Nordic Power Partners P/S

Annual report 2018

The annual report has been presented and approved at the Company's annual general meeting on 19 June 2019

Knud Erik Andersen
Chairman

CVR no. 34 73 87 34
Gyngemose Parkvej 50, 2860 Søborg

Contents

Statement by the Executive Board and Board of directors

The Executive Board and Board of directors has today discussed and approved the annual report of Nordic Power Partners P/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Søborg, 19 June 2019
Executive Board:

Jens-Peter Zink

Board of Directors:

Knud Erik Andersen chairman	Morten Christiansen	Jens-Peter Zink

Independent auditors' report

To the shareholders of Nordic Power Partners P/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Nordic Power Partners P/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditors' report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements 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 and the Parent Company'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 and the parent company 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 and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditors' report

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19 June 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
MNE No. mne32271

Management's review

Company details

Nordic Power Partners P/S
Gyngemose Parkvej 50
DK-2860 Søborg

CVR no.: 34 73 87 34
Established: 19 November 2012
Registered office: Gladsaxe
Financial year: 1 January – 31 December

Executive Board

Jens-Peter Zink

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Group structure (directly owned companies)

Name	Country of place of business	Ownership %	Group structure
Nordic Power Partners P/S	DK		Parent
NPP Maldives Private Limited	DK	99,0%	Subsidiary
BH 1 Geradora de Energia Solar S.A.	BR	80,0%	Subsidiary
BH 2 Geradora de Energia Solar S.A.	BR	80,0%	Subsidiary
BH 3 Geradora de Energia Solar S.A.	BR	80,0%	Subsidiary

Management's review

EUR'000	2018	2017
Key figures		
Revenue	24,378	16,917
Direct costs	-23,930	-9,424
Gross profit	448	7,493
Operating profit	-236	6,966
Loss from financial income and expense	-10	-1,287
The Group's share of result for the year	**-169**	**5,679**
Total assets	41,610	64,748
Equity	**3,945**	**2,102**
Financial ratios		
Gross margin	1,8%	44,3%
Operating margin	-1,0%	41,2%
Equity ratio	9,5%	3,2%
Return on equity	-5,6%	291,7%
Average number of full-time employees	5	5

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit after tax x 100}}{\text{Average equity}}$$

Management's review

Management Report for Nordic Power Partners P/S

The Company’s Main Activities
The Company´s objective is to develop, construct and finance solar PV and wind energy projects in developing countries wether directly or through SPV´s.

The Company cooperates with local partners in strategic markets, adding value through our indepth engineering expertise and strong financial network.

Nordic Power Partners is an important player in the Brazilian renewable energy market and is actively seeking new markets of interest.

Business review
The company´s income statement for the year ended 31 December 2018 shows a loss of TEUR 169, and the balance sheet at 31 December 2018 shows equity of TEUR 3,945. The result for 2018 is significantly lower than 2017, due to the fact that it was influenced by a sale of a solar park that gave a significant positive result.

Nordic Power Partners has sold its shares in Brazillian companies (Coremas 1-3) to two sister companies during 2018. The sale was based on estimated market value at the time with no significant financial impact.

The company expect a result for 2019 at the same level as 2018.

Significant events after the reporting period
No events have occurred after the balance sheet date which could significantly affect the company´s financial position.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Income statement

		Consolidated		Parent company	
EUR'000	Note	2018	2017	2018	2017
Revenue		24,378	16,917	24,269	16,804
Direct costs		-23,763	-9,424	-23,758	-9,321
Gross profit		615	7,493	511	7,483
Staff costs	2	-253	-401	-253	-397
Other external costs		-410	-106	-327	-175
Depreciation		-188	-20	-173	-2
Operating profit/loss		-236	6,966	-242	6,909
Result from subsidiaries		0	0	-13	-34
Result from associates		60	-14	60	-14
Financial income	3	3,562	115	3,597	347
Financial expenses	4	-3,572	-1,402	-3,571	-1,529
Result before tax		-186	5,665	-169	5,679
Tax		-5	0	0	0
Result for the year		-191	5,665	-169	5,679
Non-controlling interests' share of profit for the year		22	14	0	0
The Group's share of result for the year		-169	5,679	-169	5,679

Proposed result appropriation

Dividend for the year (on account)	0	6,000
Net revaluation according to the equity method	0	-33
Retained earnings	-169	-287
	-169	5,679

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

EUR'000	Note	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017
ASSETS					
Non-current assets					
Property, plant and equipment	5				
Solar power generating assets		578	563	0	0
Tools and equipment		5	3	5	3
		583	566	5	3
Investments					
Investments in subsidiaries	6	0	0	71	8,853
Investments in associates	7	22	0	22	0
Receivables from subsidiaries		0	0	556	9,366
Receivables from associates		250	462	250	434
Receivable from related parties	8	31,665	0	31,667	0
Other receivables	8	7,813	0	7,813	0
		39,750	462	40,379	18,653
Total non-current assets		40,333	1,028	40,384	18,656
Current assets					
Inventories	9	443	45,999	443	756
Receivables					
Trade receivables and contract assets		396	384	368	368
Other receivables		12	4,408	20	4,406
Prepayments		3	56	2	2
		411	4,848	390	4,776
Cash and cash equivalents		393	12,873	371	12,617
Total current assets		1,247	58,872	1,204	18,149
TOTAL ASSETS		41,580	64,748	41,588	36,805

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

		Consolidated		Parent company	
EUR'000	Note	2018	2017	2018	2017
EQUITY AND LIABILITIES					
Equity					
Share capital	10	1,877	1,675	1,877	1,675
Share premium		0	605	0	605
Retained earnings		2,068	-178	2,068	-178
Equity attributable to the shareholder of the Company		3,945	2,102	3,945	2,102
Non-controlling interests		-2	3,786	0	0
Total Equity		**3,943**	**5,888**	**3,945**	**2,102**
Provisions					
Provision regarding subsidaries with negative equity		0	0	12	0
Deferred tax		3	3	0	0
Total provisions		3	3	12	0
Liabilities other than provisions					
Non-current liabilities other than provisions					
Amount owed to share holders	11	37,305	28,888	37,323	27,238
		37,305	28,888	37,323	27,238
Current liabilities other than provisions					
Short term part of amunts owed to share holders	11	0	6,000	0	7,226
Trade payables		68	23,609	47	38
Other payables		261	355	261	201
		329	29,964	308	7,465
Total liabilities other than provisions		39,632	58,852	37,631	34,703
TOTAL EQUITY AND LIABILITIES		41,580	64,748	41,588	36,805

Related party disclosures 12

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Equity

Consolidated EUR'000	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2018	1,676	604	-178	2,102
Capital increase	201	0	1,809	2,010
Transfer	0	-604	604	0
Result for the year	0	0	-169	-169
Other adjustments	0	0	2	2
Equity at 31 December 2018	1,877	0	2,068	3,945

Parent company EUR'000	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2018	1,676	604	-178	2,102
Capital increase	201	0	1,809	2,010
Transfer	0	-604	604	0
Result for the year	0	0	-169	-169
Other adjustments	0	0	2	2
Equity at 31 December 2018	1,877	0	2,068	3,945

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Cash flow statement

	Consolidated	
EUR'000	2018	2017
Profit/Loss before tax	-169	5,665
Adjustments for:		
Financial income	-3,562	-115
Financial expenses	3,572	1,402
Depreciations	18	20
Profit from equity-accounted companies	-60	14
Change in net working capital	10,248	-20,865
Other non-cash items	-15	44
Cash generated from operation before financial items and tax	10,032	-13,835
Interest paid and realised currency losses	-10	-1,287
Cash flow from operating activities	10,022	-15,122
Purchase of Property, plant and equipment	-4	-131
Cash flow from investing activities	-4	-131
Changes in payables to group companies	-22,730	22,901
Non-controlling interests' share of capital increase or disposal of subsidiaries including loan to collaborators	-3,788	3,707
Cash flow from financing activities	-26,518	26,608
Change in cash and cash equivalents	-12,480	11,355
Cash and cash equivalents at beginning of period	12,873	1,518
Cash and cash equivalents end of period	393	12,873

The cash flow statement cannot be directly derived from the other components of the consolidated and parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

1 Accounting policies

The annual report of Nordic Power Partners P/S has been prepared in accordance with the provisions applying to reporting class C (medium) enterprises under the Danish Financial Statements Act.

The annual report is presented in EUR, and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated. Each amount is rounded individually, and therefore minor differences between total amounts and the sum of underlying amounts may occur. At 31 December 2018, the EUR/DKK rate was 7.4673 (31 December 2017: 7.44).

The accounting policies applied goes from class B to class medium sized enterprises of reporting class C.

The accounting policies are unchanged compared to last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the interim financial statements that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the period's earnings are recognised, including depreciation, amortisation, impairment and provisions in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are translated at the exchange rate at the transactions date.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Nordic Power Partners P/S, and subsidiaries in which Nordic Power Partners P/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Income statement

Revenue

The Group has the following income-generating activities:

- Sale of energy farms and projects
- Sale of electricity
- Asset management and Other fees

Revenue is recognised when the Group has fulfilled its contractual performance obligations towards the buyer.

The following further explains revenue recognition for the Group's revenue streams:

Sale of energy farms and projects

The group develops and sells power generating assets mainly as turnkey projects. The solar and wind power generating assets are developed, but their construction does not commence until all relevant permits have been obtained. Special purpose vehicles (SPVs) organised as subsidiaries in the Group carry out development and construction.

The Group's performance obligations in turnkey projects include an agreement for the development and construction of a grid-connected power generating asset and an agreement for the transfer of the shares in the SPV, which holds all relevant permits. These two agreements are connected and are accounted for as one performance obligation.

Revenue from turnkey projects is recognised when control has been transferred to the buyer and Nordic Power Partners has an enforceable right to payment. This occurs at the point in time when the buyer accepts the takeover.

The revenue is measured as the transaction price for the power generating asset agreed under the contract. The transaction price normally includes a fixed and a variable consideration, determined by the project's expected future cash flow based on buyer's and seller's agreement on expected return on invested capital (ROIC).

The estimated amount of variable consideration will be included in the transaction price only to the extent that a significant reversal in revenue recognised is highly unlikely to occur when the uncertainty associated with the variable consideration is subsequently resolved.

Payments deferred more than 12 months are adjusted for the time value of money.

In projects where the Group does not act as a turnkey project developer e.g. when the Group establishes transformer stations and building foundations, the revenue is recognised when control of the project has been transferred to the buyer, Nordic Power Partners's performance obligations has been satisfied and Nordic Power Partners is entitled to receive payment.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

Sale of electricity

Revenue from sale of produced electricity is recognised when supplied to the purchaser’s network provided that the electricity generation has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Government grants for sale of electricity are intended as a compensation for the price of power and recognized under revenue in step with the power generation and the related revenue. Government grants are recognized when there is reasonable assurance that the grants will be received.

Asset management and Other fees

Revenue from Asset management and Other fees is recognised when the services are delivered. The services include commercial management and operational facility supervision on behalf of a third party. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Direct costs

Direct costs comprise costs incurred in generating the revenue for the year.

On disposal of energy farms and projects, direct costs comprise the construction costs plus costs directly related to the disposal.

Direct costs also comprise operating costs related to wind and solar power generating assets.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other costs regarding the Company's employees.

Other external costs

Other external costs comprise administrative expenses and write-down of receivables.

Result of subsidiaries and associates

The proportionate share of the individual subsidiaries’ profit/loss after tax is recognised in the parent company’s income statement after the full elimination of intra-group gains/losses and less amortisation of goodwill.

The proportionate share of the individual associates’ profit/loss after tax is recognised in the income statement after elimination of the proportionate share of intra-group profits/losses.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation on property, plant and equipment as well as gains and losses on the disposal of other non-current assets than energy projects and wind and solar energy farms, including write-down of development assets.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

Tax

The parent company is not an independent taxable entity in Denmark and therefore no provisions are made for tax on profit/loss for the year and current and deffered tax liabilities are not recognized. Tax income or expenses relate to foreign subsidiaries' current and defered tax.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Solar power-generating plant (Solar farms)	40 years
Fixtures and fittings, tools and equipment	3-5 years

On disposal of property, plant and equipment, the net selling price is recognised as revenue and the carrying amount of the assets is recognised as direct costs.

Investments in subsidiaries and associates

Subsidiaries and associates are measured at the proportionate share of the entities' net asset values calculated according to the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated according to acquisition method.

Subsidiaries and associates with negative net asset values are measured at EUR 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value if the amount owed is deemed irrecoverable. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the subsidiary´s deficit.

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

On disposal of subsidiaries and associates containing energy projects or wind and solar farms, the net selling price of the equity investments is recognised in the income statement as revenue, and the carrying amount of the equity investments is recognised in the income statement as direct costs.

Gains or losses on disposal of other subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus anticipated disposal costs. These gains and losses are recognised as a separate line item in the income statement.

Impairment of assets

The carrying amount of property, plant and equipment and investments is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

When there is an indication of impairment, each asset or a group of assets is impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

Inventories

Inventories comprise energy farm projects under development and construction as well as energy farms that have been developed for the purpose of sale and not for revenue generation from the sale of electricity production. The projects can be categorised as follows:

- Projects under development
- Projects under construction
- Operating projects for the purpose of sale

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and estimated selling costs. Changes in inventory write-downs are recognised in direct costs.

On disposal of projects, the net selling price is recognised as revenue, and the carrying amount of the project is recognised as direct costs.

Projects under development comprise projects for which construction has not yet been commenced. Cost comprises direct and indirect costs incurred in respect of development of projects, including interest in the project period.

Projects under construction comprise projects for which construction has begun but has not yet been completed. Cost comprises costs incurred in the development phase (projects under development) and costs in relation to the construction phase, which comprises direct and indirect costs for Subcontractors, project management and financing as well as interest in the construction period.

Operating projects for the purpose of sale comprise projects for which construction has completed. Cost comprises costs incurred in the development phase and in the construction phase.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected losses at the net realisable value.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year. Pursuant to section 86(4) of the Danish Financial Statement Act, information on the cash flow statement for the parent company has been omitted.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

		Consolidated	
	EUR'000	2018	2017
2	**Staff costs**		
	Wages, salaries and remuneration	787	695
	Pensions	17	14
	Other social security costs	6	4
	Other staff costs	10	8
	Capitalised salaries on inventories	-567	-320
		253	401
	Average number of employees	5	5
	Number of full-time employees end of period	5	5

Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, information on remuneration of the Executive Board has been omitted.

		Consolidated		Parent company	
	EUR'000	2018	2017	2018	2017
3	**Financial income**				
	Interest income, other related parties	3,207	12	3,242	14
	Interest income, subsidiaries	35	0	35	240
	Currency gains	132	25	132	22
	Other financial income	188	78	188	71
		3,562	115	3,597	347
4	**Financial expenses**				
	Interest expense, bank	18	27	17	23
	Interest expense, shareholder	3,504	767	3,504	767
	Other financial expenses	0	413	0	572
	Currency losses	50	195	50	167
		3,572	1,402	3,571	1,529

Notes

5 Property, plant and equipment

Consolidated

EUR'000	Solar power generating assets	Tools and equipment	Total
Cost at 1 January 2018	588	8	596
Exchange rate adjustments	32	0	32
Additions	0	5	5
Cost at 31 December 2018	620	13	633
Depreciation and impairment losses at 1 January 2018	-27	-5	-32
Depreciation during the year	-15	-3	-18
Depreciation and impairment losses at 31 December 2018	-42	-8	-50
Carrying amount at 31 December 2018	578	5	583
Depreciated over	40 years	3-5 years	

6 Investments in subsidiaries

	Parent company	
EUR'000	2018	2017
Cost at 1 January	8,992	185
Exchange adjustments	0	-41
Additions for the year	13,940	12,989
Disposals for the year	-22,721	-4,141
Cost at 31 December	211	8,992
Value adjustments at 1 January	-139	33
Share of profit for the year *	-13	-173
Equity investments with negative net asset value adjusted against receivables	12	1
Value adjustments at 31 December	-140	-139
Carrying amount at 31 December	71	8,853

* The result from subsidiaries was affected with -47,717 EUR due to ownership of Coremas 1-3. The entities were sold in June 2018.

Notes

6 Investments in subsidiaries (continued)

Investments in subsidiaries at 31 December 2018 comprise:

EUR'000 Name	Country of place of business	Ownership %	Profit/loss for the year	Equity
NPP Maldives Private Ltd.	BR	99%	49	69
BH 1 Geradora de Energia Solar S.A.	BR	80%	-4	-4
BH 2 Geradora de Energia Solar S.A.	BR	80%	-4	-4
BH 3 Geradora de Energia Solar S.A.	BR	80%	-4	-4

7 Investments in associates

	Consolidated	
EUR'000	2018	2017
Cost at 1 January	0	0
Cost at 31 December	0	0
Value adjustments at 1 January	0	-24
Profit for the year	60	-14
Equity investments with negative net asset value adjusted against receivables	-38	38
Value adjustments at 31 December	22	0
Carrying amount at 31 December	22	0

Investments in associates at 31 December 2018 comprise:

EUR'000 Name	Country of place of business	Ownership %	Profit/loss for the year	Equity
Energy 3 DOO*	BA	50,0%	120	44

*Agreement has been entered to sell the company in 2019.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

8 Receivable from related parties and other receivables

Consolidated EUR'000	Receivable from 1/1 2018	Total receivable at 31/12 2018	0-1 years	1-5 years	Outstanding receivable after 5 years
Receivable from related parties	0	31,665	0	31,665	0
Other receivables	0	7,813	0	7,813	0
	0	31,665	0	31,665	0
Parent company					
EUR'000					
Receivable from related parties	0	31,667	0	31,667	0
Other receivables	0	7,813	0	7,813	0
	0	31,667	0	31,667	0

Nordic Power Partners P/S will receive full repayment of the above at the earlier of the sale of Brazilian solar power projects Coremas 1-3 or at dates falling between 1-5 years from 31 December 2018. The sale of Coremas is expected to complete during 2020.

9 Inventories

	Consolidated	
EUR'000	2018	2017
Cost at 1 January	45,999	545
Additions for the year	861	45,822
Disposals for the year	-46,160	-925
T ransfer/reclassification	-90	557
Write offs of the year	-167	0
Cost at 31 December	443	45,999
Carrying amount at 31 December	443	45,999

10 Share capital

The share capital consists of nom. 14,000,000 shares of DKK 1 each, corresponding to EUR 1,877 thousand. No share carry special rights.

The share capital has developed as follows:

EUR'000	2018	2017	2016	2015	2014
Share capital at 1 January	1,676	1,458	788	135	67
Additions for the year	201	218	670	653	68
	1,877	1,676	1,458	788	135

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

11 Financial liabilities

Consolidated EUR'000	Debt at 1/1 2018	Total debt at 31/12 2018	Current portion	Non-current portion	Outstanding debt after 5 years
Amount owed to share holder	28,888	37,305	0	0	37,305
	28,888	37,305	0	0	37,305
Parent company					
EUR'000					
Amount owed to share holder	27,238	37,323	0	0	37,323
	27,238	37,323	0	0	37,323

12 Related party disclosures

Related parties

Related parties in Nordic Power Partners P/S include the following:

- Subsidiaries and associates in Nordic Power Partners P/S
- Shareholders in Nordic Power Partners P/S

Related party transactions

The transactions with related parties for the year are set out as below.

	Consolidated		Parent company	
EUR'000	2018	2017	2018	2017
Related party transactions				
Cost of services from shareholders	61	32	61	32
Sale of shares in subsidiaries to other related parties	24,378	0	24,269	0
Interest income, from other related parties	3,207	12	3,242	14
Interest income, from subsidiaries	35	0	35	240
Interest expense, to shareholders	3,504	767	3,504	767
Loans to related parties				
Loans to subsidiaries	0	0	556	9,366
Loans to other related parties	31,945	462	31,917	434
Loans from related parties				
Loans from shareholders	37,335	28,888	37,323	28,464