

Registered number: 11165861

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

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CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

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CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

COMPANY INFORMATION

Directors	J M Bernal-Antelo H Chen I Guerrero-Arias
Company secretary	Praxis Secretaries (UK) Limited
Registered number	11165861
Registered office	1st Floor Senator House 85 Queen Victoria Street London EC4V 4AB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 40 Clarendon Road Watford WD17 1JJ

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present the Strategic Report of Canadian Solar Argentina Investment Holding Ltd (the "Company") for the period 1 February 2019 to 31 December 2019. As a consequence the current period is a 11 months period. The comparable period is the 12 months period ending 31 January 2019.

Business review

The Company is a wholly owned subsidiary of Canadian Solar UK Projects Ltd, which is incorporated in the United Kingdom. The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The Company has continued to manage the Solar Plants Projects across South America.

The Statements of Comprehensive Income and Financial Position are set out on pages 9 and 10 respectively. These show a profit of £659,177 (2018: loss of £661,530) for the year ended 31 December 2019 and net assets of £16,302,239 (2018: £12,122,388).

On July 19, 2019, the Cafayate Photovoltaic Solar Park, Province of Salta in Argentina, achieved the Commercial Operation, being enable to inject into the grid of up to 80 MW. The commercial authorization of the FV. Cafayate corresponds to the commercial authorization and Contracted Power in accordance with the Renewable Electric Power Supply Contract signed between Fieldfare Argentina S.R.L. and CAMMESA on November 21, 2017. The subsidiary has entered into a series of contracts in order to partially finance the construction of the solar park up to the sum of USD 75,000,000.

Principal risks and uncertainties

These mainly include, but are not limited to, business risk (regulatory and competitor strategy), currency exposure, credit risk and liquidity risk. The Directors monitor these risks through management meetings and regular dialogue with people in the organization. The Company is proactively looking at ways to mitigate the uncertainty created by Brexit and manage the possible outcomes. No negative outcomes have been identified so far. Additional risks that could be impacted by Covid-19 are business and liquidity risk. The directors are monitoring the current situation and are monitoring these risks together with those noted above.

Regulatory risks

The key risks for the Company are:

1. Understanding and assessing the volatility of immature political systems
 - a. Expropriation risk
 - b. Policy risk
2. Legal risk
 - a. Contract structure and enforcement
 - b. Compliance
 - c. Environmental

The Company operates in the renewable market leveraging on Canadian Solar UK Projects, Canadian Solar Inc. and international experience and competence.

Covid did not have a significant negative impact on the renewable market. The EU and other Governments decided to invest in renewable energy as a way out of the crisis. The expectation is for the industry to grow further. In the short term some delays in project can be due to local lockdown slowing down the approval of project or the visit to construction sites.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2019****Competition**

The market in which the Company operates is highly competitive. As a consequence there is a constant downwards pressure on margins. The Company's operation are coordinated with the integrated Group supply chain. The Group leverage on its experience in the market and its important role as top player.

Financial instruments & financial risk management

The Company's principal financial instruments include Group loans, the main purpose of which is to raise finance for the Company's operations. In addition, the Company has various other financial assets and liabilities such as trade payables arising directly from its operations. The board monitor the Company's progress against its business objectives and financial performance on a regular basis. The principal risks and uncertainties facing the Company are discussed below.

Interest rate risk

Interest rate risk is the risk that the fair value of investments will fluctuate because of change in interest rate. The Company is financed mainly through intercompany loan facilities. The Company optimises interest costs and reduce volatility through fixed Interest rate and/or intercompany financing interest free.

Currency risk

The Company is exposed to transaction foreign exchange risk. The Company operates with a limited number of currencies, in line with the funding sources, to mitigate the foreign exchange risk.

Liquidity risk

The Company is exposed to liquidity risk mainly in the development phases of the projects. Liquidity is provided by Group based on the budget approved before the beginning of the period and the financing request made during the development of the projects. Additional constrain can be done by COVID issue. However, the Ultimate parent Canadian Solar Inc. was able to issue a bond in September, getting additional sources of liquidity from the market.

Financial key performance indicators

The directors have monitored the progress of the overall Company's strategy and the individual strategic element by reference to certain performance indicators which are analysed as follows

	2019	2018	Change	
	£'000	£'000	£'000	%
Turnover	593,215	-	593,215	-
Income from investments	-	-	-	-
Profit/(loss) for the financial period	659,177	(661,530)	1,320,707	200

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

Subsequent events

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. This has resulted in worldwide restrictions on travel, governments fiscal stimulus and extreme financial market volatility. The impact on the Company since the year end and what has been presented to us in terms of cash flows and projections shows that there is an expectation that things can be managed, and business will continue. The directors therefore regard the impact of Covid-19 as a non-adjusting post balance sheet event, and the going concern basis of preparation remains appropriate. We operated through the whole lockdown period working on a rotation and homeworking basis and our employees have performed incredibly well in challenging circumstances. Most of our employees are now working from home, but our offices remain open. No request of Government support has been done. There were minor delays in some projects due to temporary closures of public offices and our employees not able to go on construction sites because of local lockdowns. However, the situation now is substantially back to normality. The value of our main assets, being the investments in projects, is mainly related to energy price and interests' rates. While the interests' rates have decreased further, increasing the value of the project, the energy price has decreased. However, as this fluctuation is expected only for the short term and the energy price for our project is fixed for the medium/long period, and in currency with limited fluctuations like USD and Euros, the value of our projects and the future revenues are not expected to be materially affected.

The COVID-19 effect on the development of CS UK Argentina investment, inclusive of the ones that Canadian Solar is currently working on, has been limited with no real financial losses. It has been mainly constrained to delays with site visits, stakeholder consultations, and planning related activities. The market in general has been chugging along at reasonable pace and performing better than anticipated in the beginnings of the lockdown.

Budget 2020 and Plan 2021 -2025 do not change for COVID-19 impact.

Future developments

Canadian Solar Argentina Investment Holding Ltd operates as a holding company for entities which either own, or have a controlling interest in the shares of entities that own assets in solar farms; as such the nature of Canadian Solar Argentina Investment Holding Ltd's business is predictable and not subject to material changes. The directors see no reason as to why the nature of Canadian Solar Argentina Investment Holding Ltd will materially change in the foreseeable future. The Company do not expect to be impacted significantly by COVID 19 or Brexit issues. No reforecasting has been done to the budget for 2020. Management expect the results on 2020 and investments to be substantially in line with budget. No impact has been detected on Company assets value after year end because of subsequent events

This report was approved by the board and signed on its behalf by:



I Guerrero-Arias
Director

Date: 30 December 2020

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements of Canadian Solar Argentina Investment Holding Ltd (the "Company") for the period ended 31 December 2019.

The Company was incorporated on 23 January 2018. During the period the Company changed its period end date from 31 January to 31 December as a result these financial statements refer to a 48 weeks period for the period ended 31 December 2019 and 53 week period for the previous period ended 31 January 2019.

Principal activity

The Company is a holding company.

Results and dividends

The profit for the financial period amounted to £659,177 (31 January 2019: loss of £661,530).

No dividends were paid or recommended during the year (31 January 2019: £Nil).

Directors

The directors who served during the period and up to the date of signing financial statements, unless otherwise stated, were:

J M Bernal-Antelo
H Chen (appointed 18 July 2019)
I Guerrero-Arias (appointed 18 July 2019)
Y Liu (appointed 19 February 2019, resigned 20 July 2019)
G Prearo (resigned 19 February 2019)

Qualifying third-party and pension scheme indemnity provisions

The Company did not have any qualifying third-party indemnity provision and/or qualifying pension scheme indemnity provision for any of the directors, during the financial period and up to the date of approval of the Directors Report.

Going concern

The Company will continue to exist as a going concern and there are no plans to liquidate the Company.

The directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and given the existent financial support provided by the Company's ultimate parent Canadian Solar Inc., the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial support by Canadian Solar Inc has been confirmed for a period of not less than 12 months from the date of signing these financial statements. Further details in respect of going concern are provided in note 2.4 to the financial statements.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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

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.

Directors' confirmations

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

In accordance with the Company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the Company will be put at a General Meeting.

This report was approved by the board and signed on its behalf by:



I Guerrero-Arias
Director

Date: 30 December 2020

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

Report on the audit of the financial statements

Opinion

In our opinion, Canadian Solar Argentina Investment Holding Ltd's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the 11 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income; the Statement of Changes in Equity for the 11 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD (CONTINUED)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Francesco Lepri (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
Date: 30 December 2020

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

		Period ended 31 December 2019 £	Period ended 31 January 2019 £
Turnover	4	593,215	-
Gross profit		593,215	-
Administrative expenses		(16,716)	(711,773)
Operating loss		576,499	(711,773)
Foreign exchange differences	7	82,678	50,243
Profit/(loss) before taxation		659,177	(661,530)
Tax on profit/(loss)	8	-	-
Profit/(loss) for the financial period		659,177	(661,530)
Total comprehensive income/(expense) for the financial period		659,177	(661,530)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 21 form part of these financial statements.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD
REGISTERED NUMBER: 11165861

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 £	31 January 2019 £
Fixed assets			
Investments	9	22,514,668	12,452,379
Current assets			
Debtors	10	1,209	5,601,948
Cash at bank and in hand	11	3,295	110,881
		<u>4,504</u>	<u>5,712,829</u>
Creditors: amounts falling due within one year	12	(6,216,933)	(6,042,820)
Net current liabilities		<u>(6,212,429)</u>	<u>(329,991)</u>
Total assets less current liabilities		<u><u>16,302,239</u></u>	<u><u>12,122,388</u></u>
Capital and reserves			
Called up share capital	13	16,304,592	12,783,918
Profit and loss account	14	(2,353)	(661,530)
Total shareholders' funds		<u><u>16,302,239</u></u>	<u><u>12,122,388</u></u>

The financial statements on pages 9 to 21 were approved and authorised for issue by the board and were signed on its behalf by:



I Guerrero-Arias
 Director

Date: 30 December 2020

The notes on pages 12 to 21 form part of these financial statements.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
On incorporation	12,783,918	-	12,783,918
Comprehensive expense for the financial period			
Loss for the financial period	-	(661,530)	(661,530)
Total comprehensive expense for the financial period	-	(661,530)	(661,530)
At 31 January 2019 and 1 February 2019	12,783,918	(661,530)	12,122,388
Comprehensive income for the financial period			
Profit for the financial period	-	659,177	659,177
Total comprehensive income for the financial period	-	659,177	659,177
Contributions by and distributions to owners			
Shares issued during the financial period	3,520,674	-	3,520,674
Total transactions with owners	3,520,674	-	3,520,674
At 31 December 2019	16,304,592	(2,353)	16,302,239

The notes on pages 12 to 21 form part of these financial statements.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

1. General information

Canadian Solar Argentina Investment Holding Ltd (the "Company") is a private company limited by shares and is incorporated in the United Kingdom and registered in England and Wales. The Company is a holding company.

The Company's registered office is 1st Floor Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of derivatives and to include derivatives at fair value and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in 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 3.

The following principal accounting policies have been applied consistently throughout the period unless otherwise stated:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Canadian Solar Inc. as at 31 December 2019 and these financial statements may be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6.

2.3 Exemption from preparing consolidated financial statements

The Company is a wholly owned subsidiary of Canadian Solar Inc. It is included in the consolidated financial statements of Canadian Solar Inc., which are publicly available. Therefore the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The Company and its subsidiaries are consolidated into the financial statements of Canadian Solar Inc., the ultimate parent undertaking, as of 31 December 2019 (being the smallest and largest consolidated Group).

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Going concern

The directors believe that the Company is well placed to manage its business risks successfully. Having reviewed the Company's current position and given the existent financial support provided by the Company's ultimate parent Canadian Solar Inc., the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements. The financial support by Canadian Solar Inc has been confirmed for a period of not less than 12 months from the date of signing these financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'foreign exchange differences'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.8 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, amounts owed by/to group undertakings and accruals.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. 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 amount of assets and liabilities within the next financial year are addressed below.

Critical judgments

In preparing these financial statements, the following significant judgements have been made:

(i) Impairment of investments

Determine whether there are indicators of impairment of the Company's investments in subsidiary undertakings and associates. Factors taken into consideration include the stage of the subsidiary undertaking or associate's operating life cycle, current period operating profits or losses, the net asset/liability position at the year end and future expected performance of the undertaking.

(ii) Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profit together assessment of the net effect of future tax planning strategies.

There are no critical estimates in applying the Company's accounting policies.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Company.

All turnover arose within the United Kingdom.

5. Auditors' remuneration

	Period ended 31 December 2019 £	Period ended 31 January 2019 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	16,000	6,000

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (31 January 2019: £Nil).

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

7. Foreign exchange differences

	Period ended 31 December 2019 £	Period ended 31 January 2019 £
Gain on foreign exchange transaction	<u>82,678</u>	<u>50,243</u>

8. Tax on profit/(loss)

	Period ended 31 December 2019 £	Period ended 31 January 2019 £
UK corporation tax		
Current tax on profit/loss for the financial period	-	-
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	Period ended 31 December 2019 £	Period ended 31 January 2019 £
Profit/(loss) before taxation	<u>659,177</u>	<u>(661,531)</u>
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	<u>125,244</u>	<u>(125,691)</u>
Effects of:		
(Utilised)/unrelieved tax losses carried forward	<u>(125,244)</u>	<u>125,691</u>
Total tax charge for the financial period	<u>-</u>	<u>-</u>

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019****8. Tax on profit/(loss) (continued)****Factors that may affect future tax charges**

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020 and deferred tax balances at the Balance Sheet date have been measured using this rate.

Subsequent to the Balance Sheet date, a further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

9. Investments

	Investments in subsidiary companies £
Cost	
At 1 February 2019	12,452,379
Additions	10,062,289
At 31 December 2019	22,514,668

Additions for the year refer to the additional investment in the existing subsidiaries FieldFare Argentina S.R.L (7,125,105 GBP) and Canadian Solar Services Argentina S.R.L (2,935,184 GBP).

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
FieldFare Argentina S.R.L	Jerónimo Salguero 2731, Buenos Aires, Argentina	Solar power project development	Ordinary	98%
Canadian Solar Services Argentina S.R.L	Tucuman, 1, Buenos Aires, Argentina	Provide payroll service for Energy business in Argentina	Ordinary	98%

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019****10. Debtors**

	31 December 2019 £	31 January 2019 £
Amounts owed by group undertakings	1,209	5,601,948

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

11. Cash at bank and in hand

	31 December 2019 £	31 January 2019 £
Cash at bank and in hand	3,295	110,881

12. Creditors: amounts falling due within one year

	31 December 2019 £	31 January 2019 £
Trade creditors	6,165	45,166
Amounts owed to group undertakings	6,197,518	5,987,687
Accruals and deferred income	13,250	9,967
	6,216,933	6,042,820

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

13. Called up share capital

	31 December 2019 £	31 January 2019 £
Allotted, called up and fully paid		
16,304,592 (2019: 12,783,918) Ordinary shares of £1 each	16,304,592	12,783,918

CANADIAN SOLAR ARGENTINA INVESTMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

14. Reserves

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

15. Post balance sheet events

Details of post Balance Sheet events are disclosed in Strategic Report on page 2.

16. Ultimate parent undertaking and controlling party

At the period end, the immediate parent company is Canadian Solar UK Project Ltd, a company incorporated in England & Wales, and the ultimate parent company is Canadian Solar Inc., a company incorporated in Canada. The parent undertaking of the largest and smallest group of which the Company is a member and consolidated financial statements are prepared in Canadian Solar Inc. Copies of the consolidated financial statements can be obtained from 545 Speedvale Avenue West, Guelph, Ontario, Canada, N1K 1E6, which is its registered office.