

---

Table of Contents**2. Law on Autonomous or Parallel Generation of Electric Power**

The Company is bound to the Costa Rican Law N° 7200 dated September 28 1990, and the amendments thereto through Law N° 7508 of 30, April 1995, which define autonomous or parallel generation of electric power as energy produced by limited capacity power plants owned by private companies or cooperatives that can be integrated into the national electric power grid.

**3. Basis of preparation of the financial statements****3.1 Statement of compliance**

The Company's financial statements as of December 31, 2014 and 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Company's financial statements as of December 31, 2014 were first approved for issuance by the Company's Chief Executive Officer and Chief Financial Officer on January 8, 2015, and were subsequently approved by the Company's shareholders. The accompanying restated financial statements have been prepared for use in a securities filing in connection with the acquisition of the Company as explained in Note 25. They have also been restated for the correction of certain errors as explained in Note 3.2 below. The Company's Chief Executive Officer and Chief Financial Officer approved these financial restated statements for issuance on June 13, 2015 and subsequent events have been considered through that later date.

**3.2 Restatement of financial statements**

During its preparation of the accompanying restated financial statements for the purpose described in Note 3.1, the Company identified certain accounting errors that are being retrospectively corrected herein. They are explained as follows:

- The Company previously accounted for restricted cash as a component of cash in its statement of cash flows. It has corrected that classification to now exclude those amounts. The Company also modified the current versus non-current classification of restricted cash to correspond with contractual terms.
- The Company has identified the need for a restoration provision in the accompanying financial statements given obligations that it believes exist under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Disclosure of such provision is presented in Note 15.
- The Company has also retrospectively adjusted the current and non-current classification of prepaid sales taxes to reflect information existing as of the date of the re-approval of these restated financial statements.
- The aforementioned matters have an impact on deferred income tax.
- Certain accounting disclosures have been expanded from those previously presented.

F-515