Audit Report on the Consolidated Financial Statements
issued by an Independent Auditor

VE SONNEDIX EQUITYCO, S.L. AND SUBSIDIARIES
Consolidated Financial Statements and Group Management Report
for the year ended
December 31, 2017

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

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Sole Shareholder of VE SONNEDIX EQUITYCO, S.L. (Sole-Shareholder Company) at the request of the Sole Director:

Opinion

We have audited the consolidated financial statements of VE SONNEDIX EQUITYCO, S.L. (the Parent), and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group as at December 31, 2017 and of its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Most relevant audit issues

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

Deferred tax assets

At December 31, 2017, the Group has tax loss carryforwards and other deferred tax assets amounting to 4,733 thousand euros. The recoverability of these assets mainly depends on the Group's capacity to generate sufficient future tax profits and within a period of time for which the Group can provide clear evidence of recovery. This area is significant in the context of the audit as the valuation process is complex, requiring Management to perform significant estimates and being the amounts recorded materials. Breakdowns including key aspects and movements related to the deferred tax assets valuation are reflected in the note 14 of the accompanying consolidated notes.

Our audit procedures mainly consisted in analysing the recoverability of the deferred tax assets by assessing the estimated future taxable profits and other tax hypothesis included in the analysis performed by the Parent's management and, checking the results against historical information as well as expected tax profit generations.

Other information: consolidated management report

Other information refers exclusively to the 2017 consolidated management report, the preparation of which is the responsibility of the Parent's Sole Director and is not an integral part of the consolidated financial statements.

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

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Parent's Sole Director responsibilities for the consolidated financial statements

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

In preparing the consolidated financial statements, the Parent's Sole Director is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Parent's Sole Director either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

May 16, 2018

VE Sonnedix Equityco, S.L. and Subsidiaries

Consolidated Financial Statements
for the year ended
31 December 2017, and
Consolidated Management Report

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

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017

(Thousands of euros)

ASSETS	Notes to the financial statements	2017	2016	EQUITY AND LIABILITIES	Notes to the financial statements	2017	2016
NON-CURRENT ASSETS		76,394	69,985	**EQUITY**		(8,175)	4,650
Intangible assets	Note 6	9,252	10,111	***SHAREHOLDERS' EQUITY***	Note 11	(8,175)	4,650
Rights of use		9,046	9,897	**Share Capital**		3	3
Other intangible assets		206	214	Issued capital		3	3
Property, plant and equipment	Note 7	62,406	56,741	**Consolidation reserves**		(7,950)	-
Land and buildings		71	71	**Other shareholder contributions**		4,621	5,749
Plants		62,335	56,670	**Profit (loss) for the period**		(4,849)	(1,102)
Non-current investments	Note 8	3	1				
Deferred tax assets	Note 14	4,733	3,132	**NON-CURRENT LIABILITIES**		87,387	68,857
				Non-current provisions	Note 20	377	80
				Non-current borrowings	Note 13.1	67,428	51,514
				Non-current bank borrowings		-	51,514
				Bonds and other marketable securities		67,428	-
				Non-current debt to Group companies and associates	Notes 13.2 and 15	14,957	12,168
				Other debt to Group companies and associates		14,957	12,168
				Deferred tax liabilities	Note 14	4,625	5,095
				CURRENT LIABILITIES		10,450	6,743
CURRENT ASSETS		13,268	10,265	**Current bank borrowings**	Note 13.1	7,001	3,477
Inventories		118	10	Current bank borrowings		-	3,477
Trade and other receivables		2,903	3,755	Bonds and other marketable securities		7,001	-
Trade receivables for sales and services	Note 9	2,889	3,504	**Current debt to Group companies and associates**	Notes 13.2 and 15	1,492	206
Other receivables from Public Authorities	Note 14	14	251	**Trade and other payables**		1,957	3,060
Current financial assets	Note 8	3,215	3,253	Other payables	Note 13.3	980	1,572
Current prepayments and accrued income		6	-	Current payables to Group companies and associates	Note 15	368	543
Cash and other cash equivalents	Note 12	7,026	3,247	Other accounts payables to Public Authorities	Note 14	609	945
TOTAL ASSETS		89,662	80,250	TOTAL EQUITY AND LIABILITIES		89,662	80,250

The accompanying Notes 1 to 23 are an integral part of the consolidated balance sheet at 31 December 2017

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2017
(Thousands of euros)

	Notes to the financial statements	2017	2016
CONTINUING OPERATIONS			
Revenue	**Note 16.a**	**10,046**	**1,643**
Income from electricity sales		10,046	1,371
Income from provision of services		-	272
Procurements	**Note 16.c**	**(710)**	**(414)**
Other operating expenses	**Note 16.d**	**(3,717)**	**(1,058)**
Depreciation and amortisation charge	**Note 16.e**	**(7,603)**	**(1,037)**
OPERATING INCOME/ (EXPENSE)		**(1,984)**	**(866)**
Finance cost		**(4,399)**	**(617)**
Finance costs, financial entities	**Note 16.f**	(1,925)	(315)
Finance costs, bonds and other marketable securities	**Note 16.f**	(1,171)	-
Finance costs, Group companies and associates	**Note 15 y 16.f**	(1,015)	(302)
Other finance costs	**Note 16.f**	(288)	-
NET FINANCE COST		**(4,399)**	**(617)**
PROFIT (LOSS) BEFORE TAX		**(6,383)**	**(1,483)**
Income tax	**Note 14**	1,534	381
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(4,849)**	**(1,102)**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**(4,849)**	**(1,102)**

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of profit or loss for 2017.

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(Thousands of euros)

	Notes to the financial statements	2017	2016
PROFIT (LOSS) PER STATEMENT OF PROFIT OR LOSS (I)		(4,849)	(1,102)
Income and expense recognised directly in equity			
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		-	-
Transfers to profit or loss			
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		-	-
		-	-
TOTAL COMPREHENSIVE INCOME AND EXPENSE (I+II+III)		(4,849)	(1,102)

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2017

(Thousands of euros)

	Share Capital (Note 11.a)	Other shareholder contributions (Note 11.b)	Consolidation reserves (Note 11.c)	Profit for the period	Interim dividend	Non-controlling interests	TOTAL
BALANCE AT 1 JANUARY 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total recognised income and expense	-	-	-	(1,102)	-	-	**(1,102)**
Transactions with shareholders:							
Incorporation of the parent	3	-	-	-	-	-	**3**
Others: shareholders contributions	-	13,167	-	-	-	-	**13,167**
Others: return of shareholders contributions	-	(7,418)	-	-	-	-	**(7,418)**
BALANCE AT 31 DECEMBER 2016	**3**	**5,749**	**-**	**(1,102)**	**-**	**-**	**4,650**
Total recognised income and expense	-	-	-	(4,849)	-	-	**(4,849)**
Distribution of the consolidated profit 2016	-	-	(1,102)	1,102	-	-	**-**
Transactions with shareholders:							
Shareholders contributions	-	13,323	-	-	-	-	**13,323**
Distribution of dividends	-	(8,702)	-	-	-	-	**(8,702)**
Other changes in equity:							
Incorporation of the new parent	3	-	-	-	-	-	**3**
Output of the old parent	(3)	(5,749)	-	-	-	-	**(5,752)**
Others	-	-	(6,848)				**(6,848)**
BALANCE AT 31 DECEMBER 2017	**3**	**4,621**	**(7,950)**	**(4,849)**	**-**	**-**	**(8,175)**

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017

VE Sonnedix Equityco, S.L. and Subsidiaries

CONSOLIDATED STATEMENT OF CASHFLOW FOR 2017
(Thousands of euros)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**(3,874)**	**(440)**
Profit for the year before tax		**(6,383)**	**(1,483)**
Adjustments for:		**12,002**	**1,654**
- Amortisation and depreciation expenses (+)	Note 16.e	7,603	1,037
- Finance income (-)		-	-
- Finance costs (+)	Note 16.f	4,399	617
Changes in working capital		**(7,565)**	**650**
- Inventories		(108)	(1)
- Trade and other receivables		852	4,692
- Trade and other payables		(4,603)	(4,041)
- Other non-current assets and liabilities		(3,706)	-
Other cash flows from operating activities		**(1,928)**	**(1,261)**
- Interest and fees paid		(1,928)	(1,261)
- Interest received		-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(436)**	**(39,618)**
Payments for investments (-)		**(1,282)**	**(41,154)**
- Property, plant and equipment	Note 5	(108)	(23,763)
- Other assets (*)	Note 5	(1,174)	(17,391)
Proceeds from disposals (+)		**846**	**1,536**
- Other assets (cash contributed in business combinations)		846	1,536
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**8,089**	**43,305**
Transactions with shareholders	Note 11	**(7,562)**	**5,750**
- Shareholder contributions (+)		1,140	13,168
- Return of shareholder contributions (-)		(8,702)	(7,418)
Proceeds and payments relating to financial liabilities		**15,651**	**37,555**
- Redemption and repayment of:			
Payables to third parties (-)		(57,609)	(30,549)
Payables to Group companies (-)	Note 13.2	-	(2,956)
- Issue of:			
Payables to Group companies (+)	Note 13.2	-	15,124
Bank borrowings (+)	Note 13.1	-	55,936
Bonds and other marketable securities (+)	Note 13.1	74,000	-
Others (fees for issue of bonds and other marketable securities)	Note 13.1	(740)	-
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,779**	**3,247**
Cash and cash equivalents at beginning of year	Note 12	**3,247**	-
Cash and cash equivalents at end of year	Note 12	**7,026**	**3,247**

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

The accompanying Notes 1 to 23 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2017

VE Sonnedix Equityco, S.L. and Subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2017

1. Group activity and companies

VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) and its subsidiaries constitute a group of companies (hereinafter, the "Group"). The Group's activity consists mainly of the operation of photovoltaic solar power stations.

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

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

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

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

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

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

Thus, as of December 31, 2017, the Parent Company is part of a Group of companies (Sonnedix España Group), whose Parent company is Sonnedix España, S.L.U., a Spanish company that issues Consolidated financial statements and consolidated management report, being its registered office located in Madrid, Velazquez Street, number 157.

Likewise, VE Sonnedix Equityco, S.L. is the head of the Group and consolidated financial statements are issued voluntarily pursuant to Spanish law, in accordance with the current regulation as the Parent consolidates in Sonnedix España Group, registering their consolidated financial statements in the Spanish Companies Registry. The Group issued its consolidated financial statements for the first time in 2016, according to Spanish laws.

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

Appendix I sets out a list of subsidiaries, associates and direct or indirect investees of VE Sonnedix Equityco, S.L., as well as key information thereon.

Group activity

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

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

- Acquisition of the Cubla project

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

During 2016, the Group entered into several agreements to acquire different groups of companies and assets used in operating photovoltaic power stations. All acquisitions carried out in the period ended 31 December 2016 are disclosed as follows:

- Acquisition of the Campillos project:

On 25 September 2016, Vela Energy SPV XIX S.L.U (wholly-owned by Vela Energy Holdings 3, S.L.) signed an agreement with GWM Renewable Energy Spain, S.L. (seller), whereby it agreed to purchase 100% of shares of Lux Sol de Málaga S.L.U. and of Fotocampillos 1, S.L.U., Fotocampillos 2, S.L.U., Fotocampillos 3, S.L.U., Fotocampillos 4, S.L.U., Fotocampillos 5, S.L.U., Fotocampillos 6, S.L.U., Fotocampillos 7, S.L.U., Fotocampillos 8, S.L.U., Fotocampillos 9, S.L.U., Fotocampillos 10, S.L.U., Fotocampillos 11, S.L.U., Fotocampillos 12, S.L.U., Fotocampillos 13, S.L.U., Fotocampillos 14, S.L.U., Fotocampillos 15, S.L.U., Fotocampillos 16, S.L.U., Fotocampillos 17, S.L.U. and Fotocampillos 18, S.L.U. (hereinafter, "Fotocampillos"). The project entails total nominal power of 1.8 MW.

- Acquisition of the Herreras y Corveras project:

On 6 October 2016, Vela Energy SPV XVII, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) entered into an agreement with Shikun & Binui Renewable Energy, LTD and Sunflower Sustainable Investments, LTD to acquire shares of Gilatz Spain, S.L., the head of a group of companies managing two photovoltaic power stations. The project entails total nominal power of 7 MW.

- Acquisition of the Miralcamp project:

On 27 October 2016, Vela Energy SPV VII, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) acquired ownership of a photovoltaic power station with nominal power of 1 MW, as well as the licences, permits and authorisations required to operate the business. The Miralcamp photovoltaic power station, located in Miralcamp (Lleida), was commissioned on 30 June 2008.

- Acquisition of the Campo Lugar project:

On 29 December 2016, Vela Energy SPV XXVI, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) acquired ownership of a photovoltaic power station with nominal power of 1.92 MW, as well as the licences, permits and authorisations required to operate the business. The Campo Lugar photovoltaic power station, located in Monforte de Lemos (Lugo), was commissioned on 13 August 2008.

- Acquisition of the Madridanos project:

On 28 December 2016, Vela Energy SPV XX, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) acquired ownership of a photovoltaic power station with nominal power of 0.54 MW, as well as the licences, permits and authorisations required to operate the business. The Madridanos photovoltaic power station, located in Madridanos (Zamora), was commissioned on 24 April 2008.

The Group's business is conducted in Spain.

Group activity in Spain

The Group currently operates the following photovoltaic power stations (see Notes 5 and 7):

- Photovoltaic power station with 36 sub-stations located in Jaén, and owned by the Group company Parque Eólico de Cubla, S.L.

- Photovoltaic power station with 18 sub-stations, located in Málaga and owned by the Group company Vela Energy SPV XIX, S.L.

- Photovoltaic power station with 40 sub-stations, located in La Herrera (Murcia) and owned by the Group company Vela Energy SPV XVII, S.L. This photovoltaic power station is part of the Herrera´s project.

- Photovoltaic power station with 30 sub-stations, located in Corvera (Murcia) and owned by the Group company Vela Energy SPV XVII, S.L. This photovoltaic power station is part of the Corvera´s project.

- Photovoltaic power station with 10 sub-stations, located in Miralcamp (Lleida) and owned by the Group company Vela Energy SPV VII, S.L.

- Photovoltaic power station with 20 sub-stations, located in Monforte de Lemos (Lugo) and owned by the Group company Vela Energy SPV XXVI, S.L.

- Photovoltaic power station with 6 sub-stations, located in Madridanos (Zamora) and owned by the Group company Vela Energy SPV XX, S.L.

The total nominal power of all companies forming part of the VE Sonnedix Equityco Group is 15.86 MW.

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

2. Basis of presentation of the consolidated financial statements

2.1 Financial reporting framework applicable to the Group

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

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

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

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

d) All other applicable Spanish accounting legislation.

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

2.2 Basis for preparation

The accompanying consolidated financial statements are prepared in thousands of euros from the accounting records kept by the Parent and by the other entities comprising the VE Sonnedix Equityco Group.

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

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

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

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

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

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

2.3 Fair view

These consolidated financial statements give a fair view of the equity, the consolidated results of its operations, the changes in its consolidated equity and in consolidated cash flows at the VE Sonnedix Equityco Group in 2017 and 2016.

2.4 Adoption of IFRS

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

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

Standards and interpretations effective this year

In 2017, new accounting standards entered into force and were accordingly taken into account in preparing the accompanying consolidated financial statement.

The detail of standards, amendments and accounting interpretations approved by the European Union and their initial date of mandatory application, as well as those standards and interpretations that are issued by the IASB or by the IFRS Interpretations Committee but have not yet been approved for their use in the European Union, is as follows:

New standards, amendments and interpretations:		**Mandatory application for annual periods beginning on or after:**
Approved for use in the European Union		
Amendment to IAS 7. Cash flow: Disclosure Initiative	Introduces additional disclosure requirements in relation to the reconciliation of the movement of financial liabilities with the cash flows from financing activities.	1 January 2017
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	Clarification of the principles established in relation to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendment to IFRS 4, Insurance Contracts	Allows entities the choice of either applying IFRS 9 or its temporary exemption, within the scope of IFRS 4.	1 January 2018
IFRS 15, Revenue from Contracts with Customers and clarifications	The new revenue standard will affect all industries and sectors in a cross-cutting manner in one way or another. It will replace IAS 18 and IAS 11 currently in force, in addition to current revenue interpretations (IFRIC 13, 15, 18 and SIC 31). The new IFRS 15 model is much more restrictive and, in addition to adopting a very different approach, is based on rules and, therefore, the application of the new requirements may give rise to changes in the revenue profile.	1 January 2018
IFRS 9 Financial Instruments	This new standard will supersede the current IAS 39. IFRS 9 was issued in parts and is now complete (Classification and Measurement, Hedges and Impairment). The change in concept is significant in all sections. This changes the classification and measurement model for financial assets whose central axis will be the business model. The aim of the hedge accounting model is to become more in line with the economic management of the risk and require fewer rules. Lastly, the impairment model changes from the current incurred losses to a forecast losses model.	1 January 2018
IFRS 16, Leases	Replaces IAS 17 and the associated interpretations. The main development involves the new standard proposing a single accounting model for lessees, including all leases in the statement of financial position (with specific exceptions) with a similar impact to that of current financial leases (depreciation of the asset in terms of the right of use and finance expense on the amortised cost of the liability).	1 January 2019

Not approved for use in the European Union at the date of publication of this document		
Amendment to IFRS 2, Classification and Measurement of Shared-Based Payment Transactions	These are limited amendments which clarify specific matters such as the accounting for the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features and certain aspects of the modifications to the type of share-based payment.	1 January 2018
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A very significant clarification in relation to the result of these operations, because there had been a discrepancy between the standards. When concerning a business, a full gain or loss will be recognised; should the object of the transaction be assets, a partial gain or loss will be recognised.	Its adoption in the EU and its application in accordance with IASB has been deferred indefinitely.
Amendments to IAS 40, Reclassification of Investment Property	The amendment clarifies that the reclassification of an investment as investment property shall only be permitted when it can be demonstrated that there has been a change in use.	1 January 2018
Improvements to IFRS for 2014-2016 (published in December 2016)	Small amendments to specific standards	1 January 2018
Improvements to IFRS for 2015-2017	Small amendments to specific standards	1 January 2019
IFRS 17 Insurance contracts	This new standard will replaced the current IFRS 4. It will apply to all kind of insurance contracts regardless of the type of entities that issue them. Its main purpose is to provide an accounting model for these contracts that is more useful and uniform for the insurers.	1 January 2021
IFRIC 22 Foreign currency transactions and advance consideration	This interpretation establishes the "transaction date" in order to establish the exchange rate applicable to transactions with advance considerations in foreign currency.	1 January 2018
IFRIC 23 Uncertainties about income tax treatment	This interpretation addresses aspects such as whether an entity has to consider tax uncertainties separately or together, and must follow the approach that best estimates the uncertainty resolution.	1 January 2019

The Parent's Sole Director considers that the adoption of these standards shall have no significant impact on the consolidated financial statements at 31 December 2017, with the exception of the entry into effect of IFRS 16 as of 1 January 2019, which entails the recognition of larger assets and liabilities in terms of lease agreements for land on which certain photovoltaic power stations are located, an improvement in the consolidated operating income and a decrease in consolidated profit for the year, in addition to a more comprehensive breakdown in the consolidated financial statements.

2.5 Group's presentation currency

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

2.6 Non-mandatory accounting principles applied

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

2.7 Critical issues regarding the measurement and estimation of uncertainties

In preparing the accompanying consolidated financial statements, estimates were made by the Parent's Sole Director in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Although these estimates were made on the basis of the best information available at year-end 2017, future events may make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively.

These estimates relate basically to the following:

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

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

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

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

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

2.8 Comparison of information

The information contained in these consolidated financial statements for the year 2017 are presenting, for comparative purposes, with the information for 2016.

2.9 Changes in the scope of consolidation

The most significant changes in the scope of consolidation during 2017 are as follows:

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

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

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

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

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

The most significant changes in the scope of consolidation during 2016 were as follows:

- **Acquisition of the Campillos project:** during 2016, this group of companies was included in the scope of consolidation. This transaction generated goodwill at consolidated level (see Note 5).

- **Acquisition of the Herreras y Corveras project:** during 2016, this group of companies was included in the scope of consolidation. This transaction generated goodwill at consolidated level (see Note 5).

- **Incorporation of new companies:** the following companies were incorporated within the Group in 2016:

  - Vela Energy SPV XXVI, S.L.U. (incorporated in 2016).

- Vela Energy SPV XX, S.L.U. (incorporated in 2015 by Vela Energy Holdings, S.L.U. and acquired by Vela Energy Holdings 3, S.L. on 2 June 2016).

- Vela Energy SPV VII (incorporated in 2015 by Vela Energy Holdings, S.L.U. and acquired by Vela Energy Holdings 3, S.L. on 2 June 2016).

2.10 Grouping of items

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

2.11 Basis of consolidation

During the consolidation process, all subsidiaries of the Parent, as detailed in Appendix I, were taken into account.

The Group used the following criteria to determine which consolidation method to apply to the various companies comprising the Group:

- Those subsidiaries in which the Group exercises effective control by holding the majority of the voting rights in their governing or decision-making bodies were fully consolidated. At 31 December 2017, all companies comprising the VE Sonnedix Equityco Group were fully consolidated.

The operations of the Parent and of the consolidated subsidiaries were consolidated in accordance with the following principles:

- The acquisition by the parent of control over a subsidiary constitutes a business combination and is accounted for using the acquisition method. When the ownership is consolidated subsequently, the equity investment (net) in the subsidiary is generally eliminated on the basis of the values resulting from applying the acquisition method (described below) at the date on which control was obtained.

- Business combinations are accounted for using the acquisition method, requiring determination of the acquisition date and calculation of the cost of the combination, recognising the identifiable assets acquired and the liabilities assumed at their fair value at the acquisition date. Consequently and in certain Group companies in 2017 and 2016, the Group has recognised the fair value of the acquired rights of use (these rights are not recognised in the individual financial statements of the companies) for licences and administrative procedures required for carrying out a project and acquired from third parties (see Note 5). This acquired right of use corresponds to the administrative requirements (concessions, permits, licences, etc.) for carrying out the project and are essential for the construction and commissioning of the related assets. Accordingly, the rights are amortised over the useful life of the project assets.

- Goodwill or negative goodwill arising on consolidation is calculated as the difference between the aggregate of the acquisition-date fair value of the recognised assets acquired and liabilities assumed and the cost of the business combination. Changes, purchases and sales of ownership interests to non-controlling shareholders that occur after control is assumed and that do not entail a change in control are not considered business combinations and therefore the differences recognised on first consolidation are not modified.

At the date of preparation of these consolidated financial statements, VE Sonnedix Equityco Group has already concluded the process of measuring the investments made in the photovoltaic power stations acquired in the business combinations during 2016 and is valuing the investments made in the photovoltaic power stations acquired in 2017 in the above-mentioned business combinations (see Note 5). In accordance with prevailing international financial standards, this valuation must be concluded within 12 months from each acquisition date. Consequently,

a) The carrying amount of the identifiable assets, liabilities and contingent liabilities, which are recognised or adjusted to complete the initial accounting, will be calculate as if the fair value at the acquisition date had been recognised at that date.

b) Goodwill or any gain will be adjusted with effects as from the acquisition date, for an amount equal to the fair value adjustment at that date in the identifiable asset, liability or contingent liability being recognised or adjusted.

c) The comparative information presented for years prior to completing the initial accounting of the combination will be presented as if it had been completed at the acquisition date. This includes making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

The cost of the combination is the sum of:

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

- The fair value of any contingent consideration that depends on the occurrence of future events or the fulfilment of specified conditions.

The costs incurred to issue equity instruments or financial liabilities given up in exchange for the items acquired are not included in the cost of the business combination.

If a business combination is achieved in stages, such that before the acquisition date (date on which control is obtained) there existed a previous investment, goodwill or the negative difference is calculated as the difference between:

- The cost of the business combination, plus the fair value at the acquisition date of any previous interest of the acquirer in the acquiree, and

- The value of identifiable assets acquired less liabilities assumed, determined as indicated above.

Any gain or loss arising from measurement at fair value at the date on which control of the interest is obtained is recognised in the consolidated statement of profit or loss. If the equity interest had been measured previously at fair value, any changes in fair value not recognised in profit or loss for the year are transferred to the consolidated statement of profit or loss. There is a presumption that the cost of the business combination is the best yardstick for an estimate of the fair value of any previous interest at the acquisition date.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the company acquired, and is translated to euros at the exchange rate prevailing on the consolidated balance sheet date.

In the exceptional case that the difference arising on the combination is negative, the difference is recognised as income in the consolidated statement of profit or loss.

If at the end of the period in which the combination took place the necessary measurements to apply the accounting treatment described above to the acquisition cannot be completed, such accounting will be regarded as provisional, and the provisional values may be adjusted within the period required to obtain the necessary information, which may in no event exceed one year. The effects of any adjustments made during the measurement period are accounted for retroactively, modifying the comparative information if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case, subsequent changes in its fair value are not recognised.

The financial statements of any subsidiaries with a functional currency other than the presentation currency (the euro) would be translated to euros as follows:

- The assets and liabilities in their balance sheets are translated at the closing rate at the corresponding consolidated balance sheet date.

- The statement of profit or loss items were translated at the cumulative average exchange rates for the period in which they arose.

- Any resulting exchange differences are recognised as a separate component of equity under "Translation differences".

When control, joint control or a significant influence over a company with a functional currency other than the euro is lost, the translation differences recognised as a component of equity relating to that company are recognised in profit or loss at the same time as the gain or loss on the disposal is recognised. If an investee with a functional currency other than the euro is a jointly controlled entity or associate and it is partially disposed of, without giving rise to a change in its classification as an investee, or if the jointly controlled entity becomes an associate, only the proportionate share of the exchange difference is recognised in profit or loss.

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

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

3. Regulatory framework applicable to the renewable energy production activities

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

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

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

At 31 December 2017 and 2016, the primary regulations in respect of electricity were set out in Electricity Sector Law 24/2013 of 26 December, which repealed Law 54/1997 of 27 November.

The Electricity Sector Law aims to govern the sector in order to ensure the supply of electricity and to adapt the supply to the needs of consumers in terms of security, quality, efficiency, objectivity, transparency and minimum cost.

The law establishes that the remuneration regime for renewable, cogeneration and waste-generated energies will be based on the necessary market share of each facility, supplementing market income, where necessary, with specific regulated remuneration so that these technologies can compete on an equal basis with other market technologies. This specific supplementary remuneration will be sufficient to reach the minimum level necessary to cover the costs that, in contrast to conventional technologies, cannot be recovered in the market and that will allow these energy producers to obtain returns that are reasonable for a standard facility in each case.

By virtue of this criteria, specific remuneration will comprise the following, depending on the technology in question:

- An amount per unit of installed capacity that covers the investment costs of a standard facility that cannot be recovered through the market sale of energy, and

- An amount for the operation that covers the shortfall between operating costs and income in accordance with market share.

The remuneration will be calculated for a standard facility throughout its regulatory useful life, taking into account the following:

- Standard income for the sale of energy generated, measured at the (estimated) price in the production market,

- Standard operating costs and

- Standard value of initial investment.

In order to calculate the specific remuneration, regulatory period of six years and partial periods of three years are established. The first regulatory period began on 14 July 2013 and will end on 31 December 2019.

A review will be conducted during each regulatory period, in which all remuneration parameters may be modified, including the value of a reasonable return throughout the remainder of the regulatory useful life of standard facilities, established by law. Once the regulatory useful life or the standard value of the initial investment of a facility has been recognised, they may not be revised under any circumstances.

Every three years, the estimated income for the sale of energy generated will be reviewed for the remaining regulatory period, valued at the production market price and based on trends in market prices and expected operating hours.

In addition, the remuneration parameters will be adjusted in accordance with deviations between the market price and the estimates made for the preceding three-year period. The adjustment method will be established through the pertinent regulations and will be applicable for the remaining useful life of the facility.

The reasonable return will be defined as a project return, which will be pegged to the average pre-tax yield in the secondary market of 10-year Spanish bonds plus an appropriate spread.

Additional provision one of Royal Decree Law 9/2013 sets the reasonable return for those facilities entitled to the remunerated economic regime upon the entry into force of the Royal Decree as the average yield in the secondary market of 10-year Spanish bonds during the ten years prior to entry into force of Royal Decree Law 9/2013 plus 300 basis points (equivalent to 7.398% for the first regulatory period).

The law also establishes the priority access and dispatch criteria for electricity from renewable energy sources and from high-efficiency cogeneration, in accordance with European Union directives.

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

Royal Decree 413/2014 was published on 6 June 2014, governing electricity production through renewable energy sources, cogeneration and waste. Subsequently, Ministerial Order IET/1045/2014 of 16 June was published on 20 June 2014, approving the remuneration parameters for standard facilities applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste.

Furthermore, on 17 February 2017, Ministerial Order ETU/130/2017 was published, updating the remuneration parameters for standard facilities applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste, for application in the regulatory partial period beginning on 1 January 2017.

This new remuneration includes the adjusted remuneration parameters in accordance with deviations between the market price and the estimates made for the preceding three-year period. The Parent's Sole Director does not believe that the aforementioned adjustment will have a significant impact on the Group.

The Sole Director of the Parent considers that the income the Group will generate under the new regulatory framework will be reasonably sufficient to ensure continuity of operations.

Regulatory changes approved in previous years

The following regulations were approved in recent years and continue in force, with an impact on the photovoltaic power station business:

- Royal Decree-Law 3/2016, of 2 December 2016, approving tax measures:

  Adopts tax measures aimed at the consolidation of public finances and other urgent social security measures. These measures affect the recoverability of tax losses of companies and the impairment of shares that had previously been tax deductible.

  In addition, new limits are established for offsetting tax loss carryforwards, taking into account the minimum of EUR 1 million in all cases:

  - 60% of taxable income: for periods beginning on or after 2016 (70% for periods beginning on or after 1 January 2017).

  - 50% of taxable income: when revenue is at least EUR 20 million but less than EUR 60 million during the 12-month period

  - 25% of taxable income: when revenue is EUR 60 million or above during the 12-month period

- Royal Decree-Law 12/2012 of 30 March, introducing tax and administrative measures aimed at reducing public debt.

  Among other changes, the regulation establishes that net finance costs will be deductible, with a limit of up to 30% of profit from operations for the period. In any event, net finance costs of EUR 1 million will be deductible for the tax period.

  Given that the entities file taxes as part of a consolidated tax group, the limit foreseen refers to the tax group as a whole.

- Law 16/2012 of 27 December, adopting tax measures to support public fiscal consolidation and to stimulate economic activity.

  Among other provisions, the law established that the depreciation and amortisation for accounting purposes of property, plant and equipment, intangible assets and investment property for tax periods beginning in 2013 and 2014 can be deducted from taxable income up to 70% of the amount that, to date, could be considered tax deductible had the percentage not been applied.

  Any depreciation or amortisation expenses that are not tax deductible in 2013 and 2014 will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset as from the first tax period beginning in 2015.

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

  As from 1 January 2015, the applicable tax rate was reduced to 28%, with a further reduction to 25% as from 1 January 2016. Modifications were also made to the treatment of the offset of tax loss carryforwards, whereby the time limit on their use has been eliminated. Nevertheless, quantitative limits of 60% and 70% of taxable income prior to the offset have been set for 2016 and for 2017 and thereafter, respectively, and a minimum of EUR 1 million has been established for all cases. Nevertheless, the offset of tax loss carryforwards for 2015 will be subject to the previous regulations, which establish a limit of 50% of taxable income prior to the offset, when revenue for the 12-month period is at least EUR 20 million but less than EUR 60 million, and a limit of 25% of taxable income prior to the offset, when revenue for the 12-month period is at least EUR 60 million.

4. Accounting policies and measurement bases

The main measurement bases used by the Group in preparing the 2017 consolidated financial statements are as follows:

a) Intangible assets (see Note 6)

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

Rights of use

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

Other intangible assets

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

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

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

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

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

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

Property, plant and equipment comprises the capitalised cost of construction of the photovoltaic solar power stations. The cost includes, where applicable, the following items accrued exclusively prior to the moment the assets are in operating conditions, i.e., the point at which it is available for use, up to the market value of the related item of property, plant and equipment.

a. For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general purpose borrowings directly attributable to the acquisition or production of the assets.

b. Personnel expenses and other costs directly or indirectly related to works.

c. Income generated by the asset up to its commissioning (income during the testing phase, construction penalties, etc.) are recognised as a decrease in the cost of acquisition of the asset.

The necessary costs for developing and commissioning photovoltaic power stations are recognised as an increase in the value of the power stations.

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

The Group reclassifies property, plant and equipment under construction to property, plant and equipment in use once the facility has been duly commissioned and after all rights and obligations associated with the different assets have been transferred to the Group.

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

	Years of estimated useful life
Plant	18

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

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

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

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

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

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

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

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

d) Leases

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

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

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

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

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

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

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

Operating leases

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

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

Finance leases

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

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

e) Financial instruments (see Notes 8 and 13)

i. Financial assets

Classification

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

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

Initial recognition

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

Subsequent measurement

Loans and receivables are measured at amortised cost.

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

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

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

In contrast, the Group does not derecognise financial assets and recognises a financial liability for an amount equal to the consideration received in the transfer of financial assets in which it retains substantially all the risks and rewards of ownership, such as the discounting of bills, recourse factoring, sales of financial assets under repurchase agreements at a fixed price or at a selling price plus interest, and the securitisation of financial assets where the selling company retains subordinated financing or another type of guarantee that substantially absorbs all of the expected losses.

ii. Financial liabilities

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

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

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

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

f) Cash and cash equivalents (see Note 12)

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

g) Income tax (see Note 14)

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

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

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

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

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

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

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

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

However, at 31 December 2016, Group companies were subject to two-fold taxation, in that all Group companies file taxes on an individual basis except for the Spanish subsidiaries of Gilatz Spain S.L., which file taxes as part of a consolidated tax Group. During 2017 all the subsidiaries that files taxes as part of a consolidated tax Group have been merged by their Parent, the subsidiary Vela Energy SPV XVII, S.L. This company files taxes on an individual basis (see Notes 5 and 14) so that all Group companies for the year ended 31 December 2017 file taxes on an individual basis.

h) Income and expenses (see Note 16)

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

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

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

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

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

i) Provisions and contingencies (see Note 20)

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

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

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

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

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

j) Environmental assets and liabilities

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

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

k) Related party balances and transactions (see Note 15)

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

l) Current and non-current classification

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

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

m) Segment reporting (see Note 21)

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

n) Consolidated statement of cash flows

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

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

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

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

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

5. Business combinations

5.1 Projects acquired in 2017

5.1.1. Acquisition of the Cubla project:

Description of the transaction

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

Consideration transferred

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

	Thousands of euros
Cash	759
Total consideration transferred	759

Assets acquired and liabilities assumed at the acquisition date

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

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

Goodwill (negative difference) arising on the business combination

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

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

Impact of the combination on Group profit and loss

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

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

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

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

5.2 Projects acquired in 2016

5.2.1. Acquisition of the Fotocampillos project:

Description of the transaction

On 25 September 2016, Vela Energy SPV XIX S.L.U (wholly-owned by Vela Energy Holdings 3, S.L.) acquired control of Fotocampillos 1, S.L.U., Fotocampillos 2, S.L.U., Fotocampillos 3, S.L.U., Fotocampillos 4, S.L.U., Fotocampillos 5, S.L.U, Fotocampillos 6, S.L.U., Fotocampillos 7, S.L.U., Fotocampillos 8, S.L.U., Fotocampillos 9, S.L.U., Fotocampillos 10, S.L.U., Fotocampillos 11, S.L.U., Fotocampillos 12, S.L.U., Fotocampillos 13, S.L.U., Fotocampillos 14, S.L.U., Fotocampillos 15, S.L.U., Fotocampillos 16, S.L.U., Fotocampillos 17, S.L.U., Fotocampillos 18, S.L.U. and Lux Solar de Málaga, S.L.U., all of which operate photovoltaic power stations, through the acquisition of 100% of shares in these companies (see Note 1).

On 3 November 2016, Vela Energy Holdings 3, S.L. approved the merger whereby Vela Energy SPV XIX, S.L. absorbed Fotocampillos 1, S.L.U., Fotocampillos 2, S.L.U., Fotocampillos 3, S.L.U., Fotocampillos 4, S.L.U., Fotocampillos 5, S.L.U, Fotocampillos 6, S.L.U., Fotocampillos 7, S.L.U., Fotocampillos 8, S.L.U., Fotocampillos 9, S.L.U., Fotocampillos 10, S.L.U., Fotocampillos 11, S.L.U., Fotocampillos 12, S.L.U., Fotocampillos 13, S.L.U., Fotocampillos 14, S.L.U., Fotocampillos 15, S.L.U., Fotocampillos 16, S.L.U., Fotocampillos 17, S.L.U., Fotocampillos 18, S.L.U. and Lux Solar de Málaga, S.L.U.

This merger was entered in the Companies Registry on 29 December 2016 and has effects for accounting purposes as from 25 September 2016 (date on which the absorbing company acquired control over the absorbed companies).

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 436 thousand.

	Thousands of euros
Cash	436
Total consideration transferred	436

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant and equipment	9,624
Intangible assets	216
Deferred tax assets	286
Trade and other receivables	384
Cash and cash equivalents	19
Other assets	8
Assets acquired	**10,537**
Non-current liabilities	9,272
Current liabilities	1,111
Liabilities acquired	**10,383**
Total value of net assets acquired	**154**

Goodwill (negative difference) arising on the business combination

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

	Thousands of euros
Consideration transferred	436
Less - Value of net assets acquired	154
Difference	**282**
Assigned to rights of use	**378**
Deferred tax liabilities	**94**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Revenue	301
Profit/(loss) for the period	(243)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) for 2016 would have been as follows:

	Thousands of euros
Revenue	1,212
Profit/(loss) for the period	(624)

5.2.2. *Acquisition of the Herreras y Corveras project:*

Description of the transaction

On 6 October 2016, Vela Energy SPV XVII, S.L.U. (buyer) entered into an agreement with Shikun & Binui Renewable Energy, LTD and Sunflower Sustainable Investments, LTD (sellers at 50% each) to acquire shares of Gilatz Spain, S.L., which holds ownership of Fotosolaris 2005 S.L. and Cosmos Innova S.L. The main conditions of this agreement are as follows:

- The sellers sold 100% of shares and all receivables they hold.
- The price was assigned as follows:
  - Price of shares: EUR 13,761 thousand.
  - Price of participating loans: EUR 24,798 thousand.
- Shikun & Binui Renewable Energy, LTD and Sunflower Sustainable Investments, LTD state that they have received three participating loans from Gilatz Spain S.L., the total amount of which stood at EUR 24,798 thousand at the acquisition date. These loans were fully repaid by Vela Energy SPV XVII, S.L.U. at the acquisition date.
- The total price was transferred through two bank transfers, upon signature of the agreement.
- On 25 November 2016, Vela Energy SPV XVII, S.L. and the seller Shikun & Binui Renewable Energy, LTD agreed to reduce the price by EUR 59 thousand.

This process explicitly gave rise to goodwill of EUR 7,442 thousand (net), which was assigned to licences and rights of use.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 38,500 thousand.

	Thousands of euros
Cash	38,500
Total consideration transferred	38,500

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Property, plant and equipment	29,950
Intangible assets	1,072
Deferred tax assets	2,774
Trade and other receivables	1,574
Cash and cash equivalents	1,504
Other assets	17
Assets acquired	**36,891**
Deferred tax liabilities	3,670
Other non-current liabilities	12
Current liabilities	290
Liabilities acquired	**3,972**
Total value of net assets acquired	**32,919**

Goodwill (negative difference) arising on the business combination

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

	Thousands of euros
Consideration transferred	38,500
Less - Value of net assets acquired	32,919
Difference	**5,581**
Assigned to rights of use	**7,442**
Deferred tax liabilities	**1,861**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Revenue	850
Profit / (loss) for the period	185

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) for 2016 would have been as follows:

	Thousands of euros
Revenue	4,562
Profit / (loss) for the period	(527)

On January 16, 2017, Vela Energy Holdings 3, S.L. approved the merger whereby Vela Energy SPV XVII, S.L. has absorbed Gilatz Spain, S.L.U., Cosmos Innova, S.L.U., Fotosolaris Energía 2005, S.L.U., Energía Ecológica Alexser Solar, S.L.U., Proyecto Ecológico Altea, S.L.U., Proyecto Ecológico Altervol, S.L.U., Energía Ecológica Ambiencor, S.L.U., Energía Ecológica Ana Ojos Del Sol, S.L.U., Proyecto Ecológico Bioenervi, S.L.U., Proyecto Ecológico Carima, S.L.U., Proyecto Ecológico Castelsol, S.L.U., Proyecto Ecológico Corveco, S.L.U., Proyecto Ecológico Corvolt, S.L.U., Proyecto Ecológico Enerclim, S.L.U., Energía Ecológica Fran Tornado Solar, S.L.U., Proyecto Ecológico Guinaer, S.L.U., Proyecto Ecológico Ignis, S.L.U., Proyecto Ecológico Jarante, S.L.U., Energía Ecológica Loren Sol, S.L.U., Proyecto Ecológico Los Parras, S.L.U., Proyecto Ecológico Nucleo Solar Mario, S.L.U., Proyecto Ecológico Nushaba, S.L.U., Proyecto Ecológico Prunus, S.L.U., Proyecto Ecológico Rosmarino, S.L.U., Proyecto Ecológico Salzur, S.L.U., Energia Ecológica Solar Sol De Familia, S.L.U., Proyecto Ecológico Sol De Irene, S.L.U., Proyecto Ecológico Solarvi, S.L.U., Proyecto Ecológico Solcorve, S.L.U., Energía Ecológica Valle De Iris, S.L.U., Proyecto Ecológico Valle Ros Marinus, S.L.U., Proyecto Ecológico Villarsol, S.L.U. and Proyecto Ecológico Voltasol, S.L.U. Prior to the merger, Vela Energy SPV XVII, S.L. owned, directly or indirectly, the 100% of the shares in the absorbed companies.

This merger was entered in the Companies Registry on 8 March 2017 and has effects for accounting purposes as from 31 March 2017.

5.2.3. Acquisition of the Miralcamp project:

Description of the transaction

On 27 October 2016, Vela Energy SPV VII, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) acquired the assets, contracts, licences, receivables and payables associated with the Miralcamp photovoltaic power station. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 5,335 thousand, paid in cash.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Intangible assets	338
Property, plant and equipment	4,797
Other assets	1,242
Assets acquired	**6,377**
Current liabilities	1,042
Liabilities acquired	**1,042**
Total value of net assets acquired	**5,335**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Revenue	123
Profit / (loss) for the period	(210)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Revenue	822
Hypothetical profit / (loss) for the year	(41)

5.2.4. Acquisition of the Madridanos project:

Description of the transaction

On 28 December 2016, Vela Energy SPV XX, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) acquired the assets, contracts, licences, receivables and payables associated with the Madridanos photovoltaic power station. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 3,200 thousand, paid in cash.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Intangible assets	182
Property, plant and equipment	2,816
Other assets	514
Assets acquired	**3,512**
Current liabilities	312
Liabilities acquired	**312**
Total value of net assets acquired	**3,200**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Revenue	-
Profit / (loss) for the period	(78)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Revenue	503
Hypothetical profit/(loss) for the year	(26)

5.2.5. Acquisition of the Campo Lugar project:

Description of the transaction

On 29 December 2016, Vela Energy SPV XXVI, S.L.U. (wholly-owned by Vela Energy Holdings 3, S.L.) acquired the assets, contracts, licences, receivables and payables associated with the Campo Lugar photovoltaic power station. This transaction formed part of the Group's planned expansion process, pursuant to the guidelines established in the strategic plan.

Consideration transferred

The fair value of the consideration transferred in the business combination was EUR 11,560 thousand, paid in cash.

Assets acquired and liabilities assumed at the acquisition date

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

	Thousands of euros
Intangible assets	649
Property, plant and equipment	10,195
Other assets	1,895
Assets acquired	**12,739**
Current liabilities	1,179
Liabilities acquired	**1,179**
Total value of net assets acquired	**11,560**

Impact of the combination on Group profit and loss

Income and profit / (loss) attributable to the combination from the date of acquisition to 31 December 2016 were as follows:

	Thousands of euros
Revenue	-
Profit / (loss) for the period	(95)

Had the aforementioned business combination been undertaken at the start of 2016, income and profit / (loss) at 31 December 2016 would have been as follows:

	Thousands of euros
Revenue	1,602
Hypothetical profit / (loss) for the year	(853)

The Parent's Sole Director considers that these proforma figures calculated for the above-mentioned business combinations represented a reasonable estimate of annual performance and constitute an initial benchmark for comparison with future years. In order to determine these proforma sales and earnings figures, the Parent's Sole Director took into account the following:

- Intangible assets and property, plant and equipment have been amortised and depreciated, respectively, on the basis of their fair values at the date of the business combination.

- Finance costs have been calculated on the basis of the debt position following the business combination.

6. Intangible assets

The breakdown and changes in this heading in the accompanying consolidated balance sheet and the summary of transactions during 2017 and 2016, are as follows:

2017

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

2016

	Thousands of euros					
	Opening balance	Acquisitions due to business combinations	Additions	Derecognition	Transfers	Closing balance
Cost:						
Rights of use	-	10,061	-	-	-	10,061
Other intangible assets	-	216	-	-	-	216
Total cost:	**-**	**10,277**	**-**	**-**	**-**	**10,277**
Accumulated amortisation:						-
Rights of use	-		(164)	-	-	(164)
Other intangible assets	-		(2)	-	-	(2)
Total accumulated amortisation	**-**	**-**	**(166)**	**-**	**-**	**(166)**
Impairment (rights of use)	-	-	-	-	-	-
Total intangible assets, net	**-**	**10,277**	**(166)**	**-**	**-**	**10,111**

a) *Acquisitions due to business combinations*

As indicated in Note 5, during 2017 the Group has recognised intangible assets amounting to EUR 193 thousand in connection with the acquisition of the subsidiary Parque Eólico de Cubla, S.L. specifically attributed to rights to use the photovoltaic power stations. During 2016, the Group recognised intangible assets specifically attributed to rights of use the photovoltaic power stations for the sum of EUR 10,061 thousand related to the business combinations that had taken place in that year.

In addition, "Intangible assets" in the consolidated balance sheet reflects the electric power easement in place for the Fotocampillos project photovoltaic power station, comprising 18 plants with 100 KW each and located in Campillos (Málaga), valued at EUR 206 thousand.

b) *Additions, derecognition and transfers to operating condition*

During 2017 and 2016, there were no additional significant additions other than those deriving from the business combination.

c) Amortisation and impairment

The intangible asset amortisation charge recognised in the 2017 consolidated statement of profit or loss amounted to EUR 1,069 thousand (EUR 166 thousand in 2016) (see Note 16.e).

The estimated useful life of technical facilities and, consequently, the useful life of the rights to use those facilities, arising from the business combinations described in the Note 5, is 18 years. "Other intangible assets" include rights of way and electric power easements corresponding to acquired companies, which are amortised over a 35-year period.

At 31 December 2017, the Group had no fully-amortised intangible assets.

d) Other information

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

At 31 December 2017 and 2016, the Group did not have any intangible assets under development.

All the Group's intangible assets are directly used in operations at 31 December 2017 and 2016.

At 31 December 2017 and 2016, no intangible assets were subject to guarantees, nor had the Group received any subsidies to acquire any of the intangible assets recognised.

At 31 December 2017, the Group did not have any commitments to invest in intangible assets.

7. Property, plant and equipment

The breakdown and changes in this heading in the accompanying consolidated balance sheet and the summary of transactions during 2017 and 2016, are as follows:

2017

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

2016

	Thousands of euros				
	Opening balance	Acquisition due to business combinations	Additions	Derecognition and Transfers	Closing balance
Cost:					
Land and buildings	-	71	-	-	71
Plant	-	57,311	230	-	57,541
Total cost	**-**	**57,382**	**230**	**-**	**57,612**
Accumulated depreciation					
Plant	-	-	(871)	-	(871)
Total accumulated depreciation	**-**	**-**	**(871)**	**-**	**(871)**
Impairment	-	-	-	-	-
Total property, plant and equipment, net	**-**	**57,382**	**(641)**	**-**	**56,741**

At 31 December 2017 and 2016, "Plant" in the accompanying consolidated balance sheet primarily reflects the cost of the photovoltaic power stations indicated in Note 1.

a) Business combinations, additions and transfers

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

In 2016, the Group acquired a number of assets through mergers and acquisitions, as well as through the purchase of facilities and land used in photovoltaic operations (see Notes 1 and 5). The net cost of property, plant and equipment acquired through mergers and acquisitions was EUR 39,574 thousand, while the net cost of acquisitions through purchases of facilities stood at EUR 17,808 thousand.

The most significant acquisitions through the purchase of facilities in 2016 were as follows:

- On 16 September 2016, the Group entered into an agreement to purchase the assets, contracts and licences owned by Solar Miralcamp, S.L., Solar Miralcamp 2, S.L., Solar Miralcamp 3, S.L., Solar Miralcamp 4, S.L., Solar Miralcamp 5, S.L., Solar Miralcamp 6, S.L., Solar Miralcamp 7, S.L., Solar Miralcamp 8, S.L., Solar Miralcamp 9, S.L. and Solar Miralcamp 10, S.L., for EUR 4,797 thousand. On 26 October 2016, all the conditions precedent established in the above-mentioned agreement were fulfilled.

- On 28 December 2016, the Group entered into an agreement to purchase the assets, contracts and licences owned by Gonroza, S.L. (Madridanos project) for EUR 2,816 thousand.

- On 29 December 2016, the Group acquired the photovoltaic assets, contacts and licences used in the business activity of Avant Teydi Global, S.L. (Campo Lugar project) for EUR 10,195 thousand.

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

During 2016, the Group company Vela Energy, S.L. invoiced the Group EUR 230 thousand for services rendered in respect of photovoltaic facilities monitoring systems.

Furthermore, in 2017 the Group has recorded an addition for the sum of EUR 285 thousand corresponding to the reestimation of the decommissioning provisions of those Group photovoltaic power stations on which there is any legal or contractual obligation to proceed with their dismantling at the end of their exploitation. The new expected costs have been calculated based on the conclusions derived from a technical report prepared by an independent specialist in which dismantling costs are estimated according to the size and the installed capacity of each plant (see Note 20).

b) Depreciation and impairment

The property, plant and equipment depreciation charge recognised in the 2017 and 2016 consolidated statement of profit or loss amounted to EUR 6,534 thousand and EUR 871 thousand respectively (see Note 16.e).

The estimated useful life of the technical facilities is 18 years.

At 31 December 2017 and 2016, the Group had no significant fully-depreciated items of property, plant and equipment.

c) Other information

At 31 December 2017 and 2016, the Group had no property, plant and equipment under construction.

All the Group's property, plant and equipment are directly used in operations at 31 December 2017 and 2016.

At 31 December 2017 and 2016, the Group did not have any significant commitments to invest in property, plant and equipment.

At 31 December 2017, an appraisal was carried out concerning external and internal indications of impairment demonstrating the need to perform an impairment test on property, plant and equipment. Following this analysis, the Sole Director of the Parent does not believe that there are any indications that demonstrate the need to review the carrying amounts of property, plant and equipment; therefore, no impairment test was run at 31 December 2017. In 2016 the external and internal indications of impairment were also evaluated with the same outcome, not existing any item of property, plant and equipment impaired.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. At 31 December 2017, all items of property, plant and equipment were fully insured against these risks.

8. <u>Financial assets</u>

Details of financial assets at 31 December 2017 and 2016, are as follows:

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

	Thousands of euros	
	2016	
	Non-current financial instruments	Current financial instruments
Financial assets	1	3,253
	1	**3,253**

Current financial assets

Under this heading, at 31 December 2017, the Group has mainly recognised in the consolidated balance sheet the amount of EUR 3,215 thousand corresponding to balances maintained at financial institutions relating to the debt service reserve fund and the maintenance reserve. These elements are essential sums that are retained by Subsidiaries pursuant to the requirements set out in guaranteed bond issue framework agreements signed on July 20, 2017 to secure payments to be made in the following months. The bond has been used mainly to refinance the existing debt in the Group companies, resulting in the cancellation of the previous financing agreements maintained with the financial institution Caixabank (see Note 13.1.1).The aforementioned accounts bear interest at the market rate.

In the same way, during 2016, under this heading on the consolidated balance sheet primarily relate to the allowances made to the debt service reserve fund and the maintenance reserve that the Group is required to make pursuant to the financing contract entering into with Caixabank (see Note 13.1.2). These reserves are recalculated on a half-yearly basis. This account earns interest at a variable rate, as stipulated in the financing contract.

During 2016, also in this epigraph include EUR 134 thousand in connection with the advance paid by the Group to Caixabank for future credit drawdowns, as described in Note 13.1.2.

9. Trade receivables for sales and services

At 31 December 2017, "Trade receivables for sales and services" reflects the amount receivable on sales of electricity generated at photovoltaic power stations, for EUR 2,889 thousand (EUR 2,113 thousand at 31 December 2016).

In addition, at 31 December 2016, the heading also includes EUR 899 thousand for amounts receivable from former owners of the Campo Lugar, Madridanos and Miralcamp technical facilities.

The heading also comprised the amount receivable for invoicing of operations and maintenance services to third parties, for EUR 492 thousand at 31 December 2016.

At 31 December 2017 and 31 December 2016, no impairment allowances had been made for these receivables.

10. Financial risk management policy

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

The Parent's Sole Director has established the necessary mechanisms to control its exposure to fluctuations in interest rates and to credit and liquidity risks. The main financial risks to which the Group is exposed are set out below.

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

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

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

a) Liquidity risk

Liquidity risk is defined as a company's inability to settle its obligations, due to adverse situations in debt and/or capital markets that hinder or prevent the company from securing the necessary financing. The Group manages liquidity risk by having sufficient financing available in order to negotiate, in the best conditions, the substitution of payables nearing maturity with new transactions, and in order to cover its short term cash needs, thereby avoiding having to secure funds in unfavourable conditions. Liquidity risk coverage is considered adequate when financing is available to cover at least six months of debt service.

b) Credit risk

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

During 2017, the Group held receivables from highly-solvent companies, as follows:

- Energy generated in Spain: electricity distribution companies to which energy generated is sold, although the sale is invoiced to and paid by the Spanish competition authorities (Comisión Nacional de Mercados y Competencia, CNMC, previously the Comisión Nacional de la Energía), Gnera, Gesternova and Nexus as market representatives.

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

  At 31 December 2017, the CNMC paid 88.04% (86.10% at 31 December 2016) of investment and operation supplements accrued up to October 2017.

Consequently, the Parent's Sole Director considers that this credit risk is remote.

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

At 31 December 2017, none of the Group's financial assets were in arrears or were considered impaired.

c) Other market risks: price risk

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

As indicated in Note 1.1, the remuneration regime for renewable, cogeneration and waste-generated energies will be based on the necessary market share of each facility, supplementing market income, where necessary, with specific regulated remuneration so that these technologies can compete on an equal basis with other market technologies. This specific supplementary remuneration will be sufficient to reach the minimum level necessary to cover the costs that, in contrast to conventional technologies, cannot be recovered in the market and that will allow these energy producers to obtain returns that are reasonable for a standard facility in each case.

11. Equity

a) *Share capital*

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

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

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

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

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

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

b) *Other shareholder contributions*

On 1 September 2016, the former Parent Vela Energy Holdings 3, S.L. received a cash contribution of EUR 24 thousand from its former Sole Shareholder, the company Vela Dutch I, B.V.

In November 2016, Vela Dutch I, B.V. contributed EUR 13,143 thousand. These contributions were used to finance the business acquisitions described in Note 5.

In December 2016, the Group received financing through a syndicated loan organised by the agent bank Caixabank (see Note 13.1.2). After obtaining this funding, the Group returned contributions totalling EUR 7,418 thousand to the Sole Shareholder.

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

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

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

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

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

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

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

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

c) Consolidation reserves

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

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

12. Cash and cash equivalents

The breakdown of this heading in the consolidated balance sheet at 31 December 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Cash and cash equivalents	7,026	3,247
	7,026	**3,247**

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

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

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

13. Financial liabilities

13.1 Borrowings

13.1.1. Bonds and other marketable securities

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

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

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

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

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

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

The financial debt maturity structure at 31 December 2017, is as follows:

	Thousands of euros						
	2018	2019	2020	2021	2022	2023 and thereafter	Total
Bonds	5,868	4,050	3,134	3,208	3,309	54,431	74,000
Interest on bonds and debentures	1,133	-	-	-	-	-	1,133
	7,001	**4,050**	**3,134**	**3,208**	**3,309**	**54,431**	**75,133**

13.1.2 Bank borrowings

Furthermore, on 22 July 2017, after obtaining the guaranteed bond, the Group cancelled the loans held by the subsidiaries with Caixabank.

So that, the details of borrowings at 31 December 2017 and 2016 are as follows:

	31/12/2017	
	Non-current financial instruments	Current financial instruments
Bank borrowings	-	-
	-	-

	31/12/2016	
	Non-current financial instruments	Current financial instruments
Bank borrowings	51,514	3,477
	51,514	**3,477**

The finance costs accrued between January 1, 2017 and July 20, 2017 in relation to the Project Finance agreements held by subsidiaries with Caixabank as well as the debt arrangement expenses has amounted to EUR 1,925 thousand (see Note 16.f).

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

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

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

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

On December 31, 2017, the total outstanding balance with Sonnedix, B.V. amounted to EUR 14,957 thousand.

Furthermore, the accrued interest payable at 31 December 2017 and 2016 recognised in the short-term amounted to EUR 1,492 thousand and EUR 206 thousand, respectively.

The accrued finance costs related to these subordinated loans for the years 2017 and 2016 has amounted to EUR 1,015 and 302 thousand respectively (see Note 16.f).

13.3 Other payables

Other payables

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

Furthermore, in 2017 is recognised an amount of EUR 575 thousand related to the outstanding balance payable from the subsidiary Vela Energy SPV XXVI, S.L. for the acquisition of assets, licences and contracts associated to the photovoltaic power station Campo Lugar, project acquired at the end of 2016 (see Note 5).

During 2016 it also comprised EUR 830 thousand payable for the acquisition of assets, licences and contracts described in Note 5.

In addition, under this heading in the accompanying consolidated balance sheet at 31 December 2016 included EUR 650 thousand for fees for advisory services rendered by third parties in connection with the project acquisitions described in Note 5.

13.4 Information on the average payment period to suppliers

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

The Group reports average payment period to suppliers in 2017 and 2016 were as follows:

	31/12/2017	31/12/2016
	Days	
Average period of payment to suppliers	26	76
Ratio of transactions settled	25	72
Ratio of outstanding transactions	50	85
	Amount (Thousands of euros)	
Total payments made	5,178	1,731
Total payments outstanding	108	1,080

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

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

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

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

The statutory payment period applicable to the Group companies in 2017 and 2016 under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, is 30 calendar days, unless agreed otherwise between the parties, who may resolve to extend the period to up to 60 calendar days.

14 Taxation

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

However, at 31 December 2016, Group companies were subject to two-fold taxation, in that all Group companies file taxes on an individual basis except for the Spanish subsidiaries of Gilatz Spain S.L., which file taxes as part of a consolidated tax Group. During 2017 all the subsidiaries that files taxes as part of a consolidated tax Group have been merged by their Parent, the subsidiary Vela Energy SPV XVII, S.L. This company files taxes on an individual basis (see Notes 5 and 14) so that all Group companies for the year ended 31 December 2017 file taxes on an individual basis.

Consolidated tax group under Gilatz Spain, S.L.

Since 2010, the tax group headed by Gilatz Spain, S.L., as parent company and head of the Herreras y Corveras Group (acquired in October 2016; see Note 5), has paid income tax as part of a consolidated tax group pursuant to Royal Legislative Decree 4/2004 of 5 March, approving the Revised Text of the Corporate Income Tax Law.

The filing of consolidated tax statements implies the joint determination of Group taxable income, deductions and tax credits. For tax purposes, the consolidated tax group is understood to comprise the Parent and all the subsidiaries that are resident in Spain, in which the Parent holds a direct or indirect ownership interest of at least 75% and that meet the requirements to be included in the tax group.

The tax burden is distributed as agreed between the companies within the consolidated tax group and in line with accounting standards issued by the Spanish Institute of Accountants and Auditors (Instituto de Contabilidad y Auditoría de Cuentas, ICAC).

Therefore, after the dissolution of the tax consolidation group in Gilatz Spain, S.L. all the Group companies file taxes on an individual basis.

Balances held with Public Administrations

The details of the balances held with Public Administrations at 31 December 2017 and 2016 are as follows:

Receivables from public authorities

	Balance	
	2017	2016
Deferred tax assets	4,733	3,132
Total non-current	**4,733**	**3,132**
Sundry tax receivables	14	251
Total current	**14**	**251**

Accounts payables to Public Administrations

	Balance	
	2017	2016
Deferred tax liabilities	4,625	5,095
Total non-current	**4,625**	**5,095**
VAT payable	608	265
Personal income tax payable	1	631
Income tax payable	-	49
Total current	**609**	**945**

Deferred tax assets primarily comprise the following items:

- The tax credit for tax loss carryforwards generated and capitalised by the Group, in the amount of EUR 4,286 thousand at 31 December 2017 (EUR 3,038 thousand at 31 December 2016).

- Tax credit for non-deductible finance costs, for EUR 313 thousand at 31 December 2017 (EUR 20 thousand at 31 December 2016).

- Deferred tax assets derived from non-deductible depreciation in 2013-2014, in the amount of EUR 134 thousand at 31 December 2017 (EUR 74 thousand at 31 December 2016).

Deferred tax liabilities primarily comprise the following items:

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

  At 31 December 2016, these deferred tax liabilities were recognised in those subsidiaries that were part of the consolidated tax group headed by Gilatz Spain, S.L. for the sum of EUR 3,175 thousand. During 2017, these companies has been merged by the subsidiary Vela Energy SPV XVII, S.L. (see Note 5).

- Deferred tax liabilities recognised as a result of allocation of the difference between the amounts paid on the acquisitions made during the year and the net assets acquired, recognised as an increase in the value of intangible assets with a definite useful life (rights of use; see Notes 5 and 6). This allocation will be reversed over the useful life of the assets associated with these rights. At 31 December 2017, the amounts recognised under this heading in the consolidated balance sheet were EUR 1,762 thousand (EUR 1,920 thousand at 31 December 2016).

Calculation of the Group's taxable income

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

2017

	Thousands of euros		
	Increases	Reductions	Total
Aggregate Group profit/(loss) before tax			**(6,656)**
Permanent differences and consolidation adjustment:	**520**	**-**	**520**
Temporary differences:			
Non-deductible amortisation and depreciation	-	(76)	(76)
Accelerated depreciation	1,315	-	1,315
Amortisation of rights of use	823	-	823
Non-deductible finance expenses	1,173	-	1,173
Taxable income/(tax loss)	**3,831**	**(76)**	**(2,901)**

2016

	Thousands of euros		
	Increases	Reductions	Total
Aggregate Group profit/(loss) before tax			**(2,573)**
Temporary differences:			
Non-deductible amortisation and depreciation		(36)	(36)
Accelerated depreciation	1,980	-	1,980
Amortisation of rights of use	139	-	139
Adjustments in the consolidated Gilatz Spain group (offset of tax loss carryforwards)		(1,000)	(1,000)
Taxable income/(tax loss)	**2,119**	**(1,036)**	**(1,490)**

In 2017, the companies forming part of the consolidated VE Sonnedix Equityco, S.L. Group have generated tax loss carryforwards for the sum of EUR 2,901 thousand.

In 2016, the companies forming part of the consolidated Vela Energy Holdings 3, S.L. Group applied prior years' tax loss carryforwards in the amount of EUR 250 thousand, in the previous Gilatz Spain, S.L. consolidated tax group. In addition, tax loss carryforwards of EUR 205 thousand were generated in the individual consolidated companies.

The temporary differences recognised mainly comprise the following:

- Non-deductible amortisation of use of rights for the sum of EUR 823 thousand at 31 December 2017 (EUR 139 thousand at 31 December 2016) as a positive temporary difference.

- Deductibility of depreciation and amortisation derived from the approval on 27 December 2012 of Royal Decree-Law 16/2012, introducing a temporary measure limiting tax-deductible amortisation for 2013 and 2014 for those entities that, in those tax periods, did not meet the requirements established in articles 108.1, 108.2 and 108.3 of the Revised Text of the Corporate Income Tax Law, approved by Royal Legislative Decree 4/2004 on 5 March. Under that regulation, up to 70% of depreciation or amortisation that would have been tax deductible had the subject percentage not been applied will be deducted from taxable income, in accordance with articles 11.1 and 11.4 of the law. Any depreciation or amortisation expenses that are not tax deductible pursuant to that article will be deducted on a straight-line basis over 10 years or, optionally, over the useful life of the asset as from the first tax period beginning in 2015. The negative temporary difference recorded by the Group in 2017 was EUR 76 thousand (EUR 36 thousand in 2016).

- In the final income tax settlement for previous years, the consolidated tax group headed by Gilatz Spain, S.L. (dissolved in 2017 after the merge by absorption of that companies by its Parent, Vela Energy SPV XVII, S.L.U.) availed of the accelerated tax depreciation option approved in Law 4/2008 of 23 December.

  In 2017, Vela Energy SPV XVII, S.L.U. has recorded a positive temporary difference to the Taxable income (loss) for this matter amounted to EUR 1,315 thousand (EUR 1,980 thousand during 2016).

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

The theoretical base tax for 2017 and 2016 are calculated at the tax rate of 25%.

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

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

	Thousands of euros	
	2017	2016
Aggregate Group profit (loss) before tax	**(6,656)**	**(2,573)**
Permanent differences and consolidation adjustment	**520**	**-**
Temporary differences:		
Non-deductible finance expenses	1,173	-
Amortisation of rights of use	823	139
Non-deductible amortisation and depreciation	(76)	(36)
Accelerated depreciation	1,315	1,980
Adjustments in the consolidated Gilatz Spain group (offset of tax loss carryforwards)	-	(1,000)
Adjusted profit (loss)	**(2,901)**	**(1,490)**
Theoretical tax calculated at 25%	**725**	**(64)**
Application of unrecognised tax credits	**-**	**15**
Tax payable / refundable (Group current income tax)	**725**	**(49)**
Impact of temporary differences:		
Non-deductible finance expenses	293	-
Amortisation of rights of use	206	35
Non-deductible amortisation and depreciation	(19)	(9)
Accelerated depreciation	329	495
Adjustment for tax loss carryforwards recognised in the year	725	436
Estimate tax adjustment on acquisition (*)	-	(277)
Adjustment: application of recognised tax loss carryforwards	-	(250)
Total Income tax (expense)/refund	**1,534**	**381**

(*) Relates to income tax estimated at the date of acquisition of all the companies acquired in 2016 as part of the business combination.

Given that the rights of use acquired and not recognised in the individual financial statements are not tax deductible, the Company adjusts the amortisation of these rights within its provision for income tax. In addition, the Company recognises a deferred tax liability for the difference between the accounting valuation and the tax valuation of the asset in question. The corresponding deferred tax liability amounted to EUR 1,762 thousand at 31 December 2017 (EUR 1,920 thousand at 31 December 2016).

During 2017 and 2016, income tax was calculated applying a tax rate of 25%.

Recognised deferred tax assets and liabilities

Details at 31 December 2017 and 2016 are as follows:

Deferred tax assets

	Thousands of Euros	
	2017	2016
Non-deductible amortisation and depreciation	134	74
Tax loss carryforwards	4,286	3,038
Non-deductible finance costs	313	20
Total deferred tax assets	**4,733**	**3,132**

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

Deferred tax liabilities

	Thousands of euros	
	2017	2016
Accelerated depreciation	2,863	3,175
Temporary differences (rights of use)	1,762	1,920
Total deferred tax liabilities	**4,625**	**5,095**

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

	Thousands of euros	
	Negative temporary differences (rights of use)	
	2017	2016
Opening balance 2016	**1,920**	-
Changes in the scope of consolidation	48	1,955
Amortisation of rights of use	(206)	(35)
Closing balance 2017	**1,762**	**1,920**

Unrecognised deferred tax assets

Details of unrecognised deferred tax assets at 31 December 2017 and 31 December 2016 are as follows:

	Thousands of Euros	
	2017	2016
Tax loss carryforwards	330	302
Environmental tax credits	3,593	3,258
Total deferred tax assets not recorded	**3,923**	**3,560**

Years open for review and tax audits

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

15 Related party transactions and balances

Related party transactions

During 2017, the VE Sonnedix Equityco Group carried out transactions with Sonnedix B.V. in the amount of EUR 1,015 thousand (EUR 302 thousand during 2016), relating to interest on financing received from (see Note 13.2).

The details of the finance costs accrued during 2017 per Group company deriving from the loan extended by Sonnedix, B.V. (during 2016 and until March 22, 2017 derived from the debt with Vela Dutch II, B.V.) are as follows:

Finance costs, Group companies	Thousands of euros 2017	2016
Vela Energy SPV VII, S.L.	41	33
Vela Energy SPV XVII, S.L.	550	177
Vela Energy SPV XIX, S.L.	157	91
Vela Energy SPV XX, S.L.	33	-
Vela Energy SPV XXVI, S.L.	121	1
Parque Eólico de Cubla, S.L.	113	-
	1,015	**302**

The finance costs accrued by the Group subsidiaries related to the financing received from Vela Dutch II, B.V for the period between January 1, 2017 and March 22, 2017 (date in which subordinated loans are transferred to Sonnedix B.V.) are recorded under "Other finance costs" on the consolidated profit and loss statement (see Note 16.f).

Furthermore, "Other procurements" reflects the EUR 582 thousand (EUR 414 thousand in 2016) expense accrued during 2017 for maintenance and operation services invoiced by the Vela Energy, S.L. Group company in accordance with the contracts entered into by the parties. The contracts stipulate an annual fixed cost of EUR 42 thousand per MW (plus CPI) of nominal installed capacity.

Balances with related parties

The details of consolidated balance sheet with related parties were as follows at 31 December 2017 and 2016:

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

	31/12/2016		
	Non-current debt to Group companies	Trade payables to Group companies	Current debt to Group companies
Payables to Group companies	12,168	543	206
	12,168	**543**	**206**

The details of subordinated debt to Group companies and associates at 31 December 2017 relating to the loan held with Sonnedix B.V. (at 31 December 2016 with Vela Dutch II, B.V.). The balance is as follows (see Note 13.2):

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

Company	Thousands of euros Non-current 31/12/2016 Balance	Maturity	Interest rate
Vela Energy SPV VII, S.L.	558	30/11/2033	10%
Vela Energy SPV XVII, S.L.	7,400	30/11/2033	10%
Vela Energy SPV XIX, S.L.	2,144	31/01/2029	10%
Vela Energy SPV XX, S.L.	441	31/01/2029	10%
Vela Energy SPV XXVI, S.L.	1,625	01/04/2033	10%
	12,168		

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

In 2016, trade payables to Group companies includes balances payable by Group companies to Vela Energy, S.L., in the amount of EUR 383 thousand, for photovoltaic power station maintenance and operation contracts entered into following the acquisition of the projects. The Group also recognised the accrued expense pending payment from the services received to adapt the photovoltaic power station SCADA network, for EUR 96 thousand.

On the other hand, at 31 December 2017, the Group recognised an amount of EUR 1,492 thousand corresponding to accrued interest payable to the related party Sonnedix B.V. derived from the subordinated loan granted by that company. At 31 December 2016, the Group subsidiaries recognised EUR 206 thousand corresponding to accrued interest payable to Vela Dutch II, B.V.

16 Income and expense

a) *Revenue*

Revenue in 2017 came to EUR 10,046 thousand and totally corresponds to the sale of electricity generated in the different photovoltaic power stations. During 2016, the revenue regarding the sale of electricity generated in the different photovoltaic power stations amounted to EUR 1,371 thousand.

Revenues from the provision of services obtained during 2016 came from the maintenance and operation services invoiced by Gilatz Spain, S.L. (group company merged by absorption by Vela Energy SPV XVII, S.L. in 2017) to the companies Parque Solar Olmeda de la Cuesta AIE and Alcarria Coquense, S.L. in accordance with the contracts entered into by the parties, for EUR 272 thousand.

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

During 2017 and 2016, no fixed assets were purchased abroad.

c) *Procurements*

At 31 December 2017, "Procurements" comprises EUR 710 thousand (EUR 414 thousand euros at year-end 2016), which primarily relates to maintenance and operation work performed on the Group's photovoltaic power stations by Vela Energy, S.L. The costs of these services is established at a fixed annual price for each Group subsidiaries.

d) *Other operating expenses*

The breakdown of this item in the accompanying consolidated statement of profit or loss for 2017 is as follows:

	Thousands of euros	
	2017	2016
External services:		
Leases	229	39
Insurance premiums	9	-
Banking and similar services	21	6
Independent professional services	2,653	898
Repairs	1	-
Other services	-	4
Other taxes	804	111
	3,717	**1,058**

The Group files the lease payments corresponding to the plots of land on which photovoltaic assets are located under "Leases". In 2017, the cost of leases came to EUR 229 thousand (EUR 39 thousand in 2016).

In 2017, the heading "Independent professional services" mainly comprises an amount of EUR 2,329 thousand linked to the advisory services received associated with the financing granted during the year. In addition, this heading also includes the cost of consultancy services pertaining to the acquisition of Parque Eólico de Cubla, S.L.U. for the sum of EUR 210 thousand.

In 2016, "Independent professional services" primarily includes EUR 675 thousand for advisory services on the project acquisitions detailed in Note 1. This includes EUR 330 thousand payable to Garrigues, S.L. for advisory services in connection with acquisition of the Herreras y Corveras project.

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

e) *Depreciation and amortisation*

The breakdown of these items in the accompanying consolidated statement of profit or loss for 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Amortisation of intangible assets (Note 6)	1,069	166
Depreciation of property, plant and equipment (Note 7)	6,534	871
	7,603	**1,037**

f) *Finance income and costs*

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

	Thousands of euros	
Finance costs	2017	2016
Finance costs, bonds and other marketable securities	1,171	-
Finance costs, financial entities	1,925	315
Finance costs, Group companies	1,015	302
Other finance costs	288	-
Total	**4,399**	**617**

Finance costs related to bonds and other marketable securities

Finance costs related to bonds and other marketable securities correspond to the interest on financing deriving from the guaranteed bond issue in 2017 for sum of EUR 1,135 thousand. Under this epigraph is also includes the finance cost resulting from the accrual of the fee to open the guaranteed bond for the sum of EUR 36 thousand in 2017 (see Note 13.1.1).

Finance costs with financial entities

In 2017, the sum of EUR 1,925 thousand correspond to the finance costs accrued in relation to the Project Finance agreements held by subsidiaries with Caixabank that were repaid on July 20, 2017.

The detail of the finance costs accrued with financial entities during 2016 is as follows:

- Interest accrued on the financing extended by Caixabank, for EUR 200 thousand.
- Drawdown fee, for EUR 55 thousand.
- Agency fee, for EUR 60 thousand.

Finance costs related to debt with related parties

In 2017, finance costs with related companies correspond to those associated with the loan obtained from Sonnedix B.V. and amounted to EUR 1,015 thousand (see Note 15). In 2016 the finance costs with related parties totally corresponded to those associated with the loan received by the subsidiaries from Vela Dutch II, B.V.

Other finance costs

Under "Other finance costs" in the consolidated profit and loss statement are basically recognized the sum of EUR 273 thousand regarding the financial expenses accrued by the Group subsidiaries related to the financing received from Vela Dutch II, B.V. for the period between January 1, 2017 and March 22, 2017. Under this epigraph is also included the finance costs accrued from the measurement of the decommissioning provisions at present value related to the fiscal year 2017 for the sum of EUR 12 thousand (see Note 20).

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

Information regarding conflicts of interest involving the Sole Director

At year-end 2017 and 2016, the Parent's Sole Director did not report any situation of direct or indirect conflict that the Sole Director, or persons related thereto, as defined in the Consolidated Text of the Corporate Enterprises Act, might have with the Parent's interest.

Remuneration and other benefits to Senior Management and the Sole Director

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

At 31 December 2017 and 2016, the Group had not granted any loans, advances or guarantees of any type to former or current Sole Director.

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

18 Financing structure (see Note 13)

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

19 Audit fees

On October 2, 2017 the Parent's Sole Director appointed as new auditor of the Group's consolidated financial statements for the year ended at 31 December 2017 to the audit services company Ernst & Young, S.L. (EY), replacing the former auditor, Deloitte, S.L.

In 2017 and 2016 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Ernst & Young, S.L. (previously Deloitte, S.L.), and the fees for services billed by the auditors of the separate financial statements of the consolidated companies and by companies related to them through control, common ownership or management, were as follows:

	Thousands of euros	
	Services rendered by the main auditor	
Description	2017	2016
Audit services	54	79
Total audit and related services	**54**	**79**
Other services	-	-
Total	**54**	**79**

20 Provisions

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

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

The Group recognised a provision of EUR 377 thousand at 31 December 2017 (EUR 80 thousand at 31 December 2016) in the consolidated balance sheet in connection with some of these photovoltaic power stations. This provision will not entail an outflow of cash until the end of the useful life of the related photovoltaic power station.

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

21 Segment information

In 2017 and 2016, the Group's activities were focused on a single lien of business: promotion, construction and operation of photovoltaic solar stations in Spain, including, among other activities, the generation and sale of electricity using solar energy. This segment is the only segment on which Group management reports to the Sole Director and the only segment used for managing the Group.

22 Events after the reporting period

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

23 Explanation added for translation to English

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

VE Sonnedix Equityco, S.L. and Subsidiaries

Consolidated Directors' Report for the year ended 31 December 2017

1. Business performance and situation of the Group

On July 20, 2017, Vela Energy Holdings 3, S.L.U. (wholly-owned by VE Sonnedix Equityco, S.L.) has signed an agreement with Admiralty Investments Solar España Desarrollos, S.L.U (the seller), whereby it agreed to purchase 100% of shares of Parque Eólico de Cubla, S.L. The company owned a photovoltaic power station with 36 sub-stations located in Jaén, with a total nominal power of 3.6 MW.

In addition, the Group currently operates the following photovoltaic power stations:

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

The total nominal power of all companies forming part of the VE Sonnedix Equityco Group is 15.86 MW.

<u>Group performance in Spain</u>

Operating loss stood at EUR 1,984 thousand for the year 2017, reaching a volume of revenues amounted to EUR 10,046 thousand for the year ended 31 December 2017.

The pre-tax loss on continue operations for the year 2017 has amounted to EUR 6,383 thousand while the Group's overall net loss has been EUR 4,849 thousand.

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

2. Main risks inherent to the business

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

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

3. Business outlook

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

4. Significant events for the Group after the reporting date

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

5. Research and development activities

No research or development activities were carried out in 2017 and 2016.

6. Acquisition of treasury shares.

During 2017, the Group did not perform any transaction with treasury shares. The Group held no treasury shares at 31 December 2017.

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

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

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

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

All the presented investments have been fully consolidated.

Appendix I Subsidiaries of VE Sonnedix Equityco, S.L. (Sole-Shareholder Company) at 31 December 2016

General public	Line of business	Registered Office (2)	% indirect ownership interest	% direct ownership interest	Year acquired	Equity of the subsidiary (in thousands of EUR)				
						Share Capital	Reserves	Profit (loss)		Total equity
								Operating	Net	
Vela Energy SPV VII, S.L.	(1)	Spain	-	100%	2016	3	784	(230)	(210)	577
Vela Energy SPV XXVI, S.L.	(1)	Spain	-	100%	2016	3	875	(106)	(95)	783
Vela Energy SPV XIX, S.L.	(1)	Spain	-	100%	2016	3	799	(161)	(219)	583
Vela Energy SPV XVII, S.L.	(1)	Spain	-	100%	2016	3	3,034	(472)	1,466	4,503
Vela Energy SPV XX, S.L.	(1)	Spain	-	100%	2016	3	238	(98)	(78)	163
Gilatz Spain, S.L.	(1)	Spain	100% (5)	-	2016	6	3,408	(209)	(1,109)	2,305
Cosmos Innova, S.L.	(1)	Spain	100% (3)	-	2016	3	(13)	(1)	(1)	(11)
Fotosolaris Energía 2005, S.L.	(1)	Spain	100% (3)	-	2016	1,581	3,573	337	393	5,547
Energía Ecológica Alexser Solar, S.L.	(1)	Spain	100% (4)	-	2016	3	66	2	8	77
Proyecto Ecológico Altea, S.L.	(1)	Spain	100% (4)	-	2016	3	71	1	6	80
Proyecto Ecológico Altervol, S.L.	(1)	Spain	100% (4)	-	2016	3	68	2	7	78
Energía Ecológica Ambiencor, S.L.	(1)	Spain	100% (4)	-	2016	3	72	1	6	81
Energía Ecológica Ana Ojos Del Sol, S.L.	(1)	Spain	100% (4)	-	2016	3	68	1	7	78
Proyecto Ecológico Bioenervi, S.L.	(1)	Spain	100% (4)	-	2016	3	69	1	7	79
Proyecto Ecológico Carima, S.L.	(1)	Spain	100% (4)	-	2016	3	64	1	7	74
Proyecto Ecológico Castelsol, S.L.	(1)	Spain	100% (4)	-	2016	3	68	1	6	77
Proyecto Ecológico Corveco, S.L.	(1)	Spain	100% (4)	-	2016	3	71	1	7	81
Proyecto Ecológico Corvolt, S.L.	(1)	Spain	100% (4)	-	2016	3	68	2	7	78
Proyecto Ecológico Enerclim, S.L.	(1)	Spain	100% (4)	-	2016	3	75	1	6	84
Energía Ecológica Fran Tornado Solar, S.L.	(1)	Spain	100% (4)	-	2016	3	69	1	7	79
Proyecto Ecológico Guinaer, S.L.	(1)	Spain	100% (4)	-	2016	3	67	-	6	76
Proyecto Ecológico Ignis, S.L.	(1)	Spain	100% (4)	-	2016	3	66	1	6	75
Proyecto Ecológico Jarante, S.L.	(1)	Spain	100% (4)	-	2016	3	67	1	6	76
Energía Ecológica Loren Sol, S.L.	(1)	Spain	100% (4)	-	2016	3	71	-	6	80
Proyecto Ecológico Los Parras, S.L.	(1)	Spain	100% (4)	-	2016	3	69	2	8	80
Proyecto Ecológico Núcleo Solar Mario, S.L.	(1)	Spain	100% (4)	-	2016	3	72	1	7	82
Proyecto Ecológico Nushaba, S.L.	(1)	Spain	100% (4)	-	2016	3	62	-	6	71
Proyecto Ecológico Prunus, S.L.	(1)	Spain	100% (4)	-	2016	3	79	1	6	88
Proyecto Ecológico Rosmarino, S.L.	(1)	Spain	100% (4)	-	2016	3	65	-	6	74
Proyecto Ecológico Salzur, S.L.	(1)	Spain	100% (4)	-	2016	3	69	-	6	78
Energía Ecológica Solar Sol de Familia, S.L.	(1)	Spain	100% (4)	-	2016	3	75	-	6	84
Proyecto Ecológico Sol de Irene, S.L.	(1)	Spain	100% (4)	-	2016	3	73	(8)	(2)	74
Proyecto Ecológico Solarvi, S.L.	(1)	Spain	100% (4)	-	2016	3	66	1	6	75
Proyecto Ecológico Solcorve, S.L.	(1)	Spain	100% (4)	-	2016	3	68	1	7	78
Energía Ecológica Valle de Iris, S.L.	(1)	Spain	100% (4)	-	2016	3	69	2	7	79
Proyecto Ecológico Valle Ros Marinus, S.L.	(1)	Spain	100% (4)	-	2016	3	68	-	6	77
Proyecto Ecológico Villarsol, S.L.	(1)	Spain	100% (4)	-	2016	3	68	2	8	79
Proyecto Ecológico Voltasol, S.L.	(1)	Spain	100% (4)	-	2016	3	70	2	8	81

(1) None of the investee companies are listed on the stock exchange. The activity of the companies focuses on the development and promotion of energy projects and everything related to the electricity market.
(2) Company's registered office located at 28010 - Madrid (España); c/ Jenner, 3, 4º.
(3) Company owned 100% by Gilatz España, S.L.
(4) Company owned 100% by Cosmo Innova, S.L.
(5) Company owned 100% by Vela Energy SPV XVII, S.L.

All the presented investments have been fully consolidated.

VE Sonnedix Equityco and Subsidiaries

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Authorisation by the Sole Director:

On 31 March 2018, the representative of the Sole Director authorised for issue the present consolidated financial statements (comprising the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto) for the year ended 31 December 2017, along with the management report for 2017. The consolidated financial statements and management report comprise 58 pages, numbered 1 to 58, all signed by the Sole Director.

D.Miguel García Mascuñán