

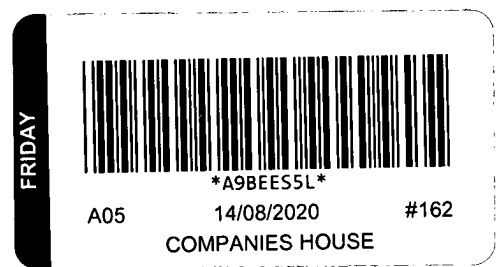
Carina Renewable Limited

Report and Financial Statements

Year ended

31 December 2019

Company Number 08532816



Carina Renewable Limited

Report and financial statements for the year ended 31 December 2019

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Legal form

Private company limited by shares

Company number

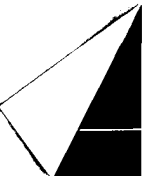
08532816

Country of incorporation

United Kingdom

Country of domicile

United Kingdom



Carina Renewable Limited

**Officers and professional advisors
for the year ended 31 December 2019**

Directors

L Heintz
M R Karlsson
J B Doyle
B Lynch

Registered office

5 Fleet Place, London, EC4M 7RD

Independent auditors

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Tax advisors

BDO LLP, Level 12, Thames Tower, Reading, Berkshire, RG1 1LX

Bankers

Barclays Bank PLC, 1 Churchill Place, London, E14 5HP

Carina Renewable Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report for Carina Renewable Limited ("the company") for year ended 31 December 2019. The directors, in preparing this Strategic report, have complied with 414C of the Companies Act 2006.

Principal activities

The company is an investment holding company. Its subsidiaries include entities which are holding investments, as well as entities which acquire, build, own and operate wind power projects in Chile.

Results

The Statement of profit or loss and other comprehensive income is set out on page 10. The company's result for the financial year was a loss of \$9,971 (2018 – loss of \$35,124).

Fair review of the business

The company and its subsidiaries' financial statements are consolidated by the immediate parent company Aquila Renewable Limited (together "the group"). The group recorded a net profit of \$7,645,618 for the year ended 31 December 2019 (2018 - \$335,109).

During 2019, the group had 3 wind farm projects with two wind farms already in operation Aela Eólica Negrete SpA and Aela Eólica Llanquihue; and one under construction: Aela Eólica Sarco SpA.

In 2014, Aela Eólica Negrete SpA, Aquila's first project located in the Biobío region in Chile, went into operation. With an installed capacity of 33MW, this Wind Farm accounted for the largest capacity factor at national level during its first year of operation and the second largest during the following year.

The Aurora Wind Farm is located in the municipality of Llanquihue, Los Lagos Region, Chile; and have a rated capacity of 129 MW respectively. The project entered in operation during 2019.

While Sarco Wind Farm is located in the municipality of Freirina, Atacama Region, Chile and have a capacity of 170 MW Chile. The project is nearly completed and the it is expected to begin operations during the second quarter of 2020.

When Sarco wind farm starts operation, Aquila will have a portfolio of three geographically distributed projects that will add up to 332 MW, positioning it among the largest non-conventional renewable energy generators in Chile.

Additionally, the project finance long-term deal closed with a bank consortium led by IDB in 2018, was the largest renewable energy financing closed in the Chilean market and was recognised by Thompson Reuters and IJGlobal for its structure and conditions.

The company is permanently evaluating projects in operation or in advanced stages of development that meet its technical and economic standards to include them in its project portfolio.

The company seeks to meet the energy needs of the country's regulated customers and free consumers in the retail, mining, industry and residential fields that require secure and competitively priced supply. This is possible thanks to its experienced team of executives, the quality of its projects and international standing of its partners.

Carina Renewable Limited

Strategic report
for the year ended 31 December 2019 (*continued*)

Principal risks and uncertainties

Financial risks

The group is exposed to interest rate risk. The group's policy is to use financial instruments to reduce exposure to interest rates volatility. The group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Project delivery risk

The ability of the company to pursue its projects is dependent on a robust investment framework and the appropriate funding being in place.

Each project of this nature follows specific project management practices including local governance procedures. All significant projects are also subject to central monitoring reviews.

Health and safety risk

The health and safety of all its employees, contractors, agency staff and the public are a key risk given the nature of the group's business. To minimise this risk, the group is committed to creating a culture that views safe work practices as the only way of working and to reviewing all its processes and procedures to ensure they deliver this. Training is provided to managers to ensure they understand their responsibility for the safety and well-being of the employees that they set to work.

Taxation risk

Taxation risk is the risk that the group suffers arising from additional tax charges, financial penalties or reputational damage. These risks could arise from failure to comply with procedures required by tax authorities, the interpretation of tax law, or changes in tax law. The group has mitigated this risk by the implementation of effective, well documented and controlled processes to ensure compliance with tax disclosure and filing obligations. This is further supported by the use of appropriate advice from reputable professional firms.


Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is necessary for an understanding of the development, performance or position of the business. Please refer to the financial statements of Aquila Renewable Limited for further details.

Events after the reporting year

The company received an additional capital injection for a total amount of \$2,356,000 (2018 - \$91,954,636). Also refer to note 6 for the disclosure in relation to Covid 19.

Approved by the Board and signed on its behalf by:



L Heintz
Director

Date: 09.04.20

Carina Renewable Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2019.

Results

The Statement of profit or loss and other comprehensive income is set out on page 10. The company's result for the financial year was a loss of \$9,971 (2018 – loss of \$35,124).

No dividends have been paid to Aquila Renewable Limited during the year (2018 - \$Nil).

Board of directors

The directors of the company during the year were:

L Heintz
M R Karlsson
M A S Till (resigned 6 March 2019)
J B Doyle
B Lynch (appointed 8 May 2019)

No director had any beneficial interest in the share capital of the company at any time during the year.

Indemnification of directors

All the directors are employed by other group companies and as part of their employment are indemnified against liabilities incurred as a result of acting as a director of the company.

Going concern

The financial statements have been prepared on a going concern basis. The company recognised a loss of \$9,971 for the year ended 31 December 2019 (2018 – loss of \$35,124), net assets of \$212,267,299 (2018 – net assets of \$106,383,681) and the net current liabilities of \$85,076 (2018- net current liabilities of \$128,631). Although the company is in a net current liabilities position, the majority of the balances are due from the fellow subsidiaries undertakings and repayment is within control of the company.

After making enquiries and reviewing cash flow forecasts, the directors have formed the judgement that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future which is not less than 12 months from the date of approving these financial statements.

Carina Renewable Limited

Directors' report for the year ended 31 December 2019 *(continued)*

Financial risk management

The group is exposed to interest rate risk. The group's policy is to use financial instruments to reduce exposure to interest rates volatility. The group does not enter into or trade financial instruments, including derivatives, for speculative purposes. For more information please refer to the Strategic report on pages 2-3.

Future developments

The group may consider acquiring further construction and/or operational projects from third parties. The group will continue its normal activities for the foreseeable future.

Statement of disclosure of information to auditors

The current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the auditors for the purposes of their audit and to establish that the auditors are aware of this information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Reappointment of auditors

Ernst & Young LLP are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



L Heintz
Director

Date: 09-04-20

Carina Renewable Limited

Statement of directors' responsibilities for the year ended 31 December 2019

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARINA RENEWABLE LIMITED

Opinion

We have audited the financial statements of Carina Renewable Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of profit or loss and other comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 6 of the financial statements, which describes that the Covid 19 developments represent a non-adjusting post balance sheet event which is not reflected in the value of the investment as of 31 December 2019. Our opinion is not modified in respect of this matter

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Carina Renewable Limited

Independent auditor's report (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

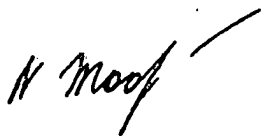
Auditor's responsibilities for the audit of the financial statements

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Natalia Moolman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

15 April 2020

Carina Renewable Limited

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Note	2019 \$	2018 \$
Administrative expenses		(9,369)	(34,745)
Loss from operations		(9,369)	(34,745)
Finance costs		(373)	(247)
Finance income		1,352	-
FX variation		(1,581)	(132)
Loss for the period before tax		(9,971)	(35,124)
Tax expense	5	-	-
Loss for the period		(9,971)	(35,124)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net gain on revaluation of investments	6	922,606	597,065
Total comprehensive income, net of tax		912,635	561,941

All amounts relate to continuing activities.

There are no other recognised gains or losses for the year other than those disclosed in the statement of profit or loss and other comprehensive income.

The notes on pages 14 to 30 form part of these financial statements.

Carina Renewable Limited

Statement of financial position as at 31 December 2019

Company number 08532816	Note	2019	2019	2018	2018
		\$	\$	\$	\$
Assets					
Non-current assets					
Investments in subsidiaries	6		212,352,375		106,512,312
Receivables from related parties	7		323		323
Current assets					
Cash and cash equivalents	16	50,695		6,544	
			50,695		6,544
Total assets			212,403,393		106,519,179
Current liabilities					
Trade and other payables	8	115,715		115,715	
Accruals	8	20,379		19,783	
			136,094		135,498
Total liabilities			136,094		135,498
Net assets			212,267,299		106,383,681
Issued capital and reserves attributable to the owners of the company					
Share capital	11		177,519,216		72,548,233
Retained earnings	12		44,443,494		44,453,465
Revaluation reserve	6,12		(9,695,411)		(10,618,017)
Total equity			212,267,299		106,383,681

The financial statements on pages 10 to 30 were approved and authorised for issue by the Board of directors and were signed on its behalf by:



L Heintz
Director

Date: 09-04-20

The notes on pages 14 to 30 form part of these financial statements.

Carina Renewable Limited

Statement of cash flows for the year ended 31 December 2019

	Note	2019 \$	2019 \$	2018 \$	2018 \$
Cash flows from operating activities					
Loss for the year			(9,971)		(35,124)
Increase in trade and other receivables	7	-		(323)	
Increase/(decrease) in trade and other payables	8	596		(30,578)	
			596		(30,901)
Net cash flows used in operating activities			(9,375)		(66,025)
Investing activities					
Additions in investment in subsidiaries		(104,917,457)		(59,141,712)	
Cash used in investing activities			(104,917,457)		(59,141,712)
Financing activities					
Capital contribution from the company's shareholder	11	104,970,983		59,141,712	
Cash generated from financing activities			104,970,983		59,141,712
Net increase in cash and cash equivalents			44,151		(66,025)
Cash and cash equivalents at the start of the year	16		6,544		72,569
Cash and cash equivalents at the end of the year	16		50,695		6,544

The notes on pages 14 to 30 form part of these financial statements.

Carina Renewable Limited

Statement of changes in equity for the year ended 31 December 2019

	Notes	Share capital \$	Capital contribution reserve \$	Retained earnings/ (Accumulated Losses) \$	Revaluation reserve \$	Total equity \$
Balance at 1 January 2018		8,361,001	5,045,520	44,488,589	(11,215,082)	46,680,028
Total comprehensive income for the year						
Loss for the year	12	-	-	(35,124)	-	(35,124)
Other comprehensive income	6	-	-	-	597,065	597,065
Contributions by and distribution to owners						
Issue of ordinary share capital	11	64,187,232	(5,045,520)	-	-	59,141,712
Balance at 31 December 2018	11,12	<u>72,548,233</u>	<u>-</u>	<u>44,453,465</u>	<u>(10,618,017)</u>	<u>106,383,681</u>
Balance at 1 January 2019		72,548,233	-	44,453,465	(10,618,017)	106,383,681
Total comprehensive income for the year						
Loss for the year	12	-	-	(9,971)	-	(9,971)
Other comprehensive income	6	-	-	-	922,606	922,606
Contributions by and distribution to owners						
Issue of ordinary share capital	11	104,970,983	-	-	-	104,970,983
Balance at 31 December 2019	11,12	<u>177,519,216</u>	<u>-</u>	<u>44,443,494</u>	<u>(9,695,411)</u>	<u>212,267,299</u>

The notes on pages 14 to 30 form part of these financial statements.

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 Accounting policies

General information

The company is an investment holding company. Its subsidiaries acquire, build, own and operate wind and solar power projects in Chile.

The company is a private company limited by shares which is incorporated in England & Wales and domiciled in the United Kingdom.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise indicated.

These financial statements are presented in US dollars, which is the company's functional currency.

These financial statements contain information about Carina Renewable Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is itself a subsidiary undertaking and is fully consolidated in the financial statements, prepared in accordance with IFRSs, of its immediate parent company, Aquila Renewable Limited, a company incorporated in the United Kingdom.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs") and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRSs.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgement applying the group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect is disclosed in note 2.

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis. The company recognised a loss of \$9,971 for the year ended 31 December 2019 (2018 – loss of \$35,124), net assets of \$212,267,299 (2018 – net assets of \$106,383,681) and the net current liabilities of \$85,076 (2018- net current liabilities of \$128,631). Although the company is in a net current liabilities position, the majority of the balances are due from the fellow subsidiaries undertakings and repayment is within control of the company.

After making enquiries and reviewing cash flow forecasts, the directors have formed the judgement that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future which is not less than 12 months from the date of approving these financial statements

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the company that were adopted in the annual financial statements for the year ended 31 December 2019 are:

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value.

IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The group does not have significant leasing activities acting as a lessor.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Neither of these new standards and interpretations have had a material impact on the company's results.

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Changes in accounting policies (continued)

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The most significant of these which are all effective for the period beginning 1 January 2020 are:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material);
- IFRS 3 *Business Combinations* (Amendment – Definition of Business);
- Revised Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Carina Renewable Limited has progressed its projects dealing with the implementation of these key new accounting standards and management are assessing the impact on the financial statements, however the impacts are not expected to be material.

Significant accounting policies

Foreign currency

The company's functional currency is the U.S. Dollar (\$).

Transactions in foreign currencies are translated to U.S. Dollars (\$) at the prevailing exchange rate at the transaction date. Monetary assets and liabilities denominated in currencies different from US\$ are retranslated at the closing exchange rates of the financial statements.

Non-monetary assets and liabilities denominated in currencies different from US\$ that are measured at fair value are retranslated to US\$ at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in currency different from the company's functional currency are translated using the average exchange rate at the month of the transaction.

At the year end the exchange rate ruling was £1 = \$1.3248 (2018 - £1 = \$1.2736).

Income and expenses

Income and expenses are included in profit or loss on an accruals basis. All of the group's income and expenses are derived from continuing operations.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation where transactions or events give rise to temporary differences between the treatment of certain items for taxation and for accounting purposes. A provision is made in full for deferred tax liabilities. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the benefit can be realised.

Current tax is provided at the amounts expected to be paid or recovered under the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

Significant accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation where transactions or events give rise to temporary differences between the treatment of certain items for taxation and for accounting purposes. A provision is made in full for deferred tax liabilities. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the benefit can be realised.

Current tax is provided at the amounts expected to be paid or recovered under the tax rates that have been enacted or substantively enacted by the statement of financial position date.

Investments in subsidiaries

Investments in subsidiaries are designated as equity instruments and stated at fair value less transaction costs that are directly attributable to the acquisition of the investments. Equity investments that are not held for trading are elected to classify at Fair Value through Other Comprehensive Income (FVTOCI) as permitted under IFRS 9. All fair value changes in respect of those assets are recognised in Other Comprehensive Income, accumulated in the Revaluation reserve, and will not be subsequently recycled through profit or loss.

The company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its original cost. The determination of what is 'significant' or 'prolonged' requires judgement. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

There was no impairment recognised during the year (2018 - \$Nil).

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

Significant accounting policies *(continued)*

Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

Fair value through profit or loss

The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The company's financial assets measured at amortised cost comprise receivables from related parties and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

The company classifies its financial liabilities as other than financial liabilities in a qualifying hedging relationship. The company does not have any liabilities held for trading nor has it designated any financial liabilities as being fair value through profit or loss.

Unless otherwise indicated, the carrying amounts of the company's financial liabilities are a reasonable approximation of their fair values.

Other financial liabilities include trade payables. These liabilities are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Carina Renewable Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

1 Accounting policies *(continued)*

Significant accounting policies *(continued)*

The effect of discounting on these financial instruments is not considered to be material.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

2 Critical accounting estimates and judgements

Estimates and assumptions

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

Income taxes

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the year in which such determination is made.

Fair value of equity instruments

Fair value has been estimated using discounted cash flow models. The valuation requires management to make certain assumptions about the models inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for unquoted equity investments.

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

3 Auditors' remuneration

The auditors' remuneration fee has been borne by another group company and has not been recharged to the company.

The company did not receive any non-audit services in the year.

4 Employee benefit expense and key management personnel

Employees

The company did not have any employees during the year (2018 - None).

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, including the directors of the company listed on page 4. None of the directors were remunerated for their services as the directors of this company.

5 Tax expense

	2019 \$	2018 \$
Current tax expense		
Current tax on losses for the year	-	-
Deferred tax expense		
Deferred tax expense for the year	-	-
	<hr/>	<hr/>
Total tax expense	-	-
	<hr/>	<hr/>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom of 19.00% (2018 – 19.00%) applied to profit for the year are as follows:

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

5 Tax expense (continued)

	2019 \$	2018 \$
Loss for the year	(9,971)	(35,124)
Income tax expense	-	-
	<hr/>	<hr/>
Loss before income taxes	(9,971)	(35,124)
Tax using the company's domestic rate tax rate of 19.00% (2018 – 19.00%)	(1,894)	(6,674)
Expenses not deductible for tax purposes	-	2,135
Change in deferred tax rate	199	479
Unrecognised losses carried forward	-	-
Deferred tax not recognised	1,695	4,060
Other	-	-
	<hr/>	<hr/>
Total tax expense	-	-
	<hr/>	<hr/>

The effect of changes to the corporation tax rates substantively enacted as part of the Finance Bill 2016 (on 26 October 2016) and Finance Bill 2017 (on 7 September 2016) includes reductions to the main rate to reduce the rate to 17% from 1 April 2020. There were no other factors that may affect future tax charges.

For the purposes of deferred tax, the rate changes from 19% to 17% had been substantively enacted before the balance sheet date. This will reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

	2019 \$	2018 \$
Unrecognised DTA	22,954	21,318
	<hr/>	<hr/>

The company has tax losses of \$135,026 (2018 - \$125,400) for which no deferred tax asset has been recognised. This is on the basis that the company is not expected to generate sufficient taxable profits within the foreseeable future against which these losses can be utilised against.

Estimates and assumptions, including uncertainty over income tax treatments

No material uncertain tax positions exist as at 31 December 2019.

Carina Renewable Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

6 Investments in subsidiaries

The subsidiaries of Carina Renewable Limited, all of which are unlisted, are as follows:

Name of direct subsidiary	Principal activity	Fair Market Value 2019 \$	Fair Market value 2018 \$	Proportion of ownership interest at 31 December 2019 \$	Proportion of ownership interest at 31 December 2018 \$
Aela Energia S.L. [1]	Investment holding company	178,909,911	70,216,648	100%	100%
Aela Generacion S.A.* [2]	Transmitting, generating, purchasing, supplying and selling electricity and related services	33,442,464	36,295,664	15.73%	34.26%
Total investments		212,352,375	106,512,312		
Name of indirect subsidiary					
Aela Negrete S.A.** [2]	Investment holding company			100%	100%
Aela Eólica Llanquihue S.p.A.** [2]	Building, owning and operating solar renewable energy projects			100%	100%
Aela Eólica Sarco S.p.A.** [2]	Building, owning and operating wind renewable energy projects			100%	100%
Aela Eolica Negrete S.p.A.*** [2]	Building, owning and operating wind and solar renewable energy projects			100%	100%
Aela Ficer **** [2]	Investment holding company			100%	100%
Aela Energia S.p.A. **** [2]	Investment holding company			100%	100%
Aela Administration S.p.A.***** [2]	Management company			100%	100%

* Remaining shareholding held through Aela Ficer (84.25%) and Aela Energia S.L (0.02%)

** Shareholding held by Aela Generacion S.A.

*** Shareholding held by Aela Negrete S.A.

**** Shareholding held by Aela Energia S.L.

***** Shareholding held by Aela Energia S.p.A.

[1] C/ Príncipe de Vergara, 112 4ª Planta, 28022, Madrid, Spain

[2] AV. Apoquindo 4800, Of. 1501-B, Las Condes, Santiago, Chile

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

6 Investments in subsidiaries (continued)

	2019 \$	2018 \$
Opening balance at 1 January	106,512,312	46,773,535
Additions: capital contribution	104,917,457	59,141,712
Adjustment to Fair Value Investments	922,606	597,065
Closing balance at 31 December	212,352,375	106,512,312

During the year, the company's investment in Aela Energia S.L. was increased by \$104,917,457 (2018 – increase of \$59,141,712). This related to the contribution made by the shareholders in accordance with the Members Contribution Mechanism (account 118) available for entities registered in Spain.

All equity investments have been designated to be measured at fair value through other comprehensive income.

Fair value measurement and description of significant unobservable inputs to valuation

Fair value of equity instruments is recognised on a recurring basis. The determination of the fair value is considered to be Level 3 fair value measurement, as it is derived from valuation techniques that include inputs that are not based on observable market data.

The developments surrounding Covid 19 represent a non-adjusting post balance sheet event and are not reflected in the fair value of the investment shown above. EBITDA margin and the discount rate could be negatively impacted by COVID-19, especially if the pandemic continues for a long period of time. Any changes in the investment value would be reflected in the financial statements for the year ended 31 December 2020.

The significant unobservable inputs used in the fair value measurements, together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 are as shown below:

Valuation technique	Significant unobservable inputs	Value/Range	Sensitivity analysis
Discounted cash flow method	• Average EBITDA margin	• 11.2% (2018 - 11.8%)	0.5% increase/(decrease) in the EBITDA margin over income would result in an increase/decrease in fair value to USD Million \$215.90 /\$209.30 (2018 - USD Million \$109.70/\$102.25)
	• Discount rate	• Aela Generacion SA Cost of equity 8.98% (2018 - 10.25)	0.5% increase/(decrease) in the discount rate would result in an increase/decrease in fair value to USD Million \$201.2/\$224.9 (2018 - USD Million \$96.11/\$116.63)

Carina Renewable Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

7 Trade and other receivables

	2019 \$	2018 \$
Receivables from related parties (see note 13)	323	323

The carrying amounts of the company's trade and other receivables classified as financial assets measured at amortised cost are a reasonable approximation of their fair values.

8 Trade and other payables

	2019 \$	2018 \$
Payables to related parties (see note 13)	115,715	115,715
Accruals	20,379	19,783
	136,094	135,498

The carrying amounts of the company's trade and other payables classified as financial liabilities measured at amortised cost are a reasonable approximation of their fair values.

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

9 Financial instruments - risk management

The company's principal financial instruments comprise cash and cash equivalents and trade and other payables, which arise directly from its operations.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The policies for managing the risks are summarised below.

Liquidity risk

Liquidity risk arises from the company's management of working capital. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

Due to the dynamic nature of the underlying business, the liquidity risk is monitored regularly by the management. Further funding is available from other group companies.

The maturity analysis of financial instruments at 31 December is as follows:

	On demand and up to 3 months 2019 \$	On demand and up to 3 months 2018 \$
Receivables from related parties	323	323
Total financial assets	323	323
Payables to related parties	115,715	115,715
Total financial liabilities	115,715	115,715

Credit risk

Credit risk arises from exposure of deposits of cash and cash equivalents at banks. The exposure at 31 December 2019 was \$50,695 (2018 - \$6,544).

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10 Capital management

The company's capital consists of share capital and reserves. The company's policy is to ensure that it has sufficient reserves to meet its requirements as a holding company. Additional capital is raised by issuing new share capital.

In addition, the company's policy is to maintain sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements. The company's Board review rolling cash-flow projections on a monthly basis as well as information regarding cash balances.

The company has policies in place to ensure that deposits are placed with high-credit quality banks. It also only holds levels of cash required to the operation of the company. It has no borrowings.

The table below shows the total capital considered by the company as of 31 December:

	2019 \$	2018 \$
Share capital	177,519,216	72,548,233
Reserves	44,443,494	44,453,465
Revaluation reserve (note 12)	(9,695,411)	(10,618,017)
	<u>212,267,299</u>	<u>106,383,681</u>

11 Share capital

	2019 Number	2018 Number	2019 \$	2018 \$
<i>Ordinary shares of \$1 each</i>				
Authorised, issued and fully paid				
At 1 January	72,548,233	8,361,001	72,548,233	8,361,001
Shares issued during the year	104,970,983	64,187,232	104,970,983	64,187,232
	<u>177,519,216</u>	<u>72,548,233</u>	<u>177,519,216</u>	<u>72,548,233</u>
At 31 December	177,519,216	72,548,233	177,519,216	72,548,233

During the year, Carina Renewable Limited's share capital was increased by a total amount of \$104,970,983 (2018 - \$64,187,232). This related to the issuance of 65,703,465 \$1 ordinary shares in January 2019, 1,244,736 \$1 ordinary shares in March 2019, 25,006,436 \$1 ordinary shares in June 2019, and 13,016,346 \$1 ordinary shares in December 2019.

Carina Renewable Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

12 Reserves

	Retained earnings 2019 \$	Retained earnings 2018 \$
At 1 January	44,453,465	44,488,589
Loss for the year	(9,971)	(35,124)
	<hr/>	<hr/>
At 31 December	44,443,494	44,453,465
	<hr/>	<hr/>
	Revaluation reserves 2019 \$	Revaluation reserves 2018 \$
At 1 January	(10,618,017)	(11,215,082)
Revaluation of investments	922,606	597,065
	<hr/>	<hr/>
At 31 December	(9,695,411)	(10,618,017)
	<hr/>	<hr/>

Carina Renewable Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

13 Related party transactions

During the year the company entered into the following transactions with related parties:

Related Parties	Nature of Transaction	Terms	Transactions for the year ended 31 December 2019 \$	Amounts due to related parties as of 31 December 2019 \$
Aquila Renewable Limited	On behalf of expense payments	Due on demand	-	(323)
Actis Energy 3 L.P.	Expenses shouldered	Due on demand	-	27,151
Aela Generacion S.A.	Amounts due for purchase of shares	Due on demand	-	10,000
Aela Energia S.P.A. Chile	On behalf of expense payments	Due on demand	-	71,246
Aela Energia S.L. Spain	On behalf of expense payments	Due on demand	-	3,909
Aela Negrete SpA	On behalf of expense payments	Due on demand	-	3,408
			<hr/>	<hr/>

Carina Renewable Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

13 Related party transactions (continued)

Related Parties	Nature of Transaction	Terms	Transactions for the year ended 31 December 2018 \$	Amounts due to related parties as of 31 December 2018 \$
Aquila Renewable Limited	Cash advances for working capital	Due on demand	78,696	-
Aquila Renewable Limited	On behalf of expense payments	Due on demand	1,444	-
Aquila Renewable Limited	On behalf of expense payments	Due on demand	(1,767)	(323)
Actis Energy 3 L.P.	Expenses shouldered	Due on demand	-	27,151
Aela Generacion S.A.	Amounts due for purchase of shares	Due on demand	-	10,000
Aela Energia S.P.A. Chile	On behalf of expense payments	Due on demand	53,919	71,246
Aela Energia S.L. Spain	On behalf of expense payments	Due on demand	149	3,909
Aela Negrete SpA	On behalf of expense payments	Due on demand	3,408	3,408

All related party transactions are non-interest bearing and are unsecured.

14 Ultimate parent company and controlling party

The immediate parent undertaking is Aquila Renewable Limited, a company registered in the United Kingdom. The smallest group to consolidate these financial statements is Aquila Renewable Limited. Copies of the consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party of the company and the group is Actis Energy 3 L.P which is controlled by Actis LLP, an entity registered in the United Kingdom.

Carina Renewable Limited

Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

15 Events after the reporting year

At the date of issuance of current year 2019 Carina Renewable Limited financial statements, the company received an additional capital injection for a total amount of US\$ 2,356,000.

Also refer to note 6 for the disclosures in relation to Covid 19.

16 Notes supporting statement of cash flows

Cash and cash equivalents for the purposes of the statement of cash flows comprises:

	2019 \$	2018 \$
Cash at bank available on demand	50,695	6,544
	<hr/>	<hr/>

There were no significant non-cash transactions during the year.