THE CONTRIBUTION OF THE ASSET MANAGER IN A PRE-ACQUISITION ACCOUNTING AUDIT

As renewable energy investors are all aware, when a so called "locked-box" mechanism is applied, the SPA / QPA contains a provision for adjustments in working capital upon or after Closing.

From the "locked-box" date onwards, any economic risks or rewards flowing from the target's performance is effectively transferred to the buyer (even though the buyer retains the rights to open claims pursuant to specific warranties).

Considering that such working capital adjustments affect the overall pricing and the value effectively crystallized after the acquisition**, it is advisable for a buyer to conduct detailed verifications of the main balance sheet items**, with a particular focus on receivables and payables as deriving from the balance sheet as of the reference date ("locked-box" date), aimed at verifying:

- the existence and fairness of the receivables registered;
- the potential contingent liabilities not recognized in the financial statements.

In addition, **it is important to conduct an analysis of bank movements from the reference date until the closing date to identify** permitted/not permitted leakages based on the provisions included in the SPA / QPA.

In such verifications, a multi-disciplinary renewable energy asset manager, like WiseEnergy can provide a valuable contribution, leveraging its unique skills-set:

- providing technical support to assess the credit/debt position towards GSE.
- Leveraging its familiarity with the suppliers and regulatory / local authorities involved in the operation of PV plants which enable to properly assess the effectiveness of any open positions towards them.

WiseEnergy's senior managers responsible for the accounting and financial activity have a combined more than 40 years of experience in accounting. They have conducted review of Italian financial statements and accruals calculation for more than 150 SPVs in the last 5 years and performed accounting audits on over 20 SPVs just in the last 6 months.