UEP Penonome II, S. A.

Report and Financial Statements
December 31, 2020

"This document has been prepared with the knowledge that its content will be made available to the investing public and the general public"

UEP Penonome II, S. A.

Index to the Financial Statements
December 31, 2020

Independent Auditors' Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UEP Penonome II, S. A. (the "Company") as at December 31, 2020, 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 balance sheet as at December 31, 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including the International Standards of Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and the requirements of the code of professional ethics for certified public accountants that are relevant to our audit of the financial statements in the Republic of Panama. We have fulfilled the other ethical responsibilities in accordance with the IESBA Code of Ethics and the ethics requirements of the Republic of Panama.

Key Audit Matters

The key audit matters are those that, in our professional judgment, were the most significant in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole and to form our audit opinion thereon, and we did not express a separate opinion on them.

Analysis of impairment of plant and equipment and the goodwill	How our audit addressed the matter
As of December 31, 2020, the balance of plant and equipment and of goodwill amounts US$230,017,105 and US$20,000,000, respectively, which in the aggregate comprise 84% of the Company's total assets. The Company is required to, at least annually, perform impairment assessments of goodwill that have an indefinite useful life. For plant and equipment with useful lives, the company is required to review these assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives. For the purpose of performing impairment assessments, plant and equipment and goodwill have been allocated to groups of cash generating units ("CGUs"). The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on future discounted cash flows. See Notes 9 and 11 to these financial statements.	- We involved our internal specialists, analyzed the model of the value in use of the Cash Generating Units and analyzed it is in accordance with the requirements of IAS 36 - Impairment of Assets. - We verified the assumptions used to calculate the discount rates and recalculated these rates. - We analyzed the projected future cash flows included in the model taking into consideration the current macroeconomic climate and the expected future performance of the Cash Generating Units. - We compared projected cash flows, including assumptions related to revenue growth rates and operating margins, with the historical performance of Management's projections.

Other information

Management is responsible for the other information. The other information comprises the "Annual Report Update (INA, for its acronym in Spanish)" (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the corresponding safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Edereth Barrios.

PricewaterhouseCoopers

March 31, 2021
Panama, Republic of Panama

UEP Penonome II, S. A.

Balance Sheet
December 31, 2020
(All amounts in US$ unless otherwise stated)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	2, 5 and 6	14,871,800	25,126,029
Restricted cash	2, 5 and 7	-	51,165,263
Trade and other receivables	2, 8 and 17	8,116,241	6,988,755
Current portion of related debt receivable	17	886,000	-
Prepaid expenses		634,172	573,720
Inventory		22,213	-
Total current assets		24,530,426	83,853,767
Non-current assets			
Long-term portion of related debt receivable	17	22,379,045	-
Plant and equipment, net	2, 9 and 10	230,017,105	243,796,082
Deferred income tax	19	1,478,664	-
Restricted cash	7	-	17,272,000
Goodwill	2 and 11	20,000,000	20,000,000
Total non-current assets		273,874,814	281,068,082
Total assets		298,405,240	364,921,849
Liabilities and Equity			
Current liabilities			
Current portion of long-term debt	2 and 13	-	12,803,000
Current portion of bonds	14	10,003,000	-
Trade and other payables	2, 12 and 17	6,567,521	34,248,298
Total current liabilities		16,570,521	47,051,298
Non-current liabilities			
Shareholders' loans	15 and 17	-	50,000,000
Lease liabilities long term	10	8,390,168	8,385,098
Deferred income tax	19	-	2,224,202
Long-term debt	2 and 13	-	220,002,710
Long-term of bonds	14	244,636,960	-
Derivative financial instrument		12,333,997	7,822,058
Total non-current liabilities		265,361,125	288,434,068
Total liabilities		281,931,646	335,485,366
Equity			
Common shares with US$1.00 par value each; authorized and issued: 1,050 shares	2 and 15	1,050	1,050
Capital contribution	2 and 15	65,974,250	74,998,950
Accumulated deficit		(49,482,553)	(45,563,517)
Prepaid dividend tax		(19,153)	-
Total equity		16,473,594	29,436,483
Total liabilities and equity		298,405,240	364,921,849

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, 2020
(All amounts in US$ unless otherwise stated)

	Notes	2020	2019
Energy revenues		45,247,394	56,069,859
Costs of goods and services	9, 10, 16 and 22	(21,476,402)	(22,666,919)
Gross profit		23,770,992	33,402,940
Administrative expenses	16	(5,594,953)	(4,278,136)
Operating profit		18,176,039	29,124,804
Finance cost amortization	13	(9,159,290)	(796,704)
Finance cost, net	18	(31,078,883)	(28,630,584)
Total finance cost		(40,238,173)	(29,427,288)
Other income		15,386,972	560,927
(Loss) profit before income tax		(6,675,162)	258,443
Income tax	19	2,756,126	(1,644,053)
Total comprehensive loss for the year		(3,919,036)	(1,385,610)

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, 2020
(All amounts in US$ unless otherwise stated)

	Common Shares	Capital Contribution	Accumulated Deficit	Prepaid Dividend Tax	Total Equity
Balance at December 31, 2018	1,050	74,998,950	(44,177,907)	-	30,822,093
Comprehensive loss:					
Net loss	-	-	(1,385,610)	-	(1,385,610)
Balance at December 31, 2019	1,050	74,998,950	(45,563,517)	-	29,436,483
Comprehensive loss:					
Net loss	-	-	(3,919,036)	-	(3,919,036)
Transactions with shareholders:					
Capital reduction (Note 15)	-	(9,024,700)	-	-	(9,024,700)
Prepaid dividend tax	-	-	-	(19,153)	(19,153)
Balance at December 31, 2020	1,050	65,974,250	(49,482,553)	(19,153)	16,473,594

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, 2020
(All amounts in US$ unless otherwise stated)

	Notes	2020	2019
Cash flows from operating activities			
(Loss) profit before income tax		(6,675,162)	258,443
Adjustments to reconcile (loss) profit before income tax to net cash provided by operating activities:			
Depreciation and amortization	16	13,946,341	13,969,487
Finance cost amortization		9,159,290	796,704
Interest on borrowings and lease liabilities, net		17,589,352	19,914,656
Fair value loss on derivative financial instrument		13,536,640	8,715,928
Net changes in assets and liabilities:			
Trade and other receivables		(1,127,486)	2,719,534
Trade and other payables		(25,599,283)	4,480,065
Prepaid expenses		(60,452)	72,676
Inventory		(22,213)	-
Interest paid		(20,639,810)	(20,894,811)
Net cash provided by operating activities		107,217	30,032,682
Cash flows from investing activities			
Additions of plant and equipment	9	(48,319)	(48,611)
Long term intercompany loan receivable	17	(23,265,045)	-
Restricted cash release debt service reserve account		17,272,000	-
Reassessment right of use assets		(119,045)	-
Net cash used in provided by investing activities		(6,160,409)	(48,611)
Cash flows from financing activities			
Repayment of long-term debt		(241,965,000)	(14,451,000)
Issued bonds	14	262,664,000	-
Repayment of shareholder loan	15	(50,000,000)	-
Payment on derivative financial instrument		(18,049,401)	-
Capital reduction	15	(9,024,700)	-
Derivative financial instrument		9,024,701	-
Deferred financing cost	13	(8,024,040)	-
Principal lease payments		(104,302)	(79,048)
Reassessment lease liability		131,595	-
Prepaid dividend tax		(19,153)	-
Net cash used in financing activities		(55,366,300)	(14,530,048)
Net (decrease) increase in cash and cash equivalents		(61,419,492)	15,454,023
Cash and cash equivalents at the beginning of year		76,291,292	60,837,269
Cash and cash equivalents and restricted cash at the end of year		14,871,800	76,291,292

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 20).

The Company is located in Edificio Plaza 58 PWC, Piso 9, Calle 58, Obarrio, 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 March 30, 2021.

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 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, except for derivative financial instruments measured at fair value.

In the Company's financial statements, the Statement of Other Comprehensive Income is not presented because there are no items that require a separate presentation of this statement.

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 standards and amendments for the first time for its annual reporting period commencing January 1, 2020

- Definition of material: amendments to IAS 1 and IAS 8
- Annual improvements to IFRS standards Cycle 2018 - 2020

The amendments listed above had no impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New Standards, Amendments and Interpretations not yet Adopted
Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 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.

Segment Information
A business segment is an identifiable component of the Company, in charge of supplying a single product or service, or a set of them that are related and characterized by being subject to risks and returns of a different nature than those corresponding to other business segments within the same company.

A geographic segment is an identifiable component of the Company in charge of supplying products or services in a specific economic environment, and which is characterized by being subject to risks and returns of a specific nature, and which correspond to other operating components that carry out their activity in different environments.

The Company's business operations are organized and managed as a single business segment, which is to operate the generating plants within the economic environment of electricity generation. Additionally, the Company's internal and reporting organization is predominantly based on a single business segment.

2. Summary of Significant Accounting Policies (Continued)

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.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Derivative instruments that were not defined since its inception for hedge accounting, are accounted at fair value and changes in fair value are presented in finance costs in the statement of comprehensive income. The derivative financial instrument is classified as non-current asset or liability in the balance sheet as the instrument is associated with the long-term debt. The hedging agreement referred in Note 13 was not designated for hedge accounting at the inception of the contract.

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. For purposes of cash flows statement, the restricted cash in 2019 is presented as part of cash and cash equivalents as it is expected that the funds will be used in the maintenance and or purchases of equipment of the Company.

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, generators and electric power plants facilities, is capitalized within plant and equipment according to its nature. No depreciation or amortization is charged during the construction phase. The Company begins depreciating an item of 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%

Impairment of Long-lived Assets

Plant and equipment and other non-current assets which are non-financial assets that are subject to depreciation and amortization, are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. Summary of Significant Accounting Policies (Continued)

Lease Liabilities
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 Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company 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.
- No restoration costs, and no payments were made at or before the lease commencement date as well as not initial direct costs.

Goodwill
Goodwill arises 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.

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.

2. Summary of Significant Accounting Policies (Continued)

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 and Bonds Payable

Borrowings and bond payable are initially recognized at fair value, net of transaction costs incurred. Borrowings and bond payable are subsequently carried at amortized cost, using the effective interest method; are classified as current liabilities unless the Company maintains the unconditional right to defer the liability for at least twelve months after the reporting date.

Borrowing and Bonds 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 any difference between the net product of transaction costs and the redemption value is recognized in the statement of comprehensive income during the financing period using the effective interest method. All other borrowing cost and bonds cost are recognized in the statement of comprehensive income 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 balance sheet date over the taxable income.

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 balance sheet 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.

2. Summary of Significant Accounting Policies (Continued)

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$14,251 (2019: US$16,305).

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$125,907 (2019: US$350,036).

Share Capital
Common shares are classified as equity.

Energy Revenue Recognition
The Company recognizes energy 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.

In accordance of IFRS 15, the Company recognized the revenue from contracts with customers based on a five-step model detailed below:

- Step 1: Identify contracts with customers: A contract is defined as the agreement between two or more parties, which creates rights and obligations required and establishes criteria that must be met for each contract. The contracts that are handled are written and grouped in the same type of contracts because all of them are categorized in the same concept of energy sales.

2. Summary of Significant Accounting Policies (Continued)

Energy Revenue Recognition (continued)

- Step 2: Identify the contract obligations: An obligation is a promise in a contract with a client for the transfer of a good or service.
- Step 3: Determine the price of transaction: The transaction price is the amount of the payment that the Company expects to have the right in exchange for the transfer of the promised goods or services to a client.
- Step 4: Assignment of the transaction price: The Company recognizes the price of the contract payable as specified in the contract, subject to the stipulated conditions and adjustments or proposed deductions, as applicable.
- Step 5: Recognition of revenue according to the criteria established by IFRS 15, the Company continues recognizing revenues over time instead of during a certain time.

The Company principally satisfies its performance obligations over time, when, or as, a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

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.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

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.

Interest Rate Sensitivity
As at December 31, 2020, the Company has issued bonds which have fixed rate (Note 14). For 2019, the Company had a long-term debt which had variable rate, if interest rates on the variable United States dollar denominated borrowings has been 50 basis points higher/lower with all other variables held constant, net income for the year would have US$12,506,455 higher/lower.

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.

	2020	2019
Cash at banks and short-term bank deposits international credit rating - Fitch (A and AA-)	14,871,800	76,291,292

The Company has a concentration of its revenues and accounts receivable with the three off takers companies operating in the Republic of Panama. Sales of energy made to these customers represent approximately 85% (2019: 85%) of total revenues and 94% (2019: 90%) 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, 2020.

3. Financial Risk Management (Continued)

Financial Risk Factors (continued)

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 balance sheet ratio targets and, if applicable external regulatory or legal requirements.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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, 2020				
Bonds payable	23,968,595	137,226,380	268,423,430	429,618,405
Trade, lease and other payables	6,567,521	1,168,106	7,222,062	14,957,689
	30,536,116	138,394,486	275,645,492	444,576,094

	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, lease and other payables	34,248,298	997,488	7,387,610	42,633,396
Shareholders' loans	3,960,000	15,840,000	77,720,000	97,520,000
	69,357,415	170,402,981	281,516,604	521,277,000

The contractual maturity of the derivative financial instrument carried at fair value in the balance sheet that is associated with the bonds payable for 2020 and long-term debt in 2019.

3. Financial Risk Management (Continued)

Cash Flows Information – Net Debt Reconciliation

The combined analysis of net debt and the movements in the net debt for each of the periods presented is detailed below:

	2020	2019
Cash and cash equivalents	14,871,800	76,291,292
Long-term debt	-	(241,965,000)
Shareholders' loan	-	(50,000,000)
Bonds payable	(262,664,00)	-
Lease liabilities	(8,390,168)	(8,385,098)
Net debt	(256,182,368)	(224,058,806)

	Long-term Debt	Shareholders Loan	Leases Liabilities	Bonds Payable	Sub-total	Other Assets Cash and Equivalents	Total
Net debt as December 31, 2018	(256,416,000)	(50,000,000)	-	-	(306,416,000)	60,837,269	(245,578,731)
Lease	-	-	(8,568,447)	-	(8,568,447)	-	(8,568,447)
Cash flows	14,451,000	-	183,349	-	14,634,349	15,454,023	30,088,372
Net debt as December 31, 2019	(241,965,000)	(50,000,000)	(8,385,098)	-	(300,350,098)	76,291,292	(224,058,806)
Bonds payable	-	-	-	(262,664,000)	(262,664,000)	-	(262,664,000)
Cash flows	241,965,000	50,000,000	(5,070)	-	291,959,930	(61,419,492)	230,540,438
Net debt as December 31, 2020	-	-	(8,390,168)	(262,664,000)	(271,054,168)	14,871,800	(256,182,368)

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. For calculation purposes, the Company's Management determines the liabilities by discounting the subordinated debt and the lease liability from their total. Total tangible net worth is calculated as "equity" as detailed in the balance sheet, including subordinated debt and excluding intangible assets and their associated liabilities (if any).

3. Financial Risk Management (Continued)

Capital Risk Management (continued)

Capital Risk Management

The liabilities to tangible net worth ratio were as follows:

	2020	2019
Liabilities w/o subordinated debt and lease liabilities	10,750,954	85,030,967
Total tangible net worth	259,895,536	251,783,585
Total liabilities to tangible net worth ratio	0.04	0.34

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 and derivative financial instruments carried in the balance sheet are included in Level 2 of the fair value hierarchy.

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.

4. Critical Accounting Estimates and Judgement (Continued)

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 balance sheet date.

Current and Deferred Income Tax Estimation
The Company is 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 11).

5. Cash and Cash Equivalents for Statement of Cash Flows

The cash and cash equivalents for statement of cash flows purposes are detailed as follows:

	2020	2019
Cash in U.S. currency	10,715,326	1,228,239
Short-term bank deposits at 0.25% (2019: 0.25%) annual interest rate - Trustee accounts (Note 6)	4,156,474	75,063,053
	14,871,800	76,291,292

In December 2020, restricted cash is not reported by the Company due to the cancellation of the loan with IFC (Note 13).

5. Cash and Cash Equivalents for Statement of Cash Flows (Continued)

Trust funds balances are considered as part of the cash and cash equivalents considering that these funds are used as part of the operational process describes in Note 6.

6. Trust fund with specific use

The fund balances of trusts with specific use are presented below:

	2020	**2019**
Debt reserve account (*)	568	-
Debt service accrual account (*)	568	-
Reserve O&M account (*)	568	-
UEP II execution account (*)	568	-
SWAP account (*)	568	-
LC loan account (*)	568	-
Collection account (*)	4,141,279	23,861,823
Spot market account (*)	11,787	35,967
Senior debt service reserve account (**)	-	16,312,000
C Loan debt service reserve account (**)	-	960,000
Major maintenance reserve account (**)	-	51,165,263
	4,156,474	92,335,053

(*) For 2020 the trust is referring to the bond payable (Note 14).

(**) For 2019 the trust was referring to the long-term debt (Note 13).

Debt Reserve account: The Debt Service reserve account shall be funded from the amounts received from the Collection Account or Letters of Credit or a combination of the two in an amount at least equal to the then applicable Debt Service Reserve Requirement (other than in respect of amounts of principal or any cash collateralization obligation or reimbursement obligation due under the Letter of Credit Documents); provided that funds held in the Debt Service Reserve Account may be withdrawn to make payments of any amounts (including interest expense, principal, fees, premiums or other amounts other than amounts of principal due under the Letter of Credit Documents (except as provided below)) due on the Notes and any other Secured Debt if and to the extent that the amounts held in the account are insufficient to make such payments. Amounts on deposit in the Debt Service Reserve Account may be used to reimburse or repay draws upon a related Letter of Credit to the extent such reimbursement or repayment restores dollar for dollar the ability of the Collateral Trustee to draw upon such Letter of Credit for such purposes in the future.

Debt Service Accrual account: The Debt Service accrual account shall be funded from the amounts received from the Collection Account pursuant to the accounts' waterfall established under the Panamanian Trust.

6. Trust fund with specific use (Continued)

Reserve O&M Account: The Trust O&M Reserve Account shall be funded from the amounts received from the Collection Account or Letters of Credit, or a combination of the two. Funds from the Trust O&M Reserve Account may be withdrawn as instructed by the Issuer or the Intercreditor Agent, as applicable, to fund the Issuer Working Capital Account or any of the Guarantor Working Capital Accounts, if and to the extent that (i) the amounts held in the Collection Accounts and the Issuer Working Capital Account or the Guarantor Working Capital Account, as applicable, are insufficient to pay Operating and Maintenance Expenses, or (ii) the amount in the relevant Issuer Distribution Account or the Guarantor Distribution Accounts is insufficient to pay Unscheduled Operating and Maintenance Expenses. The Trust O&M Reserve Account shall be funded up to an amount equal to U.S.$1.00 million or such greater amount as the Issuer at its option may decide.

UEP II Execution account: The Execution Accounts shall be funded from any proceeds derived from foreclosing on the Collateral in respect of the Issuer and the Guarantors in accordance with the Intercreditor Agreement.

SWAP Account: The SWAP position account shall be funded from amounts received from in the Issuer Collection Account pursuant to the Accounts Waterfall up to an amount sufficient to cover any Swap Settlement Payments or Swap Termination Payments, as applicable, due and payable during the Transfer Period by the Issuer under the Citi Swap; provided, that amounts will only be transferred to the Swap Position Account upon satisfaction by the Issuer of the conditions set out under “Limitation on Restricted Payments.”

LC loan account: The Letter of Credit Account shall be funded from amounts received in the Issuer Collection Account pursuant to the Accounts Waterfall to fund amounts payable under the Letter of Credit Documents, other than commitment and letter of credit fees and accrued and unpaid interest.

Issuer Collection account: The Issuer’s collection account shall be funded with all income of the Issuer, including revenues from the power purchase agreements entered into by the Issuer, payments under the Intercompany Loans, wake effect payments, insurance proceeds, expropriation and termination payments, any other sources of revenue (including any related party payments), construction guaranty payments and liquidated damages payable under the SMA and related agreements, if any, and funds deposited in the Issuer Spot Market Account after netting any spot market payments owing to third parties.

Issuer’s Spot Market account: The Issuer’s spot market account shall be funded, first, prior to each monthly clearing of the spot market payments, from the Collection Account and, second, after each such monthly clearing, from net proceeds of the monthly clearing of the spot market payments.

7. 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 with Goldwind.

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.

By December 31, 2020, as a result of the cancellation of the long-term loan with the IFC Note 13, the funds were fully released.

8. Trade and Other Receivables

Trade and other receivables are detailed as follows:

	2020	2019
Clients	7,825,407	5,631,215
Related parties (Note 17)	209,096	765,248
Interest receivable related parties	54,608	-
Insurance claim	-	560,927
Others	27,130	31,365
	8,116,241	6,988,755

At December 31, 2020 and 2019, there were no past due receivables, therefore, the Company has not recorded any provision for impairment.

The Distribution Companies have been paid the PPAs to UEP II in the same proportion than they have been received their revenues from their final clients for the months of March, April, May and June. The average received by their final clients has been 63%, 89%, 93% and 92%, respectively. Total accounts receivables on hold for the months of March through December is USD3.687 million. (See Note 21).

Trade and other receivables are parts of the pledged assets, which guarantee the issuance of corporate bonds. (See Note 14).

9. Plant and Equipment, Net

Following is the movement of plant and equipment:

	Transportation Equipment	Building	Furniture and Office Equipment	Generators and Plant Facilities	Right of Use Assets	Total
Cost at January 1, 2020	394,461	805,472	639,771	318,834,736	8,568,447	329,242,887
Additions	-	20,135	28,184	-	-	48,319
Reassessment right of use assets	-	-	-	-	119,045	119,045
Cost at December 31, 2020	394,461	825,607	667,955	318,834,736	8,687,492	329,410,251
Accumulated depreciation at January 1, 2020	(383,183)	(62,080)	(561,344)	(83,979,048)	(461,150)	(85,446,805)
Depreciation charge	(11,267)	(20,446)	(60,210)	(13,386,826)	(467,592)	(13,946,341)
Accumulated depreciation at December 31, 2020	(394,450)	(82,526)	(621,554)	(97,365,874)	(928,742)	(99,393,146)
Net balance at December 31, 2020	11	743,081	46,401	221,468,862	7,758,750	230,017,105

	Transportation Equipment	Building	Furniture and Office Equipment	Generators and Plant Facilities	Right of Use Assets	Total
Cost at January 1, 2019	394,461	805,472	591,160	318,834,736	-	320,625,829
Additions	-	-	48,611	-	-	48,611
Adjustment for change in accounting policy (Note 10)	-	-	-	-	8,568,447	8,568,447
Cost at December 31, 2019	394,461	805,472	639,771	318,834,736	8,568,447	329,242,887
Accumulated depreciation at January 1, 2019	(362,808)	(41,943)	(480,346)	(70,592,221)	-	(71,477,318)
Depreciation charge	(20,375)	(20,137)	(80,998)	(13,386,827)	(461,150)	(13,969,487)
Accumulated depreciation at December 31, 2019	(383,183)	(62,080)	(561,344)	(83,979,048)	(461,150)	(85,446,805)
Net balance at December 31, 2019	11,278	743,392	78,427	234,855,688	8,107,297	243,796,082

Plant and equipment include interest on borrowings that are directly attributed to the construction of the assets. During the years ended December 31, 2020 and 2019, there were no interest capitalized.

Plant and equipment are included into the onshore Security Agreements which includes the mortgage on movable and immovable assets, including the Company's generation licenses. (See Notes 13 and 14).

10. Lease

As of December 31, 2020, 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 (See Note 9).

The leased properties are presented below:

	2020	2019
Right-of-use assets		
Cost	8,687,492	8,568,447
Accumulated depreciation	(928,742)	(461,150)
Net balance	7,758,750	8,107,297
Lease liabilities		
Current	126,524	104,301
Non-current	8,390,168	8,385,098
	8,516,692	8,489,399

11. Goodwill

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

11. Goodwill (Continued)

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 2021 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 which 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.

12. Trade and Other Payables

Trade and other payables are detailed as follows:

	2020	2019
Suppliers	2,302,602	7,858,469
Related parties (Note 17)	1,326,897	4,838,739
Interest payable	1,051,516	20,734,909
Income tax payable	946,740	-
Others	813,242	711,880
Lease liabilities short terms (Note 10)	126,524	104,301
	6,567,521	34,248,298

13. Long-Term Debt

	2020	2019
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
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
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
	-	241,965,000
Less: Unamortized finance costs	-	9,159,290
Long-term debt, net	-	232,805,710
Less: Current portion	-	12,803,000
	-	220,002,710

13. Long-term Debt (Continued)

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, 2020 are as follows:

	2020	2019
1 - 5 years	-	89,149,000
Over 5 years	-	152,816,000
	-	241,965,000

The movement of the unamortized finance costs is as follows:

	2020	2019
Beginning balance	9,159,290	9,955,994
Amortization	(663,920)	(796,704)
Full recognition of financial cost due to debt payment	(8,495,370)	-
Ending balance	-	9,159,290

The fair value of the borrowings is US$0.00 since the loan was paid in full on December 18, 2020 (2019: US$274,236,211), 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 which the Company has not applied hedge accounting).

13. Long-term Debt (Continued)

Senior Debt Agreements: (continued)

- 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.

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 - IEH Penonome Panama, S. A. and UEP Penonome II, S. A. (hereinafter “UEP II”) - 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: a) 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 g) interest rate hedging with initial amount of no less than hundred and eighty million Dollars h) 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. Bonds Payable

Through resolution No. SMV 515-20, dated December 2, 2020, the Company issued on December 18, 2020, together with Grupo Tecnisol as joint guarantor, corporate bonds guaranteed for a total of US$262,664,000, issued under Regulation 144A and Regulation S of the United States, with semi-annual amortizations and final maturity on October 1, 2038 with an interest rate of 6.5%, registered in the stock exchanges of Panama and Singapore. The resources obtained from the bond issuance were used to prepaid the syndicated loan acquired on December 29, 2014 with the IFC and other financial entities for US$228,436,514, payment of the financial instrument derived from interest rate for US$18,049,401, financing costs for US$5,208,636, and loan performed to Grupo Tecnisol for US$10,969,449.

The most relevant commitments and restrictions on this debt are detailed below (all financial ratios expressed below are calculated based on the results of the Company and the Tecnisol Group combined.

- Limitation of indebtedness: in order for the Company to enter into a permitted indebtedness, it needs to maintain a debt coverage service ratio, both historical and prospective, of at least 1.31.
- Mortgages and / or liens are prohibited, except for certain permitted liens.
- Sale of assets and mergers: prohibited, except under certain conditions.
- Modifications to the main contracts are prohibited.
- Limitations on new investments.
- Restricted payments: you cannot make restricted payments if you do not meet both historical and prospective debt coverage service relationship of at least 1.20.

Guarantee Agreement: Includes the pledge on the Company's shares; transfer in guarantee of the energy purchase agreements and lease titles of ANATI; mortgage of movable and immovable property (including, among the latter, the Company's generation licenses). The Bank of Nova Scotia (Panama) acts as trustee (FID-135). The debt contract establishes that the Company must maintain a "Debt Service Reserve" and an "O&M Reserve" through a deposit or a letter of credit to ensure, in the first case, the next payment of interest. more capital and, in the second case, a certain level of operation and maintenance. (See Note 6)

As of December 31, 2020, the Company is in compliance with all its commitments.
Bonds payable are presented below:

	2020	**2019**
Initial Corporate Senior Bonds, with maturity October 1, 2038	262,664,000	-
Less: Unamortized finance costs	(8,024,040)	-
Bonds payable, net	254,639,960	-
Less: Current portion	10,003,000	-
Long-term of bonds payable	244,636,960	-

14. Bonds Payable (Continued)

The fair value of the bonds payable is US$261,434,940 as of December 2020, based on discounted cash flows using a rate based on the loan rate of 6.5% and is within Level 3 of the fair value hierarchy.

15. Shareholders' Equity

The shareholders' equity is as follows:

	Common Shares	Capital Contribution	Total
Initial and ending balances for the years ended December 31, 2019	1,050	74,998,950	75,000,000
Capital reduction	-	(9,024,700)	(9,024,700)
Initial and ending balances for the years ended December 31, 2020	1,050	65,974,250	65,975,300

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: 95.24% economic interest in common shares US$62.8 million (2019: US$71.4 million).
- IEH Penonome Holdings: US$47.6 million in bearing interest shareholder loan, fixed rate at 8%, paid in full in December 2020, the shareholders waived the unpaid interest (Note 17).
- Green Field Panama, S. A.: 4.76% economic interest in common shares US$3.1 million (2019: US$3.5 million).
- Green Field Panama, S.A.: US$2.4 million in bearing interest shareholder loan, fixed rate at 8%, paid in full in December 2020, the shareholders waived the unpaid interest (Note 17).

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

IEH Penonome Holdings	95.24% economic interest
Green Field Panama, S. A.	4.76% economic interest

15. Shareholders' Equity (Continued)

On December 21, 2020, by means of the minutes of the board of directors, a capital reduction was approved, without reducing the authorized capital stock of the Company, for US$9,024,700, leaving US$65,974,250 as final capital.

The shareholder's equity is part of the guarantees given in the issuance of corporate bonds issued by UEP Penonome II, S.A. (See Note 14)

16. Costs and Expenses

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

	2020	2019
Cost of goods and service		
Depreciation and amortization (Notes 9 and 10)	13,946,341	13,969,487
Repairs and maintenance	5,665,693	5,711,530
Fees transmission cost	870,949	1,114,554
Salaries and other benefits to employees	459,748	564,763
Security	293,386	467,528
Internal consumption	240,285	227,041
Energy purchase	-	612,016
	21,476,402	22,666,919
Administrative expenses		
Management services (Note 17)	1,290,000	-
Other expenses	391,793	157,018
Salaries and other benefits to employees	833,262	807,845
Insurance costs	749,021	662,402
Professional fees	456,639	768,833
Other expenses intercompany (Note 17)	456,267	-
Connection Fee Substation	477,958	478,150
Regulator fees	468,161	489,084
Wake effect compensation (Note 20)	404,719	682,321
Communication expenses	34,535	128,434
Maintenance office	17,302	43,798
Fuel	10,997	18,765
Office expenses	4,299	8,548
Donations	-	31,503
Electricity	-	1,435
	5,594,953	4,278,136
	27,071,355	26,945,055

16. Costs and Expenses (Continued)

Salaries and other benefits to employees are summarized as follows:

	2020	2019
Salaries and wages	1,109,961	1,115,733
Statutory contributions	125,907	134,086
Other	33,574	59,202
Seniority premium and indemnity	23,568	63,587
	1,293,010	1,372,608

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

	2020	2019
Administrative expenses	833,262	807,845
Cost of goods and services	459,748	564,763
	1,293,010	1,372,608

17. 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:

	2020	2019
Transactions		
Professional fees expenses (d)	1,290,000	-
Other expenses rendered to the related (f)	456,267	-
Energy sold in the spot market (b)	16,002	90,814
Energy sold under reserve contracts (c)	1,862,737	1,953,564
Energy purchases in the spot market (b)	1,114	12,342
Earned interests (e)	54,608	-
Other income (Note 15)	15,386,972	-

17. Balances and Transactions with Related Parties (Continued)

	2020	2019
Balances		
Accounts receivable energy spot market (b)	2,626	1,461
Accounts receivable energy reserve contracts (c)	206,470	307,520
Accounts receivable professional fees (d)	-	456,267
	209,096	765,248
Interest receivable related parties (e)	54,608	-
Loan intercompany receivable (e)	23,265,045	-
Accounts payable professional fees (a)	1,326,763	4,836,821
Accounts payable energy spot market (b)	134	1,918
	1,326,897	4,838,739
Shareholders’ loans (Note 15)	-	50,000,000
Interest payable on shareholders’ loans (Note 15)	-	15,385,172

(a) Administrative and asset management services rendered by related parties.

(b) Sales and purchases of energy with related parties in the energy spot market.

(c) Energy Reserve Contracts described in Note 20.

(d) Accounts receivable for services rendered to a related party.

(e) Loan receivable with related companies Tecnisol I, S. A., Tecnisol II, S. A., Tecnisol III, S. A. and Tecnisol IV, S. A. These loans are backed by promissory notes issued by the companies mentioned above in favor of UEP Penonome II, S. A. and assigned to FID 135. (See Note 6).

(f) The accounts receivable rendered to the related parties since 2016 in the amount of US$456,267 was waived. This forgiveness is governed by the laws of the Republic of Panama.

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:

	2020	2019
Salaries and other short-term employee benefits	280,266	225,950

18. Finance Cost, Net

Finance cost are detailed as follows:

	2020	2019
Interest on borrowings, net	17,589,352	19,914,656
Earned interest	(54,608)	-
Fair value loss on derivative financial instrument	13,536,638	8,715,928
	31,071,382	28,630,584

19. Income Tax

The income tax is presented as follows:

	2020	2019
Current tax	(946,740)	-
Deferred tax	3,702,866	(1,644,053)
	2,756,126	(1,644,053)

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

	2020	2019
Deferred income tax assets		
At January 1	-	-
Accelerated tax depreciation charged to statement of comprehensive income	2,022,079	-
At December 31	2,022,079	-
Deferred income tax liabilities		
At January 1	2,224,202	580,149
Accelerated tax depreciation charged to statement of comprehensive income	(1,680,787)	1,644,053
At December 31	543,415	2,224,202
At December 31, Net	1,478,664	(2,224,202)

19. Income Tax (Continued)

Deferred tax liability is the result of temporary differences from accelerated tax depreciation and tax bases of and other depreciation tax treatment of the cash compensation received.

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.

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:

	2020	**2019**
(Loss) profit before income tax	(6,675,162)	258,443
Fiscal adjustment to recognize accelerated depreciation	(7,000,188)	(10,175,902)
Less: Non-taxable income	(20,784,599)	(166,069)
Plus: Non-deductible expenses	42,033,866	10,237,840
Taxable income	7,573,917	154,312
Loss carried forward	(3,786,958)	(77,156)
Other adjustments	-	(77,156)
Net taxable gain	3,786,959	-
Income tax (traditional method)	946,740	-

According to Tax Legislation of Panama, income tax returns for the last three (3) years are subject to review by fiscal authorities, including year ended December 31, 2020.

Management requested to the Tax Authority the non-application of the CAIR for the 2019 fiscal year. The request was accepted and approved for the fiscal years 2019, 2020 and 2021.

19. 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.

20. Commitments

- The Company has twelve PPA Contract's assigned by three to Nuevo Chagres, Portobelo, 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 Penonome I, S. A. (hereinafter "UEP I") for the energy losses caused by the preferred physical position of the wind turbines which impact the wind regime. The Company agrees to pay a monthly payment beginning with the Commercial Operation Date occurred on February 19, 2018, for 25 years term. The wake effect compensation amount is disclosed in Note 16.

20. 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 supplied the energy generated.

  This amendment clarifies the following subjects:

  1. The PPAs contemplate a penalty if the wind farm does not reach the expected generation committed in the PPAs. The portion that the wind farm has to comply in order to avoid such penalty is 0.6 (60%), "Fraccion de la Generacion Esperada" (FGE, for its acronym in Spanish) that represents the portion of the expected generation on an annual basis.

     Based on the historical data, the probability of such penalty is remote because it depends on the energy compromised in the PPA. Historical data shows that even in the worst-case scenario, the wind farm complies with 0.6. Also, the buyer must acquire all the energy produced by the seller, so the committed energy in PPAs is less than the energy produced and sold.

  2. 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 companies EDEMET, EDECHI and ENSA. This energy it will be supply for Rosa de los Vientos (SPOT). In the event that the Company is unable to fulfill its obligations under any of the contracts, the performance bonds that support the obligations may be drawn by the customers. The amounts of the performance bonds outstanding as at December 31, 2020 were US$17,884,164 (2019 US$21,492,232).

- 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 (National Dispatch Center) 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.

20. 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.
    - Portobelo 32.5MW.
    - Rosa de los Vientos 52.5 MW. and
    - Maranon 17.5 MW.

  - 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.

- 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.

20. Commitments (Continued)

- 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 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.

21. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus strain (COVID-19) in the category of pandemic.

The COVID-19 pandemic has affected the Wholesale Electricity Market (The Market) in Panama, since March the Government decreed a total quarantine with movement restrictions, this caused many businesses and industries to remain closed or reduce their production capacity, which in turn caused a wave of layoffs and work contract suspensions, this caused an economic crisis in the country and in the electricity sector since many people did not have the resources to pay for their electricity bills.

To minimize the effect of the pandemic the Government approved the Decree 291 of May 13th, 2020 that established a moratorium for the months from March to September to establish a non-obligation of payment for the people affected by the pandemic. With great part of the regulated clients not paying, this decreased the cash flow of the Distribution Companies and these could not keep with their payments to the Generation Companies. The foregoing caused a domino effect in the Market since the lack of liquidity of the Distribution Companies prevented them from fulfilling the full payments of the PPAs with the Generation Companies and ASEP through resolution AN No- 16095-Ele of May 21th 2020 let the Distribution Companies to pay proportionally with their income the commitments with the Market and also allows the Generation Companies affected by the pandemic due to this lack of payment by the Distribution Companies to pay their DTE (Economic Transactions Document) obligations proportionally without their payment guarantee being executed by the CND (National Dispatch Center).

The Company had continued to operate continuously in the Panamanian electricity market.

22. Reclassification

For comparison purposes, certain figures from 2019 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 operating expenses as part of the cost of goods and services, as part of a policy choice applied by Company's management in the presentation of the financial statements.

Statement of Comprehensive Income	**As originally Presented in 2019**	**Reclassification**	**Reclassified**
Costs of goods and services	(16,289,094)	(6,377,825)	(22,666,919)
Operating expenses	(6,377,825)	6,377,825	-