



Audited Consolidated Financial Statements
Year Ended December 31, 2010

Prepared in accordance with International Financial Reporting Standards
Effective January 1, 2009

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Auditor's report

8 March 2011

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 31 December 2010, 31 December 2009 and 1 January 2009 and the consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the years ended 31 December 2010 and 31 December 2009, and the related notes including a summary of significant accounting policies.

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 audits 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.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7822 4652, www.pwc.co.uk*

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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 31 December 2010, 31 December 2009 and 1 January 2009 and its financial performance and its cash flows for the years ended 31 December 2010 and 31 December 2009 in accordance with International Financial Reporting Standards.

Emphasis of matter – going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the company's ability to continue as a going concern. At 31 December 2010, the company remained reliant on a bridge loan provided by Lundin Services BV. As explained in Note 20, this loan facility is due to mature in November 2011. As the company does not have a secure source of funding past this time, the resulting shortfall in projected cash flows indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

**Chartered Accountants, Licensed Public Accountants
London**

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Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

Expressed in US\$

	Note	2010	2009
Revenue	7	11,564,512	-
Operating costs	8	(6,501,469)	-
Gross profit		5,063,043	-
General and administrative expenses	8	(19,112,821)	(14,699,404)
Impairment		-	(44,046,990)
Operating loss		(14,049,778)	(58,746,394)
Finance income	9	5,461,602	347,180
Finance costs	9	(10,120,487)	(489,152)
Net finance costs		(4,658,885)	(141,972)
Loss before income tax		(18,708,663)	(58,888,366)
Income tax recovery/(expense)	10	587,451	(91,656)
Loss for the year		(18,121,212)	(58,980,022)
Other comprehensive income/(loss) net of tax:			
Gain/(loss) on foreign currency translation adjustment	18	32,472	(374,902)
Gain on cash flow hedges	18	3,039,847	-
Total other comprehensive income/(loss)		3,072,319	(374,902)
Total comprehensive loss for the year		(15,048,893)	(59,354,924)
Loss attributable to:			
Owners of the parent company		(18,121,212)	(58,980,022)
Total comprehensive income attributable to:			
Shareholders of the parent company		(15,048,893)	(59,354,924)
Basic and diluted loss per share	11	(0.11)	(0.37)

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

Consolidated Balance Sheet

As at December 31, 2010

Expressed in US\$

	Note	December 31, 2010	December 31, 2009	January 1, 2009
Assets				
Non-current assets				
Property, plant and equipment	12	341,225,045	855,141	565,926
Intangible assets	13	14,784,966	5,630,985	-
Available for sale investments	14	10,400,860	10,000,000	54,046,990
Derivative financial instruments	21	1,246,961	231,429	-
Trade and other receivables	15	20,175,476	753,473	494,564
Total non-current assets		387,833,308	17,471,028	55,107,480
Current assets				
Trade and other receivables	15	13,359,076	1,330,956	7,123,821
Cash and cash equivalents	16	45,023,884	23,447,778	26,667,337
Total current assets		58,382,960	24,778,734	33,791,158
Total assets		446,216,268	42,249,762	88,898,638
Equity and liabilities				
Attributable to owners of the Company				
Share capital	17	16,740,910	107,556,978	107,556,978
Contributed surplus		15,295,518	10,340,554	8,773,957
Other reserves	18	2,740,670	(374,902)	-
Accumulated deficit	17	-	(87,889,150)	(28,909,128)
Total equity		34,777,098	29,633,480	87,421,807
Liabilities				
Non-current liabilities				
Borrowings	20	260,867,531	1,279,197	-
Derivative financial instruments	21	8,830,085	-	-
Deferred tax liabilities	10	8,762,169	772,800	-
Provisions and other liabilities	22	1,285,363	700,824	494,564
Total non-current liabilities		279,745,148	2,752,821	494,564
Current liabilities				
Trade and other payables	23	35,930,641	9,061,848	919,414
Current tax liabilities	10	1,996,862	91,706	-
Borrowings	20	88,089,746	-	-
Derivative financial instruments	21	4,806,750	709,907	62,853
Provisions and other liabilities	22	870,023	-	-
Total current liabilities		131,694,022	9,863,461	982,267
Total liabilities		411,439,170	12,616,282	1,476,831
Total equity and liabilities		446,216,268	42,249,762	88,898,638

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

Expressed in US\$

	Note	Attributable to owners of the Company				Non-controlling interest	Total equity
		Share capital	Contributed surplus	Other reserves	Accumulated deficit	Total	
Balance at January 1, 2009		107,556,978	8,773,957	-	(28,909,128)	87,421,807	- 87,421,807
Comprehensive income:							
Loss for the year		-	-	-	(58,980,022)	(58,980,022)	- (58,980,022)
Other comprehensive loss:							
- Currency translation adjustment	18	-	-	(374,902)	-	(374,902)	- (374,902)
Total comprehensive income		-	-	(374,902)	(58,980,022)	(59,354,924)	- (59,354,924)
Transactions with owners in their capacity as owners:							
Share-based compensation	19	-	1,566,597	-	-	1,566,597	- 1,566,597
Balance at December 31, 2009		107,556,978	10,340,554	(374,902)	(87,889,150)	29,633,480	- 29,633,480
Comprehensive income:							
Loss for the year		-	-	-	(18,121,212)	(18,121,212)	- (18,121,212)
Other comprehensive gain/(loss):							
Cash flow hedges (net of tax)	18	-	-	3,039,847	-	3,039,847	- 3,039,847
Currency translation adjustment	18	-	-	32,472	-	32,472	- 32,472
Total comprehensive income		-	-	3,072,319	(18,121,212)	(15,048,893)	- (15,048,893)
Transactions with owners in their capacity as owners:							
Private placement	17	15,050,619	-	-	-	15,050,619	- 15,050,619
Reduction of share capital	17	(106,010,362)	-	-	106,010,362	-	-
Issuance of shares for options exercised	17	143,675	(54,986)	-	-	88,689	- 88,689
Non-controlling interest on acquisition	5	-	-	-	-	-	224,892 224,892
Acquisition of non-controlling interest	18	-	-	43,253	-	43,253	(224,892) (181,639)
Tax effect of the expiration of warrants	10	-	(261,434)	-	-	(261,434)	- (261,434)
Share-based compensation	19	-	5,710,836	-	-	5,710,836	- 5,710,836
Settlement of share-based payments	15	-	(439,452)	-	-	(439,452)	- (439,452)
Balance at December 31, 2010		16,740,910	15,295,518	2,740,670	-	34,777,098	- 34,777,098

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

Expressed in US\$

	Note	2010	2009
Cash flow from operating activities			
Loss for the year		(18,121,212)	(58,980,022)
Adjustments for:			
Depreciation and amortization	8	5,990,181	233,784
Impairment of investments		-	44,046,990
Current tax expense	10	428,831	91,656
Deferred tax income	10	(1,016,282)	-
Disposal of fixed assets		34,628	-
Interest income		(52,987)	-
Interest expense	9	4,937,674	-
Interest expense – interest rate swap arrangements	9	3,336,718	-
Foreign exchange loss		297,843	-
(Gain)/loss on derivative instruments	9	(4,695,509)	415,625
Loss on changes in fair value of warrants	9	(11,385)	-
Amortization of transaction costs	9	530,640	10,838
Share-based compensation expense	19	5,644,097	1,566,597
Decrease in trade and other receivables		4,715,323	5,534,464
(Decrease)/increase in trade and other payables		(1,165,902)	6,860,265
Total cash flow used in operating activities		852,658	(219,803)
Cash flow from investing activities			
Purchases of property, plant and equipment		(22,495,069)	(477,679)
Purchases of intangible assets		(2,310,747)	(1,909,091)
Purchases of investments	14	(368,130)	-
Acquisition of subsidiaries (net of cash acquired)	5	(42,452,513)	(2,994,922)
Acquisition of assets	12, 13	(9,095,833)	-
Acquisition of non-controlling interest	5	(181,475)	-
Dividends received from available for sale investments		-	1,125,000
Total cash flow used in investing activities		(76,903,767)	(4,256,692)
Cash flow from financing activities			
Interest received		52,987	-
Interest paid	20	(4,008,564)	-
Interest paid relating to swaps		(3,335,603)	-
Repayment of borrowings	20	(20,500,540)	-
Proceeds from private placement	17	15,050,619	-
Proceeds from borrowings	20	111,218,950	1,256,936
Proceeds from the issuance of shares	17	143,675	-
Settlement of share-based payments		(439,452)	-
Total cash flow from financing activities		98,182,072	1,256,936
Net increase/(decrease) in cash and cash equivalents		22,130,963	(3,219,559)
Effect of exchange rate differences		(554,857)	-
Cash and cash equivalents at the beginning of the year		23,447,778	26,667,337
Cash and cash equivalents at the end of the year		45,023,884	23,447,778

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

Expressed in US\$ unless otherwise stated

1. General information

Etrion Corporation (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 St, Vancouver, BC V6Z 3L2, Canada. The Company’s primary listing is on the Toronto Stock Exchange (“TSX”). On November 12, 2010, the Company obtained a secondary listing on the NASDAQ OMX Stockholm exchange in Sweden. At the time of the secondary listing, Lundin Petroleum AB (“Lundin Petroleum”), the Company’s former major shareholder, distributed its 40% ownership in the Company to the shareholders of Lundin Petroleum.

The Group is primarily focused on developing, building, owning and operating solar power plants in Italy.

The Company’s solar power projects are held through its 90% owned subsidiary, Solar Resources Holding, Sarl (“SRH”). The remaining 10% interest of SRH is held by Marco A. Northland, the Chief Executive Officer and Director of the Company (“Mr. Northland”). **Note 3 and 25**

During 2010, the Group grew significantly through the acquisition of several solar power projects located in Italy. **Note 5**

These financial statements are presented in US dollars (“\$”). However, since the primary economic environment in which the Company operates is Euros, certain financial information within the notes to the consolidated financial statements has been presented in Euros (“€”).

2. Summary of significant accounting policies

(a) Basis of preparation

The Canadian Accounting Standards Board (“AcSB”) confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian generally accepted accounting principles (“Canadian GAAP”) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option to early adopt IFRS for periods beginning on or after January 1, 2009, upon receipt of approval from the Canadian securities and regulatory authorities.

On June 22, 2010, the British Columbia Securities Commission authorized the Company to file its consolidated financial statements in accordance with IFRS for the financial periods beginning on or after January 1, 2010.

These consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee that are effective or available for early adoption for accounting periods beginning on January 1, 2010. The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual consolidated financial statements at December 31, 2009, prepared under Canadian GAAP. The impact of transition from Canadian GAAP to IFRS is explained in **Note 4** and the principal accounting policies applied in these consolidated financial statements are set out below.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities (including derivative instruments) that are recognized at fair value through the consolidated statement of comprehensive income.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated annual financial statements. They have also been applied in preparing an opening IFRS balance sheet at January 1, 2009, for the purposes of the transition to IFRS, as required by *IFRS 1, First Time Adoption of International Financial Reporting Standards*.

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 annual financial statements are disclosed in **Note 3**.

The Company’s Board of Directors approved these consolidated financial statements for issue on March 8, 2011.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

Expressed in US\$ unless otherwise stated

2. Summary of significant accounting policies (continued)

(b) Going concern

The consolidated financial statements 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 come due into the foreseeable future.

During the year ended December 31, 2010, the Group incurred a net loss of \$18.1 million (2009: \$59.0 million) and entered into significant commitments relating to the development of its solar parks in Italy. At December 31, 2010, the Group had unrestricted cash and cash equivalents of \$4.7 million. The Group is confident that it will be able to fund its committed capital investment program and working capital requirements throughout 2011. However, internally generated cash flows will not be sufficient to repay the bridge loan of \$75.2 million due in November 2011 or to develop the Group's renewable energy segment through further acquisition and development. Accordingly, the Group will need to refinance the bridge loan or raise additional funds through equity or debt financing. Although the Company is confident that it will be able to refinance the bridge loan or complete the contemplated equity or debt financing by November 2011, there can be no assurance that these initiatives will be successful.

The Group's anticipated growth and development will also require the Group to seek additional funds. The Company's management anticipate that these funds will be obtained from a combination of cash on hand, additional debt or equity financing, vendor financing and non-recourse loans. Again, the Company cannot be certain that capital will be available when needed and as a result, the Group may need to pursue other credit facilities and/or delay discretionary expenditures.

As the Group does not have a secure source of funding to repay the bridge loan, the resulting shortfall in cash flows indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's consolidated annual financial statements do not include the adjustments that would result if the Group is unable to continue as a going concern.

(c) Changes in accounting policies and disclosures

In accordance with *IFRS 1, First Time Adoption of International Financial Reporting Standards*, the following new standards and amendments to standards were adopted by the Group and have been applied consistently from the date of transition (January 1, 2009):

- **The IFRS 3 (revised), Business combinations.** The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group applied IFRS 3 (revised) prospectively to all business combinations from July 1, 2009.
- **IAS 27 (revised), Consolidated and separate financial statements.** The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interest had a deficit balance and there have been no transactions whereby an interest in an entity has been retained after the loss of control of that entity.
- **IAS 36 (amendment), Impairment of assets.** The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

Expressed in US\$ unless otherwise stated

2. Summary of significant accounting policies (continued)

(c) Changes in accounting policies and disclosures (continued)

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- *IFRS 9, Financial instruments (effective January 1, 2013)*. The standard is the first step in the process to replace IAS 39, Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities and carries over from the requirements of IAS 39, *Financial instruments: Recognition and measurement*, derecognition of financial assets and financial liabilities. It is likely to impact the Group's accounting for its financial assets and liabilities. This standard is not applicable until January 1, 2013 but is available for early adoption. The Group is currently assessing the impact that the adoption of IFRS 9 will have on the recognition and disclosures of the interest rate swaps and the valuation of its oil and gas investments.
- *Revised IAS 24 (revised), 'Related party disclosures' (effective January 1, 2011)*. The revised standard supersedes IAS 24, 'Related party disclosures' issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011, earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. As discussed in **Note 25**, the Group carries on transactions with related parties. The adoption of this standard will not have a significant impact on the disclosures of transactions and balances with related parties.
- *'Classification of rights issues' (amendment to IAS 32) (effective February 1, 2010)*. The amendment applies to annual periods beginning on or after February 1, 2010, earlier application is permitted. The amendment addresses the accounting for rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group is currently assessing the impact that the adoption of this amendment will have on the financial statements of the Group.
- *IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective on or after July 1, 2010)*. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. At December 31, 2010, the Group has not entered into transactions that would be affected by this standard.
- *'Prepayments of a minimum funding requirement' (amendments to IFRIC 14) (effective on or after January 1, 2011)*. The amendment corrects an unintended consequence of IFRIC 14 that prohibited entities to recognize as an asset some voluntary prepayments for minimum funding contributions, which was not the intention when IFRIC 14 was issued. At December 31, 2010, the Group has not entered into transactions that would be affected by this
- *IFRS 7, Financial Instruments: Disclosures (effective on or after July 1, 2011)*. The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment is not expected to significantly impact the Group. The amendments are applicable for annual periods beginning on or after July 1, 2011. Disclosures are not required for comparative periods before the date of initial application of the amendments.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

Expressed in US\$ unless otherwise stated

2. Summary of significant accounting policies (continued)

(d) *Basis of consolidation*

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting for the acquisition of subsidiaries or businesses. The consideration for each acquisition is measured at the date of exchange, at the aggregate of the fair values of assets transferred, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The consideration transferred also includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes to the fair values of assets, liabilities and contingent consideration are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized. Acquisition related costs are expensed as incurred.

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 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.

The excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the Group's interest in the fair value of the identifiable net assets is recorded as goodwill. If this amount is less than the Group's interest in the fair value of the identifiable net assets, the difference is recognized immediately in the consolidated statement of comprehensive income as a bargain purchase gain.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. The accounting policies used by subsidiaries, where different from that 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*, or a specific asset or group of assets such as land and/or licenses. Where the project company meets the definition of a business, acquisition 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.

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 amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), 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 amounts recognized at that date.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

Expressed in US\$ unless otherwise stated

2. Summary of significant accounting policies (continued)

(d) *Basis of consolidation (continued)*

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 in equity. Gains or losses on 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 segment.

(f) *Foreign currency translation*

Functional and presentation currency

Effective April 1, 2010, the functional currency of the Company changed from the US dollar to the Euro. This change is a result of the increasing significance of the renewable energy segment within the operations of the Group, and the fact that dividend distributions from the renewable energy segment and sources of financing (such as equity contributions, loans and derivative instruments) are denominated in Euros.

On the date the functional currency changed, all assets, liabilities, issued capital and other components of equity and comprehensive income were translated into Euros at the exchange rates prevailing on April 1, 2010.

The functional currency of the Company's subsidiaries is primarily the Euro, being the currency of the primary economic environment in which each subsidiary operates.

The consolidated financial statements are presented in US dollars, which is the presentational currency of the Group.

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 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 consolidated statement of comprehensive income, except when deferred in other comprehensive income due to a qualifying cash flow hedge.

Group companies

The results and financial position of the subsidiaries, none of which has the currency of a hyper-inflationary economy, that have a functional currency different from the presentational currency of the Group, are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet item are translated at the closing rate at the balance sheet date;
- income and expenses for each statement of comprehensive income are translated at the average exchange rates prevailing during the year; and
- all resulting exchange differences are recognized in 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, the amounts recognized in other comprehensive income are reclassified from equity to profit or loss.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

Expressed in US\$ unless otherwise stated

2. Summary of significant accounting policies (continued)

(f) Foreign currency translation (continued)

Group companies (continued)

In preparing the consolidated financial statements, the individual financial statements of the subsidiary entities are translated into the functional currency of the Company, the Euro. Once the financial statements have been consolidated, they are then translated into the presentational currency, the US dollar.

The exchange rates for the relevant currencies of the Group with respect to the US dollar are:

	CHF/US\$	EUR/US\$	Bs/US\$	CAD\$/US\$
Closing rate at December 31, 2010	1.03	1.34	0.19	1.01
Closing rate at December 31, 2009	0.95	1.44	0.16	0.95
Closing rate at January 1, 2009	0.93	1.33	0.18	0.82
Twelve month average rate December 31, 2010	0.96	1.39	0.17	0.96
Twelve month average rate December 31, 2009	0.92	1.40	0.15	0.88

Note: CHF refers to Swiss francs, EUR refers to Euros, CAD\$ refers to Canadian dollars and Bs refers to Venezuelan bolivars.

(g) Revenue recognition

Revenue

Revenue is recognized upon delivery of electricity to the local operator of the grid, which is a state-owned utility. 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 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.

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 accretion of the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

(h) 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 its working condition for its intended use. The cost for dismantling and removing the 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 continue to be capitalized until the date in which development of the relevant asset is complete.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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2. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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

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 is recognized in the statement of comprehensive income as incurred.

The 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 consolidated statement of comprehensive income within other income and expenses.

Depreciation

Depreciation is recognized in the statement of comprehensive income 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 method 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:

	Useful life
Solar power plants	20 years
Equipment and furniture	3-5 years

The depreciation expense recognized in relation to solar power plants is included within operating costs in the consolidated statement of comprehensive income and the depreciation expense in relation to equipment and furniture is included within general and administrative expenses in the consolidated statement of comprehensive income.

(i) Intangible assets

Licenses and permits

Project permits and licenses acquired in a business combination are recognized at fair value at the date of acquisition. Project permits and licenses also result from the acquisition of a project company accounted for as an asset acquisition as described in **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 usually determined according to the term of the applicable energy supply contract signed with the local grid operator for the solar power plants. The estimated useful life of the project permits and licenses is 20 years. The amortization expense recognized in relation to intangible assets is included within operating costs in the consolidated statement of comprehensive income.

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

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2. Summary of significant accounting policies (continued)

(j) Impairment of tangible assets and other intangible assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts 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 the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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.

Recoverable amount is the higher of the fair value less costs to sell 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 consolidated statement of comprehensive income.

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 impairment loss is recognized immediately in the consolidated statement of comprehensive income.

(k) Goodwill

Goodwill arising on business combinations is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net amount of the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition.

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. 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 allocated to the unit and then to the other assets of the unit 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 consolidated statement of comprehensive income. Any gains or losses recognized on the disposal are included in the carrying amount of goodwill relating to the entity sold.

(l) Provisions

Provisions are recognized when the Group has a present obligation (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 the solar power plants in Italy with an offsetting increase to 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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2. Summary of significant accounting policies (continued)

(m) 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 determine the classification of its financial assets at initial recognition.

- *Financial assets at fair value through profit or loss* are 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 hedges. Assets in this category are classified as current if expected to be settled within the next 12 months or as non-current if expected to be settled after 12 months.
- *Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, 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* are non-derivatives that are either designated in this category or those that are not classified in any of the other categories. They are included in non-current assets unless the investment matures or the Company's management intend to dispose of it within 12 months from the reporting date.
- *Held-to-maturity investments* are financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent on and ability to hold to maturity.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date (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 in the consolidated statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been 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 in the consolidated statement of comprehensive income within finance income/costs in the period in which they arise.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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2. Summary of significant accounting policies (continued)

(n) Impairment of financial assets

Assets carried at amortized cost

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 (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:

- 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.

The Group first assesses whether objective evidence of impairment exists 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 consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the same criteria as for assets carried at amortized cost referred to above. 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 for available-for-sale financial assets, 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 in profit or loss, is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. 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 in the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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2. Summary of significant accounting policies (continued)

(o) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported 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.

(p) 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 re-measured 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: Hedges of a particular risk associated with a recognized asset or liability of a highly probable forecast transaction (cash flow hedge). Hedges that don't qualify for hedge accounting are 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.

The fair values of various derivative instruments used for hedging purposes are disclosed 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 12 months from maturity, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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 in the consolidated statement of comprehensive income within finance income/costs.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated statement of comprehensive income within finance income/costs.

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 consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income within finance income/costs.

Derivatives that do not meet the criteria to be designated as hedging instruments are classified as financial assets at fair value through profit and loss (**Note 3**). Derivatives are recognized at fair value with changes recorded in the consolidated statement of comprehensive income within finance income/costs.

(q) Trade receivables

Trade receivables are amounts due for solar energy produced by the Group and sold to the grid operator in accordance with the electricity sale contracts. If collection is expected in one year or less, they are classified as current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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2. Summary of significant accounting policies (continued)

(r) Cash and cash equivalents

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.

(s) 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.

(t) 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 12 months after balance sheet date. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(u) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost with any difference between the proceeds (net of transaction costs) and the redemption value recognized in the consolidated statement of comprehensive income within finance costs. Since borrowings are floating rate instruments the application of the effective interest rate method is not necessary because re-estimating the future interest payment 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.

(v) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, 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 evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It 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 amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; 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.

Notes to Consolidated Financial Statements

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2. Summary of significant accounting policies (continued)

(v) Current and deferred income tax (continued)

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.

(w) Share-based compensation

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees, officers, directors and non-employees as consideration for equity instruments (options) of the Company. The total amount to be expensed is determined by reference to the fair value of the options granted.

The fair value of share-based compensation 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 contributed surplus. The fair value of any stock options granted to directors, officers and employees of the Group is recorded as an expense over the vesting period of the options, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in contributed surplus.

(x) Employee benefits

Pension obligations

The Group's Swiss subsidiary, Etrion SA, has a funded defined contribution pension plan that is managed through a private fund. Independent actuaries determine the cost of the defined contribution pension 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 payroll. The investment risk is borne by the fund. According to articles of the pension fund regulations, the fund is responsible for remediating any technical underfunding that may exist at any given time. Pension costs are recorded as expenses when incurred.

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: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or 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 Consolidated Financial Statements

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3. Critical accounting estimates and assumptions

In connection with the preparation of these consolidated annual financial statements, the Company's management has made assumptions and estimates about future events and applied judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that the Company's management believe to be relevant at the time the consolidated annual financial statements are prepared. On a regular basis, the Company's management review the accounting policies, assumptions, estimates and judgments to ensure that the 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 our assumptions and estimates, and such differences could be material. The Company's management believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated annual financial statements.

(a) Acquisitions

The Group accounts for business combinations in accordance with *IFRS 3(R), Business Combinations*, which requires measuring the acquired assets and liabilities assumed at fair value at the date of acquisition. The Company's management estimate the fair value of the acquired assets and liabilities using valuation techniques based on the forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") over the expected life (the term of the electricity sale agreements) of the business acquired. The calculations of the forecasted EBITDA are based on the business models developed by the Group to value the projects, and these models include assumptions made by the Company's management that have been confirmed by external advisors, such as a fixed inflation growth rate to estimate future operating costs and future market prices for solar energy and a fixed interest rate to calculate future payments (i.e., not forecasted) based on the interest rate at the date of the valuation. Operating variables such as plane of array irradiation, irradiation yield, degradation factor and transfer losses are estimated by the Group's engineers based on historical atmospheric conditions in the area where the projects are located. The rate used to discount EBITDA for the purposes of calculating the fair value of the acquired assets and liabilities is based on the current market assessment of risk. The models used to value the solar projects are complex and include a wide number of operating and financial variables and assumptions that are subject to changes as economic and market conditions vary. These changes affect the fair value of the acquired assets and liabilities and the amount of goodwill or negative goodwill recognized in the financial statements. [Note 5](#) and [Note 13](#)

(b) Oil and gas investments

The Group recognizes its investments in oil and gas companies at cost less impairment. The recoverable amount of the investments is calculated using the "expected cash flows approach". Under this approach, the Company's management estimate the future cash flows based on future production of proved and probable reserves from the business plan, the current and future prices of oil and gas and the budgeted capital and operating expenditures to maintain production and further develop reserves. These undiscounted cash flows are then risk adjusted to reflect the probability that the Group will receive the future cash flows in the form of dividends. The reserves estimates are obtained from independent reserves studies and business plans, the future prices for oil and gas are based on current prices increased 2% per year, the capital and operating costs are based on the business plans and the risk adjusted probability to receive dividends is based on the history of dividend payments and information from the latest meetings of the Board of Directors of the investees. Any change in the economic circumstances may have a significant impact on the estimates and can result in impairment to the carrying value of the investments. [Note 14](#)

(c) Non-controlling interest

The Group's solar power investments are held through its 90% subsidiary, SRH. The remaining 10% interest is held by Mr. Northland. The non-controlling interest is recognized as a liability which is measured as the higher between Mr. Northland's participation in SRH's net assets and the Company's minimum commitment of €4.0 million (guaranteed floor). When Mr. Northland's 10% participation in the net equity of SRH surpasses the €4.0 million guaranteed floor, the excess is recognized and disclosed as a non-controlling interest. [Note 25](#)

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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3. Critical accounting estimates and assumptions (continued)

(d) Fair value of financial and derivative instruments

In determining the fair value of the Group's financial instruments, the Company's management use judgement to select a variety of methods and verify assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtain fair value measurements from other third parties.

For the financial instruments carried at amortized cost, the estimated fair value of instruments with stated maturity, for which a quoted market price is not available, are estimated based on expected 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 amount.

For the financial instruments carried at fair value, the Group has adopted the following fair value measurement hierarchy:

- **Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The fair values of financial instruments traded in the active market (Level 1 above) are based on quoted market prices at the balance sheet date. At December 31, 2010 and 2009 and January 1, 2009, the Group did not hold financial instruments classified as Level 1.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques 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, 2010 and 2009, and January 1, 2009, the fair value estimates of derivative instruments (interest rate swaps classified as fair value through profit and loss and used for hedging) are included in level 2 of the hierarchy. The fair value of the interest rate swap contracts is calculated as the present value of the estimated future cash flows. The future cash flows are calculated using the notional amount to maturity as per the swap agreement, the observable Euribor interest rate forward yield curves and an appropriate discount factor.

At December 31, 2010 and 2009, and January 1, 2009, the Group does not hold other financial instruments that are included in level 2 or 3 of the hierarchy.

As at December 31, 2010 and 2009, and January 1, 2009, the available for sale investments were carried at cost as no reasonable estimates of fair values were available. **Note 14**

(e) Deferred tax assets

There are differences between the tax base and the carrying amount of assets and liabilities that arise during the normal course of the business. The Group accounts for these differences in accordance with *IAS 12, Income Taxes*, which requires that deferred tax assets be recognized only 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 estimate future taxable profit based on the business model used to value the solar projects as described in the paragraph above. Any changes in the estimates and assumptions for key operational and financial variables may affect the amount of deferred tax assets that the Group recognizes in the consolidated financial statements. **Note 10**

Notes to Consolidated Financial Statements

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3. Critical accounting estimates and assumptions (continued)

(f) *Share-based compensation*

The Group maintains an equity-settled, share-based compensation plan, under which the entity receives services from employees and non-employees as consideration for equity instruments of the Group. In accordance with *IFRS 2, Share-based payments*, the fair value of the share-based compensation is calculated using the Black-Scholes option-pricing model, which requires the Company's management to estimate the expected volatility of the grant, the risk-free interest rate and the dividend yield. The risk free interest rate is based on the information issued by the Central Bank of Canada (which represents the interest rates of bonuses with a due date similar to the life of the option), the expected volatility is estimated based on the historic volatility of the stock for a period similar to the vesting period of the grants and the dividend yield rate is based on the annual dividends per share divided by the price per share. These variables are subject to change together with market and economic conditions, which may have a significant impact on the fair value of the stock options to which the share-based payment expense, amortized over the vesting period, is based. [Note 19](#)

4. Transition to International Financial Reporting Standards

The accounting policies disclosed in [Note 2](#) have been applied consistently in preparing these consolidated annual financial statements for the years ended December 31, 2010 and 2009, and the preparation of an opening balance sheet at January 1, 2009, the transition date from IFRS to Canadian GAAP.

In preparing the opening IFRS balance sheet at January 1, 2009, and the consolidated financial statements for the year ended December 31, 2009, in accordance with IFRS, the Group has adjusted amounts previously reported in accordance with Canadian GAAP.

The guidance for the first time adoption of IFRS is set out in *IFRS 1, First-time Adoption of International Financial Reporting Standards*, which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Group elected to take the following IFRS 1 optional exemption:

- *IFRS 3, Business combinations (revised)*: The Company's management elected not to apply *IFRS 3* to business combinations that occurred before the date of transition.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables.

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4. Transition to International Financial Reporting Standards (continued)

(a) Reconciliation of equity previously reported under Canadian GAAP to IFRS at January 1, 2009

	Reference	Canadian GAAP	Adjustments	IFRS
Assets				
Non-current assets				
Property, plant and equipment		565,926	-	565,926
Available for sale investments		54,046,990	-	54,046,990
Trade and other receivables		494,564	-	494,564
Total non-current assets		55,107,480	-	55,107,480
Current assets				
Trade and other receivables		7,123,821	-	7,123,821
Cash and cash equivalents		26,667,337	-	26,667,337
Total current assets		33,791,158	-	33,791,158
Total assets		88,898,638	-	88,898,638
Equity and liabilities				
Attributable to owners of the Company				
Share capital		107,556,978	-	107,556,978
Warrants	i.	1,867,386	(1,867,386)	-
Contributed surplus	ii.	8,717,778	56,179	8,773,957
Accumulated deficit	ii.	(30,657,482)	1,748,354	(28,909,128)
Total equity		87,484,660	(62,853)	87,421,807
Liabilities				
Non-current liabilities				
Provisions for other liabilities		494,564	-	494,564
Total non-current liabilities		494,564	-	494,564
Current liabilities				
Trade and other payables		919,414	-	919,414
Derivative financial instruments	i.	-	62,853	62,853
Total current liabilities		919,414	62,853	982,267
Total liabilities		1,413,978	62,853	1,476,831
Total equity and liabilities		88,898,638	-	88,898,638

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4. Transition to International Financial Reporting Standards (continued)

(b) Reconciliation of equity previously reported under Canadian GAAP to IFRS at December 31, 2009

	Reference	Canadian GAAP	Adjustments	IFRS
Assets				
Non-current assets				
Property, plant and equipment	iii.	883,509	(28,368)	855,141
Intangible assets	iv., v.	6,732,330	(1,101,345)	5,630,985
Available for sale investments		10,000,000	-	10,000,000
Derivative financial instruments		231,429	-	231,429
Trade and other receivables		753,473	-	753,473
Total non-current assets		18,600,741	(1,129,713)	17,471,028
Current assets				
Trade and other receivables		1,330,956	-	1,330,956
Cash and cash equivalents		23,447,778	-	23,447,778
Total current assets		24,778,734	-	24,778,734
Total assets		43,379,475	(1,129,713)	42,249,762
Equity and liabilities				
Attributable to owners of the Company				
Share capital		107,556,978	-	107,556,978
Warrants	i.	1,867,386	(1,867,386)	-
Contributed surplus	ii.	10,140,783	199,771	10,340,554
Other reserves	iii., vi.	-	(374,902)	(374,902)
Accumulated deficit	ii.	(89,714,560)	1,825,410	(87,889,150)
Total equity		29,850,587	(217,107)	29,633,480
Liabilities				
Non-current liabilities				
Borrowings		1,279,197	-	1,279,197
Deferred tax liabilities	iv.	1,696,791	(923,991)	772,800
Provisions for other liabilities		700,824	-	700,824
Total non-current liabilities		3,676,812	(923,991)	2,752,821
Current liabilities				
Trade and other payables		9,061,848	-	9,061,848
Current tax liabilities		91,706	-	91,706
Derivative financial instruments	i.	698,522	11,385	709,907
Total current liabilities		9,852,076	11,385	9,863,461
Total liabilities		13,528,888	(912,606)	12,616,282
Total equity and liabilities		43,379,475	(1,129,713)	42,249,762

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4. Transition to International Financial Reporting Standards (continued)

(c) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS for the year ended December 31, 2009

	Reference	Canadian GAAP	Adjustments	IFRS
General and administrative expenses	i., ii., iii., v.	(14,467,310)	(232,094)	(14,699,404)
Impairment		(44,046,990)	-	(44,046,990)
Operating loss		(58,514,300)	(232,094)	(58,746,394)
Finance income	iii.	304,107	43,073	347,180
Finance costs	vi.	(754,257)	265,105	(489,152)
Net finance (costs)/income		(450,150)	308,178	(141,972)
Loss before income tax		(58,964,450)	76,084	(58,888,366)
Income tax expense	iii.	(92,628)	972	(91,656)
Loss for the year		(59,057,078)	77,056	(58,980,022)
Other comprehensive loss (net of tax):				
Loss on foreign currency translation adjustment	iii., vi	-	(374,902)	(374,902)
Total other comprehensive loss		-	(374,902)	(374,902)
Total comprehensive loss for the year		(59,057,078)	(297,846)	(59,354,924)
Loss attributable to:				
Owners of the parent company		(59,057,078)	77,056	(58,980,022)
Total comprehensive income attributable to:				
Shareholders of the parent company		(59,057,078)	(297,846)	(59,354,924)
Basic and diluted loss per share		(0.37)		(0.37)

(d) References to the IFRS conversion adjustments

i. This IFRS adjustment relates to the treatment of warrants previously granted, which entitle the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of comprehensive income as they arise within finance costs. Under Canadian GAAP, the warrants were classified as equity and changes in fair value were not recognized.

ii. This IFRS conversion adjustment relates to the accounting treatment for stock options granted by the Company. Under Canadian GAAP, the Company measured forfeitures based on an estimated number of forfeitures expected to be incurred. In addition, the Company used the straight-line method to recognize the graded-vesting features of the stock options. Under IFRS 2, *Share-based Payments*, the Company made an initial estimation of the expected number of forfeitures and subsequently adjusted this estimate to reflect the actual number of awards vested. In addition, each installment of the graded-vesting feature is treated as a separate award as each installment has a different vesting period.

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4. Transition to International Financial Reporting Standards (continued)

(d) References to the IFRS conversion adjustments (continued)

iii. This IFRS conversion adjustment relates to the difference associated with the translation of foreign currency transactions. Under Canadian GAAP, foreign subsidiaries were considered to be an extension of the Company's operations (i.e., not self-sustaining) and, as a result, their functional currency was deemed to be the US\$ with transactions and balances denominated in a different currency translated using current rates, historic rates and average rates depending on the nature of the transactions (i.e., monetary items, non-monetary items and profit and loss items). In accordance with *IFRS 21, The Effects of Changes in Foreign Exchange Rates*, an entity's functional currency is the currency of the primary economic environment in which the subsidiary operates, applying the accounting policy outlined in [Note 2\(f\)](#).

iv. This IFRS conversion adjustment relates to the reversal of a deferred tax liability recognized on the acquisition of SVE, Srl ("SVE"), which was allocated to intangible assets under Canadian GAAP. *IAS 12 Income taxes*, prohibits the recognition of a deferred tax liability if it arises from the initial recognition of specified asset or liability in a transaction that is not a business combination and did not affect accounting or taxable income at the time of the transaction. The acquisition of SVE was accounted for as an asset acquisition (i.e., acquisition of licenses) as detailed in [Note 12](#) and consistent with accounting policies described in [Note 2](#).

v. *IFRS 1, First-time Adoption of International Financial Reporting Standards*, requires that consistent policies be applied from the date of transition to IFRS onwards. This means that *IFRS 3, Business Combinations (revised)* is applicable for the year ending December 31, 2009, and for the opening balance sheet as at January 1, 2009. The acquisition of SRH, which took place in September 2009, applied the original IFRS 3 guidance which allowed acquisition costs to be capitalized.

vi. This IFRS conversion adjustment relates to the reversal of foreign exchange gains and losses resulting from translating the financial statements of a foreign subsidiary. Under Canadian GAAP, these exchange differences were recorded in the consolidated statement of comprehensive income within finance income/costs. In accordance with *IAS 21, The Effects of Changes in Foreign Exchange Rates*, these foreign exchange gains or losses are to be included within other comprehensive income and accumulated in the consolidated statement of changes in equity as a cumulative translation adjustment reserve.

(e) Impact of IFRS transition on the cash flow statement

There were no significant IFRS conversion adjustments affecting the cash flow statement for the year ended December 31, 2009.

5. Business combinations

(a) Acquisition of Helios ITA, Srl ("Helios ITA")

On June 24, 2010, the Company's 90% owned subsidiary, SRH, acquired from Deutsche Bank 90% of the share capital of Helios ITA, an Italian company that owns and operates solar power plants in Italy. The operating assets consist of 6.4 MW of ground-based solar photovoltaic power plants in the Puglia region of Italy. The goodwill arising from the acquisition of \$129,684 (€105,683) is attributable to the expected revenue growth and future market development in Italy within the renewable energy sector. There is no goodwill amount expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for Helios ITA at the acquisition date:

	Euro	USD
Purchase consideration settled in cash	1,500,000	1,840,650
Cash replaced	255,125	313,064
Total	€1,755,125	\$2,153,714

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5. Business combinations (continued)

(a) Acquisition of Helios ITA, Srl ("Helios ITA")

The amount of assets acquired and liabilities assumed at the acquisition date are summarized in the following table:

Allocation of the purchase price to the net identifiable assets:	Euro	USD
Cash and cash equivalents	774,251	950,084
Trade and other receivables	4,728,320	5,802,121
Property, plant and equipment	35,823,649	43,959,200
Intangible assets	820,096	1,006,340
Trade and other payables	(1,975,186)	(2,423,751)
Long-term debt	(34,890,475)	(42,814,102)
Derivative instruments	(3,359,000)	(4,121,829)
Deferred tax liability	(88,942)	(109,141)
Net identifiable assets acquired	€1,832,713	\$2,248,922
Non-controlling interest (10% of net identifiable assets acquired)	(183,271)	(224,892)
Goodwill	105,683	129,684
Net attributable assets	€1,755,125	\$2,153,714

From the date of acquisition to December 31, 2010, Helios ITA contributed \$2.9 million (€2.2 million) to the Group's consolidated revenues for the year and decreased the Group's consolidated net loss for the year by \$1.4 million (€1.0 million). If the acquisition of Helios ITA had occurred on January 1, 2010, the Group's consolidated revenue and net loss for the year ended December 31, 2010, would have increased by \$5.4 million (€4.0 million) and \$5.3 million (€4.0 million), respectively.

As part of the acquisition, SRH repaid a shareholder loan in the amount of \$2.7 million (€2.3 million) advanced to Helios ITA by Deutsche Bank. The debt settled by SRH is included as part of the identifiable net assets acquired and is not included as part of purchase consideration.

The gross amount of trade and other receivables acquired as part of the business combination is \$5.8 million. This amount is expected to be fully collected and the fair value approximates the gross contractual amount.

Prior to the acquisition, Helios ITA paid \$0.9 million (€0.7 million) to Solon S.p.A. ("Solon") as an advance for future plant construction costs. This amount was subsequently written off due to the invalidation of a construction permit. In accordance with the terms of the construction contract, Solon agreed to reimburse the Company for any prior payments made and upon receiving funds from Solon or entering into a settlement agreement with Solon, the Company agreed to pay a portion of the expected payment to Deutsche Bank. Due to the uncertainties associated with the collection of this amount, no receivable has been recognized by Helios ITA at the date of acquisition and the position remains unchanged at the balance sheet date. At December 31, 2010, the Group recognized the corresponding liability to Deutsche Bank of \$0.2 million (€0.1 million), included within trade and other payables, as a settlement agreement was reached with Solon.

Acquisition costs directly attributable to the business combination of \$216,156 (€162,523) have been recognized as part of general and administrative expenses within the consolidated statement of comprehensive income.

On July 16, 2010, SRH acquired the remaining 10% of the share capital of Helios ITA from Sun Energy, SRL for \$181,639 (€150,000). The Group recognized a decrease in non-controlling interests of \$224,892, and no impact on retained earnings.

Note 18

Notes to Consolidated Financial Statements

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5. Business combinations (continued)

(b) Acquisition of SunRay Italy Holding SRL ("SunRay Italy")

On August 5, 2010, the Company's 90% owned subsidiary, SRH, acquired from Sunray Renewable Energy Ltd ("SunRay") 100% of the outstanding shares of SunRay Italy, an Italian company that owns 100% of the project company Cassiopea PV, SRL ("Cassiopea"). Cassiopea owns and operates a 23.9 MW solar power plant in the Lazio region of Italy. As a result of the acquisition, the Group secured a revenue stream and operating cash flows from the operating assets of SunRay Italy. The goodwill arising from the acquisition of \$0.6 million (€0.5 million) is attributable to the revenue growth and future market development in Italy within the renewable energy sector. There is no goodwill amount expected to be deductible for income tax purposes.

The following table summarizes the consideration for SunRay Italy at the acquisition date:

	Euro	USD
Purchase consideration settled in cash	11,575,342	15,260,931
Fair value of consideration payable due to purchase price adjustments	365,943	482,459
Total	€11,941,285	\$15,743,390

The amount of assets acquired and liabilities assumed at the acquisition date are summarized in the following table:

Allocation of the purchase price to the net identifiable assets:	Euro	USD
Cash and cash equivalents	11,505,113	15,168,342
Restricted cash	2,630,752	3,468,383
Trade and other receivables	16,912,681	22,297,679
Property, plant and equipment	137,690,147	181,530,690
Trade and other payables	(25,871,709)	(34,109,263)
Long-term debt	(116,465,021)	(153,547,484)
Other long-term provisions and liabilities	(1,068,763)	(1,409,057)
Derivative financial instruments	(10,391,561)	(13,700,234)
Deferred tax liability	(3,485,237)	(4,594,936)
Net identifiable assets acquired	€11,456,402	\$15,104,120
Goodwill	484,883	639,270
Net attributable assets	€11,941,285	\$15,743,390

From the date of acquisition to December 31, 2010, SunRay Italy contributed \$7.7 million (€5.8 million) to the Group's consolidated revenues for the year and \$0.8 million (€0.6 million) to the Group's consolidated net loss for the year. If the acquisition of SunRay Italy had occurred on January 1, 2010, the Group's consolidated revenue for the year ended December 31, 2010, would have increased by \$23.4 million (€17.7 million), and the Group's consolidated net loss for the year would have decreased by \$3.2 million (€2.4 million).

The restricted cash of \$3.5 million (€2.6 million) recognized at the acquisition date relates to cash provided by SunRay Italy's former shareholder for the purpose of providing a cash guarantee to the project lender banks in respect of the equity contribution in Cassiopea based on the total estimated project costs.

The gross amount of trade and other receivables acquired as part of the business combination is \$22.3 million. This amount is expected to be fully collected and the fair value approximates the gross contractual amount.

Prior to the acquisition, SunRay Italy owed \$32.9 million (€25.0 million) to its former shareholder. As part of the acquisition, SRH repaid \$29.5 million (€22.4 million). During 2010, the lending bank released the restricted cash recognized at acquisition and this amount was used to repay the remaining portion of the former shareholders' loan in November 2010. The debt settled by SRH at acquisition is included as part of identifiable net assets acquired and is not included as part of the purchase consideration.

Notes to Consolidated Financial Statements

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5. Business combinations (continued)

(b) Acquisition of SunRay Italy (continued)

Per the sale and purchase agreement, the consideration paid is subject to a price adjustment that may arise from the correction or revision of initial data used in the calculation of the purchase price. The price revision period ended at the end of February 2011. As of December 31, 2010, no price adjustments have been agreed between the Group and the seller.

The 23.9 MW solar power plant is part of a larger solar park built by SunPower Corporation ("SunPower", the parent company of SunRay). Cassiopea, the first solar power plant built in the park, included a substation with extra capacity. In accordance with the sale and purchase agreement, as future plants are connected within the larger park, a payment is made to Cassiopea for the right to use part of the substation with the net present value of the these payments repaid to SunPower. During 2010, two plants were connected and payment was made to Cassiopea. At December 31, 2010, a non-current provision of \$0.7 million was recognized for the amounts received and a current payable of \$0.6 million was recognized for the amounts owed to SunPower. [Note 22 and 23](#)

Acquisition costs directly attributable to this business combination of \$262,606 (€198,200) have been recognized as part of the general and administrative expenses within the consolidated statement of comprehensive income.

(c) Acquisition of SunRay Italy Holding 2 SRL ("SunRay Italy II")

On October 1, 2010, SRH acquired from SunRay 100% of the outstanding shares of SunRay Italy II, an Italian company that owns 100% of the project company Centauro PV, SRL ("Centauro"). Centauro owns and operates a 8.8 MW solar power plant in the Lazio region of Italy. As a result of the acquisition, the Group has secured a revenue stream and operating cash flows from the operating assets of SunRay Italy II. The goodwill arising from the acquisition of \$0.4 million (€0.3 million) is attributable to the expected revenue growth and future market development in Italy within the renewable energy sector. The goodwill recognized is not expected to be deductible for income tax purposes.

The following table summarizes the consideration for SunRay Italy II at the acquisition date:

	Euro	USD
Purchase consideration settled in cash	6,741,408	9,253,257
Total	€6,741,408	\$9,253,257

Per the sale and purchase agreement, the consideration paid is subject to a price adjustment that may arise from the correction or revision of initial data used in the calculation of the purchase price. The price revision period ends at the end of March 2011. As of December 31, 2010, no price adjustments have been agreed between the Group and the seller.

The amount of assets acquired and liabilities assumed at the acquisition date are summarized in the following table:

Allocation of the purchase price to the net identifiable assets:	Euro	USD
Cash and cash equivalents	7,333,574	10,066,064
Trade and other receivables	5,824,040	7,994,077
Property, plant and equipment	50,276,679	69,009,770
Trade and other payables	(11,473,570)	(15,748,622)
Long-term debt	(40,964,102)	(56,227,326)
Other long-term provisions and liabilities	(168,614)	(231,440)
Derivative financial instruments	(2,066,801)	(2,836,891)
Deferred tax liability	(2,342,900)	(3,215,865)
Net identifiable assets acquired	€6,418,306	\$8,809,767
Goodwill	323,102	443,490
Net attributable assets	€6,741,408	\$9,253,257

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5. Business combinations (continued)

(c) Acquisition of SunRay Italy II (continued)

From the date of acquisition to December 31, 2010, SunRay Italy II contributed \$1.0 million (€0.8 million) to the Group's consolidated revenues for the year and reduced the Group's consolidated net loss for the year by \$1.3 million (€1.0 million). If the acquisition of SunRay Italy II had occurred on January 1, 2010, the Group's consolidated revenue for the year ended December 31, 2010, would have increased by \$10.2 million (€7.8 million) and the Group's consolidated net loss for the year would have been reduced by \$0.8 million (€0.6 million).

As part of the acquisition, SRH repaid a shareholder loan in the amount of \$9.5 million (€6.9 million) advanced to SunRay Italy II. The debt settled by SRH is included as part of the identifiable net assets acquired and is not included as part of purchase consideration.

The gross amount of trade and other receivables acquired as part of the business combination is \$8.0 million. This amount is expected to be fully collected and the fair value approximates the gross contractual amount.

Acquisition costs directly attributable to this business combination of \$64,771 (€48,700) have been recognized as part of the general and administrative expenses within the consolidated statement of comprehensive income.

Fair value estimates

The provisional values of assets and liabilities recognised on acquisition are their estimated fair values at the date of acquisition. *IFRS 3 (revised), Business Combinations*, permits retrospective adjustments to the items recognized in the original accounting for business combinations up to a maximum of one year after the acquisition date, if new information about facts and circumstances existing at the acquisition date becomes available. As a result, the fair values assigned to the assets and liabilities acquired may change in future reporting periods in light of new facts and circumstances that may become available.

6. Segment reporting

The Company's management has determined the operating segments based on reports reviewed by the Board of Directors which are used to make strategic decisions. The Board of Directors consider reportable segments from a products and services perspective and measure performance based on earnings before interest, tax depreciation and amortization expense ("EBITDA").

The Company's management has identified two reportable segments, renewable energy segment, which includes the solar power projects in Europe and the oil and gas segment, which includes the oil and gas investments.

Segment EBITDA, assets and liabilities are measured in a manner consistent with that of the consolidated financial statements.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate property, plant and equipment, cash held by holding entities of the Group and trade and other receivables relating to corporate general and administrative expenses. Goodwill is allocated to reportable segments as outlined in [Note 13](#); and
- all liabilities are allocated to reportable segments other than trade and other payables relating to corporate general and administrative expenses.

Revenues arise primarily from the sale of solar energy produced by the Group's solar power plants in Italy. At December 31, 2010, all solar plants are located in Italy.

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6. Segment reporting (continued)

The following is an analysis of the Group's segment revenues, EBITDA and results for the years ended December 31, 2010 and 2009:

	Renewable energy	Oil and gas	Corporate and unallocated	Total
December 31, 2010				
Segment revenue	11,564,512	-	-	11,564,512
Operating costs (excluding depreciation and amortization)	(752,284)	-	-	(752,284)
General and administrative expenses (excluding depreciation and amortization)	(2,375,874)	-	(16,495,951)	(18,871,825)
Segment EBITDA	8,436,354	-	(16,495,951)	(8,059,597)
Depreciation and amortization	(5,749,185)	-	(240,996)	(5,990,181)
Finance income	3,826,713	-	1,634,889	5,461,602
Finance costs	(5,315,594)	-	(4,804,893)	(10,120,487)
Income/(loss) before income tax	1,198,288	-	(19,906,951)	(18,708,663)
Income tax recovery	513,052	-	74,399	587,451
Income/(loss) for the year	1,711,340	-	(19,832,552)	(18,121,212)
December 31, 2009				
Segment revenue				
General and administrative expenses (excluding Depreciation and amortization)	(28,852)	-	(14,436,768)	(14,465,620)
Impairment	-	(44,046,990)	-	(44,046,990)
Segment EBITDA	(28,852)	(44,046,990)	(14,436,768)	(58,512,610)
Depreciation and amortization	-	-	(233,784)	(233,784)
Finance income	-	-	347,180	347,180
Finance costs	(12,779)	-	(476,373)	(489,152)
Loss before income tax	(41,631)	(44,046,990)	(14,799,745)	(58,888,366)
Income tax expense	-	-	(91,656)	(91,656)
Loss for the year	(41,631)	(44,046,990)	(14,891,401)	(58,980,022)

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6. Segment reporting (continued)

The following is an analysis of the Group's assets and liabilities as at December 31, 2010 and 2009, and January 1, 2009:

	Renewable energy	Oil and gas	Corporate and unallocated	Total
As at December 31, 2010				
Property, plant and equipment	340,883,025	-	342,020	341,225,045
Intangible assets	11,629,887	-	3,155,079	14,784,966
Available for sale investments	-	10,000,000	400,860	10,400,860
Cash and cash equivalents	41,643,254	-	3,380,630	45,023,884
Other assets	32,808,021	-	1,973,492	34,781,513
Total assets	426,964,187	10,000,000	9,252,081	446,216,268
Additions to non-current assets (excluding financial assets and deferred tax)	54,025,916	-	684,068	54,709,984
Borrowings	273,733,001	-	75,224,276	348,957,277
Trade and other payables	24,526,901	1,125,000	10,278,740	35,930,641
Other liabilities	24,670,664	-	1,880,588	26,551,252
Total liabilities	322,930,566	1,125,000	87,383,604	411,439,170
As at December 31, 2009				
Property, plant and equipment	715,774	-	139,367	855,141
Intangible assets	5,630,985	-	-	5,630,985
Available for sale investments	-	10,000,000	-	10,000,000
Cash and cash equivalents	8,841,453	-	14,605,925	23,447,378
Other assets	789,270	-	1,526,988	2,316,258
Total assets	15,977,482	10,000,000	16,272,280	42,249,762
Additions to non-current assets (excluding financial assets and deferred tax)	2,848,474	-	621,110	3,469,584
Borrowings	1,279,197	-	-	1,279,197
Trade and other payables	143,453	1,125,000	7,793,395	9,061,848
Other liabilities	1,835,455	-	439,782	2,275,237
Total liabilities	3,258,105	1,125,000	8,233,177	12,616,282
As at January 1, 2009				
Property, plant and equipment	-	-	565,926	565,926
Available for sale investments	-	54,046,990	-	54,046,990
Cash and cash equivalents	-	-	26,667,337	26,667,337
Other assets	-	-	7,618,385	7,618,385
Total assets	-	54,046,990	34,851,648	88,898,638
Borrowings	-	-	-	-
Trade and other payables	-	-	919,414	919,414
Other liabilities	-	-	557,417	557,417
Total liabilities	-	-	1,476,831	1,476,831

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6. Segment reporting (continued)

The Group operates in three principal geographical areas; Italy, Switzerland and Venezuela. The following is an analysis of the Group's revenue and non-current assets by geographical location:

	Revenue		Non-current assets (excluding financial assets and deferred tax)		
	2010	2009	December 31, 2010	December 31, 2009	January 1, 2009
Italy	11,564,512	-	352,632,590	855,141	-
Switzerland	-	-	564,535	-	-
Venezuela	-	-	10,058,665	10,058,665	54,612,916
Other	-	-	3,155,081	-	-
Total	11,564,512	-	366,410,871	10,913,806	54,612,916

7. Revenue

The following is an analysis of the Group's revenue by revenue stream:

	2010	2009
Feed-in-Tariff ("FiT") revenue	9,632,085	-
Market price revenue	1,932,427	-
Total	11,564,512	-

The Group's operating revenues arise from the sale of electricity to an Italian state-owned company and the operators of the electricity grid. The Italian FiT is a 20-year commitment from the government to purchase 100% of a solar park's electricity production at a constant premium rate. This amount is received directly from the Italian government. The market price is the spot market price received in addition to the FiT on electricity produced paid by the local utilities, Enel S.p.A. and Terna S.p.A.

8. Operating costs and general and administrative expenses

The following is an analysis of the Group's operating costs for the year:

	2010	2009
Operating and maintenance ("O&M") costs	111,341	-
Insurance	305,117	-
Depreciation and amortization	5,749,185	-
Other operating expenses	335,826	-
Total	6,501,469	-

O&M costs of \$0.1 million (2009: \$nil) relate to fees paid in connection with the operation and maintenance of the Group's solar power plants in Italy. The Group outsources the operation and maintenance of the plants to external third parties.

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8. Operating costs and general and administrative expenses (continued)

The following is an analysis of the Group's general and administrative expenses for the year:

	2010	2009
Personnel costs	10,362,002	9,344,132
Professional fees	4,023,738	2,749,224
Office expenses, including travel	2,390,554	2,372,264
Depreciation and amortization	240,996	233,784
Property cost	633,302	-
Listing and marketing fees	372,993	-
Taxes other than income tax	225,962	-
Other general administrative expenses	863,274	-
Total	19,112,821	14,699,404

Professional fees of \$4.0 million (2009: \$2.7 million) include payments made to the Directors of the Company, legal and accounting fees paid in relation to the Group's statutory reporting obligations and the Company's listing requirements on the TSX in Canada and NASDAQ OMX in Sweden and acquisition costs relating to the Group's business combinations. Professional fees for the year ended December 31, 2010 included \$0.5 million (2009: \$0.2 million) of acquisition costs directly attributable to the Group's business combinations made during the year and \$1.3 million for non-recurring professional fees associated with the Company's secondary listing on the NASDAQ OMX exchange in Sweden, the change in the Company's listing category on the TSX and Business Acquisition Reports required in 2010.

The following is an analysis of the Group's personnel costs during the year:

	2010	2009
Salaries and benefits	4,525,217	2,191,162
Defined contribution pension costs	192,688	122,509
Share-based payment expense (non-cash item)	5,644,097	1,566,598
Guaranteed floor compensation expense (non-cash item)	-	5,463,863
Total	10,362,002	9,344,132

Salaries and benefits include termination payments made during the year in order to close the legacy oil and gas office of \$0.4 million (2009: \$0.2 million) and a termination payment to the former general manager in Italy of \$0.3 million (2009: \$nil).

The guaranteed floor compensation expense relates to the 10% interest in SRH, the Group's 90% owned subsidiary, held by Mr. Northland, the Chief Executive Officer and Director of the Company. [Note 25](#)

Refer to [Note 19](#) for further details on the calculation of share-based compensation expense for the year.

The following is an analysis of the Group's headcount at the end of the year (excluding the non-executive Board of Directors):

	2010	2009
Senior management	2	2
Employees	21	17
Total	23	19

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9. Finance income and costs

The following is an analysis of the Group's finance income and expenses:

	2010	2009
Finance income:		
Interest income	52,987	295,713
Fair value gain on financial instruments:		
- Interest rate swap contracts	4,757,718	-
- Ineffective portion reclassified from other comprehensive income	597,540	-
- Warrants	11,385	51,467
Other finance income	41,972	-
Total finance income	5,461,602	347,180
Finance costs:		
Interest rate expense:		
- Credit facilities and non-recourse loans	(3,722,190)	-
- Credit facility with related party Note 25	(1,569,450)	-
- Interest rate swap contracts	(3,336,718)	-
- Amortization of transaction costs	(530,640)	-
Fair value loss on financial instruments:		
- Interest rate swap contracts	(659,749)	(467,093)
Foreign exchange loss	(297,843)	(22,059)
Other finance costs	(357,863)	-
Total finance costs	(10,474,453)	(489,152)
Amounts capitalized on qualifying assets	353,966	-
Total finance costs	(10,120,487)	(489,152)
Net finance costs	(4,658,885)	(141,972)

The Group entered into credit facilities and interest rate swap contracts in order to finance the construction of its solar power plants in Italy. Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment.

At December 31, 2010, the fair value gain on interest rate swap contracts included \$0.6 million relating to the ineffective portion of the Cassiopea cash flow hedge acquired as part of the acquisition of SunRay Italy. This amount was recognized within other comprehensive income.

Refer to [Note 20](#) and [Note 21](#) for further details on the Group's credit facilities and financial instruments.

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10. Income taxes

(a) Income tax expense

	2010	2009
Current income tax expense		
- Corporate income tax	(406,176)	(91,656)
- Municipal income tax	(279,018)	-
- Tax recovery on warrants	256,363	-
	(428,831)	(91,656)
Deferred tax		
- Deferred income tax – current period	(688,249)	-
- Deferred tax benefit – tax losses	1,704,531	-
	1,016,282	-
Total income tax recovery/(expense)	587,451	(91,656)

In accordance with the Canadian Income Tax Act (subsection 49(2)), the Company is deemed to have a capital gain equal to the proceeds received for issuing the warrants. The capital gain is subject to tax at 50% of the corporate income tax rate. The tax expense associated with the expired warrants is recognized in contributed surplus, following the original treatment of this transaction within equity. As the Company used unrecognized capital losses to reduce the current tax liability associated with the warrant expiry, a tax recovery has been recorded in the net tax expense for the year.

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the effective tax rates.

The Group's income tax recovery for the year can be reconciled to the accounting loss at the Canadian statutory tax rate of 28.5% is as follows:

	2010	2009
Loss before tax	(18,708,663)	(58,888,366)
Income expense calculated at 28.5% (2009: 29%)	(5,331,969)	(17,077,626)
Effect of non-deductible expenses	3,696,677	14,355,348
Effect of non-taxable income	(1,003,454)	(931,625)
Tax losses not recognized	2,329,487	6,058,341
Effect of differences in foreign tax rates	(278,192)	(2,312,782)
Total income tax (recovery)/expense	(587,451)	91,656

(b) Current income tax liabilities

	December 31, 2010	December 31, 2009	January 1, 2009
Corporate income tax	1,296,485	91,706	-
Municipal income tax	700,377	-	-
Total	1,996,862	91,706	-

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10. Income taxes (continued)

(c) Deferred tax

The movement of deferred tax assets and liabilities during the year ended December 31, 2010, is as follows:

	Opening balance	Acquisitions	Recognized in profit or loss	Recognized in other statement of comprehensive income	Exchange differences	Closing balance
Taxable temporary differences:						
Property, plant and equipment	-	15,503,112	(306,667)	-	142,782	15,339,227
Intangible assets	772,800	34,662	(654)	-	(52,987)	753,821
Derivative instruments	-	-	(41,003)	68,357	322	27,676
Total deferred tax liability	772,800	15,537,774	(348,324)	68,357	90,117	16,120,724
Deductible temporary differences:						
Intangible assets	-	1,635,321	96,673	-	29,724	1,761,718
Tax losses carried forward	-	22,945	618,551	-	6,663	648,159
Income expense carried forward	-	652,134	1,085,980	-	21,571	1,759,685
Derivative instruments	-	5,289,862	(1,141,110)	(1,084,688)	100,350	3,164,414
Provisions	-	16,974	7,864	-	(259)	24,579
Total deferred tax asset	-	7,617,236	667,958	(1,084,688)	158,049	7,358,555
Net deferred tax liability	772,800	7,920,538	(1,016,282)	1,153,045	(67,932)	8,762,169

At December 31, 2010, deferred income tax assets of \$7.4 million (2009: \$nil), were expected to be recovered after more than twelve months.

The movement of deferred tax liabilities during the year ended December 31, 2009, is as follows:

	Opening balance	Acquisitions	Exchange differences	Closing balance
Taxable temporary differences:				
Intangible assets	-	785,421	(12,621)	772,800
Total deferred tax liability	-	785,421	(12,621)	772,800

The Group recognized no deferred tax at January 1, 2009, and recognized no deferred tax assets during 2009.

Deferred tax assets and liabilities are offset as there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same fiscal authority.

At December 31, 2010, the Group had unrecognized deferred tax assets in respect of tax losses of \$3.4 million (2009: \$11.5 million). Of this amount, \$0.4 million expires in one year and \$3.0 million has no expiry.

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11. Loss per share

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of shares outstanding during the year. The calculation of the basic and diluted loss per share is based on the following data:

	2010	2009
Loss attributable to owners of the Company	(18,121,212)	(58,980,022)
	Number of shares	
Weighted average number of outstanding shares	166,139,572	158,501,120
Basic and diluted loss per share	(0.11)	(0.37)

Diluted loss per share equals basic loss per share as, due to losses incurred in 2010 and 2009, there is no dilutive effect from the subsisting share options, warrants and exchange rights.

12. Property, plant and equipment

	Land	Solar power plants	Assets under construction	Equipment and furniture	Total
Cost:					
At January 1, 2009	-	-	-	1,223,420	1,223,420
Additions	191,587	-	471,120	497,018	1,159,725
Acquisition of assets	-	-	-	152,102	152,102
Disposal	-	-	-	(985,934)	(985,934)
Impairment	-	-	-	(30,000)	(30,000)
Exchange differences	(7,232)	-	(17,780)	(49,967)	(74,979)
At December 31, 2009	184,355	-	453,340	806,639	1,444,334
Additions	201,592	-	40,918,527	271,865	41,391,984
Acquisition of subsidiaries Note 5	8,190,550	283,397,902	2,906,882	4,326	294,499,660
Acquisition of assets	4,812,996	-	-	-	4,812,996
Decommissioning and site restoration costs Note 22	-	621,423	-	-	621,423
Transfer from/(to) assets under construction	-	22,876,027	(22,876,027)	-	-
Disposal	-	-	-	(160,451)	(160,451)
Exchange differences	140,152	4,402,519	440,013	14,937	4,997,621
At December 31, 2010	13,529,645	311,297,871	21,842,735	937,316	347,607,567
Accumulated depreciation:					
At January 1, 2009	-	-	-	657,494	657,494
Charge for the year	-	-	-	233,784	233,784
Disposals	-	-	-	(302,042)	(302,042)
Exchange differences	-	-	-	(43)	(43)
At December 31, 2009	-	-	-	589,193	589,193
Charge for the year	-	5,722,098	-	122,280	5,844,378
Disposals	-	-	-	(125,823)	(125,823)
Exchange differences	-	70,130	-	4,644	74,774
At December 31, 2010	-	5,792,228	-	590,294	6,382,522
Net book value:					
At January 1, 2009	-	-	-	565,926	565,926
At December 31, 2009	184,355	-	453,340	217,446	855,141
At December 31, 2010	13,529,645	305,505,643	21,842,735	347,022	341,225,045

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12. Property, plant and equipment (continued)

On April 30, 2010, the Group completed the acquisition of the non-operating project companies from Deutsche Bank with 10 MW of permitted projects ready for construction and a development pipeline of more than 150 MW in various stages of development. This acquisition has been accounted for as an asset acquisition. The transaction resulted in the Group recognizing of land of \$4.8 million (€3.6 million).

At December 31, 2010, assets under construction relate to the construction of the Etrion Lazio power plants in Italy. The solar power plants were fully constructed in December 2010, but were not connected to the electricity grid until after the balance sheet date. Upon connection, the costs will be transferred to solar power plant assets in accordance with the Group's accounting policy.

At December 31, 2010, the total net book value of solar power plants is pledged as collateral under the credit facilities disclosed in [Note 20](#).

As at December 31, 2010, the Group recognized \$0.6 million (2009: \$nil) of costs included within solar power plant assets associated with the Group's future decommissioning and site restoration provision. [Note 22](#)

Borrowing costs of \$0.4 million (2009: \$nil) were capitalized during the year within property, plant and equipment. [Note 9](#)

During 2010, the Group disposed of furniture and leasehold improvements associated with its legacy oil and gas office. The cost and accumulated depreciation of the assets disposed of were \$0.2 million (2009: \$1.0 million) and \$0.1 million (2009: \$0.3 million), respectively.

13. Intangible assets

	Goodwill	Licenses and permits	Other	Total
Cost:				
At January 1, 2009	-	-	-	-
Additions	-	2,920,053	-	2,920,053
Acquisition of subsidiary	704,514	2,185,767	22,713	2,912,994
Exchange differences	(9,076)	(192,693)	(293)	(202,062)
At December 31, 2009	695,438	4,913,127	22,420	5,630,985
Additions	-	1,975,730	13,178	1,988,908
Acquisition of subsidiaries Note 5	1,212,444	1,006,340	-	2,218,784
Acquisition of assets	-	5,176,851	319,560	5,496,411
Exchange differences	(41,988)	(225,081)	(341)	(267,410)
At December 31, 2010	1,865,894	12,846,967	354,817	15,067,678
Accumulated amortization:				
At January 1, 2009 and December 31, 2009	-	-	-	-
Charge of the year	-	279,427	-	279,427
Exchange differences	-	3,285	-	3,285
At December 31, 2010	-	282,712	-	282,712
Net book value:				
At January 1, 2009	-	-	-	-
At December 31, 2009	695,438	4,913,127	22,420	5,630,985
At December 31, 2010	1,865,894	12,564,255	354,817	14,784,966

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13. Intangible assets (continued)

On April 30, 2010, the Group completed the acquisition of the non-operating project companies from Deutsche Bank with 10 MW of permitted projects ready for construction and a development pipeline of more than 150 MW in various stages of development. This acquisition has been accounted for as an asset acquisition. As a result of the acquisition, the Group recognized permitted projects (licenses) and development contracts for \$5.5 million (€4.1 million).

In June 2010, the Group purchased 100% of the project company Etrion Lazio for an aggregate purchase price of \$1.2 million (€0.9 million). Etrion Lazio owns the required permits for the construction of the 3.5 MW Borgo Piave solar power plant in the Lazio region of Italy. The transaction was accounted for as an asset acquisition. As a result of the acquisition, the Group recognized \$1.2 million of licenses.

On August 5, 2010, the Group purchased 100% of the outstanding shares of an Italian entity, Smart Power, SRL, for an aggregate purchase price of \$0.5 million (€0.4 million), which owns the required permits for the construction of the 1.7 MW Rio Martino solar power plant in the Lazio region. The transaction was treated as an asset acquisition. As a result of the acquisition, the Group recognized \$0.5 million of licenses.

Goodwill impairment testing

Goodwill recognized on business combinations is allocated to the cash-generating unit ("CGU") expected to benefit from the synergies of the combination in accordance with the Group's accounting policy.

The CGU's relating to the Group's renewable energy segment to which the goodwill has been allocated is as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Renewable energy segment (Italy):			
CGU 1 (SVE)	33,772	695,438	-
CGU 2 (Helios ITA)	127,155	-	-
CGU 3 (Helios ITA 3)	198,679	-	-
CGU 4 (Etrion Lazio)	58,538	-	-
CGU 5 (Cassiopea)	916,959	-	-
CGU 6 (Centauro)	530,791	-	-
Total goodwill	1,865,894	695,438	-

The goodwill allocated to CGU 1 of \$0.7 million at December 31, 2009, was reallocated to all of the Group's solar power projects in 2010 as these projects are all expected to benefit from the goodwill recognized upon the acquisition of SRH in 2009. At December 31, 2010, the Group assessed the recoverable amount of goodwill and determined that the recoverable amount of the CGU's to which goodwill had been allocated exceeded the carrying value. This resulted in no impairment for the year ended December 31, 2010 (2009: \$nil).

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14. Categories of financial instruments

(a) Financial assets

	Available for sale	Loans and receivables	Assets at fair value through profit and loss	Derivative instruments used in hedging relationships	Total
At December 31, 2010					
Non-current assets					
Available for sale investments	10,400,860	-	-	-	10,400,860
Derivative financial instruments	-	-	-	1,246,962	1,246,962
	10,400,860	-	-	1,246,962	11,647,822
Current assets					
Trade and other receivables	-	7,459,538	-	-	7,459,538
Cash and cash equivalents	-	45,023,884	-	-	45,023,884
	-	52,483,422	-	-	52,483,422
At December 31, 2009					
Non-current assets					
Available for sale investments	10,000,000	-	-	-	10,000,000
Derivative financial instruments	-	-	231,429	-	231,429
	10,000,000	-	231,429	-	10,231,429
Current assets					
Trade and other receivables	-	1,346,046	-	-	1,346,046
Cash and cash equivalents	-	23,447,778	-	-	23,447,778
	-	24,793,824	-	-	24,793,824
At January 1, 2009					
Non-current assets					
Available for sale investments	54,046,990	-	-	-	54,046,990
	54,046,990	-	-	-	54,046,990
Current assets					
Trade and other receivables	-	6,385,726	-	-	6,385,726
Cash and cash equivalents	-	26,667,337	-	-	26,667,337
	-	33,053,063	-	-	33,053,063

Available for sale investments

	Company's share	December 31, 2010	December 31, 2009	January 1, 2009
PetroCumarebo, SA	40%	1,900,000	1,900,000	40,649,650
Baripetrol SA	5%	8,100,000	8,100,000	13,397,340
Energy Service Provider ("ESP")	2%	400,860	-	-
Total available for sale investments		10,400,860	10,000,000	54,046,990

At December 31, 2010 and 2009, and January 1, 2009, the available for sale investments represent unquoted equity investments. The investments in PetroCumarebo SA ("PetroCumarebo") and Baripetrol SA ("Baripetrol") are accounted for at cost less impairment, as their fair values cannot be measured reliably. The investments in PetroCumarebo and Baripetrol are denominated in US dollars and the investment in ESP is denominated in Euros.

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14. Categories of financial instruments (continued)

(a) Financial assets (continued)

Available for sale investments (continued)

The Group's wholly-owned subsidiary, PFC Oil and Gas, CA ("PFC"), owns 40% of PetroCumarebo and 5% of Baripetrol, two Venezuelan companies controlled by Petróleos de Venezuela ("PDVSA"), the Venezuelan national oil company. PetroCumarebo holds the operating rights to the East and West Falcon blocks in northwestern Venezuela and has current onshore production of oil and natural gas. Baripetrol holds the operating rights to the Colon Block in western Venezuela and has current onshore production of oil and natural gas.

On June 24, 2010, the Group's 90% owned subsidiary, SRH, acquired an investment in ESP, an Italian solar developer, as part of the acquisition of the Deutsche Bank solar portfolio in Italy.

At December 31, 2010 and 2009, and January 1, 2009, the investment in PetroCumarebo has been classified as an available for sale investment as the Group does not have the ability to exercise significant influence over the financial or operational decisions of this company. This is primarily due to the political situation in Venezuela, which has hindered the collection of dividends in recent years.

Impairment of available for sale investments

As at December 31, 2010 and 2009, available for sale investments were reviewed for impairment indicators.

No impairment indicators have been identified in relation to the Group's investment in ESP.

As explained in **Note 3**, due to the uncertainties over the collection of future dividends from PetroCumarebo and Baripetrol, the Company's management performed a review of the carrying values and estimated recoverable amounts of the Group's oil and gas investments. No impairment was provided for at December 31, 2010, as the expected recoverable amounts of the investments exceeded their carrying values. At December 31, 2009, the Group recognized an impairment loss of \$44.0 million associated with these investments, due to the fact that the carrying amount of the investments exceeded the recoverable amounts, based on the risk-adjusted net present value of the expected cash flows expected from the receipt of dividends associated with these investments.

Refer to **Note 3** for details on the methodology to calculate the recoverable value of these available for sale investments.

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14. Categories of financial instruments (continued)

(b) Financial liabilities

	Liabilities at fair value through profit or loss	Other financial liabilities	Derivative instruments used in hedging relationships	Total
At December 31, 2010				
Non-current liabilities				
Borrowings	-	260,867,531	-	260,867,531
Derivative financial instruments	2,066,269	-	6,763,816	8,830,085
	2,066,269	260,867,531	6,763,816	269,697,616
Current liabilities				
Trade and other payables	-	10,477,536	-	10,477,536
Borrowings	-	88,089,746	-	88,089,746
Derivative financial instruments	1,589,981	-	3,216,769	4,806,750
	1,589,981	98,567,282	3,216,769	103,374,032
At December 31, 2009				
Non-current liabilities				
Borrowings	-	1,279,197	-	1,279,197
	-	1,279,197	-	1,279,197
Current liabilities				
Trade and other payables	-	8,964,386	-	8,964,386
Derivative financial instruments	709,907	-	-	709,907
	709,907	8,964,386	-	9,674,293
At January 1, 2009				
Current liabilities				
Derivative financial instruments	62,853	-	-	62,853
	62,853	-	-	62,853

On February 1, 2010, 5,000,000 warrants included within derivative financial instruments expired unexercised. Refer to [Note 10](#) for further disclosure on the deemed gain recognized under the Canadian Income Tax Act and the associated income tax recovery recognized during the year.

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15. Trade and other receivables

	December 31, 2010	December 31, 2009	January 1, 2009
Current portion			
Financial assets			
- Trade receivables	5,603,045	-	-
- Term deposits	1,378,735	18,060	-
- Other financial assets	477,758	1,327,986	6,385,726
Total financial assets Note 14	7,459,538	1,346,046	6,385,726
Prepaid taxes and input value added tax ("VAT")	5,978,952	49,469	933,134
Advances paid and prepaid expenses	155,928	243,961	125,359
Other current assets	96,533	-	-
Impairment loss provision	(331,875)	(308,520)	(320,398)
Total current portion of trade and other receivables	13,359,076	1,330,956	7,123,821
Non-current portion			
Input VAT	19,918,289	753,473	494,564
Advances paid and prepaid expenses	314,911	-	-
Impairment loss provision	(57,724)	-	-
Total non-current portion of trade and other receivables	20,175,476	753,473	494,564
Total trade and other receivables	33,534,552	2,084,429	7,618,385

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

The carrying values of the financial assets approximate their fair value due to these assets having a relatively short maturity, as the Group has no non-current financial assets.

Prepaid tax and input VAT primarily relates to amounts expected to be collected from eligible expenditure from the relevant authorities in Italy associated with the Group's solar power projects. A portion of the value added tax associated with the Group's solar power projects in Italy is classified as non-current as the amounts are expected to be recovered after 12 months from the balance sheet date. In addition, a tax credit receivable of \$1.2 million included within the current portion of prepaid taxes and input VAT relates to the Group's past oil and gas operations.

Term deposits include \$1.1 million (2009: \$nil) of restricted cash associated the Helios ITA acquisition. These amounts are expected to be released in March 2011.

The carrying amounts of the Group's financial assets within trade and other receivables are denominated in the following currencies:

	December 31, 2010	December 31, 2009	January 1, 2009
US dollars	-	-	6,385,726
Euros	32,075,069	330,494	125,359
Canadian dollars	161,550	32,450	-
Swiss francs	187,240	44,327	-
Venezuelan bolivars	1,110,693	1,677,158	1,107,300
	33,534,552	2,084,429	7,618,385

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15. Trade and other receivables (continued)

As at December 31, 2010, trade and other receivables of \$2.0 million (2009: \$nil) were past due but not impaired. These amounts were owed from the Italian state-owned utility company and were received after the balance sheet date. In 2008, the tax credit receivable associated with the Group's oil and gas investments was impaired by \$0.3 million, with no subsequent impairment recognized. The change to the Group's provision during 2010 of \$23,355 relates to foreign exchange movements (2009: \$11,878).

The creation and release of provision for trade and other receivables have been included in the general and administrative expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group does not hold any collateral as security.

16. Cash and cash equivalents

	December 31, 2010	December 31, 2009	January 1, 2009
Cash at banks	45,023,884	9,121,497	1,775,827
Short-term deposits	-	14,326,281	24,891,510
	45,023,884	23,447,778	26,667,337

The Group's cash and cash equivalents are held in bank accounts of highly rated banks in Canada, Luxembourg, Switzerland, Italy and Venezuela. The fair value of cash and cash equivalents approximates its carrying value due to short maturities.

In 2009, the short-term deposits earned a variable interest rate ranging from 0.15% to 2.20%.

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

	December 31, 2010	December 31, 2009	January 1, 2009
Unrestricted cash and cash equivalents	4,747,980	19,723,038	26,667,337
Cash and cash equivalents restricted to solar projects	40,275,904	3,724,740	-
	45,023,884	23,447,778	26,667,337

Restricted cash relates to cash and cash equivalents held at the project level which are restricted by the lending banks for future repayment of interest and principal and working capital requirements relating to the specific project. 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 dividend distributions.

17. Share capital

The Company has authorized capital consisting of an unlimited number of common shares, of which 179,766,120 are issued and outstanding as at December 31, 2010. In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which are currently issued. The common shares of the Company have no par value. The common shares of the Company are all of the same class, carry voting rights and entitle shareholders to receive dividends as and when declared by the Board of Directors.

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17. Share capital (continued)

The following shows the movement in the number and value of common shares:

	Number of common shares	Share capital
At January 1, 2009 and December 31, 2009	158,501,120	\$107,556,978
Private placement	21,000,000	15,050,619
Stock options exercised	265,000	143,675
Reduction of stated capital	-	(106,010,362)
At December 31, 2010	179,766,120	\$16,740,910

On April 14, 2010, the Company issued 265,000 shares with a fair value of \$0.54 (CAD\$0.56) as a result of stock options exercised during the year ended December 31, 2010. [Note 19](#)

On August 23, 2010, the Company completed an equity financing through a private placement of 21,000,000 common shares at a price of \$0.72 (CAD\$0.75) per share to arm's length investors, raising gross proceeds of \$15.1 million (CAD\$15.8 million).

At an extraordinary general meeting held in October 2010, the shareholders of the Company approved a resolution to reduce the Company's stated capital effective December 31, 2010, by an amount equal to the Company's accumulated deficit at December 31, 2010, to better reflect the Company's actual and expected capitalization and shareholder's equity. After giving effect to the capital reduction, the Company's share capital was reduced by \$106.0 million (2009: \$nil) to \$16.7 million. A corresponding amount was used to reduce the Group's accumulated deficit to \$nil (2009: \$87.9 million).

No amount was distributed to shareholders on the reduction of the Company's capital, and no dividends were declared in 2010 or 2009.

On February 1, 2010, 5,000,000 warrants expired unexercised. Refer to [Note 10](#) for income tax implications to the expired warrants.

18. Other reserves

	Translation reserve	Hedge reserve	Transactions with non-controlling interests	Total other equity reserve
At January 1, 2009	-	-	-	-
Currency translation difference:				
- Loss on translation adjustment	(374,902)	-	-	(374,902)
At December 31, 2009	(374,902)	-	-	(374,902)
Currency translation difference:				
- Gain on translation adjustment	32,472	-	-	32,472
Cash flow hedges:				
- Fair value gains during the year	-	2,878,072	-	2,878,072
- Taxation on fair value gains	-	(799,341)	-	(799,341)
- Transfer of ineffective portion to profit and loss	-	(597,540)	-	(597,540)
- Tax on transfer of ineffective portion to profit and loss	-	164,324	-	164,324
- Transfer of effective portion to profit and loss	-	1,923,228	-	1,923,228
- Tax on transfer of effective portion to profit and loss	-	(528,896)	-	(528,896)
Transactions with non-controlling interests	-	-	43,253	43,253
At December 31, 2010	(342,430)	3,039,847	43,253	2,740,670

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18. Other reserves (continued)

On July 16, 2010, SRH acquired the remaining 10% of the share capital of Helios ITA from Sun Energy, SRL for \$0.2 million. The amount of \$43,253 in other equity reserves represents the excess of the carrying value of the non-controlling interest at the date of acquisition over the purchase price. [Note 5](#)

Included within other comprehensive income during 2010 was \$3.6 million representing the gain on cash flow hedges, net of tax and before the reclassification of the ineffective portion of \$0.6 million. [Note 9](#)

The hedge reserve comprises of the effective portion of changes in the fair value of the interest rate swaps that are designated and qualify as cash flow hedges.

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

The 10% non-controlling interest in the Company's subsidiary, SRH, held by Mr. Northland, is accounted for as a financial liability, included within trade and other payables. At December 31, 2010, \$5.3 million (2009: \$5.7 million) was recognized as a financial liability. [Note 25](#)

19. Share-based compensation

The Company maintains an equity-settled stock option awards scheme. All outstanding stock options have a contractual term between five and ten years and generally vest over the period of three years. The exercise price is set equal to the share market price at the date of grant. In certain circumstances, the Board of Directors of the Company may authorize different vesting periods for particular stock options granted. Options are conditional on the employee being active during the vesting period.

The Group recognized \$5.6 million in 2010 relating to share-based payments (2009: \$1.6 million), of which \$4.8 million related to the carried interest on the exchange right held by the Company's Chief Executive Officer and Director. [Note 25](#)

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19. Share-based compensation (continued)

A summary of the shares outstanding during the years ended December 31, 2010 and 2009, are as follows:

	Number of share options	Weighted average exercise price (CAD\$)
At January 1, 2009	9,333,660	1.77
Granted	4,510,000	0.48
Forfeited	(2,460,020)	2.20
At December 31, 2009	11,383,640	1.16
Granted	1,677,200	0.68
Forfeited	(2,723,640)	1.60
Settled	(2,020,000)	1.90
Exercised	(265,000)	0.35
At December 31, 2010	8,052,200	0.73
Share options exercisable:		
At January 1, 2009	8,883,660	1.47
At December 31, 2009	7,571,972	1.47
At December 31, 2010	4,671,668	0.81

A summary of the stock options issued and outstanding at December 31, 2010, is set out below:

Exercise price (CAD\$)	Number of share options outstanding	Number of share options exercisable	Expiry date	Weighted average contractual life (years)
0.25	100,000	66,667	December 12, 2013	2.94
0.35	400,000	400,000	March 11, 2011	0.19
0.35	265,000	265,000	November 30, 2011	0.91
0.35	290,000	96,667	May 13, 2014	3.36
0.55	2,540,000	1,180,000	September 10, 2014	3.69
0.60	100,000	100,000	October 20, 2014	3.80
0.61	580,000	-	January 6, 2015	4.02
0.66	797,200	-	December 7, 2015	4.93
0.86	125,000	-	October 18, 2015	4.80
0.90	175,000	-	April 27, 2015	4.32
1.00	1,090,000	1,090,000	March 11, 2011	0.19
1.00	790,000	790,000	November 30, 2011	0.91
1.00	200,000	200,000	June 26, 2017	6.49
1.23	150,000	150,000	December 26, 2016	5.99
1.37	100,000	66,667	August 13, 2013	2.62
1.55	100,000	100,000	March 10, 2016	5.19
1.59	250,000	166,667	April 28, 2018	7.32
	8,052,200	4,671,668		

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19. Share-based compensation (continued)

The Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. The stock option compensation expense 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:

	2010	2009
Weighted average share price at grant date	CAD\$0.76	CAD\$0.51
Exercise price	CAD\$0.76	CAD\$0.51
Risk-free interest rate	2.50%	2.32%
Expected volatility	99.00%	100.93%
Dividend yield rate	0.00%	0.00%
Contractual life of stock options	5 years	5 years
Fair value at grant date	CAD\$0.42	CAD\$0.36

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 after September 30, 2010, the Company has used the daily share price since September 30, 2009, the date the Company completed its first renewable energy acquisition.

20. Borrowings

	Societe Generale and Dexia	BIIS, Societe Generale and WestLB	Barclays	Centrobanca	Natixis, WestLB and Mediocredito	Lundin Services	Total
Carrying value at January 1, 2009	-	-	-	-	-	-	-
Proceeds from loans	-	-	-	1,256,936	-	-	1,256,936
Accrued interest	-	-	-	1,928	-	-	1,928
Amortization of transaction costs	-	-	-	10,838	-	-	10,838
Exchange difference	-	-	-	9,495	-	-	9,495
Carrying value December 31, 2009	-	-	-	1,279,197	-	-	1,279,197
- Current portion	-	-	-	-	-	-	-
- Non-current portion	-	-	-	1,279,197	-	-	1,279,197
Carrying value at January 1, 2010	-	-	-	1,279,197	-	-	1,279,197
Proceeds from loans	5,290,031	-	-	11,453,801	6,319,998	88,155,120	111,218,950
Borrowings assumed on acquisition	39,999,226	153,551,753	56,253,126	-	-	-	249,804,105
Repayment of loans and interest	(3,040,500)	(6,238,992)	(60,615)	(41,084)	-	(15,127,913)	(24,509,104)
Interest expense	593,183	2,372,731	500,967	255,308	-	1,569,451	5,291,640
Amortization of transaction costs	46,273	110,933	18,543	66,077	-	288,814	530,640
Exchange difference	3,840,178	2,233,075	(1,485,678)	415,470	-	338,804	5,341,849
Carrying value December 31, 2010	46,728,391	152,029,500	55,226,343	13,428,769	6,319,998	75,224,276	348,957,277
- Current portion	5,039,740	5,636,851	1,647,527	541,352	-	75,224,276	88,089,746
- Non-current portion	41,688,651	146,392,649	53,578,816	12,887,417	6,319,998	-	260,867,531

The fair values of these borrowings approximate their carrying values as the facilities have floating interest rates.

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20. Borrowings (continued)

All credit facilities are denominated in Euros. The fair values of current and non-current borrowings are determined using discounted cash flows at the interest rates prevailing as at balance sheet date. At December 31, 2010 and 2009, all borrowings bore a floating interest rate which were hedged through interest rate swap arrangements. These credit facilities are floating rate instruments hence the carrying amount approximates fair value. At December 31, 2010, the Group was not in breach of any of the imposed operational and financial covenants associated with its borrowings.

The Group's borrowings mature as follows:

	December 31, 2010
Less than 1 year	88,089,746
Between 1 and 5 years	39,757,611
After 5 years	221,109,920
Total borrowings	348,957,277

Societe Generale and Dexia Facility

With the acquisition of Helios ITA ([Note 5](#)), the Group assumed the loan payable to Societe Generale and Dexia related to the credit facility agreement entered into in December 2008 to finance the construction of the solar power plant. The facility provides a credit line for the total amount of \$60.1 million (€45.0 million) and bears a contractual interest rate of Euribor plus a margin, ranging from 1.35% for the first two years, 2.25% between the second and the fifth year and 2.5% thereafter. The loan is due in 2024 and is payable in installments. Total transaction costs incurred to enter into the facility amounted to \$1.2 million (€0.9 million). At December 31, 2010, the availability period of the credit line provided under the loan facility expired.

In order to secure the facility, the Group pledged as collateral the fixed assets associated with Helios ITA, including the solar power plant and land. The value of the collateral at December 31, 2010, was \$48.4 million. In addition, the repayment of the facility is secured principally by the proceeds from the sale of electricity under contracts entered into by Helios ITA and Enel Spa, and the proceeds from the collection of input VAT accumulated for solar power plant construction costs.

The operations of Helios ITA are restricted with operational and financial covenants. At December 31, 2010, the Group was not in breach with any of the imposed covenants.

Banca Infrastrutture Innovazione e Sviluppo (Intesa Sanpaolo Group), Societe Generale, and WestLB Facility ("BIIS")

With the acquisition of SunRay Italy and Cassiopea ([Note 5](#)), the Group assumed the loan payable to BIIS related to the credit facility agreement for \$160.3 million (€120.0 million), with Societe Generale's participation in the financing partially guaranteed by SACE S.p.A., the Italian export credit agency. The loan includes two separate facilities: term facility A of \$144.3 million (€108.0 million) matures on June 30, 2028, and VAT facility B of \$16.0 million (€12.0 million) matures on September 30, 2013. Interest on the loan is payable at Euribor plus a margin, ranging from 2.75% for the first seven years and 3% thereafter for facility A. The margin for facility B is fixed at 1.85%. Total transaction costs incurred by the seller to enter into the facility amounted to €3.8 million. At December 31, 2010, the undrawn facility amount is \$1.6 million (€1.2 million).

In order to secure the facility, the Group pledged as collateral fixed assets of Cassiopea, including solar plant and land. The value of the Group's fixed assets held as collateral at December 31, 2010 was \$180.1 million. The repayment of the facility is secured principally by the proceeds from the sale of electricity under contracts entered into by Cassiopea and Enel Spa, and the proceeds from the collection of input VAT accumulated for solar power plant construction costs.

The operations of Cassiopea are restricted with operational and financial covenants. At December 31, 2010, the Group was not in breach of any of the imposed covenants.

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20. Borrowings (continued)

Barclays

With the acquisition of SunRay Italy II and Centauro ([Note 5](#)), the Group assumed the loan payable to Barclays related to the credit facility agreement for \$59.5 million (€44.5 million). The loan includes two separate facilities: term facility A of \$53.5 million (€40.0 million), which matures on September 30, 2028, and VAT facility B of \$6.0 million (€4.5 million), which matures on March 31, 2014. The facilities are payable in installments and bear a contractual interest rate of Euribor plus a margin, ranging from 2.6% from financial close until the project completion date, 2.5% between project completion date and the sixth anniversary of project completion date, 2.6% between the sixth and the eleventh anniversary of project completion date and 2.7% thereafter.

In order to secure the facility, the Group pledged as collateral all of the fixed assets associated with Centauro, including the solar plant and land. The value of the collateral at December 31, 2010 was \$66.3 million. The facility is secured principally by the proceeds from the sales of electricity under contracts entered into by Centauro and Enel Spa, and proceeds from the collection of input VAT associated with the solar power plant construction costs.

The operations of Centauro are restricted with operational and financial covenants. At December 31, 2010, the Group was not in breach of any of the imposed covenants.

Natixis, WestLB and Mediocreval

In December 2010, the Group entered into a loan agreement with Natixis, WestLB and Mediocreval to finance the construction of solar power plants in Italy. The loan includes four separate facilities: term facility A of \$24.3 million (€18.2 million), term facility B of \$51.9 million (€38.9 million), VAT facility A of \$2.6 million (€1.9 million) and VAT facility B of \$5.6 million (€4.2 million). The facilities A and B mature on June 30, 2029, and the VAT facility matures on December 31, 2015. Interest on the loan is payable at Euribor plus a margin, ranging from 2.55% for the first year, 2.6% between the second and the fifth year, 2.65% between the sixth and eighth year, 2.9% between the ninth and the twelfth year and 3.1% thereafter for facilities A and B. The margin for the VAT is fixed at 1.75%. Total transaction costs incurred by the seller to enter into the facility amounted to \$2.4 million (€1.8 million). At December 31, 2010, the undrawn facility amount is \$75.6 million (€56.6 million).

In order to secure the facility, the Group pledged as collateral fixed assets of Etrion Lazio, including solar plants and land. The value of the Group's fixed assets held as collateral at December 31, 2010, was \$20.2 million. The facility is secured principally by the proceeds from the sale of electricity under contracts entered into by Etrion Lazio and Enel Spa, and the proceeds from the collection of input VAT accumulated for solar power plant construction costs.

The operations of Etrion Lazio are restricted with operational and financial covenants. At December 31, 2010, the Group was not in breach of any of the imposed covenants.

Centrobanca

On November 4, 2009, the Italian subsidiary, SVE signed a credit facility agreement with Centrobanca, an Italian bank owned by UBI Group, to finance the construction of 4.0 MW solar power project in Italy. The loan includes two facilities: term facility A of \$22.7 million (€17.1 million) and VAT facility B of \$0.9 million (€1.2 million). The facilities have a term of 17.5 years and bear a contractual interest rate of 6-month Euribor plus a margin of 3.9% on 90% of the principal amount and a floating rate of Euribor plus a margin of 2.5% on the remaining 10% of the principal amount during the first five years, 2.7% during the second five years and 3.0% thereafter. Total transaction costs related to this facility amounted to \$1.2 million (€0.9 million).

In order to secure the facility, the Group pledged as collateral fixed assets of SVE, including solar plant and land. The value of the Group's fixed assets held as collateral at December 31, 2010, was \$19.0 million. The repayment of the facility is secured principally by the proceeds from the sale of electricity under contracts entered into by SVE and Enel Spa, and the proceeds from the collection of input VAT accumulated for solar power plant construction costs.

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20. Borrowings (continued)

Centrobanca (continued)

The operations of SVE are restricted with operational and financial covenants. At December 31, 2010, the Group was not in breach of any of the imposed covenants.

Lundin Services loan

In April 2010, the Company entered into a loan facility agreement with Lundin Services BV, subsequently revised, for up to €60.0 million in order to finance capital and operating expenditures of the Group (the “bridge loan”). The bridge loan matures on November 15, 2011. The bridge loan bears an interest rate of Euribor plus a margin of 3% until March 31, 2011, with a margin of 5% thereafter. Total transaction costs incurred to arrange the facility amounted to \$0.4 million (€0.3 million).

During 2010, the Group borrowed \$88.2 million (€67.0 million) from the loan facility and repaid \$15.1 million (€11.6 million), resulting in a balance outstanding at December 31, 2010 of \$75.2 million (€56.1 million), including accrued interest and the amortization of transactions costs. At December 31, 2010, the undrawn facility amount is \$6.2 million (€4.6 million), which expires at the maturity of the loan. **Note 24**

21. Derivative financial instruments

The Group's net position for derivative instruments is as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Financial assets:			
Interest rate swaps – cash flow hedge			
Non-current portion	1,246,961	-	-
Interest rate swaps – at fair value through profit or loss			
Non-current portion	-	231,429	-
Total derivative financial assets	1,246,961	231,429	-
Financial liabilities:			
Interest rate swaps – cash flow hedge			
Current portion	3,216,769	-	-
Non-current portion	6,763,816	-	-
Interest rate swaps – at fair value through profit or loss			
Current portion	1,589,981	698,522	-
Non-current portion	2,066,269	-	-
Warrants – at fair value through profit or loss			
Current portion	-	11,385	62,853
Total derivative financial liabilities	13,636,835	709,907	62,853

At December 31, 2010, the notional amount of interest rate swaps was \$308.0 million (2009: \$22.3 million). All interest rate swaps are denominated in Euros. The fair market value of the instruments at December 31, 2010, resulted in a net liability of \$12.4 million (2009: \$0.5 million) due to a lower Euribor forecasted curve in comparison with projections in the hedge agreements.

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21. Derivative financial instruments (continued)

Interest rate swaps at fair value through profit or loss

Derivative financial instruments at fair value through profit or loss represent interest rate swap contracts entered into in order to economically hedge the risk of variations in the Group's cash flows as a result of floating interest rates on the Group's loan facility agreements associated with Helios ITA and SVE. These interest rate swap contracts do not meet the criteria for hedge accounting as outlined in *IAS 39, Financial Instruments: Recognition and Measurement*, and as a result, changes to the fair value of these financial instruments are recognized in the consolidated statement of comprehensive income in finance costs. Refer to **Note 9** for details on fair value gains and losses recognized in the financial statements in relation to these derivative financial instruments.

Interest rate swaps – cash flow hedges

Derivative financial instruments designated as cash flow hedges represent interest rate swap contracts entered into 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 loan facility agreements associated with Cassiopea, Centauro and Etrion Lazio. These interest rate swap arrangements qualify for hedge accounting in accordance with *IAS 39, Financial Instruments: Recognition and Measurement* and, as a result, any gain or loss associated with the change in fair value of these financial instruments is recognized within other comprehensive income. If any portion of the hedge is ineffective, the ineffective portion is transferred from the hedge reserves in equity to finance costs within the consolidated statement of comprehensive income. Derivatives designated as hedging instruments have been effective since inception throughout the year ended December 31, 2010.

At December 31, 2010, the fixed interest rates on the Group's interest rate swaps varied from 3.227% to 4.125%, and the floating interest rates were 6-month Euribor. During 2010, the effective and ineffective portion of the Group's gains associated with these hedged financial instruments (net of tax), were \$3.0 million and \$0.4 million, respectively, with the ineffective portion of \$0.4 million, being reclassified from the hedge reserve in equity to finance income in the statement of comprehensive income (2009: \$nil). The gain of \$3.0 million recognized at December 31, 2010, within the hedge reserve in equity will be released to the statement of comprehensive income within finance costs until the related borrowings are repaid.

Warrants

On February 1, 2010, 5,000,000 warrants expired unexercised. According to the Canadian Income Tax Act (subsection 49(2)), the Company is deemed to have a capital gain equal to the proceeds received for issuing the warrants. **Note 10**

Notes to Consolidated Financial Statements

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22. Provisions and other liabilities

	Decommissioning and site restoration	Tax claims	Right of use	Total
At January 1, 2009	-	494,564	-	494,564
Additions	-	209,985	-	209,985
Exchange differences	-	(3,725)	-	(3,725)
	-	700,824	-	700,824
Non-current	-	700,824	-	700,824
Current	-	-	-	-
Total provision at December 31, 2009	-	700,824	-	700,824
At January 1, 2010	-	700,824	-	700,824
Additions	621,423	71,003	663,940	1,356,366
Exchange differences	-	98,196	-	98,196
	621,423	870,023	663,940	2,155,386
Non-current	621,423	-	663,940	1,285,363
Current	-	870,023	-	870,023
Total provision at December 31, 2010	621,423	870,023	663,940	2,155,386

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 plants after their expected closure. The amount of the provision for site restoration is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of solar plants. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of discount and inflation rates.

No provision for decommissioning and site restoration was recognized at December 31, 2009 or January 1, 2009.

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

	2010
Discount rate	5.17%
Inflation rate	2%
Average expected life of solar power plant	20 years

The discount rate of 5.17% represents the government bond-yield rate in Italy for a period equivalent to the expected life of the solar power plants. 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 various 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.

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22. Provisions and other liabilities (continued)

Tax claims

At December 31, 2010, the Group recognized a provision for tax claims of \$0.9 million (2009: \$0.7 million; January 1, 2009: \$0.5 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.

The Group has submitted compensation requests to the SENIAT in order to offset these amounts owing with input VAT outstanding from the tax authorities in Venezuela. At December 31, 2010, the Group has not received a response from the SENIAT. If the Venezuelan tax authority declines the Group's request, the Group will be liable for the entire amount of \$0.9 million (2009: \$0.7 million; January 1, 2009: \$0.5 million).

Deferred income - right of use

In August 2010, the Group acquired a 23.9 MW solar power plant (Cassiopea) as outlined in **Note 5**. The solar power plant is part of a larger solar park, previously built by SunPower Corporation ("SunPower", the parent company of SunRay). Cassiopea, being the first solar power plant built in the park, 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 with the net present value of these payments to be repaid to SunPower. During 2010, two solar power plants were connected to the grid and accordingly Cassiopea received \$1.2 million for their 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 to be repaid to SunPower.

23. Trade and other payables

	December 31, 2010	December 31, 2009	January 1, 2009
Financial liabilities			
Trade payables	2,600,512	2,076,986	-
Exchange right obligation Note 25	5,344,800	5,762,400	-
Payable to Baripetrol	1,125,000	1,125,000	-
Other financial liabilities	1,407,224	-	-
Total financial liabilities Note 14	10,477,536	8,964,386	-
Accrued expenses	24,198,124	97,462	919,414
Other trade and other payables	1,254,981	-	-
Total trade and other payables	35,930,641	9,061,848	919,414

During 2009, the Group received \$1.1 million from Baripetrol, a company in which the Group has a 5% interest, as an advance for dividends from operations during 2008. When the dividends are declared, this amount will be reclassified as income from available for sale investment.

Accrued expenses at December 31, 2010, of \$24.2 million (2009: \$0.1 million) include \$17.7 million for the construction of the Etrion Lazio and SVE solar power projects.

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23. Trade and other payables (continued)

The carrying value of the Group's financial liabilities within trade and other payables approximates its fair value due to the relatively short maturity of these liabilities. The carrying amounts of the Group's financial liabilities are denominated in the following currencies:

	December 31, 2010	December 31, 2009	January 1, 2009
US dollars	1,969,046	1,959,349	434,114
Euros	32,157,120	6,334,288	-
Swiss francs	1,370,516	616,843	-
Swedish krona	297,973	-	-
Venezuelan bolivars	135,986	151,368	485,300
	35,930,641	9,061,848	919,414

24. Financial Instruments

(a) Significant accounting policies

Details of significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases of recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in [Note 2](#).

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through optimization of the debt to equity balance.

The capital structure of the Group consists of net debt (long and short-term borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued share capital, reserves and accumulated deficit). [Note 17](#) and [18](#)

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 Group'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 debt to equity ratio and working capital at the Group level. These objectives are primarily met through cash management and continuous review of attractive acquisition and development opportunities. In order to maintain or adjust the capital structure, the Company 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 expand its presence within the renewable energy segment.

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24. Financial Instruments (continued)

(b) Capital risk management (continued)

At December 31, 2010, the Group had a debt to equity ratio of 2.0 determined as the proportion of net debt, excluding non-recourse loans secured by the Group's solar power projects in Italy, to equity. The Group had no borrowings, excluding non-recourse loans, at December 31, 2009, and had no borrowings at January 1, 2009. The debt to equity ratio at December 31, 2010, is as follows:

	December 31, 2010
Borrowings ⁽¹⁾ Note 20	348,957,277
Non-recourse loans ⁽²⁾	(273,733,001)
Net borrowings	75,224,276
Unrestricted cash and cash equivalents Note 16	(4,747,980)
Net debt	70,476,296
Equity ⁽³⁾	34,777,098
Net debt to equity ratio	2.0

Notes:

- (1) Debt is defined as long and short-term borrowings (excluding derivatives).
- (2) Non-recourse loans relate to the facilities governing the Group's solar power projects.
- (3) Equity includes all capital and reserves of the Group that are managed as capital.

(c) Financial risk management objectives

The Group is exposed to a variety of financial risks relating to its operations in Italy. These risks include market risk (including currency risk, cash flow interest rate 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 seek 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 risk exposures.

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

Market risk

The Group's activities expose it to the following market risks:

- **Interest rate risk**

The Group's business model is based on high-leverage financing for the construction of its projects. As a consequence, the Group enters into non-recourse, variable interest rate borrowings with financial institutions that provide financing for 80% to 85% of total project costs.

The Group is exposed to interest rate risk because the Group borrows at floating interest rates, which is partially offset by cash held at variable rates. At December 31, 2010, the Group had significant cash balances that were not subject to material interest income and no short-term investments.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010

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24. Financial Instruments (continued)

(c) Financial risk management objectives (continued)

Market risk (continued)

Interest rate risk (continued)

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swap contracts, primarily entered into with the same banks providing the underlying debt facility. Such interest rates 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 the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amount at specified intervals (primarily quarterly). Such contracts enable the Group to mitigate the risk of cash flow exposures on the issued floating debt. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using forward interest rate curves at the end of the reporting period.

The following table shows the sensitivity analysis of profit for the year ended December 31, 2010, if interest rates on Euro-denominated borrowing had been 10 basis points ("bps") higher or lower with all other variables held constant, shown after hedging activities:

		+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
Societe Generale and Dexia	(46,728,391)	(43,813)	-	43,813	-
BIIS, Societe Generale and WestLB	(152,029,500)	(135,996)	-	135,996	-
Barclays	(55,226,343)	(8,884)	-	8,884	-
Centrobanca	(13,428,769)	(6,264)	-	6,264	-
Natixis, WestLB and Mediocrevel	(6,319,998)	(386)	-	386	-
Lundin Services	(75,224,276)	(28,118)	-	28,118	-
	(348,957,277)	(223,461)	-	223,461	-
Derivative financial instruments	(12,389,874)	610,704	1,631,984	(779,301)	(1,651,635)
Total net impact	(361,347,151)	387,243	1,631,984	(555,840)	1,651,635

Foreign currency risk

The Group operates internationally (mainly in Europe) and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc, US dollar and Venezuelan bolivar. The Group's foreign currency exposure is due primarily to intercompany borrowings made in Euros 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 in foreign operations in order to hedge the risk of foreign currency variations.

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. Further, monetary assets and liabilities held in currencies other than the functional currencies of the individual subsidiaries are considered insignificant.

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24. Financial Instruments (continued)

(c) Financial risk management objectives (continued)

Market risk (continued)

▪ Price risk

The Group is not exposed to significant commodity price risk. The price of the solar energy generated by the Group's operations and sold to the Italian state-owned utility company is set in long-term contracts based on a FiT.

However, the Group is exposed to price risks associated the electricity sold at the spot rate and with its available-for-sale investments. As the available-for-sale investments relate to unquoted equity investments, the fair value cannot be reliably measured. At December 31, 2010, the Group has accounted for available for sale financial instruments at cost less impairment. Refer to **Note 14** for further discussion.

▪ Credit risk

Credit risk mainly arises from cash and cash equivalents and derivative instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only highly rated leading European institutions operating in local markets are accepted. The sales of electricity are made to the state-owned utility company, and therefore the credit risk associated with trade receivables is considered low.

The carrying amount of financial assets, disclosed in **Note 14**, net of provisions for their impairment represents the Group's maximum exposure to credit risk. The Group does not have policies in place to assign internal ratings and 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 arrangements) is considered to be limited because the counterparties are financial institutions with high and medium credit ratings assigned by international credit agencies.

Liquidity risk

The Group manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching maturity profiles of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and availability to fund through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines. The Company's management monitor the Group's liquidity position taking into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

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24. Financial Instruments (continued)

(c) Financial risk management objectives (continued)

Liquidity risk (continued)

The following table details the Group's financial liabilities into relevant maturity groupings based on the remaining period 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 end of the reporting period.

	Carrying amount	Contractual amount	Less than 1 year	1 to 5 years	More than 5 years	Total
At December 31, 2010						
Borrowings	(348,957,277)	(539,434,910)	(96,162,896)	(106,576,550)	(336,695,464)	(539,434,910)
Interest rate swaps (net)	(12,389,874)	(10,739,599)	(6,825,040)	(11,356,582)	7,442,023	(10,739,599)
Trade and other payables	(35,930,641)	(35,930,641)	(35,930,641)	-	-	(35,930,641)
	(397,277,792)	(586,105,150)	(138,918,577)	(117,933,132)	(329,253,441)	(586,105,150)
At December 31, 2009						
Borrowings	(1,279,197)	(39,855,784)	(697,822)	(5,481,502)	(33,676,460)	(39,855,784)
Interest rate swaps (net)	(467,093)	(968,463)	(716,057)	(1,039,401)	786,995	(968,463)
Trade and other payables	(9,061,848)	(9,061,848)	(9,061,848)	-	-	(9,061,848)
	(10,808,138)	(49,886,095)	(10,475,727)	(6,520,903)	(32,889,465)	(49,886,095)

The Group was not exposed to significant liquidity risk at January 1, 2009.

25. Related party disclosure

For the purposes of preparing these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under ordinary control, or can exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24, *Related Party Disclosures*. The Group's major shareholder is the Lundin family, held through various trusts, which collectively own approximately 25% of the Company's share capital. Prior to November 2010, when the Company dual listed on the NASDAQ OMX Stockholm exchange in Sweden, the largest shareholder of the Company was Lundin Petroleum.

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 in this note. Details of transactions between the Group and other related parties are disclosed below.

During the years ended December 31, 2010 and 2009, the Group entered into the following transactions with related parties:

	Purchase of goods and services	
	2010	2009
General and administrative expenses		
Lundin Services BV	85,350	114,770
Lundin Petroleum SA	93,776	19,191
Pacific Oil and Gas LLC	-	562,500
Finance costs		
Lundin Services BV		
- Interest expense	1,569,450	-
- Loan transaction costs	288,813	-
	2,037,389	696,461

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25. Related party disclosure (continued)

These related party transactions entered into by the Group were carried out in the normal course of operations and have been contracted on an arm's length basis.

At December 31, 2010 and 2009, and January 1, 2009, the amounts outstanding to related parties were as follows:

	Amounts owed to related parties		
	December 31, 2010	December 31, 2009	January 1, 2009
Current liabilities			
Lundin Services SA (borrowings)			
Bridge loan	75,224,276	-	-
General and administrative expenses	32,037	16,680	-
Lundin Petroleum SA	5,501	9,910	-
Pacific Oil and Gas LLC	-	36,218	-
	75,261,814	62,808	-

There were no amounts owed from related parties at December 31, 2010 and 2009, and January 1, 2009, and no amounts owing to related parties at January 1, 2009.

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.

The remuneration of key management personnel during the year was as follows:

	2010	2009
Salaries and short-term benefits, including bonuses	1,494,540	1,043,921
Remuneration to members of the Board of Directors (non-executive directors)	240,000	602,133
Termination benefits	425,282	150,000
Share-based payment	5,161,743	6,771,010
	7,321,565	8,567,064

Termination benefits of \$0.4 million in 2010 relate to a payment made to a former director of the Board as compensation. This amount was included within equity following the original treatment of the stock options at grant.

At December 31, 2010 and 2009, and January 1, 2009, the amounts outstanding to key management personnel were as follows:

	Amounts owed to key management personnel	
	December 31, 2010	December 31, 2009
Mr. Northland's non-cash compensation	5,344,800	5,762,400
Directors of the Board	60,000	-
Other (bonus payable and pension costs payable)	703,957	365,370
	6,108,757	6,127,770

There were no amounts owed from key management personnel at December 31, 2010 and 2009, and January 1, 2009, and no amounts owed to key management personnel at January 1, 2009.

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25. Related party disclosure (continued)

(a) *Lundin Services BV*

The Group receives professional services (technical and legal) from Lundin Services BV (“Lundin Services”), a wholly-owned subsidiary of Lundin Petroleum. The Chief Executive Officer of Lundin Petroleum is a Director of the Company and, as a result, any services provided by Lundin Services are considered non-arm’s length transactions.

In addition, the Company entered into a loan agreement with Lundin Services to draw up to \$80.4 million (€60 million). At December 31, 2010, the Group had drawn \$73.1 million (€55.4 million). **Note 20**

(b) *Lundin Petroleum SA*

The Group also receives professional services from Lundin Petroleum SA, a wholly-owned subsidiary of Lundin Petroleum.

(c) *Pacific Oil and Gas LLC*

Pacific Oil and Gas, LLC (“Pacific Oil and Gas”) is controlled by the former Vice Chairman of the Board, Clarence Cottman, and the Company’s former President and Chief Executive Officer, William Gumma.

(d) *Mr. Northland’s exchange right and the Shareholders Agreement*

Guaranteed floor

At the acquisition of SRH in September 2009, the Company entered into a Shareholders Agreement (the “Agreement”) with Mr. Northland, the Chief Executive Officer and Director of the Company, who holds the remaining 10% interest of SRH. The Agreement provides Mr. Northland with a right to exchange his 10% equity interest in SRH, for a period of five years, for an equivalent fair value of shares in the Company with a guaranteed floor on the exchange of €4.0 million. Any portion of Mr. Northland’s equity interest in SRH that has not been exchanged for shares of the Company at the end of the five-year period will be automatically exchanged. The Company has recognized a liability relating to this exchange right of \$5.3 million (2009: \$5.7 million) at the balance sheet date and a related non-cash compensation expense in 2009 of \$5.5 million for the excess of this liability over the fair value of Mr. Northland’s 10% equity interest in SRH at the date of the acquisition. The Company will continue to recognize the fair value of the exchange right as a liability until such time as it is exercised or deemed to be exercised.

Carried interest on the initial investments

The Agreement also provides for any additional funds required by SRH in order to fund its operations up to €17.7 million to be paid by the Company on behalf of Mr. Northland without any fixed term of repayment. Upon the acquisition of SRH, the Group advanced \$1.9 million (€1.4 million) to SRH as an intercompany loan which, under the agreement, Mr. Northland is entitled to receive 10% of any payments of interest or principal there under. At December 31, 2010, the Group had not repaid any of the principal and the Company’s management do not expect any payments to be made in the foreseeable future. As a result, no expense has been recognized in relation to Mr. Northland right to receive 10% of any repayment of principal. If principal repayments or interest payments are subsequently expected to be made, Mr. Northland’s entitlement would be expensed over the expected period of repayment.

Carried interest on the additional investments

In addition, the Agreement requires the Company to issue loans to Mr. Northland for an amount up to €8.0 million to maintain Mr. Northland’s 10% interest in any future equity investments made by the Company into SRH. The Company has accounted for the carried interest in accordance with *IFRS 2*, Share-based Payments, as outlined in **Note 19**. During 2010, \$4.8 million (\$0.9 million) was recognized in relation to this arrangement.

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26. Commitments

Development pipeline and fees

The operations of the Group require it to enter into share purchase agreements with local developers of renewable energy projects in Europe, pursuant to which, subject to certain conditions, local legal entities undertake to sell the Group one or more project companies following contribution in kind of permitted projects for the construction of solar plants. As at December 31, 2010, the Company had entered into certain agreements with Italian local developers for the acquisition of the outstanding shares of one or more project companies in Italy.

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, 2010, the Group had contractual obligations to acquire construction services in the amounts of \$45.4 million (2009: \$24.2 million) associated with the construction of the Helios ITA 3 solar power project to which 85% is financed through a non-recourse loan.

27. Subsequent events

In March 2011, the Italian government issued a decree proposing revisions to the current FiT regime for new projects effective June 1, 2011. Pursuant to the decree, a new FiT regime is expected to be approved by April 30, 2011 and may include an annual cap on the overall capacity of solar PV plants eligible for the FiT, as well as a 1 MW cap for ground-mounted plants on agricultural land, among other restrictions. It is not yet known what the specific changes to the FiT regime would be or what effect, if any, these changes would have on the Company's projects under construction (Helios ITA 3) or development, but the Company's operational projects would not be affected.