Sonnedix Finance S.A.

Financial statements as at 31 December 2022 and for the year

From 1 January 2022 to 31 December 2022

and Independent auditor's report

6, Rue Eugène Ruppert
L-2453 Luxembourg
R.C.S. Luxembourg: B206543
Share capital: EUR 2,031,000

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Ernst & Young
Société anonyme

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Independent auditor's report

To the Sole Shareholder of
Sonnedix Finance S.A.
6, Rue Eugène Ruppert
L-2453 Luxembourg

Opinion

We have audited the financial statements of Sonnedix Finance S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' 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 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 report of the "réviseur d'entreprises agréé" to the related disclosures in the 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 report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Yves Even

Luxembourg, 26 June 2023

Statement of profit or loss and other comprehensive income
for the year from 1 January 2022 to 31 December 2022

(All amounts in Euro unless otherwise stated)

	Notes	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
Other income		375	4,446
Operating income		**375**	**4,446**
Administrative expenses	4	(120,624)	(89,307)
Operating loss		**(120,249)**	**(84,861)**
Finance income		9,378,253	9,969,932
Finance expense		(9,149,166)	(9,727,989)
Net finance income	**5**	**229,087**	**241,943**
Profit before tax		**108,838**	**157,082**
Income tax	6	122,536	(64,424)
Profit for the period		**231,374**	**92,658**
Other comprehensive income		-	-
Total comprehensive income for the period		**231,374**	**92,658**

The accompanying notes are an integral part of these financial statements.

Statement of financial position
as at 31 December 2022

(All amounts in Euro unless otherwise stated)

	Notes	2022	2021
ASSETS			
Non-current assets			
Loan to shareholder	7	253,557,587	272,849,893
Total non-current assets		**253,557,587**	**272,849,893**
Current assets			
Loan to shareholder	7	19,292,306	18,609,275
Other receivables		145,807	104,405
Cash and cash equivalents	8	1,162,793	1,142,311
Total current assets		**20,600,906**	**19,855,991**
Total assets		**274,158,492**	**292,705,884**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	531,000	531,000
Share premium	9	1,500	1,500
Capital contribution	9	122,000	122,000
Legal Reserve	9	53,100	53,056
Retained earnings		309,667	217,053
Net result of the year		231,374	92,658
Total equity		**1,248,640**	**1,017,267**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	253,557,587	272,849,893
Total non-current liabilities		**253,557,587**	**272,849,893**
Current liabilities			
Loans and borrowings	10	19,292,306	18,609,275
Trade and other payables	11	56,471	58,489
Current tax liability		3,488	170,960
Total current liabilities		**19,352,266**	**18,838,724**
Total liabilities		**272,909,852**	**291,688,617**
Total equity and liabilities		**274,158,492**	**292,705,884**

The accompanying notes are an integral part of these financial statements

Statement of changes in equity
for the year from 1 January 2022 to 31 December 2022

(All amounts in Euro unless otherwise stated)

	Share capital	Share premium	Capital Contribution	Legal reserve	Retained earnings	Net result of the year	Total Equity
Balance as at 1 January 2022	**531,000**	**1,500**	**122,000**	**53,056**	**217,053**	**92,658**	**1,017,267**
Allocation of the preceding year result	-	-	-	44	92,614	(92,658)	-
Profit for the year	-	-	-	-	-	231,374	231,374
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(loss)	**-**	**-**	**122,000**	**44**	**-**	**231,374**	**231,374**
Balance as at 31 December 2022	**531,000**	**1,500**	**122,000**	**53,100**	**309,667**	**231,374**	**1,248,641**

	Share capital	Share premium	Capital Contribution	Legal reserve	Retained earnings	Net result of the year	Total Equity
Balance as at 1 January 2021	**531,000**	**1,500**	**-**	**41,632**	**-**	**228,477**	**802,609**
Allocation of the preceding year result	-	-	-	11,424	217,053	(228,477)	-
Capital contribution	-	-	122,000	-	-	-	122,000
Profit for the year	-	-	-	-	-	92,658	92,658
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**92,658**	**92,658**
Balance as at 31 December 2021	**531,000**	**1,500**	**122,000**	**53,056**	**217,053**	**92,658**	**1,017,267**

The accompanying notes are an integral part of these financial statements.

Statement of cash flows
for the year from 1 January 2022 to 31 December 2022

(All amounts in Euro unless otherwise stated)

	Notes	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
Cash flows from operating activities			
Profit before tax		108,838	157,082
Adjustments for:			
Finance income	5	(9,378,253)	(9,969,932)
Finance expense	**5**	9,149,166	9,727,989
Operating loss before working capital movements:		(120,249)	(84,861)
Working capital movements:			
Other receivables		84,975	(34,875)
Trade and other payables	11	(2,018)	(43,376)
Other cash flows from operating activities:			
Interest paid	5	(9,149,166)	(9,727,989)
Interest collected	5	9,378,253	9,969,932
Tax paid	6	(1,363)	(58,597)
Net cash flows used in operating activities		**20,482**	**20,234**
Cash flows from investing activities			
Repayment from shareholder	7	18,609,275	17,956,998
Net cash flows generated from/(used in) investing activities		**18,609,275**	**17,956,998**
Cash flows from financing activities			
Capital contribution	9	-	122,000
Repayment bonds	10	(18,609,275)	(17,956,998)
Net cash flows generated from financing activities		**(18,609,275)**	**(17,834,998)**
Net increase/(decrease) in cash and cash equivalents		**20,482**	**142,234**
Cash and cash equivalents	8	1,162,793	1,142,311
Less restricted cash	8	(500,000)	(500,000)
Cash and cash equivalents at the period (net of restricted cash)	**8**	**662,793**	**642,311**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statement

1. Company information

Sonnedix Finance S.A. (the "Company") (formerly known as Vela Energy Finance S.A.) was incorporated on 26 May 2016 as a "société anonyme" for an unlimited period and is governed under the laws of Grand Duchy of Luxembourg.

The object of the Company is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interests.

The Company may provide loans and financing in any other kind or form or grant guarantees or security in any other kind or form, in favour of the companies and undertakings forming part of the group of which the Company is a member.

The Company may also invest in real estate, in intellectual property rights or any other movable or immovable assets in any kind or form.

The Company may borrow in any kind or form and issue bonds, notes or any other debt instruments as well as warrants or other share subscription rights.

In a general fashion, the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purposes.

The registered office of the Company is established in Luxembourg, 6, Rue Eugène Ruppert L-2453 Luxembourg and the Company is registered with the Registre de Commerce under the number B206543.

The Company is a wholly owned subsidiary of Sonnedix España EquityCo S.L. (the "Parent"). Vela Energy Finance S.A. operates in one segment being the provision of financing to Vela Energy group entities. No dedicated management reporting information is presented for the Company to a chief decision maker; only the annual financial statements are presented to the management of the Company in analysing the performance of the company. The company is being consolidated in the financial statements of Sonnedix España EquityCo S.L., which is incorporated in Spain. The Company and the Parent, in turn, are consolidated in the consolidated financial statements of the Sonnedix España, S.L.U ("Ultimate Parent"), which is registered at C/ Principe de Vergara 108, 12th Floor, 28002 Madrid, Spain.

The financial year of the Company starts on 1 January and ends on 31 December of each year.

The financial statements of the year 2022 were approved by the Board of Directors on June 26, 2023.

2. Summary of significant accounting policies

2.1. Basis of presentation

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, ("IFRS"), on an unconsolidated basis, and with the applicable Luxembourg legal and regulatory requirements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Details on significant accounting judgements, estimates and assumptions are provided under Note 3.

2. Summary of significant accounting policies (continued)

2.1. Basis of presentation (Continued)

These financial statements have been prepared on a historical cost basis. These financial statements have been prepared on a going concern basis.

2.2. Financial instruments

a) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value though other comprehensive income (OCI) or fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collection contractual cash flows, selling the financial assets, or both.

All financial assets are initially measured their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value though profit or loss

Financial assets at amortised cost (debt instruments)

This category is the only one relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes other receivables, cash and cash equivalents and loans to shareholders.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted as an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes to the financial statement

2.2 Financial instruments (continued)

a) Financial assets (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers that there has been a default when contractual payments are more than 90 days past due.

b) Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purposes of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade and other payables) are subsequently measured at amortised cost using the effective rate method.

The effective rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2. Summary of significant accounting policies (continued)

2.2. Financial instruments (continued)

b) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position may comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Restricted Cash

The cash and cash equivalent disclosed above and in the statement of financial position include EUR 500,000 maintained with financial entity. These deposits constitute a debt service reserve fund under the Bond agreement and therefore they are not available for general use by the other entities within the group.

2.4. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. Summary of significant accounting policies (continued)

2.4. Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The directors consider that carrying amounts of financial assets and financial liabilities recognised in the financial statements (except for the corporate bonds and loan to shareholders) approximate their fair values.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

		2022		2021
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	EUR	**EUR**	**EUR**	**EUR**
Corporate Bonds	272,849,893	274,039,768	291,459,168	302,706,179
Total	**272,849,893**	**274,039,768**	**291,459,168**	**302,706,179**

The following table provides the fair value measurement hierarchy of the company's assets and liabilities whose carrying value differs from the fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

2022

Financial Liabilities	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
	EUR	**EUR**	**EUR**
Corporate Bonds	274,039,768	-	-
Total as at 31 December 2022	**274,039,768**	**-**	**-**

2021

Financial Liabilities	Quoted prices in active markets (Level1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
	EUR	**EUR**	**EUR**
Corporate Bonds	302,706,179	-	-
Total as at 31 December 2021	**302,706,179**	**-**	**-**

There were no transfers between Level 1 and Level 2 during 2022.

2.5. Finance income and Finance expense

Interest income and expense is recognised using the effective interest method.

2.6. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same

2. Summary of significant accounting policies (continued)

2.6. Taxes (continued)

Deferred tax (continued)

taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

2.7. Foreign currencies

The financial statements are presented in Euro, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

2.8. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Notes to the financial statement

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.9. Dividends and appropriation of reserves

Dividends / appropriation of reserves to holders of equity instruments are recognised as liabilities in the period in which they are declared.

Dividends / appropriation of reserves to holders of equity instruments, or of the equity component of a financial instrument issued by the company, are recognised directly in equity.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. More particularly, assessing the recoverability of the loan described in note 7 represents a significant judgmental.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Financial risk management Note 13
- Capital management Note 14

4. Administrative Expenses

	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
	EUR	**EUR**
Accounting and other professional fees	41,297	57,916
Legal and notary fees	85	1,277
Tax Advising	57,447	1,667
Auditors' remuneration	10,000	11,853
Bank commission and charges	11,760	11,784
Fine and penalties	14	4,810
Other	20	-
Total administrative expenses	**120,624**	**89,307**

5. Net finance income

	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
	EUR	**EUR**
Finance income on loan to shareholder (Note 7)	9,378,253	9,969,932
Finance expense on corporate bonds (Note 10)	(9,149,166)	(9,727,989)
Net finance income	**229,087**	**241,943**

6. Income tax expense

	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
		EUR
Current tax expense	(122,536)	64,424
Income tax expense for the year	**(122,536)**	**64,424**

Tax applying the corporate income tax rate and the income tax expense for the period are reconciled as follows:

	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
	EUR	EUR
Profit before tax	**108,838**	**157,082**
Accounting result as at year end	108,838	157,082
Reintegration of non-deductible charges		
Reintegration of unrealised margin on financing activity	94,209	6,305
Taxable result	(14,629)	6,305
Tax losses carried forward incurred before 2017	-	-
Taxable basis	(14,629)	6,305
CIT basis (rounded)	(14,629)	6,305
CIT rate	16%	16%
Corporate Income Tax	**-**	**1,012**
Contribution to employment fund - rate	7%	7%
Contribution to employment fund for the year	**-**	**-**
Total income tax	**-**	**1,012**
MBT basis rounded (After set-off of the EUR 17,500 allowance)	(32,129)	(11,195)
MBT rate	7%	7%
MBT for the year	**-**	**-**
Net Wealth Tax	**5,035**	**4,815**
Income taxes related to previous years	**(127,571)**	**58,597**
Other tax items	**(122,536)**	**63,412**
Income tax expense for the year	**(122,536)**	**64,424**

There is no unrecognized deferred tax asset.

7. Loan to shareholder

	2022	2021
	EUR	EUR
Principal received	291,459,168	309,416,166
Accrued interest	9,378,253	9,969,932
Interest received	(9,378,253)	(9,969,932)
Principal received	(18,609,275)	(17,956,998)
	272,849,893	291,459,168
Current portion of long-term loan to shareholder	(19,292,306)	(18,609,275)
Non-current portion at the end of the year	**253,557,587**	**272,849,893**

On June 22, 2016 the Company entered into an agreement with Sonnedix España Equityco, S.L.U. (formerly known Vela Energy EquityCo S.L.U.) (parent company) to advance all proceeds raised from the issuance of corporate bonds to the parent company.

The redemption of loan and the interest payments are directly associated with terms of the corporate bonds, as disclosed in note 10. The interest rate of this loan is same as the one of the bonds plus a margin.

As at 31 December 2017 the interest accrued amount to *EUR 171,067*, and the principal repayments in the 12 months following the balance sheet date amount to *EUR 22,682,392*.

As at 31 December 2018 the interest accrued amount to *EUR 1,637*, and the principal repayments in the 12 months following the balance sheet date amount to *EUR 23,236,844*.

As at 31 December 2019 the interest accrued amount to *EUR nil*, and the principal repayments in the 12 months following the balance sheet date amount to *EUR 18,431,763*.

As at 31 December 2020 the interest accrued amount to *EUR nil*, and the principal repayments in the 12 months following the balance sheet date amount to *EUR 17,956,998*.

As at 31 December 2021 the interest accrued amount to *EUR nil*, and the principal repayments in the 12 months following the balance sheet date amount to *EUR 18,609,275*.

As at 31 December 2022 the interest accrued amount to *EUR nil*, and the principal repayments in the 12 months following the balance sheet date amount to *EUR 19,292,306*.

The last instalment will be repaid on June 30, 2036.

8. Cash and cash equivalents

	2022	2021
	EUR	EUR
Cash and cash equivalents	1,162,793	1,142,311
Net	**1,162,793**	**1,142,311**

	2022	2021
	EUR	EUR
Cash at banks	1,162,793	1,142,311
Less: Restricted cash	(500,000)	(500,000)
Total cash and cash equivalents	**662,793**	**642,311**

8. Cash and cash equivalents (continued)

Restricted cash represents an amount of *EUR 500,000* maintained with a financial institution relating to a debt service reserve fund, in relation to the Bonds issued as described in Note 10.

9. Equity

Share capital

As at 31 December 2022 and 31 December 2021, the authorised and issued share capital of the Company amounted to *EUR 2,031,000* which represents 2,031,000 shares with a nominal value of one Euro (EUR 1).

As at 31 December 2020, the Company has received *EUR 500,000* against the issue of 2,000,000 shares of EUR 1 each and therefore an amount of *EUR 1,500,000* remains uncalled against the issued share capital.

All shares of the Company held by the parent have been pledged against the issuance of corporate bonds (note 10) under the share pledge agreement entered into between the parent company as "Pledgor" and BNP Paribas Trust Corporation UK Limited as "Trustee".

Share premium

On 26 May 2016, the shareholder resolved to issue share capital amounting to *EUR 31,000* and *EUR 1,500* to the share premium account.

Legal reserve

Under Luxembourg law the Company is required to transfer to a legal reserve a minimum of 5 % of its net profits each year until this reserve equals 10 % of the issued share capital. This reserve is not available for distribution.

Capital contribution

During the financial year 2021 the shareholder contributed an amount of *EUR 122,000* in cash as capital contribution without issuing any shares. This capital contribution is distributable to the shareholder subject to availability of the funds.

Dividend distribution

During the financial year no dividend has been distributed (2021: EUR nil).

10. Loans and borrowings

	2022	**2021**
	EUR	**EUR**
Corporate bonds	291,459,168	309,416,166
Accrued interest	9,149,166	9,727,989
Interest paid	(9,149,166)	(9,727,989)
Payments	(18,609,275)	(17,956,998)
	272,849,893	**291,459,168**
Short-term portion of loans and borrowings	(19,292,306)	(18,609,275)
Non-current loans and borrowings	**253,557,587**	**272,849,893**

10. Loans and borrowings (Continued)

On June 16, 2016, the Company entered into the following agreements for issuance of the corporate bonds:

- The Company as Issuer entered into a trust deed with BNP Paribas Trust Corporation UK Limited as Trustee, for benefit of the bond holders.

- The Company as Issuer entered into a Subscription Agreement with CaixaBank S.A. and Deutsche Bank AG, London Branch as Joint Lead Managers (JLM), whereby the JLM agreed to subscribe Class A1 and Class A2 bonds issued by the Company.
- The Company as Issuer entered into a Bond Purchase Agreement with Massachusetts Mutual Life Insurance Company as Bond Purchaser (BP) and Deutsche Bank AG, London Branch as Settlement Agent (SA), whereby the BP agreed to purchase Class A3 Bonds and appointed the Settlement Agent SA to act on its behalf.
- The Company as Issuer entered into a Placement Agreement with Merrill Lynch International as a Placement Agent, for the purpose of co-ordinating the placing of the bonds, together with the Joint Lead Managers, without underwriting or subscribing any bonds in its personal capacity.

All bonds bear an interest at the rate of 3.195% payable semi-annually in arrears on the outstanding principal amount from June 22, 2016, on June 30 and December 31 except for the first payment which is due on January 2, 2017.

The bonds are listed in the Frankfurt Stock Exchange in the "open market" segment. The Company did not incur in any debt issuance cost in relation to this financing.

The principal amount is redeemable under the amortisation schedule as per the trust deed, where the first repayment is scheduled on January 2, 2017 and all future repayments semi-annually on June 30 and December 31. The latest repayment date is June 30, 2036.

The terms of the Corporate Bonds contain certain covenants. As of December 31, 2022, the Company is in compliance with such covenants. In turn, such terms contain certain post-closing covenants that the Company has complied with.

The fair value of corporate bonds, categorized under Level 1 as described in note 2.4, amounts to 100,44% as at December 31, 2022.

11. Trade and other payables

	2022	2021
	EUR	**EUR**
Accrued liabilities	56,471	58,489
Total trade and other payables	**56,471**	**58,489**

12. Related party transactions

Sonnedix España EquityCo S.L.U., incorporated in Spain, holds 100% shares of the Company and is therefore the parent company.

The Company entered into a loan agreement with the shareholder as disclosed in note 7.

13. Financial risk management

The Company's principal financial assets include loan to a parent company and cash at bank. The Company's principal financial liabilities comprise corporate bonds and accrued expenses. The main purpose of these financial liabilities is to finance the Company's operations

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. The Company does not hold any equity instruments and is therefore not subject to any equity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any financial instruments at variable interest rate and therefore it is not exposed to such risk as at 31 December 2022.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. All Company's assets and related financing are denominated in EUR and consequently the Company is not exposed to any significant foreign currency risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including long term loan to shareholder, receivable from shareholder and deposits with banks and financial institutions. The credit risk of the shareholder has been assessed as low due the operation of the group consists in the generation of energy trough photovoltaic solar panels which it is billed and charged to the National Commission of Markets and Competition (CNMC), and to market representatives.

The credit risk on cash and cash equivalents is managed through the selection of high rating bank counterparty. Management is as of the opinion that this risk is limited because the counter parties are reputable banks with good credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

13. Financial risk management (continued)

Financial Assets	Less than 12 months	Greater than 1 year; Less than 5 years	More than 5 years	Total
	--- All amounts in EUR ---			
Loan to shareholder	18,609,275	81,358,405	191,491,488	291,459,168
Other Receivables	104,405	-	-	104,405
Cash & Cash equivalents	642,311	-	500,000	1,142,311
Total as at 31 December 2021	**19,355,991**	**81,358,405**	**191,991,488**	**292,705,884**
Loan to shareholder	19,292,306	84,181,926	169,375,661	272,849,893
Other Receivables	145,807	-	-	145,807
Cash & Cash equivalents	662,793	-	500,000	1,162,793
Total as at 31 December 2022	**20,100,906**	**84,181,926**	**169,875,661**	**274,158,493**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management is achieved through maintaining sufficient cash.

The following are the remaining undiscounted contractual maturities at the end of the reporting period of financial liabilities as at 31 December 2022.

Financial liabilities	Less than 12 months	Greater than 1 year; Less than 5 years	More than 5 years	Total
	--- All amounts in EUR ---			
Corporate bonds	27,758,441	111,734,094	221,985,724	361,478,259
Accrued liabilities	58,489	-	-	58,489
Total as at 31 December 2021	**27,816,930**	**111,734,094**	**221,985,724**	**361,536,748**
Corporate bonds	27,841,454	111,935,616	193,942,748	333,719,818
Accrued liabilities	56,471	-	-	56,471
Total as at 31 December 2022	**27,897,925**	**111,935,616**	**193,942,748**	**333,776,289**

14. Capital management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital to ensure that the net equity does not fall below more than 50% of subscribed share capital of the Company.

	2022	**2021**
	EUR	**EUR**
Issued share capital	531,000	531,000
Share premium	1,500	1,500
	532,500	**532,500**
Net equity	**1,248,640**	**1,017,266**
Percentage	**234%**	**191%**

15. Staff

The Company employed no staff during the years 2021 and 2022.

16. Emoluments granted to the members of the managing and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

In 2022 and 2021 no remuneration was paid to the executives or key management personnel of the Company.

17. Commitments and contingencies

The Company has no commitments and/or contingencies as at 31 December 2022, except for the shares pledged against the issuance of corporate bonds and future contractual payments of interest on corporate bonds, which have been disclosed in note 7 and 10, respectively.

18. Standards issued effective and from 1 January 2022

A number of new or amended standards became applicable for the current reporting period. The below amendments which were effective from 1 January 2022 did not have any material impact on the company's financial statements:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Annual Improvements to IFRSs 2018-2020 – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

19. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts; including Amendments to IFRS 17 (effective date 1 January 2023)
- Definition of Accounting Estimates - Amendments to IAS 8 (effective date 1 January 2023)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective date 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective date 1 January 2023)
- Amendments to IAS 12 Income taxes: International Tax Reform –Pillar Two Model Rules (effective date 1 January 2023)
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1 (effective date 1 January 2024)
- Lease liabilities in a sale and lease-back – Amendments to IFRS 16 (effective date 1 January 2024)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective date 1 January 2024)

The Board of Directors anticipates that the adoption of the above standards and amendments will have no material impact on the financial statements.

20. Subsequent events

No events occurred subsequent to the annual closing which are significant enough to warrant disclosure in the accompanying financial statements.

___________________________	___________________________
Director A:	Director B:
Mr. Miguel Ángel García Mascuñán	Mr. Jacques de Patoul