance or position of the business, as the group remains a holding company for future investments with no activity post the disposal.

Dividends

The directors do not recommend payment of a final dividend. An interim dividend has been declared and paid in the year for €299,300,000 (2019 - €3,812,000).

Political donations

No political or charitable donations were made during the period.

Outlook, principal risks and uncertainties

Since the sale of the investment in Portugal Renewable Energy, the group is now dormant.

Strategic Report (continued)

Climate Reporting

The parent and consolidated group are exempt from including full energy and carbon disclosures as all entities within the group are exempt from disclosures at an individual level. The parent company and other UK subsidiaries do not trade and therefore each consumes less than 40,000 KWH of energy per annum, making them exempt from reporting any disclosures under the Government Streamlined Energy and Carbon reporting regulations (SECR). The disposed of Iberwind group does not fall within the UK remit and therefore is exempt from reporting disclosures under SECR.

Going concern

The directors have considered the going concern assumption in preparing these financial statements. The directors' assessment has considered the company's forecasts, current financial resources and taking account of reasonably possible sensitivities in light of current economic uncertainty. The trading arm of the group is now sold and as such there is limited cash flows to be considered going forwards. The final balance sheet position after repayment of debt shows net asset of €3,507m and the group has no liabilities. The group has no intentions to wind up the companies despite having no trader as it will be held for future investments. The directors have made enquiries and reviewed the forecast and have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Approved by and by order of the Board



M J Horsley

Director

3 August 2021

3 More London Riverside, London, SE1 2AQ

Directors Report

for the year ended 31 December 2020

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 2020. The following disclosures have been disclosed in the strategic report: business, financial and operational review dividends, outlook, future development, principal risks and uncertainties and going concern.

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

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.

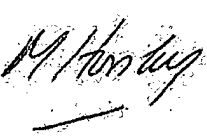
Auditor

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 auditors in the absence of an Annual General Meeting.

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



M J Horsley, Director

3 August 2021

3 More London Riverside, London, SE1 2AQ

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 Limited (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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the accounting policies; 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, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. 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" (United Kingdom Generally Accepted Accounting Practice).

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.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

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.



Anthony Matthews, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3 August 2021

Consolidated Income Statement

for the year ended 31 December 2020

	Notes	Year ended 2020 €'000	Year ended 2019 €'000
Revenue – sale of electricity	1	-	187,300
Revenue - other	1	-	2,162
Cost of sales		-	(22,146)
Depreciation and amortisation of non-current assets		-	(55,377)
Gross profit		-	111,939
Staff costs	4	(2,000)	(3,855)
Other operating expenses		(3)	(10,026)
Operating (loss)/profit		(2,003)	98,058
Finance costs	2	-	(54,595)
Investment income	2	-	14
Loss on ordinary activities before taxation	3	(2,003)	43,477
Tax on (loss)/profit on ordinary activities	5	-	(14,263)
(Loss)/profit for the financial year from continuing operations		(2,003)	29,214
Profit from discontinued operations	6	123,190	-
Profit for the financial year		121,187	29,214
Attributable to owners of the company		121,187	28,533
Attributable to non-controlling interests		-	681
		121,187	29,214

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Year ended 2020 €'000	Year ended 2019 €'000
Profit for the financial year / period	121,187	29,214
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges – movement during the year / period	-	11,121
Tax relating to components of other comprehensive income (note 5)	-	(2,752)
	<u>121,187</u>	<u>37,583</u>
Attributable to owners of the company	121,187	36,902
Attributable to non-controlling interests	-	681
	<u>121,187</u>	<u>37,583</u>

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

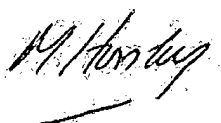
Consolidated Balance Sheet

as at 31 December 2020

	Notes	2020 €'000	2019 €'000
Non-current assets			
Goodwill	8	-	80,811
Right-of-use assets	9	-	29,145
Other Intangible assets	10	-	390,427
Property, plant and equipment	11	-	568,863
Deferred tax asset	22	-	17,136
		-	1,086,382
Current assets			
Trade and other receivables	13	2,997	44,203
Cash and cash equivalents		614	12,775
		3,611	56,978
Total assets		3,611	1,143,360
Current liabilities			
Trade and other payables	15	(104)	(24,599)
Corporation tax		-	(3,585)
Borrowings	16	-	(61,693)
Lease liabilities	20	-	(1,338)
Derivative financial liabilities	19	-	(8,526)
		(104)	(99,741)
Net current liabilities		3,507	(42,763)
Non-current liabilities			
Borrowings	16	-	(373,087)
Trade and other payables	15	-	(11,032)
Due to group companies	14	-	(247,690)
Lease liabilities	20	-	(26,633)
Derivative financial liabilities	19	-	(51,282)
Deferred tax	22	-	(145,554)
		-	(855,278)
Total liabilities		(104)	(955,019)
Net assets		3,507	188,341
Equity			
Called up share capital	17	-	-
Share premium account	17	-	43,500
Fair value reserves and others		-	47,168
Retained earnings		3,507	90,952
Equity attributable to owners of the company		3,507	181,620
Non-controlling interest	18	-	6,721
Total equity		3,507	188,341

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 12 July 2021 and signed on its behalf by:



M J Horsley, Director

3 August 2021

3 More London Riverside, London, SE1 2AQ

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	Called up share capital €'000	Share premium €'000	Fair value reserves and others €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
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
Other comprehensive income		-	-	7,777	592	8,369	-	8,369
Total comprehensive income		-	-	7,777	29,125	36,902	681	37,583
Dividends declared on equity share	7	-	-	-	(3,812)	(3,812)	-	(3,812)
Share Premium Reduction		-	(35,000)	-	35,000	-	-	-
Distribution of profits		-	-	-	-	-	(4,277)	(4,277)
At 31 December 2019		-	43,500	47,168	90,952	181,620	6,721	188,341
Profit for the year			-	-	121,187	121,187	-	121,187
Other comprehensive income			-	-	-	-	-	-
Total comprehensive income			-	-	121,187	121,187	-	121,187
Dividends declared on equity share	7		-	-	(299,300)	(299,300)	-	(299,300)
Share Premium Reduction	17		(43,500)	-	43,500	-	-	-
Elimination of fair value reserves on disposal of subsidiary	6		-	(47,168)	47,168	-	-	-
Elimination of non-controlling interest on disposal of subsidiary	6		-	-	-	-	(6,721)	(6,721)
At 31 December 2020			-	-	3,507	3,507	-	3,507

Consolidated Cash Flow Statement

for the year ended 31 December 2020

	Notes	Year ended 2020 €'000	Year ended 2019 €'000
Operating activities			
Received from customers		-	219,610
Payments to trade creditors		-	(24,634)
Payments to employees		(2,000)	(1,790)
Payments of income tax		--	(18,106)
Other payments from operating activities		(32)	(40,766)
Cash inflow from operating activities	21	<u>(2,042)</u>	<u>134,314</u>
Investing activities			
Receipts from tangible and intangible fixed assets		-	64
Payments relating to tangible and intangible fixed assets		-	(5,585)
Net cash proceeds from subsidiary disposal		552,957	-
Cash outflow from investing activities		<u>552,957</u>	<u>(5,521)</u>
Financing activities			
Receipts from borrowings		-	5,200
Interest receipts		-	14
Repayment of borrowings		(263,776)	(75,693)
Repayment of the lease liabilities		-	(204)
Interest payments		-	(45,065)
Payments to minority interests		-	(4,277)
Dividend paid		(299,300)	(3,812)
Cash out/inflow from financing activities		<u>(563,076)</u>	<u>(123,837)</u>
Net decrease in cash and cash equivalents		(12,161)	(4,956)
Cash and cash equivalents at start of period		12,775	7,819
Cash and cash equivalents at end of period		<u>614</u>	<u>12,775</u>

Accounting Policies

for year ended 31 December 2020

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 as issued by IASB.

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 2020. 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 directors have considered the going concern assumption in preparing these financial statements. The directors' assessment has considered the company's forecasts, current financial resources and taking account of reasonably possible sensitivities in light of current economic uncertainty. The trading arm of the group is now sold and as such there is limited cash flows to be considered going forwards. The final balance sheet position after repayment of debt shows net asset of €3,507m and the group has no liabilities. The group has no intentions to wind up the companies despite having no trader as it will be held for future investments. The directors have made enquiries and reviewed the forecast and have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

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 continues to apply IFRS 16 in the year ended December 31, 2020, following the introduction in 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.

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 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)

Discontinued Operations

IFRS 5 describes a discontinued operation as a part of an entity that has either been disposed of or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of separate major lines of business or geographical area of operations, or
- the subsidiary was acquired exclusively with a view to resale.

During the year the group sold an investment in Portugal Renewable Energy and the Portugal Renewable Energy.

The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in Note 6.

The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 6.

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 19.

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 2020. No significant impact was incurred as a consequence.

Standard / Interpretation	Application date (a)
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material)	01/01/2020
IFRS 3 Business Combinations (Amendment – Definition of Business)	01/01/2020
Conceptual Framework for Financial Reporting (Revised)	01/01/2020
IBOR Reform and its Effects on Financial Reporting – Phase 1	01/01/2020
Covid-19-Related Rent Concessions – Amendment to IFRS 16	01/06/2020

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

for the year ended 31 December 2020

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.

The directors do not consider there to be any critical accounting judgements or key sources of estimation uncertainty.

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.

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6.

	Year ended 2020 €'000	Year ended 2019 €'000
Turnover – sale of electricity	-	187,300
Turnover - other	-	2,162
	-	189,462

2 Finance costs

	Year ended 2020 €'000	Year ended 2019 €'000
Finance costs		
Bank and bond loans	-	13,183
Interest expense on financial instruments	-	19,908
Shareholder loans	-	20,264
Interest on leases	-	566
Bank charges	-	674
	-	54,595
Investment income		
Interest on financial investments	-	(14)
Gains on derivatives (see note 19)	-	-
	-	(14)
Net finance costs	-	54,581

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6.

Notes to the Financial Statements (continued)

3 Profit on ordinary activities before taxation

	Year ended 2020 €'000	Year ended 2019 €'000
Profit for the period has been arrived at after charging/(crediting)		
Profit/(loss) on sale of property, plant and equipment	-	68
Lease operating costs – land and buildings	-	92
Depreciation of property, plant and equipment	-	29,738
Amortisation of other intangible assets	-	23,809
Amortisation on right of use assets	-	1,830
Staff costs (note 4)	2,000	3,855
Fees payable to the auditor		
Audit of company and consolidation	17	17
Audit of subsidiary companies	46	46
Total audit fees	63	63
Other assurance services (and total of non-audit fees)	-	-
Total fees	63	63

4 Staff costs

	Year ended 2020 €'000	Year ended 2019 €'000
Wages and salaries	2,000	2,965
Social security costs	-	691
Other employee costs	-	199
	2,000	3,855

	Number	Number
The average monthly number of employees including directors was:		
Directors	6	8
Employees	54	63
Total	60	71

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

Emoluments	2,000	893
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During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. After the sale, the group has no employees.

Notes to the Financial Statements (continued)

5 Tax on profit on ordinary activities

	Year ended 2020 €'000	Year ended 2019 €'000
The tax charge comprises:		
Corporation tax		
Current period	-	18,346
Adjustment in respect of prior periods	-	(331)
	-	18,015
Deferred tax		
Current period – origination and reversal of timing differences	-	(3,752)
Total tax expense	-	14,263
<i>Continuing and discontinued operations:</i>		
Income tax expense from continuing operations	-	14,263
Income tax expense/(credit) from discontinued operation (excluding gain on sale) (Note 6).	6,906	-
	6,906	14,263

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 2020 €'000	Year ended 2019 €'000
Group profit (loss) before tax	121,187	43,477
Tax on profits at the expected rate within Portugal (2020 - 24.75%; 2019 - 25.5%)	4,268	10,761
Tax on profits at the expected rate within UK (19%)	19,728	-
Effects of:		
Expenses not deductible for tax purposes	2,209	3,436
Income not taxable	(19,728)	-
Differences in tax rates	429	66
Group total tax charge for the period	6,906	14,263

In 2019 the group earned its profits in Portugal and so the standard rate of tax within Portugal is applied (25.5%). In 2020 the group earned its profits in the UK and so the standard rate of tax within the UK is applied (19%). Tax charges in Portugal are included in the profit from discontinued operations in note 6. In addition to the amount charged to the income statement, a tax charge of nil (2019 - €2,752,000) has been recognised in other comprehensive income in relation to cash flow hedge movements.

Notes to the Financial Statements (continued)

6 Discontinued operations

In October 2020, the Group sold its investment in Portugal Renewable Energy – Unipessoal Lda, for a cash consideration of €301,974,000.

The post-tax gain on disposal of discontinued operations was determined as follows:

	Year ended 2020 €'000	Year ended 2019 €'000
Cash consideration received	301,974	-
Total consideration received	301,974	-
Cash disposed of	(37,509)	-
Net cash inflow on disposal of discontinued operation	264,465	-
<i>Net assets disposed (other than cash):</i>		
Property, plant and equipment	546,855	-
Intangibles	455,612	-
Trade and other receivables	46,140	-
Other financial assets	42,506	-
Trade and other payables	(39,558)	-
Other financial liabilities	(223,843)	-
Borrowings	(662,955)	-
Attributable to non-controlling interest	(6,126)	-
	158,631	-
Pre-tax gain on disposal of discontinued operation	105,834	-
Related tax expense	-	-
Gain on disposal of discontinued operation	105,834	-

The post-tax gain on disposal of discontinued operations was determined as follows:

Result of discontinued operations	Year ended 2020 €'000	Year ended 2019 €'000
Revenue	120,034	140,397
Expenses other than finance costs	(65,006)	(67,687)
Finance costs	(37,780)	(41,592)
Tax (expense)/credit	(6,906)	(10,139)
Attributable to non-controlling interest	(271)	-
Changes in the fair value reserve	7,287	-
Gain from selling discontinued operations after tax	105,834	-

Profit / (loss) for the year

123,190

20,979

Notes to the Financial Statements (continued)

6 Discontinued operations (continued)

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	Year ended 2020 €'000	Year ended 2019 €'000
Operating activities	84,119	103,644
Investing activities	(41,505)	(4,245)
Financing activities	(55,323)	(57,017)
Net cash from discontinued operations	(12,709)	42,383

7 Dividends

	Year ended 2020 €'000	Year ended 2019 €'000
Amounts recognised as distributions to equity holders in the period:		
interim dividend paid of €74,825,000 (2019 - €953,036) per ordinary share	299,300	3,812

8 Goodwill

	2020 €'000	2019 €'000
<u>Cost and carrying amount:</u>		
Goodwill as at 31 December 2019 and 31 December 2020	-	80,811
Analysis of goodwill		
		€'000
As at 1 January 2020		80,811
Disposal		(80,811)
As at 31 December 2020		-

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale.

Notes to the Financial Statements (continued)

9 Right of use assets

	€'000	€'000	€'000
	Land	Transport equipment	Total
Cost			
At 1 January 2019	30,476	1,071	31,547
Additions	-	149	149
Write offs	-	(83)	(83)
At 31 December 2019	30,476	1,137	31,613
Adjustments	-	-	-
Additions	-	-	-
Disposals	(30,476)	(1,137)	(31,613)
At 31 December 2020	-	-	-
Amortisation			
At 1 January 2019	-	-	-
Adjustments	-	(721)	(721)
Charge in period	(1,625)	(205)	(1,830)
Disposals	-	83	83
At 31 December 2019	(1,625)	(843)	(2,468)
Adjustments	-	-	-
Charge in period	-	-	-
Disposals	1,625	843	2,468
At 31 December 2020	-	-	-
Carrying amount			
At 1 January 2019	-	-	-
At 31 December 2019	28,851	294	29,145
At 31 December 2020	-	-	-

The Group leases several assets including land and transport equipment. The average lease term is 30 years (2019: 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 20.

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale.

Notes to the Financial Statements (continued)

10 Other intangible assets

	€'000	€'000	€'000	€'000	€'000
	Software	Licences tariff	Land rights	Assets under construction	Total
Cost					
At 1 January 2019	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
Additions	-	-	-	-	-
Disposals	(322)	(459,885)	-	(28,352)	(488,559)
At 31 December 2020	-	-	-	-	-
Amortisation					
At 1 January 2019	(217)	(74,106)	(36)	-	(74,359)
Charge in period	(61)	(23,748)	-	-	(23,809)
Disposals	-	-	36	-	36
At 31 December 2019	(278)	(97,854)	-	-	(98,132)
Charge in period	-	-	-	-	-
Disposals	278	97,854	-	-	98,132
At 31 December 2020	-	-	-	-	-
Carrying amount					
At 1 January 2019	105	385,779	1,403	24,181	411,468
At 31 December 2019	44	362,031	-	28,352	390,427
At 31 December 2020	-	-	-	-	-

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.

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale.

Notes to the Financial Statements (continued)

11 Property, plant and equipment

	€'000	€'000	€'000	€'000	€'000
	Land	Buildings	Equipment	Assets under construction	Total
Cost					
At 1 January 2019	536	1,298	1,251,596	-	1,253,430
Adjustments	-	-	(1,071)	-	(1,071)
Additions	-	-	869	-	869
Disposals	-	-	(188)	-	(188)
Transfers	-	-	-	-	-
At 31 December 2019	536	1,298	1,251,207	-	1,253,041
Additions	-	-	-	-	-
Disposals	(536)	(1,298)	(1,251,207)	-	(1,253,041)
Adjustments	-	-	-	-	-
At 31 December 2020	-	-	-	-	-
Depreciation					
At 1 January 2019	-	(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)
Charge in period	-	-	-	-	-
Disposals	-	357	683,821	-	684,178
At 31 December 2020	-	-	-	-	-
Net book value					
At 1 January 2019	536	982	596,564	-	598,082
At 31 December 2019	536	941	567,386	-	568,863
At 31 December 2020	-	-	-	-	-

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale.

Notes to the Financial Statements (continued)

12 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.

13 Trade and other receivables

	2020 €'000	2019 €'000
Receivable for the sale of goods	-	26,019
Prepayments	2,997	4,332
Accrued income	-	13,423
Other debtors	-	429
	<u>2,997</u>	<u>44,203</u>

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

14 Due to group companies

	2020 €'000	2019 €'000
Shareholder loans	-	247,690

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 and €125,000,000 at 31 December 2019) and with Good Chain Investment Limited (€123,845,000 and €125,000,000 at 31 December 2019), being the two parent companies of UKR1. These loans were repaid on disposal of Portugal Renewable Energy on the 08th October 2020.

15 Trade and other payables

	2020 €'000	2019 €'000
Current liabilities		
Trade creditors	70	5,464
Accruals and deferred income	34	9,002
Other taxes	-	10,133
	<u>104</u>	<u>24,599</u>
Non-current liabilities		
Accruals and deferred income	-	11,032
	<u>-</u>	<u>11,032</u>
Total	<u>104</u>	<u>35,631</u>

Notes to the Financial Statements (continued)

15 Trade and other payables (continued)

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.

16 Borrowings

	2020 €'000	2019 €'000
Current liabilities		
Bank loans	-	3,388
Syndicated loans	-	58,305
	-	61,693
Non-current liabilities		
Bank loans	-	11,407
Syndicated loans	-	361,680
	-	373,087
Total	-	434,780

Bank loans

Bank loans 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.

Syndicated loans

The syndicated loans 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.

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale.

Notes to the Financial Statements (continued)

17 Called up share capital and reserves

Share capital and share premium

	2020 €'000	2019 €'000
Allotted, called-up, authorised and fully-paid shares:		
4 ordinary shares of €1	-	-
Share premium	-	43,500
Analysed as:		€'000
At 1 January 2020		43,500
Capital Reduction		(43,500)
At 31 December 2020		-

The Company has one class of ordinary shares which carry no right to fixed income. A capital reduction has been made of €43.5 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	
		2020 €'000	2019 €'000
Monte Agraço-Energias Alternativas, Lda.	75.000%	-	4,658
ENTREVENTOS-Energias Renováveis, S.A.	51.001%	-	2,063
		-	6,721

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.

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale. The group no longer have any NCI as it related to the Portugal Renewable Energy group.

Notes to the Financial Statements (continued)

19 Derivatives and other financial instruments

	2020 €'000	2019 €'000
Analysis of derivatives		
Amounts due within one year:		
Derivatives measured through the statement of income account: SWAPS	-	(8,526)
Derivatives that are designated and effective as hedge instruments: SWAPS	-	-
	-	(8,526)
Amounts due after more than one year:		
Derivatives measured through the statement of income accounts: SWAPS	-	(51,282)
Derivatives that are designated and effective as hedge instruments: SWAPS	-	-
	-	(51,282)
Total	-	(59,808)

The fair value of derivatives at 31 December 2020 and 2019 was the following:

Set rate	Date Effective	Term	Amount		Market value	
			Dec-2020	Dec-2019	Dec-2020	Dec-2019
4.165%	15 December 2006	15 August 2024	-	63,073,296	-	(7,500,566)
4.165%	15 December 2006	15 August 2024	-	83,203,072	-	(9,896,706)
4.165%	15 December 2006	15 August 2024	-	63,073,296	-	(7,500,506)
4.165%	15 December 2006	15 August 2024	-	59,047,341	-	(7,019,269)
4.785%	09 August 2007	16 June 2025	-	5,417,345	-	(860,156)
4.785%	09 August 2007	16 June 2025	-	6,341,684	-	(1,354,113)
4.785%	09 August 2007	16 June 2025	-	5,417,345	-	(860,645)
4.785%	09 August 2007	16 June 2025	-	5,417,345	-	(861,134)
4.430%	15 December 2009	15 June 2025	-	3,739,758	-	(1,670,574)
4.430%	15 December 2009	15 June 2025	-	4,404,302	-	(1,984,299)
4.430%	15 December 2009	15 June 2025	-	4,404,302	-	(1,975,685)
4.430%	15 December 2009	15 June 2025	-	4,404,302	-	(1,974,079)
4.000%	15 December 2009	15 June 2025	-	31,552,774	-	(4,168,469)
4.000%	15 December 2009	15 June 2025	-	31,552,774	-	(4,164,582)
4.000%	15 December 2009	15 June 2025	-	27,045,234	-	(3,565,754)
1.620%	15 June 2018	15 December 2026	-	375,044	-	(809,659)
1.500%	15 June 2018	15 December 2026	-	1,089,423	-	(1,055,911)
1.476%	15 June 2018	15 December 2026	-	1,000,416	-	(969,523)
1.457%	15 June 2018	15 December 2026	-	753,386	-	(651,041)
1.080%	15 September 2015	15 December 2026	-	12,971,888	-	(642,114)
1.080%	15 September 2015	15 December 2026	-	6,485,944	-	(322,920)
			-	420,770,269	-	(59,807,704)

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 16 and note 14 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

	2020 €'000	2019 €'000
<u>Financial assets</u>		
Cash	-	12,775
Loans and receivables	-	26,019
<u>Financial liabilities</u>		
Derivatives measured through the statement of income	-	(59,808)
Derivatives that are designated and effective as hedge instruments	-	-
Loans and bonds	-	(682,470)
Trade payables	-	-

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

	Year ended 2020 €'000	Year ended 2019 €'000
<u>Interest income and expense on items at amortised cost</u>		
Total interest payable on financial liabilities at amortised cost	-	(74,490)
Total interest receivable on financial assets at amortised cost	-	14
	-	(74,476)
<u>Interest income and expense on derivatives</u>		
Total interest payable on financial liabilities designated in an effective hedging relationship	-	19,895
	-	19,895
<u>Fair value gains and losses</u>		
On financial liabilities measured at fair value through the statement of comprehensive income	-	-
	-	-
Total	-	(54,581)

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.

Notes to the Financial Statements (continued)

19 Derivatives and other financial instruments (continued)

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.

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		Fair value		Notional principal value	
	interest rate					
	2020	2019	2020	2019	2020	2019
	%	%	€'000	€'000	€'000	€'000
More than 1 year	-	3.51	-	(59,808)	-	420,770
			-	(59,808)	-	420,770

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.

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy profit up to disposal date and disposal proceeds are included in profit from discontinued operations in the Consolidated Income Statement, see note 6. Portugal Renewable Energy net assets and goodwill got disposed of as part of the sale.

20 Lease Liabilities

The commitments to third parties at 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
	€'000	€'000
Lease commitments - land and buildings	-	27,970
Analysed as:		
Non-current	-	26,632
Current	-	1,338

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
In the second to fifth years inclusive	-	4,975
After five years	-	21,657
Present value of lease obligations	-	27,970

During the year the group sold investment in Portugal Renewable Energy and the Portugal Renewable Energy that held the above lease liabilities.

Notes to the Financial Statements (continued)

21 Notes to the cash flow

	Year ended 2020 €'000	Year ended 2029 €'000
Operating profit	(2,003)	98,058
Depreciation / amortisation	-	55,377
(Loss) / profit on sale of fixed assets	-	55
Payment of income tax	-	(18,106)
Increase in provisions	(39)	(3,200)
Movement in debtors	-	(5,673)
Movement in creditors	-	7,803
	<u>(2,042)</u>	<u>134,314</u>

Analysis of movement in net debt

	31 December 2019 €'000	Cash movements €'000	Non cash movements €'000	31 December 2020 €'000
Cash and cash equivalents	12,775	(12,161)	-	614
Bank loans	(14,795)	14,795	-	-
Shareholder loans	(247,690)	247,690	-	-
Bonds	(419,985)	419,985	-	-
	<u>(682,470)</u>	<u>682,470</u>	<u>-</u>	<u>-</u>
Net debt	<u>(669,695)</u>	<u>670,309</u>	<u>-</u>	<u>614</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 1 January 2020	17,136	(145,554)	(128,418)
Disposed on sale of discontinued operations	(17,136)	145,554	128,418
At 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued)

22 Deferred tax (continued)

Further analysis:	€'000	€'000	€'000	€'000	€'000
	Tax losses	On property plant and equipment	Fair value of SWAPS	Other	Total
At 1 January 2020	-	(160,221)	14,565	17,238	(128,418)
Disposed on sale of discontinued operations	-	160,221	(14,565)	(17,238)	128,418
At 31 December 2020	-	-	-	-	-

"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.

23 Related party transactions

Intercompany loans of €247,690,000 were held with Well Diamond Development Limited (€123,845,000) and with Good Chain Investment Limited (€123,845,000), being the two parent companies of UKR1. Interest charged on these loans within the period was €15,560,000. Both loans were repaid during the year.

24 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: Clarendon Office, HM11, Bermuda

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 2020

	Notes	2020 €'000	2019 €'000
Non-current assets			
Investments	25	-	328,500
Current assets			
Due from group companies	27	324	-
Cash and cash equivalents		382	14
		<u>706</u>	<u>14</u>
Total assets		<u>706</u>	<u>328,514</u>
Current liabilities			
Trade and other payables	28	(90)	(20,759)
Net current assets/(liabilities)		<u>616</u>	<u>(20,745)</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	27	-	(247,690)
Total liabilities		<u>(90)</u>	<u>(268,449)</u>
Net assets		<u>616</u>	<u>60,065</u>
Equity			
Called up share capital	29	-	-
Share premium account	29	-	43,500
Retained earnings		616	16,565
Equity attributable to owners of the company		<u>616</u>	<u>60,065</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 €239,851,247 (2019 – profit of €1,527,000) and total comprehensive income was €239,851,247 (2019 - income of €1,527,000).

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 Day Month 2021 and signed on its behalf by:

M J Horsley, Director

Day Month 2021

Company Statement of Change in Equity

for the year ended 31 December 2020

	Notes	Called up share capital €'000	Share premium €'000	Retained earnings €'000	Total €'000
At 31 December 2018	27	-	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
Capital Reduction		-	(43,500)	43,500	-
Total comprehensive income		-	-	239,851	239,851
Dividend Paid		-	-	(299,300)	(299,300)
At 31 December 2020		-	-	616	616

Accounting Policies Applicable to the Company

for the year ended 31 December 2020

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 2018.

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

25 Investments

	2020 €'000	2019 €'000
Subsidiary undertakings	-	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. During the year UK Renewables Holdco 3 Limited disposed of its subsidiary, representing a 100% holding in the ordinary share capital of Portugal Renewable Energy, a company whose principal activity is to act as a holding company, which is incorporated and registered in Portugal.

26 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 (2019 – nil).

27 Due from group companies

	2020 €'000	2019 €'000
Current assets		
Due from group companies	324	-

Non-current liabilities

Shareholder loans	-	(247,690)
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Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

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) (2019 - €123,845,000) and with Good Chain Investment Limited (€123,845,000) (2019 - €123,845,000), being the two parent companies of UKR1. These loans were repaid on disposal of Portugal Renewable Energy.

Notes to the Financial Statements (continued)

28 Trade and other payables

	2020 €'000	2019 €'000
Accruals and deferred income	20	2,538
Due to group companies	70	18,221
	<u>90</u>	<u>20,759</u>

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

29 Called up share capital and reserves

Share capital and share premium

	2020 €'000	2019 €'000
Allotted, called-up and fully-paid share:		
4 ordinary share of €1	-	-
Share premium	-	43,500
Analysed as:		€'000
At 1 January 2020		43,500
Capital Reduction		(43,500)
At 31 December 2020		-

The Company has one class of ordinary shares which carry no right to fixed income. A capital reduction has been made of €43.5 million to increase to redistributable reserves.

Retained earnings

Retained earnings are the accumulative earning retained by the company.