

etrion

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013

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**March 12, 2014**

## **Independent Auditor's Report**

**To the Shareholders of Etrion Corporation,**

We have audited the accompanying consolidated financial statements of Etrion Corporation, which comprise the consolidated balance sheet as at December 31, 2013 and 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Etrion Corporation as at December 31, 2013 and 2012 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SA

*“Luc Schulthess”*  
\_\_\_\_\_  
Luc Schulthess

*“Dondu Ipek”*  
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Dondu Ipek

## Enclosures:

- Consolidated financial statements (statement of comprehensive income, balance sheet, statement of changes in equity, statements of cash flow, notes).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000

	Note	2013 \$'000	2012 \$'000
Revenue	6	53,911	55,662
Operating expenses	7	(28,480)	(25,926)
<b>Gross profit</b>		<b>25,431</b>	<b>29,736</b>
General and administrative expenses	8	(8,631)	(8,452)
Other income	9	3,081	1,951
<b>Operating profit</b>		<b>19,881</b>	<b>23,235</b>
Finance income	10	1,876	964
Finance costs	10	(29,897)	(28,612)
<b>Net finance costs</b>		<b>(28,021)</b>	<b>(27,648)</b>
<b>Loss before income tax</b>		<b>(8,140)</b>	<b>(4,413)</b>
Income tax expense	11	(2,164)	(4,045)
<b>Loss for the year</b>		<b>(10,304)</b>	<b>(8,458)</b>
<b>Other comprehensive income/(loss):</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>			
Loss on currency translation	21	(658)	(1,011)
Gain/(Loss) on cash flow hedges (net of tax)	21	11,140	(12,794)
<b>Items that will not be reclassified to profit and loss</b>			
Remeasurements on post-employment benefits	26	37	252
<b>Total other comprehensive income/(loss)</b>		<b>10,519</b>	<b>(13,553)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>215</b>	<b>(22,011)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(10,296)	(8,458)
Non-controlling interest	13	(8)	-
<b>Total comprehensive income /(loss) attributable to:</b>			
Owners of the Company		223	(22,011)
Non-controlling interest	13	(8)	-
<b>Basic and diluted loss per share</b>	12	<b>\$(0.05)</b>	<b>\$(0.04)</b>

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

## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2013

Expressed in US\$'000

	Note	2013 \$'000	2012 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	357,644	352,208
Intangible assets	15	31,446	14,619
Available for sale investments	16	-	2,061
Deferred income tax assets	11	8,856	9,142
Trade and other receivables	17	3,464	7,136
<b>Total non-current assets</b>		<b>401,410</b>	<b>385,166</b>
<b>Current assets</b>			
Trade and other receivables	17	21,927	29,861
Cash and cash equivalents (including restricted cash)	18	94,914	37,750
<b>Total current assets</b>		<b>116,841</b>	<b>67,611</b>
<b>Total assets</b>		<b>518,251</b>	<b>452,777</b>
<b>Equity</b>			
<b>Attributable to owners of the Company</b>			
Share capital	19	34,879	33,270
Contributed surplus		10,573	10,430
Other reserves	21	(11,981)	(22,840)
Accumulated deficit		(45,765)	(35,506)
<b>Total attributable to owners of the Company</b>		<b>(12,294)</b>	<b>(14,646)</b>
<b>Non-controlling interest</b>	13	<b>956</b>	<b>-</b>
<b>Total equity</b>		<b>(11,338)</b>	<b>(14,646)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	22	417,432	369,747
Derivative financial instruments	24	27,019	40,558
Deferred income tax liabilities	11	2,316	1,610
Provisions	25	4,195	1,718
Other liabilities	25	9,247	3,882
<b>Total non-current liabilities</b>		<b>460,209</b>	<b>417,515</b>
<b>Current liabilities</b>			
Trade and other payables	27	35,360	6,990
Current tax liabilities	11	757	604
Borrowings	22	21,152	30,024
Derivative financial instruments	24	9,110	9,662
Provisions	25	1,166	870
Other liabilities	25	1,835	1,758
<b>Total current liabilities</b>		<b>69,380</b>	<b>49,908</b>
<b>Total liabilities</b>		<b>529,589</b>	<b>467,423</b>
<b>Total equity and liabilities</b>		<b>518,251</b>	<b>452,777</b>

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

Approved by the Board of Directors:

*"Marco Antonio Northland"*  
Marco A. Northland, CEO and Director

*"Aksel Azrac"*  
Aksel Azrac, Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000

	Note	Attributable to owners of the Company				Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
		Share capital \$'000	Contributed surplus \$'000	Other reserves \$'000	Accumulated deficit \$'000			
<b>Balance at January 1, 2012</b>		<b>23,293</b>	<b>15,998</b>	<b>(9,429)</b>	<b>(27,300)</b>	<b>2,562</b>	-	<b>2,562</b>
Comprehensive loss:								
- Loss for the year		-	-	-	(8,458)	(8,458)	-	(8,458)
- Other comprehensive loss:								
Cash flow hedges (net of tax)	21	-	-	(12,400)	-	(12,400)	-	(12,400)
Currency translation	21	-	-	(1,011)	-	(1,011)	-	(1,011)
Remeasurements on post- employment benefits	26	-	-	-	252	252	-	252
<b>Total comprehensive loss</b>		-	-	<b>(13,411)</b>	<b>(8,206)</b>	<b>(21,617)</b>	-	<b>(21,617)</b>
Transactions with owners in their capacity as owners:								
- Share issuance	19	9,977	(6,065)	-	-	3,912	-	3,912
- Share-based payments	20	-	497	-	-	497	-	497
<b>Balance at December 31, 2012</b>		<b>33,270</b>	<b>10,430</b>	<b>(22,840)</b>	<b>(35,506)</b>	<b>(14,646)</b>	-	<b>(14,646)</b>
Comprehensive loss:								
- Loss for the year		-	-	-	(10,296)	(10,296)	(8)	(10,304)
- Other comprehensive gain/(loss):								
Cash flow hedges (net of tax)	21	-	-	11,366	-	11,366	-	11,366
Currency translation	21	-	-	(658)	-	(658)	-	(658)
Remeasurements on post- employment benefits	26	-	-	-	37	37	-	37
<b>Total comprehensive gain/(loss)</b>		-	-	<b>10,708</b>	<b>(10,259)</b>	<b>449</b>	<b>(8)</b>	<b>441</b>
Transactions with owners in their capacity as owners:								
- Share issuance	19	753	-	-	-	753	-	753
- Stock options exercised	19	856	(361)	-	-	495	-	495
- Written call options	21	-	-	151	-	151	-	151
- Share-based payments	20	-	504	-	-	504	-	504
- Non-controlling interest	13	-	-	-	-	-	964	964
<b>Balance at December 31, 2013</b>		<b>34,879</b>	<b>10,573</b>	<b>(11,981)</b>	<b>(45,765)</b>	<b>(12,294)</b>	<b>956</b>	<b>(11,338)</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000

	Note	2013 \$'000	2012 \$'000
<b>Cash flow from operating activities:</b>			
<b>Loss for the year</b>		<b>(10,304)</b>	<b>(8,458)</b>
Adjustments for:			
Depreciation and amortization	7/8	20,491	19,896
Current income tax expense	11	4,647	6,504
Deferred income tax recovery	11	(2,483)	(2,459)
Share-based payment expense	8/20	507	495
Interest expense	10	16,878	19,203
Interest expense relating to interest rate swap contracts	10	9,748	7,267
Amortization of transaction costs	10	887	840
Equity-based financing fee	10	731	-
Foreign exchange (gain)/loss	10	478	(51)
Fair value changes associated with derivative financial instruments	10	(408)	225
Other income	9/29	(3,081)	(1,375)
Interest income		(759)	(231)
Decrease in trade and other receivables		16,488	7,687
(Decrease)/increase in trade and other payables		(3,563)	988
Income tax paid		(5,758)	(9,961)
<b>Total cash flow from operating activities</b>		<b>44,499</b>	<b>40,570</b>
<b>Cash flow from investing activities:</b>			
Purchases of property, plant and equipment		(7,706)	(676)
Disposal of property, plant and equipment		60	-
Proceeds from disposal of subsidiary		3,000	-
Purchases of intangible assets		(3,520)	(1,358)
<b>Total cash flow used in investing activities</b>		<b>(8,166)</b>	<b>(2,034)</b>
<b>Cash flow from financing activities:</b>			
Interest paid	22	(16,676)	(19,886)
Interest paid relating to interest rate swap contracts		(9,767)	(6,815)
Interest income		759	231
Repayment of borrowings	22	(27,293)	(16,972)
Proceeds from borrowings	22	48,185	2,242
Proceeds from Lundin loan facility	29	18,000	-
Contributions from non-controlling interest	25	5,480	-
Proceeds from the issuance of shares	19/20	495	-
<b>Total cash flow from/(used in) financing activities</b>		<b>19,183</b>	<b>(41,200)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>55,516</b>	<b>(2,664)</b>
Effect of foreign exchange rate differences		1,648	758
Cash and cash equivalents (including restricted cash) at the beginning of the year		37,750	39,656
<b>Cash and cash equivalents (including restricted cash) at the end of the year</b>		<b>94,914</b>	<b>37,750</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 1. GENERAL INFORMATION

Etrion Corporation (“Etrion” or the “Company” or, together with its subsidiaries, the “Group”) is incorporated under the laws of the Province of British Columbia, Canada. The address of its registered office is 1600-925 West Georgia Street, Vancouver, British Columbia V6Z 3L2, Canada. The Company is listed on the Toronto Stock Exchange in Canada and the NASDAQ OMX Stockholm exchange in Sweden under the same ticker symbol, “ETX”.

Etrion Corporation is an independent power producer that owns and operates solar power generation plants.

These consolidated financial statements are presented in United States (“US”) dollars (“\$”). However, since the functional currency of the Company (i.e., the primary economic environment in which the Company operates) is the Euro and the Company’s primary listing is in Canada, certain financial information within the notes to these consolidated financial statements has been presented in Euros (“€”) and Canadian dollars (“CAD\$”).

The Company’s Board of Directors approved these consolidated financial statements for issue on March 12, 2014.

#### *Project Salvador*

In September 2013, one of the Group’s subsidiaries, Etrion Chile SpA, entered into a subscription and shareholder agreement with Total Energie Developement (“Total Energie”) and Solventus Chile S.p.A (“Solventus”) regarding the subscription for, contribution to and increase of the capital stock of PV Salvador SpA (“Salvador”), a Chilean company that holds the licenses and permits to build and operate a 70 megawatt solar power plant in northern Chile (“Project Salvador”). Upon executing the agreement in November 2013, Etrion subscribed for 70% of the issued and outstanding shares of Salvador through the subscription of newly issued and previously issued shares. At the time of the subscription of shares, Salvador had no material net assets and the transaction did not qualify as an asset or business acquisition in accordance with the Group’s accounting policies. [Note 2\(d\)](#)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

#### **(a) BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the IFRS Interpretations Committee that are effective or available for early adoption for accounting periods beginning on January 1, 2013. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities (i.e., derivative financial instruments that are recognized at fair value through profit or loss).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in [Note 3](#).

#### **(b) GOING CONCERN**

The Company’s consolidated financial statements for the year ended December 31, 2013, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

At December 31, 2013, the Group had cash and cash equivalents of \$94.9 million (2012: \$37.7 million) and positive working capital (i.e., current assets less current liabilities) of \$47.5 million (2012: \$17.7 million). During 2013, the Group recognized a net loss of \$10.3 million (2012: \$8.5 million). However, the Company’s management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these consolidated financial statements. In January 2014, Etrion conducted a private placement transaction that exceeded management expectations and raised gross proceeds of approximately \$80 million. Accordingly, the Group has secured financing for its anticipated growth and development activities. [Note 31](#)

These consolidated financial statements for the year ended December 31, 2013, do not include the adjustments that would result if the Group were unable to continue as a going concern.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### *New standards and amendments adopted by the Group*

There are no IFRS or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that have been issued effective for financial years beginning on or after January 1, 2013, that would have a material impact on the Company's consolidated financial statements. The following standards applicable to the Group have been adopted for the first time for the financial year beginning on or after January 1, 2013:

- **Amendment to IAS 1, Financial Statement Presentation:** This amendment requires items presented in other comprehensive income to be grouped on the basis of whether they can potentially be subsequently reclassified to profit or loss (i.e., reclassification adjustments).
- **IAS 19 (revised), Employee Benefits ("IAS 19"):** The revised standard clarifies what is included in annual costs for defined benefit plans, requires actuarial gains and losses to be recognized immediately in comprehensive income and requires additional disclosures regarding the characteristics of the entity's benefit plans, amounts recognized in the financial statements, impacts on future cash flows and risks arising from the defined benefit plans. The Group assessed the full impact of IAS 19 (revised) and concluded that the financial impact of the adoption is a net reduction in the pension liability and a reduction to accumulated deficit of \$32.5. Based on IAS 8, the Group concluded that the adoption does not have a significant impact on the annual consolidated financial statements for the year ended December 31, 2013, and consequently has not restated the previous reporting periods. The effects of the adoption were recognized in the statement of comprehensive income in 2013, and the Group has fully adopted all of the new disclosure requirements for the year ended December 31, 2013.
- **IFRS 10, Consolidated Financial Statements ("IFRS 10"):** This standard builds on the existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group assessed the full impact of IFRS 10 and concluded that the adoption does not have a significant impact on the annual consolidated financial statements for the year ended December 31, 2013.
- **IFRS 12, Disclosures of interests in other entities:** This standard includes the disclosures requirements for all forms of interest in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. The Group assessed the full impact of IFRS 12 and concluded that the adoption does not have a significant impact on the annual consolidated financial statements for the year ended December 31, 2013, although additional disclosure requirements were introduced.
- **IFRS 13, Fair Value Measurement ("IFRS 13"):** This standard aims to improve consistency and reduce complexity by providing precise definitions of fair value, a single source of fair value measurement and disclosure requirements for use across all IFRS. IFRS 13 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group assessed the full impact of IFRS 13 and concluded that the adoption does not have a significant impact on the annual consolidated financial statements for the year ended December 31, 2013, although additional disclosure requirements were introduced.
- **Amendments to IAS 36, Impairment of assets,** on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units ("CGUs") which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014. However the Group has decided to early adopt the amendment as of 1 January 2013.

##### *New standards and amendments issued and not yet adopted by the Group*

The following new standards and amendments, applicable to the Group, available for application and not yet adopted, are as follows:

- **IFRS 9, Financial Instruments ("IFRS 9"):** This standard addresses the classification, measurement and recognition of financial assets and liabilities, replacing parts of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The Group has yet to assess the full impact of IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

##### *New standards and amendments not yet adopted by the Group*

The following new standards and amendments, applicable to the Group, issued but not effective for the financial year beginning January 1, 2013, and not early adopted, are as follows:

- **IFRIC 21, 'Levies'**, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to payment of a levy and when a liability should be recognized. The Group is not currently subjected to significant levies so the impact on the Group is not material.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### (d) BASIS OF CONSOLIDATION

##### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as a bargain purchase gain.

The Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportional share of the acquiree's net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to an acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies used by subsidiaries, where different from those of the Group, are amended where necessary to ensure consistency with the accounting policies adopted by the Group.

When acquiring project companies, the Company assesses whether the project company represents a business as defined by *IFRS 3, Business Combinations* ("IFRS 3"), or a specific asset or group of assets such as land and/or licenses. Where the project company meets the definition of a business, the acquisition method of accounting is applied. Where the project company does not meet the definition of a business, the transaction is treated as an asset acquisition. Key factors in determining whether the definition of a business is met include an assessment of inputs, processes and outputs and the stage of the project development plan at the acquisition date.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

*Expressed in US\$'000 unless otherwise stated*

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(d) BASIS OF CONSOLIDATION (CONTINUED)**

##### *Subsidiaries (continued)*

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and is subject to a maximum period of one year ("measurement period").

Subsequent changes to the fair values of the assets acquired and liabilities assumed are adjusted against the cost of the acquisition where the changes qualify as measurement period adjustments. All other subsequent changes to the fair values of the assets acquired and liabilities assumed are accounted for in accordance with relevant IFRS. Subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional values for the items for which the fair value assessment is incomplete. These provisional values are then adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the values recognized at that date.

##### *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the Group's share of the carrying value of the net assets is recorded within equity. Gains or losses recognized on the disposal of non-controlling interests are also recorded in equity.

#### **(e) SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors is the chief operating decision-maker responsible for making strategic decisions, allocating resources and assessing the performance of the operating segments.

#### **(f) FOREIGN CURRENCY TRANSLATION**

##### *Functional and presentation currency*

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company's subsidiaries is primarily the Euro. The consolidated financial statements are presented in US dollars, which is the Group's presentation currency due to the Company's stock listing in North America.

Foreign exchange gains and losses are presented within finance income or costs.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies translated at the year-end exchange rate are recognized in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) FOREIGN CURRENCY TRANSLATION (CONTINUED)

##### Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency of the Group (none of which has the currency of a hyper-inflationary economy) are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet item are translated at the closing exchange rates prevailing at the balance sheet date;
- income and expenses for each statement of comprehensive income item are translated at the exchange rate at the transaction date (or the average exchange rate if this represents a reasonable approximation); and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate with any exchange differences recognized within other comprehensive income.

Exchange differences arising from the translation of monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognized initially in other comprehensive income. On the disposal or partial disposal of the net investment (reduction in ownership percentage), the amounts recognized in other comprehensive income are reclassified from equity to profit or loss. Management does not consider the repayment of quasi-equity loans designated as 'net investment' to qualify as a disposal and therefore no reclassification of exchange differences is made from equity to profit or loss when such repayment occurs. Where, as a result of a change in circumstances, a previously designated 'net investment' loan is settled (monetary items receivable from or payable to a foreign operation are actually repaid), the loan is de-designated and then exchange differences arising from the translation are accounted for in profit or loss from that point forward.

In preparing the consolidated financial statements, the individual financial statements of the Company's subsidiaries are translated into the functional currency of the Company, the Euro. Once the financial statements have been consolidated, they are then translated into the presentation currency, the US dollar.

Exchange rates for the relevant currencies of the Group with respect to the US dollar are as follows:

	CHF <sup>(1)</sup> /§	€/§	CLP <sup>(1)</sup> /§	CAD\$/§
Closing rate at December 31, 2013	1.12	1.38	0.0019	0.94
Closing rate at December 31, 2012	1.09	1.32	0.0021	1.00
Closing rate at December 31, 2011	1.06	1.29	0.0019	0.98
Twelve month average rate December 31, 2013	1.08	1.33	0.0020	0.97
Twelve month average rate December 31, 2012	1.07	1.28	0.0021	1.00

Note:

- (1) CHF refers to Swiss francs and CLP refers to Chilean pesos.

#### (g) PROPERTY, PLANT AND EQUIPMENT

##### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditure directly attributable to the acquisition of the asset and, for self-constructed assets, the costs include material costs, direct labor and any other costs directly attributable to bringing the asset into working condition for its intended use. The cost for dismantling and removing items of property, plant and equipment and site restoration are also included as part of the cost for the relevant asset.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continues until the date in which development of the relevant asset is complete (i.e., connection to the electricity grid).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (i.e., major components) within property, plant and equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### *Recognition and measurement (continued)*

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or as a separate asset, as appropriate, only if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. The carrying amount of any replaced items of property, plant and equipment are derecognized and the cost of maintenance and repairs are charged to the profit or loss during the financial period in which they are incurred.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss within other income and expenses.

##### *Depreciation*

Depreciation is recognized within operating expenses for operating solar power projects and general and administrative expenses for all other items of property, plant and equipment (i.e., corporate equipment and furniture), in order to expense the cost of assets less their residual values over their useful lives using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

The estimated useful lives are as follows:

	<b>Useful life</b>
Solar power projects	20 years
Equipment and furniture	1-5 years

#### (h) INTANGIBLE ASSETS

##### *Recognition and measurement*

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Costs include expenditures directly attributable to the acquisition of the asset and, for self-constructed assets, the costs include material costs, direct labor and any other costs directly attributable to prepare the asset for its intended use.

##### *Licenses and permits*

Project permits and licenses acquired through business combinations or through the acquisition of a project company accounted for as an asset acquisition are recognized at their fair values at the date of acquisition **Note 2(d)**. Project permits and licenses have a finite useful life and are carried at cost less accumulated amortization.

Amortization is calculated using the straight-line method to allocate the cost of the permits and licenses over their estimated useful lives, which are generally determined according to the term of the applicable energy supply contract signed with the local grid operators for the related solar power project. The estimated useful life of project permits and licenses associated with the Group's solar power projects is 20 years. The amortization expense recognized in relation to intangible assets is included within operating expenses.

The amortization expense of permits and licenses related to the construction of solar power projects is capitalized as assets under construction within property, plant and equipment during the construction phase.

##### *Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, including the fair value of non-controlling interests in the acquiree at the date of acquisition, less the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not amortized and is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs expected to benefit from the synergies of the combination **Note 2(i)**. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment is allocated first to reduce the carrying amount of any goodwill

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) INTANGIBLE ASSETS (CONTINUED)

##### *Goodwill (continued)*

allocated to the CGU and then to the other assets on a pro-rata basis. An impairment loss recognized for goodwill is not subsequently reversed.

On the disposal of a subsidiary, the associated goodwill is included in the profit or loss within other income or expenses. Any gains or losses recognized on the disposal are included in the carrying amount of goodwill relating to the entity sold.

#### (j) IMPAIRMENT OF TANGIBLE ASSETS AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. CGUs are identified for each operating solar power project.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount of the asset is the higher of the fair value less costs of disposal and value-in-use calculations. In assessing value-in-use calculations, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognized immediately in the profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss.

#### (j) FINANCIAL ASSETS

##### *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; available-for-sale; and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired and the Company's management determines the classification of its financial assets at initial recognition as follows:

- **Financial assets at fair value through profit or loss:** This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as cash flow hedges. Assets in this category are classified as current assets if expected to be settled within the next twelve months or as non-current assets if expected to be settled after twelve months.
- **Loans and receivables:** This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets, except when the maturity is greater than twelve months from the reporting date, which are classified as non-current assets. The Group's loans and receivables are comprised of trade and other receivables and cash and cash equivalents.
- **Available-for-sale financial assets:** This category includes non-derivative financial assets that are either designated in this category or those that are not classified in any of the other categories. Assets in this category are classified as non-current assets unless the investment matures or the Company's management intends to dispose of it within twelve months from the reporting date.
- **Held-to-maturity investments:** This category includes financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) FINANCIAL ASSETS (CONTINUED)

##### *Recognition and measurement*

Regular purchases and sales of financial assets are recognized on the trade date (i.e., the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed within finance income or costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, except where the fair value cannot be measured reliably in which case the assets are carried at cost less impairment. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included within finance income or costs in the period in which they arise.

##### *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are only recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (i.e., a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group uses the following criteria to determine whether there is objective evidence for the recognition of an impairment loss associated with financial assets:

- significant financial difficulty of the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets.

##### Assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists at the end of each reporting period and in the event such evidence exists, the amount of impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the impairment loss is recognized in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a subsequent period, the fair value of the asset carried at amortized cost increases and the increase can be objectively related to an event occurring after the impairment loss was initially recognized (such as an improvement in the debtor's credit rating), the impairment loss is reversed in the profit or loss.

##### Assets classified as available for sale

The Group uses the same criteria to assess whether there is objective evidence that a financial asset classified as available for sale is impaired, at the end of each reporting period, as outlined above for assets carried at amortized cost. However, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from equity and recognized in the profit or loss in the period it occurs. Impairment losses relating to equity instruments recognized in the profit or loss are not subsequently reversed. However, if, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was initially recognized, the impairment loss is reversed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) FINANCIAL ASSETS (CONTINUED)

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and shown net in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### (k) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (i.e., cash flow hedge); or
- hedges that don't qualify for hedge accounting (i.e., speculative hedges). No derivative financial instruments are used for speculative purposes.

The Group documents at the inception of the transaction, the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in [Note 24](#). Movements on the hedging reserve in other comprehensive income are shown in [Note 21](#). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current assets or liabilities.

##### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately within finance income or costs. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss finance income or costs.

#### (l) TRADE RECEIVABLES

Trade receivables are amounts due for solar energy produced by the Group and sold to the electricity grid operator in accordance with the electricity sale contracts. If collection is expected in one year or less, they are classified as current assets. If not, they are recognized as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less any provision for impairment.

#### (m) CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks to future repayment of interest and principal and working capital requirements related to the specific project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, either through repayment of shareholder loans or through dividend distributions.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

*Expressed in US\$'000 unless otherwise stated*

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(n) SHARE CAPITAL**

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

#### **(o) TRADE PAYABLES**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **(p) BORROWINGS**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest rate method, with any difference between the proceeds (net of transaction costs) and the redemption value recognized in the profit or loss within finance costs. Since the Group's non-recourse project loans are floating rate instruments, the application of the effective interest rate method is not necessary as re-estimating the future interest payments normally has no significant impact on the carrying amount of the financial liability. Transaction costs incurred in acquiring a floating rate instrument are amortized using the straight-line amortization method.

Fees paid on the establishment of loan facilities are recognized as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. If there is no evidence to indicate that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized within property plant and equipment. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continue to be capitalized until the date in which development of the relevant asset is complete (i.e., connection to the electricity grid). All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

#### **(q) CURRENT AND DEFERRED INCOME TAX**

The tax expense for the period comprises of current and deferred income tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. The Company's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) PROVISIONS

Provisions are recognized when the Group has a present obligation (i.e., legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate of the obligation can be made. The Group recognizes a provision for the future costs expected to be incurred in relation to the decommissioning, dismantling and site restoration associated with its solar power projects in Italy with a corresponding increase in the relevant asset. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the project, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Period charges for changes in the net present value of the provision arising from discounting (i.e., unwinding the discount) are included within finance costs.

#### (s) REVENUE RECOGNITION

Revenue is recognized upon delivery of electricity produced to the local operator of the electricity grid, which is a state-owned utility company. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of electricity are recognized at the time the electricity is supplied on the basis of periodic meter readings. Revenues are recognized net of value added tax ("VAT") and rebates. Revenues are measured at the fair value of the consideration received or receivable, which is calculated based on the price of electricity established in the contract.

#### (t) INTEREST INCOME

Interest income is recognized using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

#### (u) SHARE-BASED PAYMENT

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees, consultants, directors and officers as consideration for equity instruments (i.e., options) of the Company. The total amount to be expensed within general and administrative expenses is determined by reference to the fair value of the options granted. The fair value of share-based payments is determined using the Black-Scholes option-pricing model. When a stock option is exercised, the Company recognizes an increase in its share capital equivalent to the consideration paid by the option holder and the amount previously recognized in equity within contributed surplus. The fair value of any stock options granted to employees, consultants, directors and officers of the Group is recorded as an expense over the vesting period of the options granted, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity within contributed surplus.

#### (v) EMPLOYEE BENEFITS

##### *Pension obligations*

The Group's Swiss subsidiary has a defined benefit pension plan that is managed through a private fund. Independent actuaries determine the cost of the defined benefit plan on an annual basis, and the Swiss subsidiary pays the annual insurance premium. The fund provides benefits coverage to the employees in the event of retirement, death or disability. The Group's Swiss subsidiary and its employees jointly finance retirement and risk benefit contributions. As per the agreement, the Swiss subsidiary contributes between 60% and 67% of the monthly pension costs, and the remaining balance is deducted from the employee's pay.

##### *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

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### 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In connection with the preparation of the Company's consolidated financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, the Company's management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

The Company's management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

#### (a) IMPAIRMENT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group assesses goodwill for impairment on an annual basis and property, plant and equipment and intangible assets when indicators of impairment exist. Determining whether goodwill, property, plant and equipment and intangible assets are impaired requires the Company's management to estimate the recoverable amount of the CGUs (to which goodwill is allocated) using value-in-use calculations. The value-in-use calculations require the Company's management to estimate the future cash flows expected to arise from the CGUs and to select a suitable discount rate in order to calculate the net present value. The value-in-use calculations are based on the forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") over the expected life (i.e., up to 20 years, representing the term of the electricity sale agreements) derived from the business models developed by the Company's management to value the projects. The assumptions used are consistent with external sources of information and reflect past experience. These business models include various assumptions such as future market prices for solar energy, the forecasted rate of inflation to estimate future operating costs and operating variables such as irradiation, degradation and transfer losses estimated by the Group's internal engineers based on historical atmospheric conditions in the areas where the projects are located. For the purposes of the Group's impairment assessment performed at December 31, 2013, the discount rate used was 7.3% (2012: 7.7%), representing the Group's pre-tax weighted average cost of capital, and no growth rate was applied (as the Group's operating solar power projects are operating at full capacity). A 2% increase in the Group's discount rate (to 9.3%) would have resulted in an impairment loss of \$3.6 million being recognized in 2013. The value-in-use calculations used to value the Group's solar power projects are complex and include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. At December 31, 2013, no impairment was provided in relation to the Group's previously recognized goodwill, property, plant and equipment and intangible assets. [Note 14](#) and [Note 15](#)

#### (b) ACQUISITIONS

The acquisition of subsidiaries is accounted for using the acquisition method of accounting in accordance with IFRS 3, which requires measuring the assets acquired and liabilities assumed at their fair values at the date of acquisition. The Company's management estimates the fair value of the assets acquired and liabilities assumed using business models developed by the Company's management and used to value the solar power projects as outlined in [Note 3\(a\)](#) that include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. These changes could affect the fair value of the assets acquired and liabilities assumed and the amount of goodwill or negative goodwill recognized in the financial statements. The Group did not acquire any subsidiaries during 2013.

#### (c) FAIR VALUE OF FINANCIAL AND DERIVATIVE FINANCIAL INSTRUMENTS

In determining the fair value of the Group's financial instruments, the Company's management uses judgment to select a variety of methods and verifies assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtains fair value measurements from third parties. For financial instruments carried at amortized cost with a stated maturity for which a quoted market price is not available, the estimated fair value is based on the expected future cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of floating rate instruments normally approximates their carrying value. At December 31, 2013, the Group recognized financial liabilities of \$36.1 million (2012: \$50.2 million) associated with its derivative financial instruments [Note 24](#). Refer also to [Note 4\(c\)](#) for a summary of the valuation techniques used by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### (d) DEFERRED INCOME TAX ASSETS

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12, *Income Taxes*, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. The Company's management estimates future taxable profits based on the business models used to value the solar power projects as described in the Note 3(a). Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2013, the Group recognized \$6.5 million (2012: \$7.5 million) of deferred income tax assets. Note 11

### 4. FINANCIAL RISK MANAGEMENT

#### (a) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing returns to stakeholders by increasing its operating capacity and cash flow with new projects. The capital structure of the Group consists of net debt (i.e., current and non-current borrowings less cash and cash equivalents) and equity (i.e., issued share capital, reserves and accumulated deficit).

The Group's objectives when managing the capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain flexibility and liquidity for investment opportunities in the renewable energy segment. The Company's Board of Directors reviews the capital structure of the Group throughout the year and, as part of this review, considers the cost of capital and the risks associated with each class of capital. This review specifically focuses on the gearing ratio and working capital requirements at the corporate level. These objectives are primarily met through cash management and continuous review of attractive acquisition and development opportunities. In order to maintain or maximize the capital structure of the Group at the corporate level, the Group may raise additional funds through equity financing, obtain long-term debt or project-based financing or sell assets in order to manage debt levels or pursue additional opportunities within the renewable energy segment.

The Group's gearing ratio is as follows:

	2013 \$'000	2012 \$'000
Borrowings <sup>(1)</sup> Note 22	438,584	399,771
Non-recourse project loans <sup>(2)</sup> Note 22	(354,634)	(319,704)
<b>Net borrowings</b>	<b>83,950</b>	<b>80,067</b>
Unrestricted cash and cash equivalents Note 18	(8,511)	(6,926)
<b>Net debt</b>	<b>75,439</b>	<b>73,141</b>
Equity <sup>(3)</sup>	(12,294)	(14,646)
Fair value losses associated with derivative financial instruments <sup>(4)</sup> Note 21	11,317	22,683
<b>Adjusted equity</b>	<b>(977)</b>	<b>8,037</b>
<b>Total capital</b>	<b>74,462</b>	<b>81,178</b>
<b>Gearing ratio</b>	<b>101%</b>	<b>90%</b>

Notes:

- (1) Borrowings include non-current and current borrowings as shown in the consolidated balance sheet.
- (2) Non-recourse project loans relate to the facilities obtained for the construction of the Group's solar power projects.
- (3) Equity includes all capital and reserves of the Group as shown in the consolidated balance sheet.
- (4) Accumulated fair value losses accounted for within equity associated with the Group's interest rate swap contracts that qualify for hedge accounting are excluded as these fair value losses are not expected to be realized (i.e., the interest rate swap contracts will be held until the maturity of the associated non-recourse project loans). Note 21

An increase to the Group's gearing ratio from 90% at December 31, 2012, to 101% at December 31, 2013, was primarily due to the net loss of \$10.3 million during 2013 that reduced the adjusted equity and the reduction of \$11.3 million in the hedging reserve, partially offset by the \$1.6 million capital increase from stock options exercised and the equity-based fee. Note 19

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group is exposed to a variety of financial risks relating to its operations in Italy and Chile. These risks include market risk (interest rate risk, foreign currency risk, and price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign currency exchange rates and interest rates, and seeks to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest risk exposures.

The Company's management carries out risk management procedures with guidance from the Audit Committee. The Board of Directors also provides regular guidance on the Group's overall risk management procedures.

#### Market risk

##### Interest rate risk

The Group is highly leveraged through financing at the project and corporate level for the construction of its solar power projects. The Group enters into non-recourse project loans issued at variable interest rates with financial institutions that provide financing for up to 85% of the total project costs. In addition, in April 2011, the Group issued \$82.7 million (€60 million) of corporate bonds in the Norwegian bond market with a fixed rate of interest.

The Group is exposed to interest rate risks associated with its non-recourse project loans in Italy as these are floating rate instruments. These risks are mitigated through the Company's hedging strategy. The Group is not exposed to interest rate risks associated with the corporate bond and non-recourse loans in Chile as these are fixed-rate instruments.

The Group manages its cash flow and interest rate risks by using floating-to-fixed interest rate swap contracts, primarily entered into with the same financial institutions providing the underlying debt facility. These interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swap contracts, the Group agrees to exchange at specified intervals (i.e., semi-annually) the difference between the fixed contract rates and floating interest rates calculated by reference to the agreed notional amounts. The fair value of the interest rate swap contracts at the end of each reporting period is determined by discounting the future cash flows using forward interest rate curves at the balance sheet date.

The following tables show the sensitivity analysis on the profit or loss if interest rates on Euro-denominated borrowings changed by 10 basis points ("bps") with all other variables held constant.

		+10 bps shift in interest rate curve		-10 bps shift in interest rate curve	
	Carrying amount	Impact on profit/(loss)	Impact on other comprehensive income	Impact on profit/(loss)	Impact on other comprehensive income
<b>At December 31, 2013</b>					
Societe Generale and Dexia	37,171	-	-	-	-
BIIS, Societe Generale and Portigon	129,198	(8)	-	8	-
Barclays	50,162	(5)	-	5	-
Centrobanca	15,863	(2)	-	2	-
Natixis and Portigon	74,037	(10)	-	10	-
<b>Total impact</b>	<b>306,431</b>	<b>(25)</b>	<b>-</b>	<b>25</b>	<b>-</b>
Derivative financial instruments	30,129	-	2,028	-	(2,049)
<b>Total net impact</b>	<b>336,560</b>	<b>(25)</b>	<b>2,028</b>	<b>25</b>	<b>(2,049)</b>
<b>At December 31, 2012</b>					
Societe Generale and Dexia	37,214	(2)	-	2	-
BIIS, Societe Generale and Portigon	140,370	(11)	-	11	-
Barclays	50,736	(5)	-	5	-
Centrobanca	16,031	(3)	-	3	-
Natixis and Portigon	75,353	(11)	-	11	-
<b>Total impact</b>	<b>319,704</b>	<b>(32)</b>	<b>-</b>	<b>32</b>	<b>-</b>
Derivative financial instruments	50,220	-	2,413	-	(2,439)
<b>Total net impact</b>	<b>369,924</b>	<b>(32)</b>	<b>2,413</b>	<b>32</b>	<b>(2,439)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

##### Market risk (continued)

##### Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Swiss franc, US dollar, Japanese yen and Chilean peso. The Group's foreign currency exposure is due primarily to intercompany borrowings made in Euros and US dollars to subsidiaries that have a different functional currency. The Group does not undertake hedging arrangements to mitigate the foreign currency exposure on its net investments in foreign operations or on income from foreign operations in order to hedge the risk of foreign currency variations. However, the Group considers foreign currency risk limited due to the fact that monetary assets and liabilities held by the Group's subsidiaries are primarily held in the individual subsidiaries' functional currency. Furthermore, monetary assets and liabilities held in currencies other than the functional currencies of the individual subsidiaries are considered insignificant.

##### Price risk

The majority of revenues generated by the Group's solar power projects in Italy are secured by long-term contracts based on a FIT. The Group is exposed to price risks associated with the electricity sold at the spot rate. These market revenues represented 15% and 18% of total revenues during 2013 and 2012, respectively.

##### Credit risk

Credit risk mainly arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high and medium rated institutions operating in local markets are accepted (see table below). The sale of electricity is made to the state-owned utility companies, and therefore the Company's management considers the credit risk associated with trade receivables to be insignificant.

The carrying amount of financial assets net of impairment represents the Group's maximum exposure to credit risk. The Group does not have policies in place to assign internal ratings or to set credit limits to its counterparties.

The credit risk on liquid funds (i.e., cash and cash equivalents) and derivative financial instruments (i.e., interest rate swap contracts) is considered to be limited due to the fact that counterparties are financial institutions with high and medium credit ratings assigned by international credit agencies.

The credit quality of financial assets that are neither past due nor impaired at December 31, 2013, can be assessed by reference to external credit ratings, if available, as follows:

	2013 \$'000	2012 \$'000
<b>Cash and cash equivalents (including restricted cash):</b>		
AA-	7,121	1,849
A+	-	6,011
A	64,680	2,656
A-	320	595
BBB+	14,069	12,112
BBB	7,166	11,657
BBB-	1,037	2,305
Other	521	565
<b>Total cash and cash equivalents (including restricted cash)</b>	<b>94,914</b>	<b>37,750</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

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### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

##### Liquidity risk

The Company's management performs cash flow forecasting in order to ensure that sufficient cash is available to meet operational needs at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by matching maturity profiles of financial assets and liabilities. The Company's management monitors the Group's liquidity position taking into consideration the Group's debt financing plans and covenant compliance.

The following table analyses the Group's financial liabilities based on the remaining period outstanding at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curve existing at the balance sheet date.

	Carrying amount \$'000	Contractual Amount \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>At December 31, 2013</b>						
Borrowings	438,584	582,251	46,854	209,207	326,190	582,251
Interest rate swap contracts	36,129	36,129	9,108	23,128	3,893	36,129
Trade and other payables	35,360	35,360	35,360	-	-	35,360
<b>Total financial and non-financial liabilities</b>	<b>510,073</b>	<b>653,740</b>	<b>91,322</b>	<b>232,335</b>	<b>330,083</b>	<b>653,740</b>
<b>At December 31, 2012</b>						
Borrowings	399,771	534,313	31,954	206,182	296,177	534,313
Interest rate swap contracts	50,220	51,719	9,677	29,751	12,291	51,719
Trade and other payables	6,990	6,990	6,990	-	-	6,990
<b>Total financial and non-financial liabilities</b>	<b>456,981</b>	<b>593,022</b>	<b>48,621</b>	<b>235,933</b>	<b>308,468</b>	<b>593,022</b>

#### (c) FAIR VALUE ESTIMATION

The Group's financial instruments carried at fair value are classified within the following measurement hierarchy depending on the valuation technique used to estimate their fair values:

- **Level 1:** includes fair value measurements derived from quoted prices (i.e., unadjusted) in active markets for identical assets or liabilities. The fair values of financial instruments traded in the active market are based on quoted market prices at the balance sheet date. At December 31, 2013 and 2012, the Group had no financial instruments classified as Level 1.
- **Level 2:** includes fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that maximize the use of observable market data, where it is available, and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At December 31, 2013 and 2012, the Group's interest rate swap contracts were classified as Level 2 and the fair value of such instruments was calculated as the present value of the estimated future cash flows, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor. [Note 24](#)
- **Level 3:** includes fair value measurements derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (i.e., unobservable inputs). At December 31, 2013 and 2012, the Group had no financial instruments classified as Level 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) FAIR VALUE ESTIMATION (CONTINUED)

The Group's assets and liabilities that are measured at fair value are as follows:

	2013 \$'000	2012 \$'000
<b>Financial liabilities</b>		
<b>Level 2:</b>		
- Derivatives used for hedging	36,129	50,220
<b>Total financial liabilities</b>	<b>36,129</b>	<b>50,220</b>

At December 31, 2013 and 2012, the Group had no financial instruments classified as Level 1 and Level 3.

### 5. SEGMENT REPORTING

The Company's management has determined the operating segments based on reports reviewed by the Board of Directors used to make strategic decisions. The Board of Directors considers reportable segments from a products and services perspective and measures performance based on EBITDA. The Company's management has identified one reportable segment, the renewable energy segment, which includes the Group's solar power projects. While the Company's management has determined that the Company has only one reportable segment, the Company has decided to disclose the additional information below regarding corporate expenses as the Company believes that this information is useful for readers of the consolidated financial statements.

The Group's electricity is sold to the Italian state-owned company, Gestore Servizi Energetici ("GSE"). At December 31, 2013 and 2012, all of the Group's operating solar power projects were located in Italy.

The Group's revenues, EBITDA and results can be presented as follows:

	2013			2012		
	Renewable energy \$'000	Corporate and other \$'000	Total \$'000	Renewable energy \$'000	Corporate and other \$'000	Total \$'000
Revenue	53,911	-	53,911	55,662	-	55,662
Operating expenses <sup>(1)</sup>	(8,359)	-	(8,359)	(6,320)	-	(6,320)
General and administrative expenses <sup>(1)</sup>	(1,554)	(6,707)	(8,261)	(1,583)	(6,579)	(8,162)
Other income	(134)	3,215	3,081	403	1,548	1,951
<b>EBITDA</b>	<b>43,864</b>	<b>(3,492)</b>	<b>40,372</b>	<b>48,162</b>	<b>(5,031)</b>	<b>43,131</b>
Depreciation and amortization	(20,121)	(370)	(20,491)	(19,606)	(290)	(19,896)
Finance income	1,871	5	1,876	900	64	964
Finance costs	(20,893)	(9,004)	(29,897)	(21,445)	(7,167)	(28,612)
<b>Income/(loss) before income tax</b>	<b>4,721</b>	<b>(12,861)</b>	<b>(8,140)</b>	<b>8,011</b>	<b>(12,424)</b>	<b>(4,413)</b>
Income tax expense	(1,752)	(412)	(2,164)	(3,899)	(146)	(4,045)
<b>Net income/(loss)</b>	<b>2,969</b>	<b>(13,273)</b>	<b>(10,304)</b>	<b>4,112</b>	<b>(12,570)</b>	<b>(8,458)</b>

Note:

(1) Operating expenses and general and administrative expenses exclude depreciation and amortization. [Note 7](#) and [Note 8](#).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

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### 5. SEGMENT REPORTING (CONTINUED)

The Group's assets and liabilities can be presented as follows:

	2013			2012		
	Renewable energy \$'000	Corporate and other \$'000	Total \$'000	Renewable energy \$'000	Corporate and other \$'000	Total \$'000
Property, plant and equipment	357,413	231	357,644	351,577	631	352,208
Intangible assets	26,009	5,437	31,446	10,431	4,188	14,619
Available for sale investments	-	-	-	-	2,061	2,061
Cash and cash equivalents (including restricted cash)	86,403	8,511	94,914	30,824	6,926	37,750
Other assets	27,433	6,814	34,247	45,946	193	46,139
<b>Total assets</b>	<b>497,258</b>	<b>20,993</b>	<b>518,251</b>	<b>438,778</b>	<b>13,999</b>	<b>452,777</b>
Borrowings	354,634	83,950	438,584	319,704	80,067	399,771
Trade and other payables	10,712	24,648	35,360	2,188	4,802	6,990
Other liabilities	54,180	1,616	55,796	58,092	2,570	60,662
<b>Total liabilities</b>	<b>419,526</b>	<b>110,214</b>	<b>529,740</b>	<b>379,984</b>	<b>87,439</b>	<b>467,423</b>

The Group's revenue and non-current assets by geographical location are as follows:

	Revenue		Non-current assets	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Italy	53,911	55,662	363,589	369,271
Switzerland	-	-	308	410
Chile	-	-	23,749	857
Japan	-	-	2,052	-
Other	-	-	2,855	3,427
<b>Total</b>	<b>53,911</b>	<b>55,662</b>	<b>392,553</b>	<b>373,965</b>

Note:

- (1) Non-current assets shown in the table above exclude deferred income tax assets and financial assets. [Note 11](#).

The Group's country of domicile is Canada. However, all revenues from external customers are derived from Italy. All of the Group's electricity is sold to the Italian state-owned company, GSE.

### 6. REVENUE

	2013 \$'000	2012 \$'000
Feed-in tariff ("FiT") revenue	45,922	45,626
Market Price revenue	7,989	10,036
<b>Total revenue</b>	<b>53,911</b>	<b>55,662</b>

The Group's operating revenues arise from the sale of electricity to the electricity grid in Italy. The Italian FiT is a 20-year commitment from the government to purchase 100% of the solar production at a constant premium rate. This amount is received directly from the Italian government through the state-owned company GSE. The spot market price ("Market Price") is received in addition to the FiT, based on evacuated production (i.e., electricity produced less transmission losses).

Solar-related revenues experience seasonality over the year due to the variability of daily sun hours in the summer versus winter months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 7. OPERATING EXPENSES

	2013 \$'000	2012 \$'000
Operation and maintenance ("O&M") costs	3,464	1,936
Operating personnel costs	1,032	991
Depreciation and amortization (operating solar power projects)	20,121	19,606
Taxes (other than income tax)	1,880	1,541
Insurance	434	461
Land lease <a href="#">Note 28</a>	211	200
Other operating expenses	1,338	1,191
<b>Total operating expenses</b>	<b>28,480</b>	<b>25,926</b>

O&M costs of \$3.4 million (2012: \$1.9 million) relate to fees paid in connection with the operation and maintenance activities of the Group's solar power projects in Italy. The Group outsources these O&M services to third parties. These costs increased in 2013 due to the additional O&M expenses associated with two of the Group's solar power projects (Cassiopea and Centauro) that commenced after the second year of operations, as well as due to the application of the shared-revenue clause with the O&M contractor. [Note 25](#)

Depreciation and amortization of \$20.1 million (2012: \$19.6 million) relates to the Group's operating solar power projects producing electricity during the year. Depreciation and amortization associated with the Group's corporate assets is included within general and administrative expense. [Note 8](#)

### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 \$'000	2012 \$'000
Salaries and benefits	3,042	2,739
Pension costs <sup>(1)</sup>	136	171
Board of Directors fees	344	240
Share-based payment expense (non-cash item) <a href="#">Note 20</a>	507	495
Corporate and professional fees	2,729	2,502
Listing, filing and marketing expenses	334	392
Depreciation and amortization (corporate assets)	370	290
Office lease expenses <a href="#">Note 28</a>	477	445
Office, travel and other general and administrative expenses	692	1,178
<b>Total general and administrative expenses</b>	<b>8,631</b>	<b>8,452</b>

Note:

(1) Pension costs of \$59,000 associated with business development personnel directly attributable to the Group's business development activities were capitalized within intangible assets during the year. Total pension costs incurred by the Group during the year were \$0.2 million. [Note 26](#)

During 2013, general and administrative expenses of \$3.4 million (2012: \$1.4 million) representing internally-generated costs of \$2.0 million (2012:\$1.1 million) and third-party costs of \$1.4 million (2012:\$0.3 million) were capitalized during the period within intangible assets as they directly related to the Group's business development activities. [Note 15](#)

### 9. OTHER INCOME

	2013 \$'000	2012 \$'000
Gain on disposal of subsidiary	3,919	-
Exchange right (non-cash compensation) <a href="#">Note 29</a>	-	1,375
Impairment related to business development activities	(825)	-
Right of use <a href="#">Note 25</a>	48	44
Liquidation damages	96	105
Insurance proceeds	-	178
Other	(157)	249
<b>Total other income</b>	<b>3,081</b>	<b>1,951</b>

In October 2013, Etrion sold all of its shares in its previously wholly-owned subsidiary, PFC Oil & Gas, CA ("PFC"), for total cash consideration of \$5.0 million. The non-core assets were carried on Etrion's balance sheet at \$1.1 million at the disposal date resulting in a net gain of \$3.9 million in the sale transaction. [Note 16](#)

During 2013, the Group impaired certain costs of \$0.8 million associated with its business development activities in Chile related to projects it is no longer pursuing. In addition during 2013, the Group recognized a gain of \$0.1 million (2012: \$0.1 million) from liquidation damages from the O&M contractor for one of the Group's solar power projects due to a loss of revenue during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 9. OTHER INCOME (CONTINUED)

During 2012, the Group recognized other income of \$1.4 million related to the 10% equity interest in the Company's subsidiary, Solar Resources Holding Sarl ("SRH"), previously held by Marco A. Northland, the Company's Chief Executive Officer and director ("Mr. Northland"), to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with IFRS 2. In addition during 2012, the Group received \$0.2 million of insurance proceeds during the year related to theft at one of the Group's solar power projects. [Note 29b](#)

### 10. FINANCE INCOME AND COSTS

	2013 \$'000	2012 \$'000
<b>Finance income:</b>		
Changes in fair values of derivative financial instruments:		
- Interest rate swap contracts <a href="#">Note 24</a>	-	414
- Ineffective portion reclassified from other comprehensive income <a href="#">Note 21</a>	1,116	247
Foreign exchange gain	-	51
Other finance income	760	252
<b>Total finance income</b>	<b>1,876</b>	<b>964</b>
<b>Finance costs:</b>		
Interest rate expense:		
- Credit facilities and non-recourse loans <a href="#">Note 22</a>	9,479	12,197
- Interest rate swap contracts associated with non-recourse loans <a href="#">Note 22/24</a>	9,748	7,267
- Corporate bond <a href="#">Note 22/29</a>	7,172	7,006
- Credit facility with related party (Lundin family) <a href="#">Note 22/29</a>	215	-
- Credit facility with non-controlling interest <a href="#">Note 25</a>	12	-
- Amortization of transaction costs	887	840
<b>Changes in fair values of derivative financial instruments:</b>		
- De-designated portion reclassified from other comprehensive income <a href="#">Note 21/24</a>	347	538
- Ineffective portion reclassified from other comprehensive income <a href="#">Note 21/24</a>	210	244
- Interest rate swap contracts <a href="#">Note 21/24</a>	-	104
- Written call option <a href="#">Note 21</a>	151	-
Equity-based fee <a href="#">Note 19/29</a>	731	-
Foreign exchange loss	478	-
Other finance costs	630	416
<b>Total finance costs before deducting amounts capitalized</b>	<b>30,060</b>	<b>28,612</b>
Amounts capitalized on qualifying assets <a href="#">Note 14</a>	(163)	-
<b>Total finance costs</b>	<b>29,897</b>	<b>28,612</b>
<b>Net finance costs</b>	<b>28,021</b>	<b>27,648</b>

The Group has five credit facilities outstanding that it used to finance the construction of its operating solar power projects in Italy. These are hedged using interest rate swap contracts. The Group also has one credit facility outstanding used to finance the construction of its solar power project in Chile that is not hedged since the principal amount bears interest at a fixed rate [Note 1](#). In addition, the Group has a €60 million corporate bond outstanding in the Norwegian bond market. As of December 31, 2013, the Group also had an \$18 million credit facility with the Lundin family that was used to finance the Company's capital contribution to the Salvador project. [Note 29](#) and [Note 30](#)

At December 31, 2013 and 2012, all of the Group's interest rate swap contracts qualified for hedge accounting and recognized a net fair value gain of \$0.9 million (2012: \$3,000) related to the ineffective portion of these interest rate swap contracts. In addition, a fair value gain of \$11.1 million (2012: fair value loss \$12.8 million), net of tax, was recognized within other reserves related to the effective portion of the Group's interest rate swap contracts. [Note 21](#)

Applicable borrowing costs are capitalized as assets under construction within property, plant and equipment up to the point the associated solar power project is connected to the electricity grid. During 2013, \$0.2 million of borrowing costs related to the \$155 million credit facility from OPIC, Lundin family bridge loan and credit facilities with non-controlling interests were capitalized within property, plant and equipment. No borrowing costs were capitalized during 2012.

In October 2013, the Company issued 2,500,000 shares at a deemed price of CAD\$0.31 to Lorito Holdings (Guernsey) Limited ("Lorito Guernsey") (a company wholly-owned by Lundin family trusts) in consideration for the provision of a \$42 million letter of credit issued on behalf of the Company. The fair value of this equity-based fee of \$0.7 million was recognized as part of the finance costs of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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Expressed in US\$'000 unless otherwise stated

### 11. INCOME TAXES

#### (a) INCOME TAX EXPENSE

	2013 \$'000	2012 \$'000
<b>Current income tax expense:</b>		
Corporate income tax	3,087	4,932
Provincial income tax	1,560	1,572
<b>Total current income tax expense</b>	<b>4,647</b>	<b>6,504</b>
<b>Deferred income tax recovery:</b>		
Temporary differences	968	(385)
Tax benefits recognized during the year	(3,451)	(2,074)
<b>Total deferred income tax recovery</b>	<b>(2,483)</b>	<b>(2,459)</b>
<b>Total income tax expense</b>	<b>2,164</b>	<b>4,045</b>

The Group recognized an income tax expense of \$4.2 million (2012: \$6.4 million) associated with its Italian solar power projects and an income tax expense of \$0.4 million (2012: \$0.1 million) associated with its management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.9 million (2012: deferred income tax recovery of \$0.4 million) in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts and a deferred income tax recovery of \$3.5 million (2012: \$2.1 million) associated with unutilized tax losses related to interest expense carried forward in Italy (i.e., excess over 30% of EBITDA).

During the second quarter of 2013, the Italian government expanded the scope of the "Robin Hood" tax (applicable to companies operating in the energy sector) now affecting five of the Group's operating solar projects (previously only applicable to one of the Group's operating solar projects), resulting in an increase to the corporate income tax rate in Italy from 27.5% to 38%. In 2014, the incremental tax associated with the Robin Hood tax legislation will be reduced to 6.5%, reducing the corporate income tax rate to 34% for 2014 and beyond for the solar projects affected by this additional tax. During 2013, one of the Group's Italian subsidiaries, Etrion Lazio, fulfilled the legal requirements for the applicability of the "Tremonti Ambienti" regime, as issued and approved by the Italian government, whereby the taxable income of small and medium-size enterprises may be reduced by an amount equal to a percentage of the investments of environmental nature. The Group recognized a total tax benefit of \$1.7 million, of which \$0.8 million related to previous fiscal years and \$0.9 million of tax benefit available to be used in the future. The portion corresponding to previous years was recognized as part of the current income tax expense, and the future tax benefit was recognized as part of the deferred income tax recovery.

The Group's income tax expense is reconciled to the loss before tax at the Canadian statutory tax rate as follows:

	2013 \$'000	2012 \$'000
<b>Loss before tax</b>	<b>(8,140)</b>	<b>(4,413)</b>
Income tax expense calculated at 25.75% (2012: 25%)	(2,096)	(1,103)
<b>Tax effects of:</b>		
Non-deductible expenses	2,342	3,630
Effect of non-taxable income	(643)	(361)
Tax losses not recognized	2,598	1,503
Differences in foreign tax rates	(37)	376
<b>Total income tax expense</b>	<b>2,164</b>	<b>4,045</b>

#### (b) CURRENT INCOME TAX LIABILITIES

	2013 \$'000	2012 \$'000
Corporate income tax	654	281
Provincial income tax	103	323
<b>Total current income tax liabilities</b>	<b>757</b>	<b>604</b>

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### 11. INCOME TAXES (CONTINUED)

#### (c) DEFERRED INCOME TAX

The movement of deferred income tax assets and liabilities during 2013 is as follows:

	Opening balance \$'000	Profit or loss \$'000	Other comprehensive income \$'000	Exchange differences \$'000	Recognized directly in equity \$'000	Reclassifications \$'000	Closing balance \$'000
<b>Taxable temporary differences:</b>							
Property, plant and equipment	673	349	-	700	-	(25)	1,697
Intangible assets	937	(101)	-	30	-	(247)	619
<b>Total deferred income tax liability</b>	<b>1,610</b>	<b>248</b>	<b>-</b>	<b>730</b>	<b>-</b>	<b>(272)</b>	<b>2,316</b>
<b>Deductible temporary differences:</b>							
Property, plant and equipment	-	(22)	-	5	-	17	-
Intangible assets	-	(367)	-	25	-	342	-
Tax losses carried forward	204	(68)	-	12	-	(148)	-
Income expense carried forward	3,459	2,679	-	419	-	(405)	6,152
Derivative financial instruments	5,350	(201)	(3,654)	521	(113)	-	1,903
Provisions	129	(63)	-	12	-	(78)	-
Special tax credits	-	772	-	29	-	-	801
<b>Total deferred income tax asset</b>	<b>9,142</b>	<b>2,730</b>	<b>(3,654)</b>	<b>1,023</b>	<b>(113)</b>	<b>(272)</b>	<b>8,856</b>
<b>Net deferred income tax asset</b>	<b>7,532</b>	<b>2,482</b>	<b>(3,654)</b>	<b>293</b>	<b>(113)</b>	<b>-</b>	<b>6,540</b>

The movement of deferred income tax assets and liabilities during 2012 is as follows:

	Opening balance \$'000	Profit or loss \$'000	Other comprehensive income \$'000	Exchange differences \$'000	Recognized directly in equity \$'000	Reclassifications \$'000	Closing balance \$'000
<b>Taxable temporary differences:</b>							
Property, plant and equipment	3,421	(877)	-	(95)	-	(1,776)	673
Intangible assets	617	(14)	-	11	-	323	937
<b>Total deferred income tax liability</b>	<b>4,038</b>	<b>(891)</b>	<b>-</b>	<b>(84)</b>	<b>-</b>	<b>(1,453)</b>	<b>1,610</b>
<b>Deductible temporary differences:</b>							
Property, plant and equipment	135	-	-	-	-	(135)	-
Intangible assets	139	(459)	-	(3)	-	323	-
Tax losses carried forward	222	(24)	-	6	-	-	204
Interest expense carried forward	1,295	2,075	-	89	-	-	3,459
Derivative financial instruments	1,678	62	5,374	25	(148)	(1,641)	5,350
Provisions	214	(86)	-	1	-	-	129
<b>Total deferred income tax asset</b>	<b>3,683</b>	<b>1,568</b>	<b>5,374</b>	<b>118</b>	<b>(148)</b>	<b>(1,453)</b>	<b>9,142</b>
<b>Net deferred income tax (liability)/asset</b>	<b>(355)</b>	<b>2,459</b>	<b>5,374</b>	<b>202</b>	<b>(148)</b>	<b>-</b>	<b>7,532</b>

Deferred income tax assets and liabilities that relate to the same fiscal authority have been offset (as there is a legally enforceable right to offset the current tax assets against the current tax liabilities).

At December 31, 2013, deferred income tax assets of \$8.9 million (2012: \$9.1 million) were expected to be recovered more than twelve months after the balance sheet date. At December 31, 2013, the Group had unrecognized deferred income tax assets in respect of tax losses associated with Italy, Canada and Luxembourg of \$17.3 million (2012: \$17.9 million), of which \$4.9 million (2012: \$1.7 million) expires between one and ten years, \$3.3 million (2012: \$4.4 million) expires between ten and twenty years and \$9.1 million (2012: \$11.8 million) has no expiry. In addition, at December 31, 2013, the Group had unrecognized deferred income tax assets of \$0.2 million (2012: \$0.2 million) in respect of timing differences associated with its Swiss pension.

In addition, during 2013, the Group recognized an income tax expense of \$3.6 million (2012: \$5.4 million) within other comprehensive income associated with its derivative financial instruments (i.e., interest rate swap contracts). [Note 21](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 12. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the net loss for the year attributable to owners of the Company by the weighted average number of shares outstanding during the year. The calculation of basic and diluted loss per share is as follows:

	2013 \$'000	2012 \$'000
Loss attributable to owners of the Company	(10,296)	(8,458)
	Number of shares	
Weighted average number of shares outstanding	206,469,666	201,268,477
<b>Basic and diluted loss per share</b>	<b>\$(0.05)</b>	<b>\$(0.04)</b>

Diluted loss per share equals basic loss per share as, due to losses incurred in 2013 and 2012, there is no dilutive effect from the existing stock options. [Note 20](#)

### 13. NON-CONTROLLING INTERESTS

Below is the summarized financial information of Salvador, the Group's only subsidiary that includes a material non-controlling interest. Salvador is a Chilean entity that owns the licenses and permits to build and operate a 70 megawatt solar power plant in northern Chile. Salvador is 70% owned by Etrion, 20% by Total Energie and 10% by Solventus. [Note 1](#)

	2013 \$'000
<b>Summarized balance sheet</b>	
Current	
Assets	55,138
Liabilities	8,292
<b>Total current net assets</b>	<b>46,846</b>
Non-Current	
Assets	22,826
Liabilities	66,484
<b>Total non-current net assets</b>	<b>(43,658)</b>
<b>Net assets</b>	<b>3,188</b>

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of Salvador, other than those imposed by the lending bank related to cash distributions. [Note 22](#) and [Note 18](#)

	2013 \$'000
<b>Summarized income statement</b>	
Loss before income tax	(28)
After tax net loss	(28)
<b>Total comprehensive loss</b>	<b>(28)</b>
<b>Total comprehensive loss allocated to non-controlling interest</b>	<b>(8)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 14. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Solar power projects \$'000	Assets under construction \$'000	Equipment and furniture \$'000	Total \$'000
<b>Cost:</b>					
<b>At January 1, 2012</b>	<b>12,952</b>	<b>373,506</b>	-	<b>1,102</b>	<b>387,560</b>
Additions	-	719	-	591	1,310
Disposal	-	(402)	-	(2)	(404)
Exchange differences	254	6,517	-	25	6,796
<b>At December 31, 2012</b>	<b>13,206</b>	<b>380,340</b>	-	<b>1,716</b>	<b>395,262</b>
Additions	-	2,422	7,705	87	10,214
Disposals	(23)	(187)	-	(19)	(229)
Reclassification	-	-	-	(379)	(379)
Exchange differences	572	16,469	-	74	17,115
<b>At December 31, 2013</b>	<b>13,755</b>	<b>399,044</b>	<b>7,705</b>	<b>1,479</b>	<b>421,983</b>
<b>Accumulated depreciation:</b>					
<b>At January 1, 2012</b>	-	<b>22,671</b>	-	<b>780</b>	<b>23,451</b>
Charge for the year	-	19,061	-	206	19,267
Disposals	-	(28)	-	(1)	(29)
Exchange differences	-	355	-	10	365
<b>At December 31, 2012</b>	-	<b>42,059</b>	-	<b>995</b>	<b>43,054</b>
Charge for the year	-	19,576	-	153	19,729
Disposals	-	(149)	-	(19)	(168)
Reclassification	-	-	-	(65)	(65)
Exchange differences	-	1,746	-	43	1,789
<b>At December 31, 2013</b>	-	<b>63,232</b>	-	<b>1,107</b>	<b>64,339</b>
<b>Net book value:</b>					
At December 31, 2012	13,206	338,281	-	721	352,208
At December 31, 2013	13,755	335,812	7,705	372	357,644

In December 2013, the Group capitalized as assets under construction \$7.7 million of incurred capital expenditures associated with the 70 megawatt Salvador Project in northern Chile [Note 1](#). Upon its completion and connection to the electricity grid, these costs will be transferred to solar power plant assets in accordance with the Group's accounting policies. At December 31, 2013, \$0.2 million (2012: nil) of borrowing costs were capitalized within property, plant and equipment. [Note 10](#) and [Note 22](#)

During 2013, the Group recognized an increase in the dismantling costs associated with its Italian solar parks based on a revision of the previous estimates, resulting in an increase of the asset of \$2.3 million and a corresponding increase in the dismantling provision. [Note 25](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 15. INTANGIBLE ASSETS

	Goodwill \$'000	Licenses and permits \$'000	Internally generated development costs and Other \$'000	Total \$'000
<b>Cost:</b>				
<b>At January 1, 2012</b>	<b>1,700</b>	<b>12,699</b>	<b>33</b>	<b>14,432</b>
Additions	-	-	1,358	1,358
Exchange differences	33	202	50	285
<b>At December 31, 2012</b>	<b>1,733</b>	<b>12,901</b>	<b>1,441</b>	<b>16,075</b>
Additions	-	14,209	3,520	17,729
Reclassifications	-	791	(412)	379
Impairment	-	-	(811)	(811)
Exchange differences	76	469	(125)	420
<b>At December 31, 2013</b>	<b>1,809</b>	<b>28,370</b>	<b>3,613</b>	<b>33,792</b>
<b>Accumulated amortization:</b>				
<b>At January 1, 2012</b>	-	<b>763</b>	-	<b>763</b>
Charge of the year	-	633	-	633
Exchange differences	-	60	-	60
<b>At December 31, 2012</b>	-	<b>1,456</b>	-	<b>1,456</b>
Charge of the year	-	634	-	634
Reclassifications	-	-	65	65
Exchange differences	-	60	131	191
<b>At December 31, 2013</b>	-	<b>2,150</b>	<b>196</b>	<b>2,346</b>
<b>Net book value:</b>				
At December 31, 2012	1,733	11,445	1,441	14,619
At December 31, 2013	1,809	26,220	3,417	31,446

During 2013, general and administrative expenses of \$3.4 million (2012: \$1.4 million) representing internally-generated costs of \$2.0 million (2012: \$1.1 million) and third-party costs of \$1.4 million (2012: \$0.3 million) were capitalized during the period within intangible assets as they directly related to the Group's business development activities.

In addition, in December 2013, the Group's Chilean subsidiary acquired the related licenses and permits for the construction and operation of the 70 megawatt Salvador project from its original developers for an aggregate price of \$15.0 million, of which \$0.8 million represented internally-generated costs.

During 2013, the Group impaired certain costs of \$0.8 million associated with its business development activities in Chile related to projects it is no longer pursuing. [Note 9](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 15. INTANGIBLE ASSETS (CONTINUED)

#### GOODWILL IMPAIRMENT TESTING

Goodwill recognized on the acquisition of subsidiaries that meet the definition of business combinations in accordance with IFRS 3 is allocated to the CGU expected to benefit from the synergies of the combination in accordance with the Group's accounting policy outlined in [Note 2\(d\)](#). The Group's impairment assessment is made using value-in-use calculations as outlined in [Note 3\(a\)](#).

Goodwill has been allocated to the CGUs relating to the Group's solar power as follows:

	2013 \$'000	2012 \$'000
<b>Renewable energy segment (Italy):</b>		
CGU 1 (SVE)	33	32
CGU 2 (Helios ITA)	128	123
CGU 3 (Helios ITA-3)	200	192
CGU 4 (Etrion Lazio)	57	55
CGU 5 (Cassiopea)	851	815
CGU 6 (Centaurus)	511	489
CGU 7 (Sagittario)	29	27
<b>Total goodwill</b>	<b>1,809</b>	<b>1,733</b>

At December 31, 2013, the Group assessed the carrying value of goodwill for impairment and determined that the recoverable amount of the CGUs to which goodwill had been allocated exceeded their carrying values, and, as a result, no impairment was provided for in 2013 (2012: \$nil).

### 16. FINANCIAL ASSETS

	Available for sale \$'000	Loans and receivables \$'000	Total \$'000
<b>At December 31, 2013</b>			
<b>Current assets</b>			
Trade and other receivables <a href="#">Note 17</a>	-	6,966	6,966
Cash and cash equivalents	-	94,914	94,914
<b>Total current financial assets</b>	-	<b>101,880</b>	<b>101,880</b>
<b>Total financial assets</b>	-	<b>101,880</b>	<b>101,880</b>
<b>At December 31, 2012</b>			
<b>Non-current assets:</b>			
Available for sale investments	2,061	-	2,061
<b>Total non-current financial assets</b>	<b>2,061</b>	-	<b>2,061</b>
<b>Current assets</b>			
Trade and other receivables	-	6,712	6,712
Cash and cash equivalents	-	37,750	37,750
<b>Total current financial assets</b>	-	<b>44,462</b>	<b>44,462</b>
<b>Total financial assets</b>	<b>2,061</b>	<b>44,462</b>	<b>46,523</b>

#### AVAILABLE FOR SALE INVESTMENTS

	2013 \$'000	2012 \$'000
PetroCumarebo	-	392
Baripetrol	-	1,669
<b>Total available for sale investments</b>	-	<b>2,061</b>

At December 31, 2012, the available for sale investments represented unquoted equity investments.

#### Disposal of oil and gas investments

In October 2013, Etrion sold all of its shares in its previously wholly-owned subsidiary, PFC, for total cash consideration of \$5.0 million, of which \$3.0 million was paid at the transaction closing date and the balance of \$2.0 million is expected to be received in March 2014. PFC owns 40% of PetroCumarebo and 5% of Baripetrol, two Venezuelan oil and gas companies controlled by PDVSA, the Venezuelan national oil company. The Company's holdings in PetroCumarebo and Baripetrol were considered passive investments classified as available for sale. The non-core assets were carried on Etrion's balance sheet at \$1.0 million at the disposal date, comprised of available for sale investments of \$2.1 million, offset by trade and other payables of \$1.1 million (relating to advance dividends received). [Note 27](#) and [Note 9](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 17. TRADE AND OTHER RECEIVABLES

	2013 \$'000	2012 \$'000
<b>Current portion of trade and other receivables:</b>		
Financial assets <sup>(1)</sup>		
- Trade receivables	5,854	5,657
- Other financial assets	1,112	1,055
<b>Total financial assets</b> <a href="#">Note 16</a>	<b>6,966</b>	<b>6,712</b>
Input VAT	6,250	21,294
Advances paid and prepaid expenses	3,158	1,224
Other current assets	5,568	1,001
Impairment loss provision	(15)	(370)
<b>Total current portion of trade and other receivables</b>	<b>21,927</b>	<b>29,861</b>
<b>Non-current portion of trade and other receivables:</b>		
Input VAT	122	3,588
Investment tax credit, advances paid and prepaid expenses	3,402	3,605
Impairment loss provision	(60)	(57)
<b>Total non-current portion of trade and other receivables</b>	<b>3,464</b>	<b>7,136</b>
<b>Total trade and other receivables</b>	<b>25,391</b>	<b>36,997</b>

Note:

(1) Financial assets exclude advances, prepaid expenditure, input VAT and other non-financial assets. [Note 16](#)

The carrying values of the financial assets approximate their fair values due to these assets having a relatively short maturity. The Group has no non-current financial assets included within trade and other receivables. The Group does not hold any collateral as security.

Trade receivables relate to the sale of electricity from the Group's solar power projects to the operators of the electricity grid.

Prepaid tax and input VAT primarily relate to amounts expected to be collected for eligible expenditures from the relevant authorities in Italy and Chile associated with the Group's solar power projects. A portion of the VAT is classified as non-current as the amounts are expected to be collected after twelve months from the balance sheet date. The non-current portion of the VAT has not been discounted as the amounts are interest-bearing at market rates. In October 2013, the Group received \$11.7 million as a VAT reimbursement from the Italian tax authorities associated with one of its solar power projects. As of December 31, 2013, prepaid expenses also include \$3.3 million associated with transactions costs directly attributable to the private placement transaction completed in January 2014. [Note 31](#)

In addition, a tax credit receivable of \$1.2 million (2012: \$1.2 million) included within the current portion of prepaid taxes and input VAT was released as part of the disposal of the Group's oil and gas subsidiary. [Note 16](#)

An aging analysis of the Group's trade receivables is as follows:

	2013 \$'000	2012 \$'000
Up to three months	1,657	1,722
<b>Total trade and other receivables past due but not impaired</b>	<b>1,657</b>	<b>1,722</b>
Trade and other receivables not past due	4,197	3,935
<b>Total trade and other receivables</b>	<b>5,854</b>	<b>5,657</b>

At December 31, 2013 and 2012, trade and other receivables of \$1.7 million were past due but not impaired, of which \$1.7 million was received after the balance sheet date.

Movement in the Group's provision for impairment associated with trade and other receivables is as follows:

	2013 \$'000	2012 \$'000
<b>Impairment loss provision at the beginning of the year</b>	<b>427</b>	<b>714</b>
Utilization during the year	-	(301)
Disposal of subsidiary <a href="#">Note 16</a>	(355)	-
Exchange differences	3	14
<b>Total impairment loss provision at the end of the year</b>	<b>75</b>	<b>427</b>
- Current portion	15	370
- Non-current portion	60	57

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

During 2013, the Group sold its Venezuelan subsidiary, PFC, and as a consequence this impairment loss provision was transferred to the buyer with no recourse against the Company. [Note 16](#)

The currencies of the Group's financial assets included within trade and other receivables are as follows:

	2013 \$'000	2012 \$'000
Euros	22,195	35,313
US dollars	2,935	212
Canadian dollars	43	224
Japanese Yen	64	7
Swiss francs	154	172
Venezuelan bolivars	-	1,069
<b>Total trade and other receivables</b>	<b>25,391</b>	<b>36,997</b>

### 18. CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)

The Group's cash and cash equivalents (including restricted cash) are held in banks with high and medium credit ratings assigned by international credit agencies in Canada, Luxembourg, Switzerland, Italy, United States of America and Chile. The fair value of cash and cash equivalents approximates its carrying value due to short maturities.

	2013 \$'000	2012 \$'000
Cash at banks	94,914	37,750
<b>Total</b>	<b>94,914</b>	<b>37,750</b>

Included within cash and cash equivalents is restricted cash relating to the Group's solar power projects as follows:

	2013 \$'000	2012 \$'000
Unrestricted cash and cash equivalents	8,511	6,926
Cash and cash equivalents restricted to solar power projects	86,403	30,824
<b>Total</b>	<b>94,914</b>	<b>37,750</b>

Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks to future repayment of interest and principal and working capital requirements related to the specific project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, either through repayment of shareholder loans, payment of interest on shareholder loans or dividend distributions.

### 19. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which 209,219,086 are issued and outstanding at December 31, 2013 (2012: 205,746,419). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all of the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors.

	Number of Shares outstanding	Share capital \$'000
<b>At January 1, 2012</b>	<b>187,536,120</b>	<b>23,293</b>
Share issuance <a href="#">Note 29</a>	18,210,299	9,977
<b>At December 31, 2012</b>	<b>205,746,419</b>	<b>33,270</b>
Share issuance <a href="#">Note 29</a>	2,500,000	753
Stock options exercised <a href="#">Note 20</a>	972,667	856
<b>At December 31, 2013</b>	<b>209,219,086</b>	<b>34,879</b>

No dividends were declared in the years ended December 31, 2013 and 2012.

In October 2013, the Company issued 2,500,000 shares at a deemed price of CAD\$0.31 to Lorito Guernsey in consideration for the provision of a \$42 million letter of credit issued on behalf of the Company. [Note 29](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 19. SHARE CAPITAL (CONTINUED)

During 2013, the Company issued 972,667 shares (2012: nil) with a fair value of CAD\$0.91 (2012: nil) as a result of stock options being exercised during the year. No stock options were exercised in 2012. [Note 20](#)

### 20. SHARE-BASED PAYMENTS

The Company maintains an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options have a contractual term ranging from five to ten years and generally vest over a period of three years with the exercise price set equal to the market price at the date of grant.

During 2013, the Group recognized share-based payment expenses of \$0.5 million (2012: \$0.5 million) related to its stock option awards scheme. [Note 8](#)

Changes in the Company's outstanding stock options are as follows:

	Number of share options	Weighted average exercise price CAD\$
<b>At January 1, 2012</b>	<b>4,367,200</b>	<b>0.74</b>
Granted	3,681,000	0.38
Canceled	(598,200)	1.14
<b>At December 31, 2012</b>	<b>7,450,000</b>	<b>0.53</b>
Granted	160,000	0.24
Exercised	(972,667)	0.53
Expired	(447,333)	0.99
<b>At December 31, 2013</b>	<b>6,190,000</b>	<b>0.49</b>
<b>Stock options exercisable:</b>		
At December 31, 2012	3,247,667	0.67
At December 31, 2013	3,646,001	0.57

A summary of the Company's stock options issued and outstanding at December 31, 2013 is as follows:

Exercise price (CAD\$)	Number of share options outstanding	Number of share options exercisable	Expiry date	Weighted average contractual life (years)
0.24	160,000	-	April 24, 2018	4.31
0.34	1,524,000	508,000	September 24, 2017	3.73
0.34	188,000	62,667	October 21, 2017	3.81
0.35	170,000	170,000	May 13, 2014	0.36
0.36	1,300,000	433,333	July 5, 2017	3.51
0.52	564,000	188,001	March 19, 2017	3.21
0.55	200,000	200,000	September 10, 2014	0.69
0.55	440,000	440,000	September 11, 2014	0.70
0.61	580,000	580,000	January 6, 2015	1.02
0.66	789,000	789,000	December 7, 2015	1.93
0.86	125,000	125,000	October 18, 2015	1.80
1.59	150,000	150,000	April 28, 2018	4.32
	<b>6,190,000</b>	<b>3,646,001</b>		

The Company recognizes an expense within general and administrative expenses when stock options are granted to employees, consultants, directors and officers using the fair value method at the date of grant. Share-based compensation is calculated using the Black-Scholes option pricing model. The weighted average fair value of options granted and the assumptions used in their determination are as follows:

	2013	2012
Weighted average share price at grant date	CAD\$0.24	CAD\$0.38
Exercise price	CAD\$0.24	CAD\$0.38
Risk-free interest rate	1.19%	1.39%
Expected volatility	90.05%	106.5%
Dividend yield rate	0.00%	0.00%
Contractual life of stock options	5 years	5 years
Fair value at grant date	CAD\$0.17	CAD\$0.29

The expected volatility is based on a statistical analysis of the Company's share price over the period of time equivalent to the contractual term of the option. For options granted, the Company has used the daily share price since September 30, 2009, the date the Company completed its first renewable energy acquisition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 21. OTHER RESERVES

	Translation reserve \$'000	Hedging reserve \$'000	Transactions with non- controlling interests \$'000	Total \$'000
<b>At January 1, 2012</b>	<b>811</b>	<b>(10,283)</b>	<b>43</b>	<b>(9,429)</b>
Currency translation difference:				
- Loss on translation adjustment	(1,011)	-	-	(1,011)
Cash flow hedges:				
- Loss on fair value movements	-	(18,162)	-	(18,162)
- Tax on loss on fair value movements	-	5,374	-	5,374
- Ineffective portion of fair value movements to profit or loss	-	(1)	-	(1)
- Tax on ineffective portion of fair value movements to profit or loss	-	(1)	-	(1)
- Re-designated portion of derivative to profit or loss	-	538	-	538
- Tax on re-designated portion of derivative to profit or loss	-	(148)	-	(148)
<b>At December 31, 2012</b>	<b>(200)</b>	<b>(22,683)</b>	<b>43</b>	<b>(22,840)</b>
Currency translation difference:				
- Loss on translation adjustment	(658)	-	-	(658)
Written call options	-	-	151	151
Cash flow hedges:				
- Gain on fair value movements	-	15,700	-	15,700
- Tax on gain on fair value movements	-	(3,976)	-	(3,976)
- Ineffective portion of fair value movements to profit or loss	-	(906)	-	(906)
- Tax on ineffective portion of fair value movements to profit or loss	-	315	-	315
- Re-designated portion of derivative to profit or loss	-	347	-	347
- Tax on re-designated portion of derivative to profit or loss	-	(114)	-	(114)
<b>At December 31, 2013</b>	<b>(858)</b>	<b>(11,317)</b>	<b>194</b>	<b>(11,981)</b>

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations as described in [Note 2\(f\)](#).

The hedging reserve includes the effective portion of changes in the fair value (net of tax) of the Group's derivative financial instruments (i.e., interest rate swap contracts) that qualify for hedge accounting. The ineffective portion of these derivative financial instruments is included within finance income/costs [Note 10](#). At December 31, 2013 and 2012, all of the Group's interest rate swap contracts qualified for hedge accounting.

#### *Written call options*

According to the terms of the Salvador shareholder agreement described in [Note 1](#), Etrion is deemed to be the underwriter of two call options in relation to its 70% shareholding in Salvador. The call options will give the right but not the obligation to Total Energie and Solventus to acquire from Etrion all of its shares in Salvador in two separate transactions for a total consideration of \$2 during the life of the solar project. As per the contract, the first call option will become exercisable once Etrion has recovered its initial investment of \$42 million, expected by June 30, 2019, depending on spot price assumptions, and the second call option will become exercisable at the end of the life of the contract on February 28, 2035. The fair value at grant of the first call option was \$1.8 million and will be expensed during the vesting period through the statement of comprehensive income using the graded method. Upon exercise, Etrion will release the value of the derivative financial instrument against the carrying value of its equity investment in Salvador. The fair value of the options has been calculated using the Black-Scholes model with a deemed stock price of \$20.17, a strike price per option of \$nil, volatility of 106.51% and a risk-free rate of 1.30%. The fair value of the second option has been calculated as zero as the dividend yield is higher than 100%.

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### 22. BORROWINGS

	Corporate borrowings \$'000	Non-recourse project loans \$'000	Total \$'000
<b>At January 1, 2012</b>	<b>78,392</b>	<b>328,463</b>	<b>406,855</b>
Proceeds from loans	-	2,242	2,242
Repayment of loans and interest	(7,070)	(29,788)	(36,858)
Accrued interest	6,957	12,197	19,154
Amortization of transaction costs	173	666	839
Exchange differences	1,615	5,924	7,539
<b>At December 31, 2012</b>	<b>80,067</b>	<b>319,704</b>	<b>399,771</b>
- Current portion	1,445	28,579	30,024
- Non-current portion	78,622	291,125	369,747
<b>At January 1, 2013</b>	<b>80,067</b>	<b>319,704</b>	<b>399,771</b>
Proceeds from loans	-	48,185	48,185
Repayment of loans and interest	(7,090)	(36,878)	(43,968)
Accrued interest	7,172	9,468	16,640
Amortization of transaction costs	195	692	887
Exchange difference	3,606	13,463	17,069
<b>At December 31, 2013</b>	<b>83,950</b>	<b>354,634</b>	<b>438,584</b>
- Current portion	1,511	19,641	21,152
- Non-current portion	82,439	334,993	417,432

The Group's borrowings are denominated in Euros and in US dollars and the minimum principal repayment obligations are as follows:

	2013 \$'000	2012 \$'000
Less than 1 year	19,787	30,024
Between 1 and 5 years	192,889	139,475
After 5 years	225,908	230,272
<b>Total borrowings</b>	<b>438,584</b>	<b>399,771</b>

At December 31, 2013 and 2012, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

#### (a) CORPORATE BORROWINGS

##### Corporate bond

In April 2011, the Company issued €60 million of corporate bonds in the Norwegian bond market at 9% annual interest with a 4-year maturity. At December 31, 2013, the amount outstanding, including accrued interest and net of transaction costs, was \$84.0 million (2012: \$80.0 million) in accordance with the amortized cost method. At December 31, 2013, the fair value of the corporate bond amounted to \$83.4 million (2012: \$76.6 million) and is based on cash flows discounted at 9.39%. The discount rate equals Euribor plus the appropriate credit rating. [Note 29](#)

The corporate bond agreement includes a call option which allows the Company to redeem the bond early (in full or in part), after the first, second and third year at a specified percentage over par value (i.e., a fixed premium) of 5%, 3% and 1%, respectively. At December 31, 2013, no amount was recognized in relation to this option. In addition, the corporate bond has a minimum unrestricted cash balance requirement of €3 million.

#### (b) NON-RECOURSE PROJECT LOANS

##### Group's Italian subsidiaries

The non-recourse project loans (i.e., where the lending bank only has security over the assets of the associated project) held by the Group's Italian subsidiaries obtained to finance the construction of the Group's solar power projects mature at various dates between 2024 and 2028 and bear annual interest rates of Euribor plus a margin ranging from 1.35% to 3.1%. At December 31, 2013 and 2012, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. At December 31, 2013 and 2012, the Group had no undrawn amounts associated with these facilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 22. BORROWINGS (CONTINUED)

#### (b) NON-RECOURSE PROJECT LOANS (CONTINUED)

##### *Group's Italian subsidiaries (continued)*

In order to secure the Group's non-recourse project loans, the Group pledged as collateral the fixed assets (i.e., solar power projects and land) associated with the solar power projects financed by these facilities. The value of the Group's fixed assets held as collateral at December 31, 2013 was \$348 million (2012: \$351 million).

Repayment of these facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the GSE and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates.

All the Italian non-recourse projects loans are hedged through interest rate swap contracts all of which qualified for hedge accounting at December 31, 2013 and 2012.

##### *Group's Chilean subsidiaries*

In November 2013, the Group's Chilean subsidiary, Salvador, entered into a senior secured financing agreement with the Overseas Private Investment Corporation (OPIC), the US government development finance institution, for an aggregate amount of \$155 million in order to finance 70% of the construction of the 70 megawatt Salvador project in northern Chile. This credit facility has a term of 19.5 years, matures in June 2033, and bears a contractual fixed interest rate that is set at the time of every drawdown depending on market conditions plus a margin of 3.4%. The repayment of this facility is secured principally by the proceeds from the sale of electricity in the spot market once the solar plant is completed and operational. On December 23, 2013, the first drawdown under this credit facility in the amount of \$50 million was made with a total fixed interest rate of 7.51%. As of December 31, 2013, the undrawn amount was \$105 million. Total transaction costs related to the first drawdown amounted to \$1.8 million.

The OPIC financing agreement contains customary representations, warranties, covenants and undertakings restricting the borrower in respect of disposals, acquisitions, payments and transfers and incurring indebtedness and granting guarantees and security. The Company's subsidiary has provided certain of its assets as collateral to secure its obligations under the financing agreement. The value of Salvador's fixed assets held as collateral at December 31, 2013 was \$22.7 million (2012: \$nil).

In November 2013, the Group's Chilean subsidiary, Salvador, also entered into a VAT credit facility agreement denominated in Chilean pesos with Rabobank, a Chilean bank owned by Rabobank Group, a Dutch multinational banking and financial service company, to finance the related VAT capital disbursements of the 70 megawatt Salvador project. This credit facility has a term of 2.3 years, matures in February 2016, and bears a contractual fixed interest rate of 6% plus a margin of 1.5% for a total rate of 7.5% on the total facility principal amount. As of December 31, 2013, the undrawn amounts associated with this facility amounted to \$35 million.

The operations of the Group's solar power projects are restricted by operational and financial covenants. At December 31, 2013 and 2012, the Group was not in breach of any covenants.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 23. FINANCIAL LIABILITIES

	Other financial liabilities \$'000	Derivative financial instruments \$'000	Total \$'000
<b>At December 31, 2013</b>			
<b>Non-current financial liabilities:</b>			
Borrowings	417,432	-	417,432
Derivative financial instruments	-	27,019	27,019
<b>Total non-current financial liabilities</b>	<b>417,432</b>	<b>27,019</b>	<b>444,451</b>
<b>Current financial liabilities:</b>			
Trade and other payables	1,059	-	1,059
Borrowings	21,152	-	21,152
Derivative financial instruments	-	9,110	9,110
<b>Total current financial liabilities</b>	<b>22,211</b>	<b>9,110</b>	<b>31,321</b>
<b>Total financial liabilities</b>	<b>439,643</b>	<b>36,129</b>	<b>475,772</b>
<b>At December 31, 2012</b>			
<b>Non-current financial liabilities:</b>			
Borrowings	369,747	-	369,747
Derivative financial instruments	-	40,558	40,558
<b>Total non-current financial liabilities</b>	<b>369,747</b>	<b>40,558</b>	<b>410,305</b>
<b>Current financial liabilities:</b>			
Trade and other payables	2,241	-	2,241
Borrowings	30,024	-	30,024
Derivative financial instruments	-	9,662	9,662
<b>Total current financial liabilities</b>	<b>32,265</b>	<b>9,662</b>	<b>41,927</b>
<b>Total financial liabilities</b>	<b>402,012</b>	<b>50,220</b>	<b>452,232</b>

Note:

- (1) Trade and other payables shown here exclude accrued expenses and other non-financial liabilities. [Note 27](#)

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

	2013 \$'000	2012 \$'000
<b>Derivative financial liabilities:</b>		
Interest rate swap contracts (cash flow hedges)		
- Current portion	9,110	9,662
- Non-current portion	27,019	40,558
<b>Total derivative financial liabilities</b>	<b>36,129</b>	<b>50,220</b>

#### *Interest rate swap contracts*

The Group enters into interest rate swap contracts in order to hedge the risk of variations in the Group's cash flows as a result of floating interest rates on the Group's non-recourse project loans. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable Euribor interest rate forward yield curve and an appropriate discount factor.

At December 31, 2013, the notional amount of the Group's interest rate swap contracts was \$304.5 million (2012: \$300.5 million), all of which were denominated in Euros. Due to a higher than forecasted Euribor curve in comparison with projections at the end of 2012, the fair market value of the instruments at December 31, 2013, decreased to a liability position of \$36.1 million (2012: \$50.2 million).

At December 31, 2013 and 2012, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity (except for the ineffective portion that is transferred to finance income/costs). However, during 2012, due to the de-designation of one of the Group's interest rate swap contracts, a net fair value gain of \$0.3 million was recognized within finance income/costs. [Note 10](#) and [Note 21](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 25. PROVISIONS AND OTHER LIABILITIES

The movement of provisions over the year is as follows:

	Decommissioning and site restoration \$'000	Shared-revenue provision \$'000	Post-employment benefits \$'000	Tax claims \$'000	Total \$'000
<b>At January 1, 2013</b>	<b>864</b>	-	<b>854</b>	<b>870</b>	<b>2,588</b>
Additions	-	1,123	196	-	1,319
Change in estimate	2,354	-	(46)	-	2,308
Disposal of subsidiary <a href="#">Note 16</a>	-	-	-	(870)	(870)
Unwinding of discount	45	-	-	-	45
Utilization	-	-	(223)	-	(223)
Exchange differences	131	43	20	-	194
<b>At December 31, 2013</b>	<b>3,394</b>	<b>1,166</b>	<b>801</b>	-	<b>5,361</b>
Non-current	3,394	-	801	-	4,195
Current	-	1,166	-	-	1,166

Refer to [Note 26](#) for further details relating to the Group's obligations associated with post-employment benefits.

The Group's other liabilities as at December 31, 2013 and 2012 are as follows:

	2013 \$'000	2012 \$'000
Right of use	1,140	1,139
Equipment liability	1,835	1,758
Investment tax credit	2,627	2,743
Contributions from non-controlling interests	5,480	-
<b>Total other liabilities</b>	<b>11,082</b>	<b>5,640</b>
Non-current	1,835	1,758
Current	9,247	3,882

#### (a) DECOMMISSIONING AND SITE RESTORATION

In accordance with the environmental legislation in Italy, the Group has a legal obligation to complete the landfill site restoration and decommissioning of its solar power projects after their expected closure. The provision for decommissioning and site restoration is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected life of the solar power projects. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, discounts applied for economies of scale and the rate of inflation. During 2013, the Group obtained new information related to the cost per megawatt of dismantling its solar power plants and conducted a revision of the estimates that resulted in an increase in the provision of \$2.3 million.

Principal assumptions made in order to calculate the Group's provision for decommissioning and site restoration are as follows:

	2013	2012
Discount rate	4.48%	5.13%
Inflation rate	2%	2%
Average expected remaining life of solar power plant	18 years	19 years

The discount rate of 4.48% represents the government bond-yield rate in Italy for a period equivalent to the expected life of the solar power projects. This rate decreased by 0.65% in 2013 due to a decrease in the risk-free rate (pre-tax) on Italian bonds for 18.37 years (representing the approximate remaining life of the Group's solar power projects). The inflation rate of 2% represents the inflationary environment in Italy where the liability will be settled and is consistent with the rate used by the Company's management to value the Group's solar power projects. The average expected life of the solar power plants is 20 years based on the 20-year FIT contracts entered into with the Government for the sale of electricity.

#### (b) TAX CLAIMS

At December 31, 2012, the Group had a provision for tax claims of \$0.9 million relating to tax assessments received from the National Integrated Customs and Tax Administration Services ("SENIAT") in Venezuela associated with the Group's income tax filings for the years ended December 31, 2001 to 2004, which includes interest and penalties. In October 2013, Etrion sold its Venezuelan subsidiary, PFC, and as a consequence it transferred this obligation to the buyer with no recourse against the Company. [Note 16](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 25. PROVISIONS AND OTHER LIABILITIES (CONTINUED)

#### (c) RIGHT OF USE

One of the Group's solar power projects (Cassiopea) is part of a larger solar park previously built by SunPower Corporation ("SunPower"). Cassiopea was the first solar power project built in the solar park and included a substation with extra capacity. In accordance with the sale and purchase agreement, as future plants are connected within the solar park, a payment is to be made to Cassiopea for the right to use part of the substation. During 2010, two solar power plants were connected to the grid and accordingly Cassiopea received \$1.2 million for the right to use the substation. At December 31, 2010, the Company recognized \$0.7 million as deferred income to be recognized in the consolidated statement of comprehensive income over the life of the credit facility associated with the Cassiopea solar power plant and \$0.6 million as trade and other payables representing the amount expected to be paid to SunPower (representing the net present value of the amounts received). During 2011, the amount previously owed to SunPower of \$0.6 million was reclassified to deferred income as this amount was no longer expected to be paid. During 2013, the Group recognized other income of \$48,000 (2012: \$44,000) associated with the release of the deferred income over the life of the facility. [Note 9](#)

#### (d) INVESTMENT TAX CREDIT

In February 2010, the Group received from the Italian tax authorities a Visco SUD investment tax credit of €2.4 million associated with the construction of one of its solar power projects (SVE). The investment tax credit, representing 20% of the Group's investment into the solar power project, can be utilized to offset future taxable income generated by the solar power project, thereby reducing the Group's income tax expense for the given year. As a result, in 2011, once the SVE solar power project was connected to the electricity grid and started producing solar electricity, the Group recognized an investment tax credit of \$3.4 million within trade and other receivables and a corresponding amount within provisions as deferred income. During 2013, the Group utilized a portion of this investment tax credit, reducing the Group's current income tax liabilities by \$0.2 million (2012: \$0.2 million).

#### (e) EQUIPMENT LIABILITY

In June 2012, the Group executed a bond guarantee from an Italian contractor (Solon A.B.) in accordance with the EPC contract. As a result, the Group recognized deferred income of \$1.7 million representing the amount received that will be released upon completion of the associated expenditure, expected in the first half of 2014.

#### (f) SHARED REVENUE PROVISION

The operating and maintenance agreements signed between SunPower and the Group's Italian subsidiaries, Cassiopea and Centauro, include an incentive plan clause that became applicable two years after provisional acceptance of the solar power plants. Under this clause, Etrion shares the electricity revenue when certain production yields are exceeded. As of December 31, 2013, the provision includes the applicable shared revenue from the period June 2012 to December 2013.

#### (g) CONTRIBUTIONS FROM NON-CONTROLLING INTEREST

In accordance with the shareholder's agreement between Etrion, Total Energie and Solventus to build, own and operate a 70 megawatt solar project in northern Chile as described in [Note 1](#), the total project cost of approximately \$200 million will be financed 70% through non-recourse project debt and 30% through equity, funded by Etrion, Total and Solventus based on their respective ownership interests. Of this, 85% will be funded through shareholder loans with a 10% annual interest rate. During 2013, Total Energie and Solventus contributed a total of \$5.4 million as a shareholder loan, in proportion to their ownership interest.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 26. RETIREMENT OBLIGATIONS

The Group operates a defined benefit pension plan in Switzerland that is managed through a private fund. At December 31, 2013, the Group recognized \$37,000 within other comprehensive income associated with actuarial gains (2012: actuarial gain of \$0.3 million).

The amount recognized in the balance sheet associated with the Group's Swiss pension plan is as follows:

	2013 \$'000	2012 \$'000
Present value of funded obligations	2,089	1,887
Fair value of plan assets	(1,299)	(1,064)
Adjustment for amounts not paid	11	31
<b>Net liability position</b>	<b>801</b>	<b>854</b>
Experience adjustments on plan liabilities	-	(385)
Experience adjustments on plan assets	-	49

The movement in the defined benefit obligation over the year is as follows:

	2013 \$'000	2012 \$'000
Defined benefit obligation at the beginning of the year	1,905	2,108
Current service cost	182	230
Employee contributions	121	109
Interest cost	32	49
Contributions paid by plan participants	16	9
Benefits paid	(149)	(457)
Remeasurement (gain)	(25)	(211)
Exchange differences	7	50
<b>Defined benefit obligation at the end of the year</b>	<b>2,089</b>	<b>1,887</b>

The weighted average duration of the defined benefit obligation is 11 years. There is no maturity profile since the average remaining life before active employees reach final age according to the plan is 10.6 years.

The movement in the fair value of the plan assets over the year is as follows:

	2013 \$'000	2012 \$'000
Fair value of plan assets at the beginning of the year	1,093	1,122
Interest income on plan assets	18	-
Return on plan assets (excluding interest)	(10)	29
Employer contributions	202	183
Employee contributions	121	109
Contributions paid by plan participants	16	9
Benefits paid	(149)	(457)
Remeasurement loss	-	41
Foreign exchange	8	28
<b>Fair value of plan assets at the end of the year</b>	<b>1,299</b>	<b>1,064</b>

The plan assets comprise the following:

	2013		2012	
	%	\$'000	%	\$'000
Cash and cash equivalents (including term deposit)	6.8%	88	7.5%	80
Fixed interest rate instruments	44.70%	581	49.6%	528
Equity instruments	33.20%	432	29.8%	317
Real estate	13.50%	175	13.1%	139
Other investments	1.80%	23	-	-
<b>Total fair value of plan assets</b>		<b>1,299</b>		<b>1,064</b>

Investments are well diversified such that failure of any single investment would not have a material impact on the overall level of assets. All investment instruments are quoted in active markets except other investments. No asset-liability strategy was performed in the years ended December 31, 2013 and 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

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### 26. RETIREMENT OBLIGATIONS (CONTINUED)

The amount recognized in the income statement associated with the Group's pension plan is as follows:

	2013 \$'000	2012 \$'000
Current service cost	181	230
Interest expense on defined benefit obligation	32	49
Interest income on plan assets	(18)	(29)
<b>Total expense recognized during the year</b>	<b>195</b>	<b>250</b>

The expense associated with the Group's pension plan of \$0.2 million (2012: \$0.3 million) for the year ended December 31, 2012, was included within general and administrative expenses. [Note 8](#)

The principal actuarial assumptions used to estimate the Group's pension obligation are as follows:

	2013 \$'000	2012 \$'000
Discount rate	2.0%	1.75%
Inflation rate	1.00%	1.00%
Future salary increases	1.00%	1.00%
Future pension increases	0.00%	0.00%
Retirement age	Men 65 Women 64	Men 65 Women 64

Assumptions regarding future mortality are set based on actuarial advice in accordance with the LPP 2010 generational published statistics and experience in Switzerland.

The discount rate is determined by reference to the yield on high-quality corporate bonds (i.e., Swiss bond market over 15 years). The rate of inflation is based on the expected value of future annual inflation adjustments in Switzerland. The rate for future salary increases is based on the average increase in the salaries paid by the Group, and the rate of pension increases is based on the annual increase in risk, retirement and survivors' benefits.

Contributions to the Group's pension plan during 2014 are expected to total \$0.3 million.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 5.2%	Increase by 5.8%
Salary growth rate	0.50%	Increase by 0.7%	Decrease by 0.9%
Life expectancy	1 year	Increase by 1%	Decrease by 1.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 27. TRADE AND OTHER PAYABLES

	2013 \$'000	2012 \$'000
<b>Financial liabilities:</b>		
Trade payables	1,059	1,116
Payable to Baripetrol	-	1,125
<b>Total financial liabilities</b> <i>Note 23</i>	<b>1,059</b>	<b>2,241</b>
Accrued expenses	15,280	2,725
Credit facility with related party (Lundin family) <i>Note 29</i>	18,215	-
Other trade and other payables	806	2,024
<b>Total trade and other payables</b>	<b>35,360</b>	<b>6,990</b>

In October 2013, Etrion sold its Venezuelan subsidiary, PFC, including the advance dividend liability of \$1.1 million to Baripetrol, a company in which the Group had a 5% interest. As a consequence, this obligation was transferred to the buyer with no recourse against the Company. *Note 16*

Accrued expenses at December 31, 2013, of \$15.3 million (2012: \$2.7 million) include \$8.2 million (2012: nil) for the construction of the Salvador solar power project.

The carrying value of the Group's financial liabilities within trade and other payables approximates their fair value due to the relatively short maturity of these liabilities. The currency of the Group's trade and other payables are as follows:

	2013 \$'000	2012 \$'000
US dollars	10,397	2,754
Euros	23,175	3,596
Swiss francs	1,687	487
Japanese Yen	37	22
Canadian dollars	58	84
Swedish Krona	6	47
<b>Total trade and other payables</b>	<b>35,360</b>	<b>6,990</b>

### 28. OPERATING LEASES

The Group has operating leases for land associated with four of its solar power projects (Etrion Lazio, SVE, Sagittario and Salvador) and for its offices in Geneva, Rome, Chile and Tokyo. The minimum lease payments associated with the Group's operating leases are as follows:

	2013 \$'000	2012 \$'000
Next year	593	627
Years 2 through 5	2,122	1,990
Beyond 5 years	4,830	3,834
<b>Total minimum lease payments</b>	<b>7,545</b>	<b>6,451</b>

During 2013, the Group recognized \$0.6 million (2012: \$0.6 million) of operating lease expenses, of which \$0.2 million (2012: \$0.2 million) related to land leases included within operating expenses and \$0.4 million (2012: \$0.4 million) related to office leases included within general and administrative expenses. *Note 7* and *Note 8*

The Group had no finance leases at December 31, 2013 and 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 29. RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24, *Related Party Disclosures*. The Company's major shareholder is the Lundin family which collectively owned personally and through various investments companies approximately 25.4% of the outstanding shares of the Company at December 31, 2013. (2012: 22.0%)

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed below. Details of transactions between the Group and other related parties are disclosed below.

#### (a) RELATED PARTY TRANSACTIONS

The Group has entered into the following transactions with related parties:

	2013 \$'000	2012 \$'000
<b>General and administrative expenses:</b>		
Lundin Services BV	31	37
<b>Finance costs:</b>		
Lundin Services BV:		
- Interest expense associated with corporate bond	908	881
- Transaction costs associated with corporate bond	25	22
Lundin family:		
- Interest expense associated with corporate bond	1,793	1,739
- Transaction costs associated with corporate bond	49	43
- Interest expense associated with Lundin bridge loan	215	-
- Equity-based financing fee	731	-
<b>Total transactions with related parties</b>	<b>3,752</b>	<b>2,722</b>

Note:

(1) \$0.1 million of the interest expense associated with the Lundin bridge loan was capitalized within property, plant and equipment. [Note 10](#) and [14](#)

Amounts outstanding to related parties at December 31, 2013 and 2012 are as follows:

	2013 \$'000	2012 \$'000
<b>Current liabilities:</b>		
Lundin family bridge loan	18,215	1,500
Lundin Services BV:		
- General and administrative expenses	5	-
- Participation in corporate bond	191	180
Lundin family (participation in corporate bond)	378	356
<b>Total current liabilities</b>	<b>18,789</b>	<b>2,036</b>
<b>Non-current liabilities:</b>		
Lundin Services BV (participation in corporate bond)	10,444	9,945
Lundin family (participation in corporate bond)	20,613	16,628
<b>Total non-current liabilities</b>	<b>31,057</b>	<b>26,573</b>
<b>Total amounts outstanding to related parties</b>	<b>49,846</b>	<b>28,609</b>

There were no amounts outstanding from related parties at December 31, 2013 and 2012.

#### *Lundin Services BV*

The Group receives technical and legal services from Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB. The Chief Executive Officer of Lundin Petroleum AB is a Director of the Company.

In April 2011, Lundin Services BV subscribed for €8.9 million of the corporate bonds described in [Note 22\(a\)](#). In April and May of 2011, Lundin Services BV sold a total of €1.3 million of the corporate bonds, reducing its position to €7.6 million. At December 31, 2013, Lundin Services BV continued to hold €7.6 million of the corporate bonds issued by the Company.

#### *Lundin family*

##### Corporate bond

In April 2011, investment companies associated with the Lundin family subscribed for €15 million of the corporate bonds described in [Note 22\(a\)](#). At December 31, 2013, the Lundin family continued to hold €15 million of the corporate bonds issued by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

Expressed in US\$'000 unless otherwise stated

### 29. RELATED PARTIES (CONTINUED)

#### (a) RELATED PARTY TRANSACTIONS (CONTINUED)

##### *Lundin family (continued)*

##### Lundin family bridge Loan

In September 2013, the Group obtained a \$42 million unsecured loan facility from a company affiliated with the Lundin family at an annual interest rate of 12% with a 12-month maturity in order to fund its business development activities in Chile. At December 31, 2013, \$18 million was drawn under the loan facility and in January 2014 the total outstanding amount including interest was repaid. [Note 31](#)

In December 2012, the Group received \$1.5 million from an investment company associated with the Lundin family in order to fund certain business development activities. The short-term loan was non-interest bearing and was fully repaid in February 2013.

##### Letter of credit

In October 2013, in connection with the Project Salvador transaction as described in [Note 1](#), a company affiliated with the Lundin family issued a \$42 million letter of credit to Total on behalf of Etrion for total consideration of 2,500,000 common shares in Etrion. As Etrion funds its equity portion of Project Salvador, the availability under the letter of credit will be reduced accordingly. As a result, the Lundin family increased their participation by approximately 0.9% of the Company, collectively held through various trusts. [Note 19](#)

#### (b) KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The key management of the Group includes members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. Remuneration of key management personnel is as follows:

	2013	2012
	\$'000	\$'000
Salaries and short-term benefits	1,779	850
Pension costs	151	145
Termination payments	-	62
Board of Directors	360	240
Share-based payment	239	284
<b>Total</b>	<b>2,529</b>	<b>1,581</b>

Amounts outstanding to key management personnel at December 31, 2013 and 2012 are as follows:

	2013	2012
	\$'000	\$'000
Board of Directors (non-executive directors)	-	60
Other (bonus payable and pension costs payable)	1,466	144
<b>Total</b>	<b>1,466</b>	<b>204</b>

There were no amounts outstanding from key management personnel at December 31, 2013 and 2012.

##### *Mr. Northland's exchange right*

During 2012, upon the conversion by Mr. Northland of his 10% equity interest in the Company's subsidiary, SRH, for 18,210,299 common shares in the Company, an adjustment was made to release a previously recognized financial liability and contributed surplus of \$5.3 million and \$4.7 million, respectively, increasing the Group's share capital by \$10 million. In addition, the Group recognized other income of \$1.4 million during the three months ended March 31, 2012, to adjust the share-based payment expense previously recognized by the Group for the portion of the performance condition not met at conversion in accordance with IFRS 2, Share-based Payments. [Note 9](#)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

*Expressed in US\$'000 unless otherwise stated*

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### 30. COMMITMENTS

#### *Contractual commitments*

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of December 31, 2013, the Group had contractual obligations to acquire construction services in the amount of \$153 million related to the construction of the 70 megawatt Salvador solar power project of which 30% will be financed by the equity sponsors (including Etrion) and 70% will be financed through a non-recourse project loan.

#### *Capital investments*

In September 2013, Etrion signed a subscription and a shareholder agreement with Total Energie and Solventus to build, own and operate a 70 megawatt solar project in northern Chile as described in **Note 1**. Pursuant to these agreements, Etrion, Total Energie and Solventus will own 70%, 20%, and 10% interests, respectively, in the project. The total project cost of approximately \$200 million has been financed 70% through non-recourse project debt, and 30% through equity funded by Etrion, Total and Solventus, based on their respective ownership interests, resulting in a total capital commitment for Etrion of approximately \$42 million. As of December 31, 2013, Etrion has contributed \$15 million, and its remaining capital contribution commitment amounts to \$27 million, based on its 70% participation in the project company.

At December 31, 2012, the Group had no committed capital expenditure outstanding.

### 31. SUBSEQUENT EVENTS

#### *Japanese market entry*

In January 2014, Etrion announced a strategic partnership with Hitachi High-Technologies Corporation ("HHT"), a subsidiary of Hitachi, Ltd., for the development, financing, construction, ownership and operation of utility-scale solar power plants in Japan. The project pipeline in Japan is expected to reach at least 100 MW of solar power generation facilities under construction or shovel-ready by 2015. The joint development team from Etrion and HHT has already identified and secured the FiT of ¥40 per kWh (US\$0.38 per kWh) and executed land agreements for two initial projects with a combined capacity of 34 MW (24.7 MW and 9.3 MW, respectively). Etrion's ownership in the first two projects will be 85%, and Hitachi Hi-Tech will own the remaining 15%.

#### *Private placement transaction*

In January 2014, the Company completed an equity financing through a private placement transaction of 124,633,571 new common shares listed on the Toronto Stock Exchange and NASDAQ OMX Stockholm and issued at a price of SEK 4.15 (approximately CAD\$0.70) per share for gross proceeds of SEK 517,229,320 (approximately \$80.0 million). Entities associated with the Lundin family subscribed for 28,201,571 shares or approximately 23% of the private placement. As a result, the Lundin family continues to be Etrion's largest shareholder and owns approximately 24.3% of the Company's shares.

#### *Repayment of Lundin bridge loan*

In January 2014, the Company repaid the \$18.4 million shareholder loan outstanding including accrued interest to Lorito Guernsey, a company associated with the Lundin family.