Capviva Solarpark Vandel Holding ApS

Koldinghus Alle 1
Bregentved
DK-4690 Haslev

CVR no. 37 56 96 07

Annual Report for 2019

The Annual Report was presented and adopted at the Annual General Meeting on 1 April 2020

____

Anders Dolmer
Chairman of the General Meeting

Contents

Statement by Management on the Annual Report 3

Independent Auditor's Report 4

Company details 7

Financial Highlights 8

Management's Review 9

Income Statement 1 January 2019 – 31 December 2019 11

Balance Sheet 31 December 12

Statement of Changes in Equity 14

Cash Flow Statement 1 January - 31 December 15

Notes to the Annual Report 16

Statement by Management on the Annual Report

The Executive Board has today considered and approved the Annual Report of Capviva Solarpark Vandel Holding ApS for the financial year 1 January 2019 - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and the results of the Company and Group operations and consolidated cashflows for the financial year 1 January 2019 - 31 December 2019.

In our opinion, Management's Review includes a fair review of the matters addressed with in the Management's Review.

We recommend the Annual Report for adoption at the Annual General Meeting.

Haslev, 1 April 2020

Executive Board

Jacob Simonsen	Anders Dolmer

Independent Auditor's Report

To the shareholder of Capviva Solarpark Vandel Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Capviva Solarpark Vandel Holding ApS for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity 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 2019 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 2019 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.

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.

- 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.

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, 1 April 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State authorized public accountant
MNE no. mne32271

Company details

The Company	Capviva Solarpark Vandel Holding ApS Koldinghus Alle 1 Bregentved DK-4690 Haslev CVR no. 37 56 96 07 Financial period: 1 January 2019 – 31 December 2019 Incorporated: 29 March 2016
Executive Board	Jacob Simonsen Anders Dolmer
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 DK-2100 København Ø

Financial Highlights

	Group	
	2019	2018
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit/loss	78.997	80.661
Operating profit/loss	42.301	43.965
Net financials	-27.669	-30.720
Net profit/loss for the year	8.385	6.796
Balance sheet		
Balance sheet total	834.054	877.647
Investments in property, plant and equipment	0	125
Equity	18.423	10.592
Ratios		
Return on assets	5%	5%
Solvency ratio	2%	1%
Return on equity	58%	112%
Number of employees	2	2

According to section 128(4) of the Danish Financial Statements Act, the Group has omitted to disclose the financial highlights for the financial years 2017, 2016 and 2015.

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts.

Return on assets $$\frac{\text{Operating profit/loss x 100}}{\text{Total assets}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

Return on equity $$\frac{\text{Net profit/loss for the year x 100}}{\text{Average equity}}$$

Management's Review

The Consolidated and Parent Company Financial Statements of Capviva Solarpark Vandel Holding ApS for 2019 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements have been prepared under the same accounting policies as last year.

Business activities

The purpose of the Group is development and operation of solar projects at the former Flyveplads Vandel, Denmark.

Development in the year

The income statement of the Group for 2019 shows a profit of DKK 8.385 thousand and at 31 December 2019 the balance sheet of the Group shows equity of DKK 18.423 thousand, which is considered satisfactory.

The past year and follow-up on development expectations from last year

The fiscal year 2019 has resulted in an increase in profit before tax of DKK 1.387 thousand from DKK 13.245 thousand in 2018 to DKK 14.632 thousand in 2019.

During the financial year, the Group has focused on reducing its fixed costs, which can be seen by the positive development in profit before tax for 2019.

In 2019, the Group's cash and cash equivalents fell by DKK 7.278 thousand to DKK 49.499 thousand. The cash is used for pays instalments of the Groups debt. The debt has been reduced by DKK 57.032 thousand in 2019.

Targets and expectations for the year ahead

The Group expects years profit before tax to be at the same level as in 2019 and 2018. Likewise, the Group continued to expect positive cash flow from its operating activities in 2020 of approx. DKK 50.000 thousand.

Operating risks

A major part of the turnover is covered by long term power purchase agreements, which reduces the business risk. Management has reduced operational risk by entering into longterm operation, maintenance, commercial, technical and director agreements with competent and stable business partner in Denmark.

The weather conditions in Denmark may influence the Group's performance in terms of hours of sunshine.

Interest rate risk

The Group's debt instruments consist of instruments with a floating rate, and a fixed rate either by using interest rate swaps of fixed rate loans.

Foreign exchange risks

The major currencies are DKK and EUR thus exposing the group to a minimal of FX risk.

External environment

The Group runs its power producing activities in accordance with applicable laws, focusing on the lowest possible climate and environmental impact of production, and it is contributed through its investments in sustainable energy.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income Statement 1 January 2019 – 31 December 2019

		Group		Parent Company	
	Note	2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**78.997**	**80.661**	**-431**	**-447**
Depreciations		-36.696	-36.696	0	0
Operating profit/loss		**42.301**	**43.965**	**-431**	**-447**
Income from investments in subsidiaries		0	0	18.514	17.762
Financial income		1.748	172	568	1
Financial expenses	2	-29.417	-30.892	-11.778	-11.212
Profit/loss before tax		**14.632**	**13.245**	**6.873**	**6.104**
Tax	3	-6.247	-6.448	1.512	693
Net profit/loss for the year		**8.385**	**6.796**	**8.385**	**6.797**
Proposed distribution of profit/loss					
Reserve for net revaluation under the equity method		0	0	18.514	17.762
Retained earnings		8.385	6.797	-10.129	-10.965
		8.385	**6.797**	**8.385**	**6.797**
Staff costs	1				

Balance Sheet 31 December

Assets	Note	Group 2019 TDKK	Group 2018 TDKK	Parent Company 2019 TDKK	Parent Company 2018 TDKK
Solarplant	4	782.756	819.452	0	0
Tangible assets		**782.756**	**819.452**	**0**	**0**
Investments in subsidiaries	5	0	0	246.448	228.936
Deposits		17	17	0	0
Fixed asset investments		**17**	**17**	**246.448**	**228.936**
Fixed assets total		**782.773**	**819.469**	**246.448**	**228.936**
Trade receivables		1.071	814	0	0
Other receivables		558	417	189	133
Deferred tax asset	6	0	0	360	246
Group entities receivables		0	0	2.199	903
Joint taxation contributions receivable		0	0	1.378	1.297
Prepayments	7	153	169	0	0
Receviables		**1.782**	**1.401**	**4.126**	**2.579**
Cash at bank and in hand	8	**49.499**	**56.777**	**56**	**56**
Current assets total		**51.281**	**58.178**	**4.182**	**2.635**
Assets total		**834.054**	**877.647**	**250.630**	**231.571**

Balance Sheet 31 December

Equity and Liabilities	Note	Group 2019 TDKK	Group 2018 TDKK	Parent Company 2019 TDKK	Parent Company 2018 TDKK
Share capital	9	50	50	50	50
Reserve for net revaluation under the equity method		0	0	51.996	34.484
Retained earnings		18.373	10.542	-33.623	-23.942
Equity		**18.423**	**10.592**	**18.423**	**10.592**
Provision for deferred tax	6	18.746	12.918	0	0
Other provisions	10	2.775	2.775	0	0
Provisions total		**21.521**	**15.693**	**0**	**0**
Subordinate loan capital		346.542	346.692	231.165	219.955
Mortgage loans		378.553	436.488	0	0
Other payables		10.108	9.115	0	0
Non-current liabilities other than provisions	11	**735.203**	**792.295**	**231.165**	**219.955**
Mortgage loans	11	58.081	58.020	0	0
Group entities payables		0	0	1.000	980
Trade payables		826	1.047	42	44
Current liabilities other than provisions		**58.907**	**59.067**	**1.042**	**1.024**
Liabilities other than provisions		**794.110**	**851.362**	**232.207**	**220.979**
Equity and Liabilities total		**834.054**	**877.647**	**250.630**	**231.571**

Derivative Financial instruments	12
Contingent assets, liabilities and other financial obligations	13
Related parties and ownership	14

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Group				
Equity at 1 January	50	0	10.542	10.592
Fair value adjustment of hedging instruments	0	0	-554	-554
Net profit/loss for the year	0	0	8.385	8.385
Equity at 31 December	**50**	**0**	**18.373**	**18.423**
Parent Company				
Equity at 1 January	50	34.484	-23.942	10.592
Fair value adjustment of hedging instruments	0	-554	0	-554
Dividends, reserve for net revaluation under the equity method	0	-448	448	0
Net profit/loss for the year	0	18.514	-10.129	8.385
Equity at 31 December	**50**	**51.996**	**-33.623**	**18.423**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019	Group 2018
		TDKK	TDKK
Net profit/loss for the year		8.385	6.796
Adjustments	15	70.633	73.842
Change in working capital	16	-602	183
Cash flows from operating activities before financial income and expenses		**78.416**	**80.822**
Financial income		1.748	172
Financial expenses		-29.417	-30.892
Cash flows from ordinary activities		**50.747**	**50.102**
Corporation tax paid		0	0
Cash flows from operating activities		**50.747**	**50.102**
Purchase of property, plant and equipment		0	-125
Cash flows from investing activities		**0**	**-125**
Raising/Repayment of subordinate loan capital		-150	16.230
Raising/Repayment of mortgage loans		-57.875	-56.295
Raising/Repayment of other payables		0	-2.060
Cash flows from financing activities		**-58.025**	**-42.125**
Change in cash and cash equivalents		**-7.278**	**7.852**
Cash and cash equivalents at 1 January		56.777	48.925
Cash and cash equivalents at 31 December		**49.499**	**56.777**
Accounting Policies	17		

Notes to the Annual Report

		Group		Parent Company	
		2019	2018	2019	2018
1	**Staff costs**				
	Average number of employees	2	2	2	2

		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
2	**Financial expenses**				
	Financial expenses, group entities	17.115	16.750	11.134	10.570
	Other financial costs	8.705	10.989	0	0
	Exchange rate losses	3.597	3.153	644	642
		29.417	**30.892**	**11.778**	**11.212**

		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
3	**Tax**				
	Current tax from joint taxation/ current tax	0	0	-1.378	-1.297
	Change in deferred tax	6.267	6.555	-114	604
	Adjustment concerning previous years	-20	-107	-20	0
		6.247	**6.448**	**-1.512**	**-693**

		Group	
		2019	2018
		TDKK	TDKK
4	**Solarplant**		
	Cost at 1 January	917.393	917.268
		0	125
	Cost at 31 December	**917.393**	**917.393**
	Impairment losses and depreciation at 1 January	-97.941	-61.245
	Depreciation for the year	-36.696	-36.696
	Impairment losses and depreciation at 31 December	**-134.637**	**-97.941**
	Carrying amount at 31 December	**782.756**	**819.452**
	Interest expenses recognised as part of cost of assets	3.938	4.120

		Parent Company	
		2019	2018
		TDKK	TDKK
5	**Investment in subsidiaries**		
	Cost at 1 January	194.452	194.452
	Cost at 31 December	**194.452**	**194.452**
	Revaluations at 1 January	34.484	14.656
	Net profit/loss for the year	26.725	25.973
	Fair value adjustment of hedging instruments for the year	-554	2.252
	Received dividend	-448	-186
	Amortisation of goodwill	-8.211	-8.211
	Revaluations at 31 December	**51.996**	**34.484**
	Carrying amount at 31 December	**246.448**	**228.936**
	Remaining positive difference included in the above carrying amount at 31 December (goodwill)	176.377	184.588

Investment in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Solarpark Vandel ApS	Haslev, Denmark	100%
Vandel Sol ApS	Haslev, Denmark	100%

		Group		Parent Company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
6	**Deferred tax**				
	Changes during the year				
	Beginning of year	-12.918	-5.856	246	850
	Recognised in the income statement	-6.267	-6.555	114	-604
	Recognised in changes in Equity	439	-507	0	0
	End of year	**-18.746**	**-12.918**	**360**	**246**

Deferred tax includes tangible assets, borrowing costs, interest rate swaps and previous years tax losses.

7 Prepayments

Prepayments comprise prepaid expenses.

		Group	
		2019	2018
		TDKK	TDKK
8	**Cast at bank and in hand**		
	Restricted cash	26.337	26.805
	Free cash	23.162	29.972
		49.499	**56.777**

9 Share capital

The Share capital consists of 50.000 shares of a nominal value of DKK 1. No shares carry any special rights. There have been no changes in the share capital since the Company's beginning.

10 Other provisions

Other provisions in the Group consist of provision to remove the solar cell plants with all installations and re-establish of the areas on which the solar cells and other plants is situated, after the expiry of the right of use in 2045 and 2047.

		Group		Parent Company	
		2019	2018	2019	2018
		TDKK	TDKK	TDKK	TDKK
11	**Liabilities other than provisions**				
	Subordinate loan capital				
	After 5 years	346.542	346.692	231.165	219.955
	Between 1 and 5 years	0	0	0	0
	Non-current portion	**346.542**	**346.692**	**231.165**	**219.955**
	Within 1 year	0	0	0	0
		346.542	**346.692**	**231.165**	**219.955**
	Mortgage loans				
	After 5 years	145.800	203.985	0	0
	Between 1 and 5 years	232.753	232.503	0	0
	Non-current portion	**378.553**	**436.488**	**0**	**0**
	Within 1 year	58.081	58.020	0	0
		436.634	**494.508**	**0**	**0**
	Other payables				
	After 5 years	10.108	9.115	0	0
	Between 1 and 5 years	0	0	0	0
	Non-current portion	**10.108**	**9.115**	**0**	**0**
	Within 1 year	0	0	0	0
		10.108	**9.115**	**0**	**0**

12 Derivative Financial instruments

The Group has entered six interest rate swap contracts recognized as non-current other payables. The interest rate swaps are recognized at a negative fair value of DKK 10.108 thousand. The principal amount is EUR 66.266 thousand equivalent to DKK 494.352 thousand. The Group swaps from floating interest rates to fixed interest rates. The interest rate swaps will expire between the next 7-15 years.

13 Contingent assets, liabilities and other financial obligations

Group

Charges and securities

As security for mortgage debt totaling DKK 446.741 thousand, the Group has granted charges totaling EUR 87.450 thousand equivalent to DKK 653.226 thousand on solarplants carried at DKK 606.379 thousand at 31 December 2019.

According to note 8 cash of DKK 26.337 thousand is placed as restricted cash.

Rental and lease obligations

The Group has entered land lease agreements with a duration of 30 years until 2045 and 2047. The land lease depends on the revenue so the total commitment cannot be measured reliably but is estimated to be between DKK 7.150-7.750 thousand per year.

The Group has entered commercial, technical and director agreements with an estimated annual fee of total DKK 1.970 thousand.

Additionally, the Group has an operation and maintenance agreement with a duration for at least 18 years until 2035. The operation and maintenance agreement cost mainly depends on the revenue so the total commitment cannot be measured reliably but is estimated to be between DKK 1.500-1.750 thousand per year.

Parent Company

Other contingencies

The entity participates in a Danish joint taxation arrangement in which it serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligation, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

14 Related parties and ownership

Transactions

The Group has chosen only to disclose transactions which have not been made on an arm'slength basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. All transactions have been carried out under the arm'slength principle.

Ownership

According to the Company's register of shareholders the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:
Capviva Renewables Investment Holding S.a.r.l.

	Group	
	2019	2018
	TDKK	TDKK
15 Cash flow statement - adjustments		
Financial income	-1.748	-172
Financial expenses	29.417	30.892
Depreciation	36.696	36.696
Tax	6.268	6.426
	70.633	**73.842**
16 Cash flow statement - change in working capital		
Change in receivables	-381	1.099
Change in other provisions	0	28
Change in trade payables, etc	-221	-944
	-602	**183**

17 Accounting Policies

The Annual Report of Capviva Solarpark Vandel Holding ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C. Annual Report for 2019 is presented in TDKK. The accounting policy is unchanged compared to last year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

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

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Capviva Solarpark Vandel Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

17 Accounting Policies (continued)

Business combinations

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign-exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

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 the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign exchange adjustments of balances with unrelated foreign subsidiaries which are considered part of the investment in the subsidiary are taken directly to equity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments hedging separate foreign subsidiaries are taken directly to equity.

17 Accounting Policies (continued)

Income Statement

Revenue

Income from the sale of electricity is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Costs related to sale of electricity

Expenses for operation and maintenance, insurance, land lease, electricity costs etc. used in generating the year’s revenue.

Other income

Other income comprises items secondary to the Company’s activities, including insurance reimbursements.

Other external expenses

Other external expenses include expenses related to distribution, bank fees, administration cost, audit, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, costs related to sale of electricity, other income and other external expenses.

Depreciations

Depreciation, amortization and impairment losses relating to plant comprise by depreciation, amortization and impairment losses for the financial year, calculated based on the residual values and useful lives of the individual assets.

Profit/loss from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries are recognised in the income statement of the company after full elimination of intra-group profits/losses and amortization of goodwill.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

17 Accounting Policies (continued)

Tax

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish Subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

The company acts as management company for all jointly taxed entities and, in its capacity as such, pays all income taxes to the Danish tax authorities.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

Balance Sheet

Tangible assets

The plant is measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. The costs for the assets include expected costs to dismantling and disposal of the assets and restoring when the costs hereto are included as a liability.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the estimated useful life of the solar plant of 25 years.

Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealized intragroup gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognized under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Capviva Solarpark Vandel Holding ApS is adopted are not taken to the net revaluation reserve.

17 Accounting Policies (continued)

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognized as intangible assets and amortized on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Goodwill arising on acquisition can be restated until the end of the year after the acquisition.

Goodwill is amortized over the expected economic life of the asset, measured by reference to management's experience in the individual business segments. Goodwill is amortized on a straight-line basis over the amortization period, which is 25 years. The amortization period is based on the assessment that the entities in question are strategically acquired entities with a strong market positions and a long-term earnings profile.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Receivables

Receivables are measured at amortised cost.

Cash

Cash comprises cash in hand and bank deposits.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Equity, net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries in proportion to cost. Dividends that expected to be received before the balance sheet date are not tied to the reserve. Reserves may be eliminated in connection with loss, realization of equity investments or changes in accounting estimates.
Reserves cannot be recognized at a negative amount.

Dividends

Dividend is recognized as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

17 Accounting Policies (continued)

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Other provisions

Other provision comprises expected costs to dismantling and disposal of the Solar power plants. Other provisions are recognized, when the Company on the date for the accounting period has a legal or actually liability, and it is possible, that fulfilment will include a consumption of the Company's economic resources.

Other provisions, which is expected to be fulfilled more than a year from the balance day, are measures to net present value of the expected payments.

The value of the demolition costs is recognized as a part of the fixed assets and is depreciated together with the relevant assets. The increase over time of the net present value of the provision is included in the Financial expenses in the Profit and Loss.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are recognized together with the secured loan.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognized together with the secured loan and in equity until the realization of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognized in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts that were previously recognized in equity are transferred to the income statement for the period when the hedged item affects the income statement.

Changes in the fair value of derivative financial instruments used for hedging of net investments in subsidiaries are recognized directly in equity.

17 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise “Cash at bank and in hand” and ”Overdraft facilities”. The cash flow statement cannot be immediately derived from the published financial records.