UEP Penonome II, S. A.

Report and Financial Statements
December 31, 2019

UEP Penonome II, S. A.

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December 31, 2019

Independent Auditors' Report

To the Board of Directors and Shareholders of
UEP Penonome II, S. A.

Our opinion

In our opinion, the financial statements of UEP Penonome II, S. A. (the "Company") present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Panama. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Panama.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management 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, management is responsible for assessing the 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities 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 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 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 ISAs, we exercise professional judgment and maintain professional scepticism 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 management.

- Conclude on the appropriateness of management's 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 auditor's report 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 auditor's report. 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.

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.

PricewaterhouseCoopers

May 29, 2020
Panama, Republic of Panama

UEP Penonome II, S. A.

Statement of Financial Position
December 31, 2019
(All amounts in US$ unless otherwise stated)

	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	2, 5	25,126,029	60,837,269
Restricted cash	2, 5 and 6	51,165,263	-
Trade and other receivables	2, 7 and 16	6,988,755	9,708,289
Prepaid expenses		573,720	646,397
Total current assets		83,853,767	71,191,955
Non-current assets			
Plant and equipment, net	2, 8 and 9	283,153,978	296,377,985
Restricted cash	6	17,272,000	17,272,000
Goodwill	2 and 10	20,000,000	20,000,000
Total non-current assets		320,425,978	333,649,985
Total assets		404,279,745	404,841,940
Liabilities and Equity			
Current liabilities			
Current portion of long-term debt	2 and 13	12,803,000	14,451,000
Trade and other payables	2, 11 and 16	34,248,298	30,644,088
Other current liabilities and accrued expense	12	51,165,263	51,165,263
Total current liabilities		98,216,561	96,260,351
Non-current liabilities			
Shareholders' loans	13	50,000,000	50,000,000
Lease liabilities long term	9	8,385,098	-
Deferred income tax	17	622,244	46,163
Long-term debt	2 and 13	220,002,710	232,009,006
Total non-current liabilities		279,010,052	282,055,169
Total liabilities		377,226,613	378,315,520
Equity			
Common shares with US$1.00 par value each; authorized and issued: 1,050 shares	2 and 14	1,050	1,050
Capital contribution	2 and 14	74,998,950	74,998,950
Accumulated deficit		(47,946,868)	(48,473,580)
Total equity		27,053,132	26,526,420
Total liabilities and equity		404,279,745	404,841,940

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

UEP Penonome II, S. A.

Statement of Comprehensive Income
For the year ended December 31, 2019
(All amounts in US$ unless otherwise stated)

	Notes	2019	2018
Revenues		56,069,859	50,310,461
Costs of goods and services	8 and 15	(24,160,672)	(23,507,991)
Gross profit		31,909,187	26,802,470
Expenses	15		
Administrative expenses		(4,278,136)	(5,773,244)
Operating expenses		(6,377,825)	(5,455,031)
Total expenses		(10,655,961)	(11,228,275)
Operating profit		21,253,226	15,574,195
Finance cost amortization	13	(796,704)	(796,704)
Finance cost, mainly interest on borrowings		(19,914,656)	(23,952,071)
Finance cost, net		(20,711,360)	(24,748,775)
Other income		560,927	8,879,417
Profit (loss) before income tax		1,102,793	(295,163)
Income tax	17	(576,081)	(1,778,907)
Total comprehensive income (loss) for the year		526,712	(2,074,070)

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

UEP Penonome II, S. A.

Statement of Changes in Equity
For the year ended December 31, 2019
(All amounts in US$ unless otherwise stated)

	Common Shares	Capital Contribution	Accumulated Deficit	Total Equity
Balance at December 31, 2017	1,050	74,998,950	(46,399,510)	28,600,490
Comprehensive loss:				
Net loss	-	-	(2,074,070)	(2,074,070)
Balance at December 31, 2018	1,050	74,998,950	(48,473,580)	26,526,420
Comprehensive income:				
Net income	-	-	526,712	526,712
Balance at December 31, 2019	1,050	74,998,950	(47,946,868)	27,053,132

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

UEP Penonome II, S. A.

Statement of Cash Flows
For the year ended December 31, 2019
(All amounts in US$ unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Profit (loss) before income tax		1,102,793	(295,163)
Adjustments to reconcile profit (loss) before income tax to net cash provided by operating activities:			
Depreciation and amortization	8, 9 and 15	21,841,065	21,470,922
Finance cost amortization	13	796,704	796,704
Finance cost, interest on borrowings		19,914,656	23,952,071
Changes in assets and liabilities:			
Trade and other receivables		2,719,534	(4,026,400)
Trade and other payables		4,142,544	44,317,355
Prepaid expenses		72,676	(55,305)
Interest paid		(19,914,656)	(23,952,071)
Net cash provided by operating activities		30,675,316	62,208,113
Cash flows from investing activities			
Additions of plant and equipment	8	(48,611)	(14,252)
Restricted cash	6	-	11,964,372
Net cash (used in) provided by investing activities		(48,611)	11,950,120
Cash flows from financing activities			
Repayment of long-term debt and net cash used in financing activities	13	(14,451,000)	(15,324,000)
Finance lease payments	9	(79,048)	-
Interest paid	9	(642,634)	-
Net cash used in financing activities		(15,172,682)	(15,324,000)
Net increase in cash and cash equivalents		15,454,023	58,834,233
Cash and cash equivalents at the beginning of year		60,837,269	2,003,036
Cash and cash equivalents at the end of year		76,291,292	60,837,269

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

1. General Information

UEP Penonome II, S. A. (the "Company") is incorporated on January 18, 2013 under the laws of the Republic of Panama. The Company is engaged in the production of electricity through its five wind parks located in Penonome, Province of Cocle, Republic of Panama.

The ultimate parent company of UEP Penonome II, S. A. is Interenergy Partners, L. P., incorporated in Cayman Island.

The local regulator, Autoridad Nacional de los Servicios Publicos (ASEP, by its acronym in Spanish), approved the Company's electricity generation license to 215 MW capacity (Note 18).

The Company is located in Torre de las Americas, Punta Pacifica, Republic of Panama, and the wind turbines are in Penonome, Republic of Panama.

These financial statements have been approved for issue by the Finance Manager on May 27, 2020.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of Preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)

New Standards, Amendments and Interpretations Adopted by the Company
The Company has applied the following standard for the first time in its annual reporting period commencing January 1, 2019:

- IFRS 16, 'Leases'

  The Company has initially applied IFRS 16, for the first time for their annual reporting period commencing January 1, 2019. It has applied using the cumulative effect method, under which the comparative information is not restated.

IFRS 16 - Leases

- IFRS 16 - Leasing. The IASB issued in January 2016, IFRS 16, which replaces IAS 17- Leases. This standard introduces significant changes in accounting by lessee.

- The Company applied the simplified approach, in which the comparative figures are not restate at the date of initial application. The right-of-use assets for property leases will be initially measured on a retrospective basis as if the new standard had always been applied. All other right-of-use assets will be measured at the amount equal to the lease liability at the time of adoption (adjusted for prepaid or accrued lease payments relating to that lease recognized). In addition, the Company has decided not to apply the new standard to leases whose term will end within twelve months of the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognized as an expense from short-term leases.

In the context of the transition, the Company recognized as of January 1, 2019 a right of use asset for US$ 8,568,447 and a lease liability of US$8,568,447.

Accounting policy applied until December 31, 2018

A lease agreement in which the lessor transfers to the lessee, in exchange for a payment or a series of payments, the right to use an asset for an agreed period is classified as a finance lease.

A lease agreement was defined as an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or several payments. In accordance with IAS 17, beneficial ownership of the leased assets was attributed to the lessee if the lessee substantially bore all the risks and rewards inherent to ownership of the leased asset.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)

New Standards, Amendments and Interpretations Adopted by the Company (continued)

IFRS 16 - Leases (continued)

Accounting policy applied until December 31, 2018 (continued)

To the extent that beneficial ownership was attributable to the Company as a lessee. Financial leases were capitalized at the beginning of the lease, either at fair value of the leased property or, if less, at the present value of the minimum lease payments. A lease liability in the same amount was recognized as a non-current liability. The lease was subsequently measured at amortized cost using the effective interest method. The depreciation methods and estimated useful lives corresponded to those comparable purchased assets.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease

Accounting policy applied as of January 1, 2019

Lease liabilities include the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, to the extent that this can be determined. Otherwise, the discount is the lessee’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)

New standards, amendments and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Monetary Unit and Functional Currency
The financial statements are expressed in U.S. Dollars (US$), monetary unit of the United States of America, which is at par with the Balboa (B/.), monetary unit of the Republic of Panama. The U.S. Dollar (US$) circulates and is freely exchangeable in the Republic of Panama, and is the functional currency.

Financial Assets
The Company classifies its financial assets in the category of loans and receivables and assets at fair value through profit or loss, based on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables with maturities not greater than 12 months are included in current assets.

Cash and Cash Equivalents
For purposes of the cash flow statement, cash and cash equivalents include cash in hand and other short-term highly liquid investments with original maturities of three months or less.

Restricted Cash
Cash is classified as restricted when it is not available for the use of the Company. The restricted cash is classified as current when its release is expected to occur within one year, and non-current when its availability is longer than such period.

Trade and Other Receivables
The Company maintains trade and other receivables in order to collect the contractual cash flows and, therefore, subsequently measures them at amortized cost using the effective interest method, less any estimate for impairment.

2. Summary of Significant Accounting Policies (Continued)

Plant and Equipment

Plant and equipment are stated at cost, less accumulated depreciation, amortization and impairment losses. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. Costs of maintenance, repairs, minor refurbishments and improvements are charged to expense. Subsequent costs are capitalized only when it is probable that a future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company has a maintenance program that includes inspecting, testing and repairing all operational power equipment based on the equivalent operating hours (EOH).

Expenditure on the construction, installation or completion of infrastructure facilities, such as constructions. No depreciation or amortization is charged during the construction phase. The Company begins depreciating an item of property, plant and equipment when it is available for use.

Right-of-use assets are recognized as leasehold and generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation and amortization rates used are described as follows:

Buildings	2.50%
Leasehold	5%
Generators and plant facilities	5% - 10%
Tools and minor equipment	25%
Equipment of transportation	25%
Furniture and office equipment	25%

Goodwill

Goodwill arises on the acquisition of subsidiary UEP Penonome II, S. A. (subsequently merged with IEH Penonome Panama, S. A.) and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or Company of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Company of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal Management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the normal course of the business from suppliers. Trade and other payables are classified as current liabilities as payments are due within one year or less.

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost, using the effective interest method.

Borrowing Costs

General and specific borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Current and Deferred Income Tax

Income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date over the taxable income.

2. Summary of Significant Accounting Policies (Continued)

Current and Deferred Income Tax (continued)
Deferred income tax is provided in full, using the liability method, where temporary differences arise between the fiscal bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability, in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available, and the temporary differences can be utilized against it.

Deferred income tax is provided for temporary differences originated by loss drag.

Employee Benefits

Seniority Premium and Severance Trust Fund
According to the Labor Code of the Republic of Panama, employees with a permanent contract of employment are entitled to receive, upon termination of employment, a seniority premium, equal to one week's wage for each year of work, determined from the date of commencement of employment.

In addition, employees dismissed under certain circumstances are entitled to receive compensation based on years of service. Law No.44 of 1995 provides that companies must make a contribution to a fund to cover the Layoff seniority premium payments to dismissed workers. This contribution is determined based on the compensation paid to employees. To manage this fund, the Company established a trust with an authorized private entity. The contributions are treated as defined contribution plans, where the Company has no further payment obligations in addition to those contributions. The contribution for the year amounted to US$16,305 (2018: US$18,656).

Social Security
According to Law No.51 of December 27, 2005, the companies must realize monthly contributions to the Panama Social Security (i.e., Caja de Seguro Social de Panama), based on a percentage of the total wages paid to their employees. A portion of these contributions is used by the Panamanian State for the payment of the future retirements of the employees. The contribution for the year amounted to US$350,036 (2018: US$385,569).

2. Summary of Significant Accounting Policies (Continued)

Share Capital
Common shares are classified as equity.

Revenue Recognition
The Company recognizes revenue in the periods that it delivers electricity. Contracted prices are billed in accordance to provisions of applicable power sales agreements and spot sales are billed in accordance with prevailing market prices. The unit of measurement of the contract prices is megawatts (MW). The following criteria should be met in order to recognize revenue: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the price to the buyer is fixed or determinable; and (4) collection is reasonably assured. Revenues are measured at fair value of the consideration received or receivable for the sale of the energy.

Finance Cost
Comprise interest expense on borrowings, unwinding of the discount of provision and deferred consideration.

3. Financial Risk Management

Financial Risk Factors
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the General Manager and the Director of Financial Department under the supervision of the Board of Directors. They identify and evaluate financial risks in close co-operation with Management of Departments within the Company.

Market Risk

Foreign exchange risk
The Company is not substantially exposed to the foreign exchange risk fluctuation, since its revenues and expenses are mainly expressed in U. S. Dollars.

Interest Rate Risk
Interest rate risk is mainly originated from long-term debt with variable interest rates that expose the Company to the cash flows risk.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

Credit Risk
Credit risk arises mainly from cash and cash equivalents, restricted cash, trade and other receivables. The Company works only with well-known foreign and local financial institutions and energy distribution companies.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit rating.

	2019	**2018**
Cash at banks and short-term bank deposits international credit rating - Fitch (A and AA-)	76,291,292	60,837,269

The Company has a concentration of its revenues and accounts receivable with the three offtakers companies operating in the Republic of Panama. Sales of energy made to these customers represent approximately 85% (2018: 87%) of total revenues and 90% (2018: 89%) of total accounts receivable at the end of the period. This concentration of risk is mitigated by the fact that demand for electricity in Panama continues to grow steadily and that the energy market is very well structured and regulated by government authorities. For each PPA a guarantee is required and the payment term of invoices originating in the electric market of Panama is averaged in a range of 30 days from the date of presentation of the invoice. The guarantee is a performance bond payable to the collection against any event of default for bad debts or bad debt. There were no default events for unpaid bills as of December 31, 2019.

Liquidity Risk
Liquidity risk is the risk that the Company might not be able to comply with all its obligations. The Company minimizes this risk by maintaining adequate levels of cash on hand or in current accounts for fulfilling commitments with recurring suppliers and borrowers. The current liabilities are covered by the cash flow generated by operations.

Cash flow forecasting is performed by the operating entities of the Company in and aggregated by Company finance. The Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

Liquidity Risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
December 31, 2019				
Long-term debt	31,149,117	153,565,493	196,408,994	381,123,604
Trade and other payables	34,248,298	-	-	34,248,298
Other current liabilities and accrued expense	51,165,263	-	-	51,165,263
	116,562,678	153,565,493	196,408,994	466,537,165

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
December 31, 2018				
Long-term debt	33,851,928	152,569,148	223,359,265	409,780,341
Trade and other payables	30,644,088	-	-	30,644,088
Other current liabilities and accrued expense	51,165,263	-	-	51,165,263
	115,661,279	152,569,148	223,359,265	491,589,692

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the "liabilities to tangible net worth ratio", which is one of the ratios that the Company should consider at the time of paying dividends or incurring debt. Capital is defined by Management as the Company's shareholders' equity. This ratio is calculated as liabilities divided by tangible net worth. Liabilities are calculated as total long-term debt, including current portion of long-term debt. Tangible net worth is calculated as "equity" as shown in the statement of financial position.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

Capital Risk Management (continued)

This ratio basically measures the leverage of the Company as a percent of the equity invested by the shareholder and provides the percentage of the funding of the Company with borrowing versus shareholders' equity.

The liabilities to tangible net worth ratio were as follows:

	2019	2018
Long-term debt (Note 13)	241,965,000	256,416,000
Total tangible net worth	7,409,980	6,526,420
Total liabilities to tangible net worth ratio	0.51	0.46

Fair Value Estimation

For disclosure purposes, the International Financial Reporting Standards specify a fair value hierarchy that categorizes into three levels based on the inputs used in valuation techniques to measure fair value: The hierarchy is based on the transparency of variables used in the valuation of an asset at the date of valuation. These three levels are:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates its fair value due to the short-term nature.

The fair value of loans payables is disclosed in Note 13.

4. Critical Accounting Estimates and Judgement

Estimates and judgements are continually evaluated by Management and are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances, the results of which form the basis for making judgements.

Critical Accounting Estimates and Assumptions
The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation and Amortization of Plant and Equipment
The Company makes judgements in assessing its assets estimated useful lives and in determining estimated residual values, as applicable. Depreciation and amortization are calculated on the straight-line method, based on the estimated useful lives of the assets.

These estimates are based on analysis of the assets' lifecycles and potential value at the end of its useful life. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

During the year ended December 31, 2017, Management reassessed the useful life of certain assets, resulting in an increase of the depreciation expense in US$6,912,049. Assuming these assets are held until the end of their estimated useful lives, depreciation in future years will be increased from US$2,758,405 to US$5,516,809 per year since 2018.

Current and Deferred Income Tax Estimation
These Companies are subject to income tax. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made

Impairment of Goodwill
The Company tests annually whether goodwill has suffered any impairment, in accordance with the corresponding accounting policy disclosed herein. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 10).

5. Cash and Cash Equivalents

The cash and cash equivalents are detailed as follows:

	2019	2018
Cash in U. S. currency	1,264,206	429,838
Short-term bank deposits at 0.25% (2018: 0.25%) annual interest rate	75,027,086	60,407,431
	76,291,292	60,837,269

6. Restricted Cash

The current restricted cash represents a committed deposit for the major maintenance plan. The amount arises as a result of the cash compensation as a conclusion of the arbitration process (Note 19).

The long-term restricted cash represents the balance standing to the credit of the Senior Debt Service Reserve account and the C Loan Debt Service Reserve accounts, which balance will be used to service the long-term debt described in Note 13.

7. Trade and Other Receivables

Trade and other receivables are detailed as follows:

	2019	2018
Clients	5,480,249	8,676,922
Related parties (Note 16)	765,248	833,938
Insurance claim	560,927	-
Others	182,331	197,429
	6,988,755	9,708,289

Account receivables are less than two months. At December 31, 2019 and 2018, there were no past due receivables, therefore, the Company has not recorded any provision for impairment.

8. Plant and Equipment, Net

Following is the movement of plant and equipment:

	Transportation Equipment	Building	Furniture and Office Equipment	Generators and Plant Facilities	Leasehold	Total
Cost at January 1, 2019	394,461	805,472	591,160	369,999,999		371,791,092
Additions	-	-	48,611	-	-	48,611
Adjustment for change in accounting policy, (Note 9)	-	-	-	-	8,568,447	8,568,447
Cost at December 31, 2019	394,461	805,472	639,771	369,999,999	8,568,447	380,408,150
Accumulated depreciation at January 1, 2019	(362,808)	(41,943)	(480,346)	(74,528,010)	-	(75,413,107)
Depreciation charge	(20,375)	(20,137)	(80,998)	(21,258,405)	(461,150)	(21,841,065)
Accumulated depreciation at December 31, 2019	(383,183)	(62,080)	(561,344)	(95,786,415)	(461,150)	(97,254,172)
Net balance at December 31, 2019	11,278	743,392	78,427	274,213,584	8,107,297	283,153,978

	Transportation Equipment	Building	Furniture and Office Equipment	Generators and Plant Facilities	Leasehold	Total
Cost at January 1, 2018	394,461	805,472	576,908	369,999,999	-	371,776,840
Additions	-	-	14,252	-	-	14,252
Cost at December 31, 2018	394,461	805,472	591,160	369,999,999	-	371,791,092
Accumulated depreciation at January 1, 2018	(268,957)	(21,806)	(382,595)	(53,268,827)	-	(53,942,185)
Depreciation charge	(93,851)	(20,137)	(97,751)	(21,259,183)	-	(21,470,922)
Accumulated depreciation at December 31, 2018	(362,808)	(41,943)	(480,346)	(74,528,010)	-	(75,413,107)
Net balance at December 31, 2018	31,653	763,529	110,814	295,471,989	-	296,377,985

In 2019, the Company recognized additions for the right to use leased property, which are included as part of the leasehold improvements (See Note 9).

Plant and equipment include interests on borrowings that are directly attributed to the construction of the assets. During the year ended December 31, 2019 and 2018, there were no interests capitalized.

Plant and equipment are included into the onshore Security Agreements which includes the mortgage on movable and immovable assets. (See Note 13).

9. Lease

As of December 31, 2019, the property, plant and equipment include leases which correspond to the operating land lease located in Penonome. Lease terms are between 14-yr and 25-yr contract with 2% interest rate per year until expiration (Note 8).

The leased properties are presented below:

	2019
Right-of-use assets	
Cost	8,568,447
Accumulated depreciation	(461,150)
Net balance	8,107,297
Lease liabilities	
Current	104,301
Non-current	8,385,098
	8,489,399

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

(a) Applying a single discount rate (7.5%) to a portfolio of leases with reasonably similar characteristics, for the year end 2019 the Company has recognised US$642,634 (2018: US$0) as interest expense related to lease liabilities.
(b) Relying on previous assessments on whether leases are onerous
(c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
(d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

10. Goodwill

In April 2014, IEH Penonome Holdings (former IEH Penonome Panama, S. A., see Note 1) acquired 75% of the share capital of UEP Penonome II, S. A. for US$8,518,361. In December 2014, it acquired a further 25% of the share capital for US$20,000,000 and obtained control of UEP Penonome II, S. A.

The following table summarizes the consideration paid for UEP Penonome II, S. A., the fair value of assets acquired at the acquisition date:

Consideration transferred	
Cash	28,518,361
Recognized amounts of identifiable assets acquired and construction in progress	(8,518,361)
Goodwill	20,000,000

The recoverable amounts of the business unit are calculated based on their value in use. The value in use is determined by discounting the future cash flows expected from the continuous use of each unit. The calculation of value in use is based on the following basic assumptions:

- Business plan for 2019 was used to project future cash flows. Future cash flows were projected using average growth rates based on the long-term assumptions growth rates, projected power generation, power contract price and spot market price. The forecast period is based on the long-term perspective of the Company with respect to the operation of this unit was determined in 15 years.

- The discount rate of 6.50% was applied in determining the amounts recoverable for the business unit. This rate is calculated on the basis of market experience and the weighted average cost of capital (WACC) allocated for this unit.

The key assumptions described above may change as economic and market conditions change. The Company estimates that reasonably possible changes in these assumptions are not expected to affect the recoverable amount of the business unit or drops below the value of the carrying amount.

11. Trade and Other Payables

Trade and other payables are detailed as follows:

	2019	2018
Interest payable on shareholder's loans (Notes 13 and 16)	15,385,172	15,385,172
Suppliers	7,858,469	3,656,472
Interest payable	5,349,737	5,687,258
Related parties (Note 16)	4,838,739	4,800,184
Others	711,880	403,585
Lease liabilities short-term (Note 10)	104,301	-
Income tax payable	-	691,286
Insurance payable	-	20,131
	34,248,298	30,644,088

12. Other Current Liabilities and Accrued Expense

The other current liabilities represent a committed deposit for the major maintenance plan. The amount arises as a result of the cash compensation as a conclusion of the arbitration process (see Note 19). The maintenance plan is planned to star this year in the low windy season.

13. Long-Term Debt

	2019	2018
International Finance Corporation (IFC) US$250 million senior debt, International Finance Corporation (IFC); The Netherlands Development Finance Company (FMO); French Development Institution (Proparco); Development Bank of the (Austrian Republic OeEB); Central American Bank for Economic Integration (Cabei); Banco Nacional as Lenders; Tenor: 17-years door to door. Tailored amortization scheduled stepping up from 2.4% in average for the first 22 semesters (53% of total amount); 3.66% for the following 6 semesters (22% of total amount) and 6.27% for the last 4 semesters (25% of total amount), hedging agreement to fix rate on a minimum of US$180 million of the total Senior	203,025,000	215,000,000
Banco General and Corporacion Interamericana para el Financiamiento de Infraestructura, S. A. (CIFI) US$34 million, Tailored amortization scheduled stepping up from 2.91% in average for the first 16 semesters (47% of total amount) and 4.45% for the following 12 semesters (53% of total amount); Priced at LIBOR + 4.50%	25,500,000	27,336,000
Carry forward…	228,525,000	242,336,000

13. Long-Term Debt (Continued)

	2019	2018
Brought forward…	228,525,000	242,336,000
IFC Subordinated C-Loan of US$16 million US$16 million 17-years door to door. Tailored amortization scheduled stepping up from 2.17% in average for the first 18 semesters (39% of total amount); 3.50% for the following 10 semesters (35% of total amount) and 6.5% for the last 4 semesters (26% of total amount); Fix rate at 12%. 13% per annum at any time following the occurrence and during the continuance of a C Loan Deficiency	13,440,000	14,080,000
	241,965,000	256,416,000
Less: Unamortized finance costs	9,159,290	9,955,994
Long-term debt, net	232,805,710	246,460,006
Less: Current portion	12,803,000	14,451,000
	220,002,710	232,009,006

Due dates of the long-term debt and the total exposure of the Company's borrowings to interest rate changes and the contractual reprising date at December 31, are as follows:

	2019	2018
1 - 5 years	89,149,000	68,339,000
Over 5 years	152,816,000	188,077,000
	241,965,000	256,416,000

13. Long-Term Debt (Continued)

The movement of the unamortized finance costs is as follows:

	2019	2018
Beginning balance	9,955,994	10,752,698
Amortization	796,704	796,704
Ending balance	9,159,290	9,955,994

The fair value of the borrowings is US$256,652,845 (2018: US$269,781,128), based on discounted cash flows using a rate based on the borrowing rate of 6.5% and is within Level 3 of the fair value hierarchy.

The main conditions and terms on the outstanding borrowings are described as follows:

Senior Debt Agreements:

a) Senior Debt of US$250 million:

International Finance Corporation (IFC); The Netherlands Development Finance Company (FMO); French Development Institution (Proparco); Development Bank of the Austrian Republic (OeEB); Central American Bank for Economic Integration (Cabei); Banco Nacional as Lenders:

- Tenor: 17-years door to door. Tailored amortization scheduled stepping up from 2.4% in average for the first 22 semesters (53% of total amount); 3.66% for the following 6 semesters (22% of total amount) and 6.27% for the last 4 semesters (25% of total amount).
- Priced at LIBOR + 4.75%.
- Hedging agreement to fix rate on a minimum of US$180 million of the total Senior with IFC.
- On February 27, 2015, the Company contracted a receive-floating interest rate swaps by which the Company agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts for US$180,000,000. Such contract enables the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt.

13. Long-term Debt (Continued)

Senior Debt Agreements: (continued)

b) Senior Debt of US$34 million:

- Banco General and Corporacion Interamericana para el Financiamiento de Infraestructura, S. A. (CIFI) as Lenders.
- Tenor: 15-years door to door. Tailored amortization scheduled stepping up from 2.91% in average for the first 16 semesters (47% of total amount) and 4.45% for the following 12 semesters (53% of total amount).
- Priced at LIBOR + 4.50%.

c) Subordinated C-Loan of US$16 million:

- IFC as lender.
- Tenor: 17-years door to door. Tailored amortization scheduled stepping up from 2.17% in average for the first 18 semesters (39% of total amount); 3.50% for the following 10 semesters (35% of total amount) and 6.5% for the last 4 semesters (26% of total amount).
- Fix rate at 12%. 13% per annum at any time following the occurrence and during the continuance of a C-Loan Deficiency.
- Subordination: in the event that on a debt service payment date a C-Loan deficiency occurs, IFC agrees that it shall not exercise any remedies with respect to the relevant outstanding due and payable amount of principal arising from such C Loan Deficiency.

Common Term Agreement (CTA): Whereby the Lender of each of the Senior Debt and the Subordinated C-Loan the Lenders set forth the terms and conditions in common to each loan.

Security Agreements:

- Offshore Security Agreements: Whereby the Borrowers (UEP II and IEH Penonome Panama, S. A.) grant first priority security interest in all of its rights, titles and interest of Major Project Documents (Turbine Supply Agreement, Goldwind Parent Master Agreement, BOP Contract, Transportation Agreement, Interconnection Agreement, Shared Asset Agreement); proceeds from asset disposals, insurance proceeds. Citibank N. A. acting as Offshore Security Agent.

13. Long-term Debt (Continued)

Security Agreements: (continued)

- Onshore Security Agreements: Includes the pledge on the shares of the Borrowers; collateral assignment on generation licenses, power purchase agreements and ANATI lease titles; mortgage on movable and immovable assets. The Bank of Nova Scotia (Panama) acting as Onshore Security Agent and trustee.

- Master Account and Security Agreements: Whereby the Borrowers certify that they have established Offshore Accounts with the Offshore Account Bank (Citibank, NA) and Onshore Account Banks [The Bank of Nova Scotia (Panama)] in accordance with the Trust Agreements. Offshore Accounts includes Senior Debt Service Reserve account and C-Loan Debt Service Reserve accounts representing the following Debt Service amount on each Loan. The agreement states the procedures to transfer from the Revenue account in accordance with the Common Term Agreement; including Restricted Payments.

Covenants: 1) maintenance of existence and conduct of business; b) accounting and management operation system in accordance with the Accounting Standard c) Auditors: maintain at all times international recognized independent public accountant firm acceptable to the lenders d) Access: upon lender request, give access to the site, books and records and borrower employees e) maintain at all times in full force and effect authorizations, security in favor of lenders and project documents payment of obligations f) comply with the construction budget and the major maintenance plan f) interest rate hedging with initial amount of no less than hundred and eighty million Dollars g) financial ratios: prospective debt service coverage ratio of at least 1.15:1.00; among others.

Negative Covenants: The following activities are prohibited: a) make any restricted payment (which means declaration or payment of dividends, distribution of capital securities, payment of shareholder loan capital or interest), unless such restricted payment (i) is made from the restricted payment account (ii) such payment will be made within thirty (30) days after an Interest Payment Date (iii) the Prospective Debt Service Coverage Ratio is not less than 1.20:1.0 (iv) the Prospective Total Debt Service Coverage Ratio is not less than 1.10:1.0 (v) after giving effect to any such action the Financial Debt to Tangible Net Worth Ratio is not more than 3.1:1.0 and (vi) debt service reserve account, major maintenance reserve account and the C-Loan reserve account are fully funded. b) Capital expenditures besides those required to carry out operations normally c) additional financial debt d) guarantees or liens e) asset sales f) financial investments other than permitted investments in high grade securities, among others.

14. Shareholders' Equity

	Common Shares	Capital Contribution	Total
Initial and ending balances for the years ended December 31, 2019 and 2018	1,050	74,998,950	75,000,000

The Company reclassified the equity contribution pursuant the subscription of shares into a combination of common stocks and bearing interest shareholders' loans. The combination is as follows:

- IEH Penonome Holdings Cayman: 95.3% economic interest in common shares (US$71.4 million).
- IEH Penonome Holdings Cayman: US$47.1 million in bearing interest shareholder loan, fixed rate at 8%, maturity 2031.
- Greenfield Panama: 4.7% economic interest in common shares (US$3.5 million).
- Greenfield Panama: US$2.4 million in bearing interest shareholder loan, fixed rate at 8%, maturity 2031.

After the aforementioned contribution took place, the shareholders composition of the Company is the following:

IEH Penonome Holdings Cayman	95.3% economic interest
Greenfield Panama	4.7% economic interest

15. Costs and Expenses

The Company classifies its costs and expenses by nature, as follows:

	2019	2018
Cost of goods and services		
Depreciation and amortization (Notes 8 and 9)	21,841,065	21,470,922
Fee transmission cost	1,114,554	909,009
Salaries and other benefits to employees	564,763	547,645
Energy purchase	612,016	446,225
Repairs and maintenance	28,274	134,190
	24,160,672	23,507,991
Administrative expenses		
Salaries and other benefits to employees	807,845	825,434
Professional fees	768,833	497,672
Wake effect	682,321	431,375
Insurance costs	662,402	651,395
Substation rent	478,150	607,955
Regulator fees	424,833	339,372
Other expenses	221,269	296,678
Communication expenses	128,434	121,954
Maintenance office	43,798	24,038
Donations	31,503	7,778
Fuel	18,765	19,311
Office expenses	8,548	14,778
Electricity	1,435	1,529
Management fee (Note 16)	-	1,200,000
Land rent	-	733,975
	4,278,136	5,773,244
Operating expenses		
Repairs and maintenance	5,683,256	4,856,706
Security	467,528	364,617
Internal consumption	227,041	233,708
	6,377,825	5,455,031
	34,816,633	34,736,266

15. Costs and Expenses (Continued)

Salaries and other benefits to employees are summarized as follows:

	2019	2018
Salaries and wages	1,115,733	1,081,892
Statutory contributions	134,086	147,501
Other	59,202	77,540
Seniority premium and indemnity	63,587	66,146
	1,372,608	1,373,079

Salaries and other benefits to employees are included in costs of goods and services, administrative and operating expenses as follows:

	2019	2018
Cost of goods and services	564,763	547,645
Administrative expenses	807,845	825,434
	1,372,608	1,373,079

16. Balances and Transactions with Related Parties

The Company is fully controlled by InterEnergy Partners, L. P., its ultimate parent company. The Company carried out transactions and maintained balances with related companies, as described below:

	2019	2018
Transactions		
Related companies - management fee (a)	-	1,200,000
Interest - shareholders' loans (c)	-	4,000,000
Sales in sport market (d)	2,037,577	1,046,757
Energy purchases and associated costs (d)	12,342	1,152

16. Balances and Transactions with Related Parties (Continued)

	2019	2018
Balances		
Related companies - accounts receivable (b)	456,267	456,267
Related companies - accounts receivable (d)	308,981	377,671
	765,248	833,938
Related companies - accounts payable (c)	4,800,000	4,800,000
Related companies - accounts payable (d)	38,739	184
	4,838,739	4,800,184
Interest payable - shareholders' loans (c)	15,385,172	15,385,172

(a) Management services fee payable to InterEnergy Holdings.

(b) Accounts receivable to InterEnergy Holdings of US$456,267.

(c) Interest payable to shareholders (Note 13).

(d) Transactions related to sale and purchase of the energy in the spot market with local related companies.

Key Management Compensation

Key management includes directors (executive and non-executive) and some members of the internal executive committee. The Company does not have post-employment benefits, share-based payments nor other long-term benefits. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
Salaries and other short-term employee benefits	225,950	254,487

17. Income Tax

The income tax is presented as follows:

	2019	2018
Current tax	-	(691,286)
Deferred tax	(576,081)	(1,087,621)
	(576,081)	(1,778,907)

The movement in deferred income tax assets and liabilities during the year is as follows:

	2019	2018
Deferred income tax assets		
At January 1	-	1,041,458
Accelerated tax depreciation charged to statement of comprehensive income	-	(1,041,458)
At December 31	-	-
Deferred income tax liabilities		
At January 1	46,163	-
Accelerated tax depreciation charged to statement of comprehensive income	576,081	46,163
At December 31	622,244	46,163

Deferred tax liability is the result of temporary differences from accelerated tax depreciation.

Under current tax legislation in the Republic of Panama, the profits of the Company from local operations are subject to income tax.

Income tax is based on the higher of the following computations:

a. The rate of 25% on taxable income.

b. The net taxable profit resulting from applying 4.67% to the total taxable income times the rate of 25% which represents 1.17% of taxable income (alternative minimum tax).

In certain circumstances, if the application of 1.17% of revenue results in the entity incurring losses for tax reasons, or the effective tax rate is higher than 25%, then the entity may choose to request not to apply minimum tax. In such cases, the Company must file a petition to the Tax Authority, who may authorize the no application for a term of three years.

17. Income Tax (Continued)

The income tax resultant by applying the in force rates to the net profit (loss), is reconciled with the income tax provision presented in the financial statements, as follows:

	2019	2018
Profit (loss) before income tax	1,102,793	(295,163)
Fiscal adjustment to recognize accelerated depreciation	(2,304,324)	(184,625)
Less: Non-taxable income	(166,069)	(274,041)
Plus: Non-deductible expenses	1,521,912	5,316,943
Taxable income	154,312	4,563,114
Loss carried forward	(77,156)	(2,281,557)
Other adjustments	(77,156)	-
Net taxable gain	-	2,281,557
Income tax (traditional method)	-	570,389
Calculation of Alternative Method		
Taxable Income	56,625,012	59,210,750
Presumed net taxable income (4,67% of taxable income)	2,644,388	2,765,143
Income tax (alternative method)	661,097	691,286

According Tax Legislation of Panama, income tax returns for the last three (3) years are subject to review by fiscal authorities, including year ending December 31, 2019.

Management will request to the Tax Authority the non-application of the CAIR for the 2019 fiscal year and they expect to obtain a positive outcome on the request.

17. Income Tax (Continued)

Law No.52 of August 28, 2012, established the transfer pricing regime oriented to regulate tax purposes transactions between related parties, and applicable to the taxpayer to perform operations with related parties that are tax residents of other jurisdictions. The most important aspects of this regulation include:

- Taxpayers must submit annually an information return related operations with related parties, within six (6) months following the close of the relevant fiscal period. This obligation applies to transactions from fiscal year 2012.

- Failure to submit the report shall be punishable by a fine equivalent to 1% of the total amount of transactions with related parties.

- Persons required to submit the report referred to in the preceding paragraph, shall maintain a transfer pricing study, which shall contain the information and analysis to assess and document their transactions with related parties, in accordance by Law. The taxpayer must present study only at the request of the Department of Revenue of the Ministry of Economy and Finance within 45 days of your request.

18. Commitments

- The Company has twelve PPA Contract's assigned by three to Nuevo Chagres, Portobello, Rosa de los Vientos and Maranon parks. The PPA's were awarded on March 21, 2012, by which energy production is sold to the three distribution companies in Panama: Empresa de Distribucion Electrica Metro-Oeste, S. A. (EDEMET) (controlled by Gas Natural Fenosa), Empresa de Distribucion Electrica Chiriqui, S. A. (EDECHI) (controlled by Gas Natural Fenosa) and Elektra Noreste, S. A. (ENSA) (controlled by Empresas Publicas de Medellin).

  Each PPA states that the energy supply period is for 180 months, beginning on July 1, 2014 and finishing on June 30, 2029. Portobelo and Maranon PPA's were extended until December 2033. Price will be reset annually, keeping 75% of the base price fixed and the remaining 25% will be indexed to Panamanian Consumer Price Index (CPI).

  In December 2014, the Company signed the Wake Effect Agreement with UEP Penonome I, S. A., in which UEP II must compensate UEP I for the energy losses caused by the wind restriction imposed that physical the turbines to UEP I. The Company agrees to pay a monthly payment beginning with the Commercial Operation Date occurred on February 19, 2018, for 25 years term.

18. Commitments (Continued)

- In January 2016, the Company signed the Amendment No.4 of the PPA's with the offtakers to solve some sections that were ambiguous and penalized UEP II, even if the company were supply the energy generated.

  This amendment clarifies the following subjects:

  1. The daily penalty for the delayed in the beginning of the supply of energy is proportional to the MW installed. This means that the penalties are only applicable to the MW uninstalled.
  2. The annual penalty for the non-compliance of the 60% of the energy expected, it is going to apply the first month of the year starting the date of the signing of the agreement.
  3. The base Consumer Price Index (CPI) was fixed to 93.05 to match with the CPI base that reports the Contraloria Nacional de Panama each month.

- On March 16, 2016, the Company was awarded four PPA Contract's by ETESA, through Resolution GC-03-2016, for hiring short-term energy supply only for 2017 until 2019, which will address the requirements of the company EDEMET, EDECHI and ENSA. This energy it will be supply for Rosa de los Vientos (SPOT).

- On November 10, 2017, the Company has signed a reserve contract with its affiliated generator Tecnisol I, by which the excess energy production of Rosa de los Vientos II (50 MW) Wind farm is sold to cover the affiliated company obligations with the market. The Reserve Contract states that the energy supply period is for 12 months (extendable), beginning at the moment the CND declares the Contract manageable and finishing one year later with the option to extend the supply period if desired by the Contract Parties. Contract Price will be fixed for all the energy supply period.

The Company has operating lease for lands. The operating lease expense in 2019 was US$721,681 (2018: US$733,975).

The future minimum payments relating to operating lease for the next five years is shown below:

2020	741,006
2021	760,985
2022 to 2039	17,018,218
	18,520,209

18. Commitments (Continued)

- Turbine Supply Agreement (TSA) consists in 86 Goldwind G109 2.5 MW wind turbine generators with a hub height of 90 meters to be procured pursuant to an Amended and Restated Turbine Supply Agreement entered on April 23, 2014 (TSA) and further amended on December 10, 2014 with Goldwind International Holdings (HK) Limited, a subsidiary of wind manufacturer Xinjiang Goldwind Science and Technology ("Goldwind") and together Goldwind Company; for the supply of:

  – 66 turbines contracted energy totaling 165 MW; divided in four wind parks:

    - Nuevo Chagres 62.5 MW.
    - Portobello 32.5MW.
    - Rosa de los Vientos 52.5 MW.
    - Maranon 17.5 MW and.

  – 20 turbines partially contracted and merchant energy totaling 50 MW.

- Under the TSA, Goldwind Company provides a five years warranty on the equipment for defects, power curve, availability and noise. Availability is guaranteed at 95% during the warranty period. In addition, the Company entered into a 5-year service and maintenance agreement (SMA) with Goldwind Company for the operation, maintenance, repair and replacement services on the wind turbines at a fixed price adjusted for inflation, including warranties for availability and noise in line with those during the warranty period. It includes a full warranty for years 3 to 5, and the availability guarantee of 95% for those years. This SMA contract can be extended by UEP II until year ten.

- Balance of plant works are performed pursuant to a turn-key agreement for the civil works, electric and communication infrastructure, interconnection to the medium tension gird (34,5 kV), construction of the control and operations buildings and all other installation required by the Interconnected System (BOP Contract); entered into by the Company and Instalacion y Servicios CODEPA, S. A. is a Panamanian subsidiary of Grupo Cobra, on October 14, 2014, and amended on April 23, 2014.

- Delivery of turbines under the TSA was at China Port. Sea and inland transportation are provided by Tree Logistic pursuant a transportation agreement dated April 23, 2014, ended 2015.

18. Commitments (Continued)

- ASEP (the regulator) granted final license for the construction, operation, maintenance, power generation and sale of wind farms Maranon, Portobelo Ballestillas, Rosa de los Vientos and New Chagres a Panamanian company Union Eolica Panameña, S. A. (UEP) through Resolutions AN No.4075-Elec the December 10, 2010, AN No.4092-Elec the December 15, 2010, AN No.5379-Elec the June 13, 2012 and AN No.4094-Elec the December 15, 2010, respectively. This final license is granted for a term of forty (40) years from September 26, 2014.

- Subsequently, the ASEP issued resolutions AN No.7252-Elec the April 11, 2014, AN No.7274-Elec the April 11, 2014, AN No.7278-Elec the April 14, 2014 and No.7326 AN-Elec of May 2, 2014, in which the Company is authorized yield UEP for Penonome II, S. A., the final licenses originally granted to UEP.

- On June 15, 2018, the Company and UEP Penonome I, S. A., signed the Phase II Shared Assets Access Agreement, pursuant to which the Company agreed to pay to UEP I, who is the owner of and maintains the El Coco Substation to which UEP II's wind park connects, a monthly access fee of US$27,129.85 and the reimbursement of maintenance costs.

19. Contingency

On May 15, 2018, Goldwind and UEP II entered into a Settlement and Release Agreement that resolved and terminated all disputes, claims and actions against each other. Pursuant to the terms of settlement agreement, the Company was awarded with following:

- Cash compensation of US$51,165,263.
- Refund of US$5,714,293 for incurred expenses during the arbitration.
- A final receipt of US$3,087,027 for accrued and unpaid expenses owed to Goldwind and affiliated.

On the other hand, Goldwind was awarded with:

- Final cancellation of last milestone of the Turbine supply agreement draw under Stand by letter of credit with cash collateral provided by the company of US$11,964,371.

20. Subsequent Event

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus strain (COVID-19) in the category of pandemic. The Company's operations and its business could be affected by the future effects of this pandemic; however, due to the recent nature of this situation, the Company's operations have not been affected. To date, Company's management is not aware of any issues related to liquidity, regulatory, legal or other aspects that affect the Company.

21. Reclassification

For comparison purposes, certain figures from 2018 were reclassified. This reclassification has no effect on the net income of the period, or on the accumulated deficit previously reported or in the statement of cash flows.

This reclassification has the purpose to recognise the depreciation expense as part of the cost of goods and services.

Statement of Comprehensive Income	As Originally Presented	Reclassification	Reclassified
Costs of goods and services	(1,469,024)	(22,038,967)	(23,507,991)
Depreciation expense	(21,470,922)	(21,470,922)	-
Salaries and other benefits to employees O&M	(547,645)	(547,645)	-
Cost Associated to the spot market	(20,400)	(20,400)	-