

2017

ETRION CORPORATION

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

CONTENTS

▪	INDEPENDENT AUDITOR'S REPORT	1
▪	CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME For the year ended December 31, 2017	3
▪	CONSOLIDATED BALANCE SHEET As at December 31, 2017	4
▪	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended December 31, 2017	5
▪	CONSOLIDATED STATEMENT OF CASH FLOW For the year ended December 31, 2017	6
▪	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at and for the year ended December 31, 2017	7



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Etrion Corporation

We have audited the accompanying consolidated financial statements of Etrion Corporation and its subsidiaries (the "entity"), which comprise the consolidated balance sheet as of December 31, 2017 and 2016, and the consolidated statement of net income and comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Etrion Corporation and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 12, 2018

CONSOLIDATED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000

	2017	2016
	Note	
Continuing operations		
Revenue	8	21,848
Operating expenses	9	(19,456)
Gross income (loss)		2,392
General and administrative expenses	10	(9,357)
Impairment	11	(225)
Other income		534
Operating loss		(6,656)
Finance income	12	439
Finance costs	12	(21,715)
Net finance costs		(16,727)
Gain on deconsolidation of subsidiary	6	41,015
Income (loss) before income tax		17,632
Income tax expense	13	(1,125)
Income (loss) for the year from continuing operations		16,507
Profit from discontinued operations, net of tax	7	-
Net income (loss) for the year		16,507
Other comprehensive income:		
Items that may be reclassified to profit and loss:		
Gain (loss) on currency translation		3,924
Loss on cash flow hedges, net of tax		(380)
Cash flow hedges, net of tax – discontinued operations	7	-
Items that will not be reclassified to profit and loss:		
Actuarial gain of post-employment benefits	28	170
Total other comprehensive income		3,714
Total comprehensive income (loss) for the year		20,221
Income (loss) attributable to:		
Common shareholders		19,551
Non-controlling interest	15	(3,044)
Total comprehensive income (loss) attributable to:		
Common shareholders		23,295
Non-controlling interest	15	(3,074)
Total comprehensive income (loss) attributable to owners of Etrion from:		
Continuing operations		23,295
Discontinued operations		-
Basic and diluted earnings (loss) per share from continuing operations	14	\$0.06
Basic and diluted earnings (loss) per share from income (loss) of the year	14	\$(0.13)

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

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2017

Expressed in US\$'000

		December 31 2017	December 31 2016
	Note		
Assets			
Non-current assets			
Property, plant and equipment	16	140,608	189,599
Intangible assets	17	9,725	15,879
Deferred income tax assets	13	2,771	2,848
Trade and other receivables	19	647	5,964
Total non-current assets		153,751	214,290
Current assets			
Derivative financial instruments	26	319	-
Trade and other receivables	19	14,862	13,177
Cash and cash equivalents (including restricted cash)	20	43,203	61,174
Total current assets		58,384	74,351
Total assets		212,135	288,641
Equity			
Attributable to common shareholders			
Share capital	21	111,304	111,304
Contributed surplus		12,538	11,989
Other reserves	23	(13,766)	(17,340)
Accumulated deficit		(101,047)	(120,768)
Total attributable to common shareholders		9,029	(14,815)
Non-controlling interest	15	818	(31,474)
Total equity		9,847	(46,289)
Liabilities			
Non-current liabilities			
Borrowings	24	170,784	269,350
Derivative financial instruments	26	8,788	8,347
Provisions	27	4,620	5,618
Other liabilities	27	3,323	22,521
Total non-current liabilities		187,515	305,836
Current liabilities			
Trade and other payables	29	3,493	10,671
Current tax liabilities	13	535	558
Borrowings	24	8,917	15,427
Derivative financial instruments	26	1,444	1,167
Other liabilities	27	384	1,271
Total current liabilities		14,773	29,094
Total liabilities		202,288	334,930
Total equity and liabilities		212,135	288,641

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

Approved by the Board of Directors:

"Marco Antonio Northland"

Marco A. Northland, CEO and Director

"Aksel Azrac"

Aksel Azrac, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000

	Attributable to common shareholders				Total	Non-controlling interest	Total equity	
	Share capital	Contributed surplus	Other reserves	Accumulated deficit				
	Note							
Balance at January 1, 2016		111,304	11,547	(37,782)	(78,039)	7,030	(626)	6,404
Comprehensive loss:								
- Loss for the year		-	-	-	(43,153)	(43,153)	(31,265)	(74,418)
- Other comprehensive loss:								
Cash flow hedges (net of tax)	23	-	-	26,553	-	26,553	(469)	26,084
Currency translation	23	-	-	(4,840)	-	(4,840)	(96)	(4,936)
Actuarial loss on post-employment benefits	28	-	-	-	424	424	-	424
Total comprehensive loss		-	-	21,713	(42,729)	(21,016)	(31,830)	(52,846)
Transactions with owners in their capacity as owners:								
- Stock options exercised	22	-	(46)	-	-	(46)	-	(46)
- Written call options	23	-	-	(1,271)	-	(1,271)	-	(1,271)
- Share-based payments	22	-	488	-	-	488	-	488
- Capital contributions	15	-	-	-	-	-	982	982
Balance at December 31, 2016		111,304	11,989	(17,340)	(120,768)	(14,815)	(31,474)	(46,289)
Comprehensive income (loss):								
- Income for the year		-	-	-	19,551	19,551	(3,044)	16,507
- Other comprehensive income (loss):								
Cash flow hedges (net of tax)	23	-	-	(326)	-	(326)	(54)	(380)
Currency translation	23	-	-	3,900	-	3,900	24	3,924
Actuarial gain on post-employment benefits	28	-	-	-	170	170	-	170
Total comprehensive income (loss)		-	-	3,574	19,721	23,295	(3,074)	20,221
Transactions with owners in their capacity as owners:								
- Share-based payments	22	-	549	-	-	549	-	549
- Loan conversion and other	15	-	-	-	-	-	17,788	17,788
- Deconsolidation of subsidiary	15	-	-	-	-	-	17,578	17,578
Balance at December 31, 2017		111,304	12,538	(13,766)	(101,047)	9,029	818	9,847

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000

		2017	2016
	Note		
Operating activities:			
Net income (loss) for the year		16,507	(74,418)
Less: profit from discontinued operations, net of tax		-	35,960
Income (loss) for the year from continuing operations		16,507	(110,378)
Adjustments for the following non-cash items:			
Depreciation and amortization	9/10	10,277	10,957
Gain on deconsolidation of subsidiary	6	(41,015)	-
Impairment		225	75,953
Current income tax expense	13	1,020	1,046
Deferred income tax expense	13	105	6,404
Share-based payment expense	10/22	566	442
Interest expense	12	13,072	19,805
Interest expense relating to interest rate swap contracts	12	1,240	176
Amortization of transaction costs	12	614	1,083
Foreign exchange gain	12	1,911	(4,414)
Fair value changes associated with derivative financial instruments	12	(300)	(1,206)
Other income		(534)	(300)
Interest income	12	(33)	(63)
Sub-total		3,655	(495)
Changes in working capital:			
(Increase) decrease in trade and other receivables		3,632	(3,996)
Decrease in trade and other payables		(7,603)	2,406
Income tax paid		(1,036)	(1,172)
Total cash flow from (used in) operating activities		(1,352)	(3,257)
Investing activities:			
Purchases of property, plant and equipment	16	(43,720)	(46,934)
Purchases of intangible assets	17	(1,512)	(3,918)
Proceeds from sale of subsidiary	7	-	76,179
Proceeds from sale of financial asset	7	-	6,473
Total cash flow (used in) from investing activities		(45,232)	31,800
Financing activities:			
Interest paid (including interest relating to interest rate swap contracts)	24	(9,288)	(19,217)
Interest income	12	33	63
Repayment of borrowings	24	(15,524)	(51,163)
Proceeds from borrowings	24	48,844	56,455
Contributions from non-controlling interest	27	547	2,350
Total cash flow from (used in) financing activities		24,612	(11,512)
Net (decrease) increase in cash and cash equivalents		(21,972)	17,031
Effect of exchange rate changes on cash and cash equivalents		6,585	(1,769)
Cash from deconsolidated subsidiary	6	(2,584)	-
Cash and cash equivalents (including restricted cash) at the beginning of the year		61,174	45,912
Cash and cash equivalents (including restricted cash) at the end of the year		43,203	61,174

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

1. GENERAL INFORMATION

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

Etrion is an independent power producer that develops, builds, owns and operates solar power generation plants. The Company owns 44 megawatts ("MW") of installed solar capacity in Japan.

The Company has 13.2 MW of solar projects under construction as of the date of approval of these consolidated financial statements and 390 MW of greenfield solar power projects which it is pursuing in Japan.

These consolidated financial statements are presented in United States ("US") dollars ("\$"), which is the Group's presentation currency.

Effective January 1, 2017, the Company's functional currency changed from the Euro ("€") to the Japanese yen ("¥"), following a change in the principal environment where the Group conducts its business. The change has been applied prospectively.

Management believes Japan presents the highest opportunity to create value in a low risk jurisdiction environment. As part of this strategy, the Company successfully completed the divestiture of its Italian assets in 2016 to fund the growth in Japan and reduce its corporate debt. [Note 7](#)

However, since the Company is listed in both Canada (Primary) and Sweden (Secondary), certain financial information within the notes to these consolidated financial statements has been presented in Canadian dollars ("CAD\$"). The Company's Board of Directors approved these consolidated financial statements on March 12, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC") that are

effective or available for early adoption for accounting periods beginning on January 1, 2017. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, such as derivative financial instruments and defined benefit plans that are measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the consolidated financial statements, are disclosed in [Note 3](#).

(b) GOING CONCERN

The Company's consolidated financial statements for the year ended December 31, 2017, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future. During 2017, the Group recognized a net income of \$16.5 million (2016: net loss of \$74.4 million). The Company's management is confident that the Group will be able to fund its working capital requirements for at least twelve months from the date of these consolidated financial statements. At December 31, 2017, the Group had cash and cash equivalents of \$43.2 million, \$30.4 million of which was unrestricted and held at the parent level (2016: \$61.2 million and \$42.3 million, respectively) and working capital of \$43.6 million (2016: \$45.3 million). These consolidated financial statements for the year ended December 31, 2017, do not include the adjustments that would result if the Group were unable to continue as a going concern.

(c) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

IFRS 9, Financial Instruments: This standard reflects all parts of the financial instrument project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard sets out principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of the financial statements. The new standard most notably affects the criteria surrounding hedge accounting adopting principles based approach. While this does not change the type of hedging relationships or the requirement to measure ineffectiveness, it simplifies the application of hedge accounting and is intended to allow for better alignment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

of entities risk management strategies with their accounting presentation. As well the standard replaces the multiple different financial asset impairment models present in IAS 39 with a single model based on expected credit losses on all financial assets and replacing the existing complex classifications structure with a business model approach based on the intent and nature of the cash flows.

Management has chosen to adopt the standard retrospectively with the exception of hedge accounting which it will apply on a prospective basis. Management's assessment of the impact of IFRS 9 is complete. Based on the assessment, management has concluded that the impact of the standard will not be material to the Groups financial statements upon adoption of IFRS 9. The Group's hedging documentation and controls have been updated for compliance with IFRS 9.

IFRS 15, Revenue from contracts with customers: This standard details a comprehensive model to account for revenue arising from contracts with customers. The standard will replace the majority of the existing IFRS requirements on revenue recognition including IAS 18 Revenue. The standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard has proscribed a five-step model to apply the principles within. The standard also specifies how to account for incremental costs of obtaining a contract and the costs directly attributable to fulfilling a contract. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principle versus agent and on licensing revenue. The amendments also provide additional transition relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Management has chosen to adopt the standard using a modified retrospective approach. Management has completed its review of all material revenue streams. All of the Company's revenue streams are within the scope of IFRS 15 and relate to the sale of energy through power purchase agreements or feed-in-tariffs ("FIT"). Based on management's analysis, substantially all of the contracts in place for the year beginning January 1, 2018 do not contain a difference in the timing or measurement of revenue recognition under the new standard. The IFRS 15 adoption will have no quantitative impact in the Company's financial statements and therefore there will be no impact on the accumulated deficit balance.

IFRS 16, Leases: This standard addresses the measurement and recognition of leases which will result in almost all lease contracts being recognized in the

balance sheet, as the distinction between operating and finance leases is removed. IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. The Group is in the process of assessing to what extent existing commitments under lease contracts (**Note 30**) will result in the recognition of an asset and a liability for future payments.

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

(d) BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control and are consolidated. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases in accordance with IFRS 10, *Consolidated Financial Statements*. Non-controlling interests' share of total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies used by subsidiaries, where different from those of the Group, are amended where necessary to ensure consistency with the accounting policies adopted by the Group.

The Company is applying the equity method to account for its investment in the Chilean solar power subsidiary starting September 30, 2017. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Transactions with non-controlling interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

(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 ("CODM") responsible for making strategic decisions, allocating resources and assessing the performance of the operating segments.

(f) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's subsidiaries is primarily the €, \$ and ¥. The consolidated financial statements are presented in \$, which is the Group's presentation currency, due to the Company's listing in North America. Foreign exchange gains and losses are presented within finance income and costs.

Transactions and balances

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

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

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

Exchange differences arising from the translation of monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) are recognized initially in other comprehensive income. On the disposal

or partial disposal of the net investment (reduction in ownership percentage), the amounts recognized in other comprehensive income are reclassified from equity to profit or loss. Management does not consider the repayment of quasi-equity loans designated as 'net investment' to qualify as a disposal and therefore no reclassification of exchange differences is made from equity to profit or loss when such repayment occurs. Where, as a result of a change in circumstances, a previously designated 'net investment' loan is settled (monetary items receivable from or payable to a foreign operation are actually repaid), the loan is de-designated and then exchange differences arising from the translation are accounted for in profit or loss from that point forward.

In preparing the consolidated financial statements, the individual financial statements of the Company's subsidiaries are translated into the functional currency of the Company, the Japanese yen. Once the financial statements have been consolidated, they are then translated into the presentation currency, the US dollar. Exchange rates for the relevant currencies of the Group with respect to the US dollar are as follows: (CHF refers to Swiss francs and CLP refers to Chilean pesos)

	¥/\$	€/€	CAD/\$	CLP/\$	CHF/\$
December 31, 2017	0.0089	1.20	0.80	0.0016	1.03
December 31, 2016	0.0085	1.05	0.74	0.0015	0.97
December 31, 2015	0.0083	1.09	0.72	0.0014	1.01
Average 2017	0.0089	1.13	0.77	0.0016	1.02
Average 2016	0.0094	1.11	0.76	0.0015	1.02

(g) PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

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

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continues until the date in which development of the relevant asset is complete. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

the Group and its cost can be measured reliably. The carrying amount of any replaced items of property, plant and equipment are derecognized and the cost of maintenance and repairs are charged to the profit or loss during the financial period in which they are incurred. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss within other income and expenses.

Depreciation

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

	2017	2016
Solar power plants - Japan	20 years	20 years
Equipment and furniture	1-5 years	1-5 years

(h) INTANGIBLE ASSETS

Recognition and measurement

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Costs include expenditures directly attributable to the acquisition of the asset and, for self-constructed assets, the costs include material costs, direct labor and any other costs directly attributable to prepare the asset for its intended use.

Licenses and permits

Costs of licenses and permits for projects internally developed include all the associated expenditures and internally generated costs incurred by the Group to successfully meet all the technical and environmental requirements from the local authorities where the Group operates that are necessary to build and operate solar power projects. Project permits and licenses acquired through business combinations or through the acquisition of a project company accounted for as an asset acquisition are recognized at their fair values at the date of acquisition **Note 2(d)**. Project permits and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method. The estimated useful life of project permits and licenses is based on the applicable energy supply contracts which is generally 20 years. The amortization expense recognized in relation to intangible assets is included within operating expenses. The amortization expense of permits and licenses related to

the construction of solar power projects is capitalized as assets under construction within property, plant and equipment during the construction phase.

(i) IMPAIRMENT OF TANGIBLE ASSETS AND INTANGIBLE ASSETS

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. The recoverable amount of the asset is the higher of the fair value less costs of disposal and value-in-use calculations. In assessing value-in-use calculations, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and an impairment loss is recognized immediately in the profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss.

(j) FINANCIAL ASSETS

Classification

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

Financial assets at fair value through profit or loss: This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as cash flow hedges. Assets in this

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

category are classified as current assets if expected to be settled within the next twelve months or as non-current assets if expected to be settled after twelve months.

Loans and receivables: This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets, except when the maturity is greater than twelve months from the reporting date, which are classified as non-current assets. The Group's loans and receivables are comprised of trade and other receivables and cash and cash equivalents.

Available-for-sale financial assets: This category includes non-derivative financial assets that are either designated in this category or that are not classified in any of the other categories. Assets in this category are classified as non-current assets unless the investment matures or the Company's management intends to dispose of it within twelve months from the reporting date.

Held-to-maturity investments: This category includes financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Recognition and measurement

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

Impairment of financial assets

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

financial assets that can be reliably estimated.

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

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

Assets carried at amortized cost

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

Offsetting financial instruments

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

(k) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction; or
- hedges of the fair value of recognized assets and liabilities or a firm commitment; or
- Hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction, the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in **Note 26**. Movements on the hedging reserve in other comprehensive income are shown in **Note 26**. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as current assets or liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately within finance income or costs. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss finance income or costs.

(l) TRADE RECEIVABLES

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

(m) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Restricted cash relates to cash and cash equivalents held at the project level that are restricted by the lending banks to future repayment of interest and principal and working capital requirements related to the specific project. Restricted cash and cash equivalents can be distributed from the Group's projects, subject to approval from the lending banks, either through repayment of shareholder loans or through dividend distributions.

(n) SHARE CAPITAL

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

(o) TRADE PAYABLES

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

(p) BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest rate method, with any difference between the proceeds (net of transaction costs) and the redemption value recognized in the profit or loss within finance costs. Since the Group's non-recourse project loans are floating rate instruments, the application of the effective interest rate method is not necessary as re-estimating the future interest payments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

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

(q) CURRENT AND DEFERRED INCOME TAX

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

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

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

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

(r) PROVISIONS

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate of the obligation can be made. The Group recognizes a provision for the future costs expected to be incurred in relation to the decommissioning, dismantling and site restoration associated with its solar power projects Japan and Chile with a corresponding increase in the relevant asset. The Group does not recognize a decommissioning provision when it has the legal property of the land and there is not a legal obligation to dismantle in the jurisdictions where the solar power plants were built. 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 are included within finance costs.

(s) REVENUE RECOGNITION

Revenue is recognized upon delivery of electricity produced to the local operator of the electricity grid, and when applicable, when customers receive electricity from the off take point in accordance existing contracts. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of electricity are recognized at the time the electricity is supplied on the basis of periodic meter readings. Revenues are recognized net of value added tax ("VAT") and rebates. Revenues are measured at the fair value of the consideration received or receivable, which is calculated based on the price of electricity established in the contract. Revenues obtained from solar power plants that are still within the testing period (the time interval to bring the asset to the intended use conditions) are deducted from capitalized costs.

(t) INTEREST INCOME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

(u) SHARE-BASED PAYMENT

Restricted share units (RSUs)

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees, consultants, directors and officers as consideration for equity instruments of the Company. The Board of Directors of the Company has, in its sole discretion, the option to settle the RSUs in either treasury shares, cash or through open market share purchases. The total amount to be expensed within general and administrative expenses is determined by reference to the fair value of the options granted. The fair value of non-market performance and service condition grants is determined using the share market price at the date of grant. The fair value of grants with market performance conditions is calculated using an adjusted share market price calculated with a valuation model that incorporates all the variables included in the market conditions. Once the fair value is calculated this is not reassessed since the valuation model includes the value of all possible outcomes including the possibility that the grant is never exercised. The fair value of any RSUs granted to employees, consultants, directors and officers of the Group is recorded as an expense over the vesting period of the RSUs granted, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity within contributed surplus. For grants with non-market performance conditions, management assesses the vesting conditions and adjust the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the expense amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Stock-options

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

(v) EMPLOYEE BENEFITS

Pension obligations

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

Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

The Group assesses property, plant and equipment and intangible assets when indicators of impairment exist using value-in-use calculations. The value-in-use calculations are based on the forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") over the expected life of the solar power assets, as derived from the financial models developed by the Company's management to value the projects. The assumptions used are consistent with external sources of information and reflect past experience. These financial models include various assumptions such as future market prices for solar energy, the forecasted rate of inflation to estimate future operating costs and operating variables such as irradiation, degradation and transfer losses estimated by the Group's internal engineers based on historical atmospheric conditions in the areas where the projects are located. The value-in-use calculations used to value the Group's solar power projects are complex and include a wide number of operating and financial variables and assumptions that are subject to change as economic and market conditions vary. At December 31, 2017, no impairment was provided in relation to the Group's previously recognized, property, plant and equipment and intangible assets, other than \$0.2 million of impaired development costs. At December 31, 2016, a total of \$76 million impairment expense was provided in relation to the Group's previously recognized property, plant and equipment and intangible assets associated with its PV Salvador, SpA ("Salvador") operating subsidiary in Chile. [Note 11](#)

(b) FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

In determining the fair value of the Group's financial instruments, the Company's management uses judgment to select a variety of methods and verifies assumptions that are mainly based on market conditions existing at the balance sheet date. Where possible, the Company's management also obtains fair value measurements from third parties. The fair value of the Group's interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity, the observable Tokyo Interbank Offered Rate ("TIBOR") forward interest rate curves and an appropriate discount factor. At December 31, 2017, the Group recognized net financial liabilities of \$9.9 million (2016: \$9.5 million) associated with its derivative financial instruments. [Note 26](#). Refer also to [Note 4\(c\)](#) for a summary of the valuation techniques used by the Group.

(c) DEFERRED INCOME TAX ASSETS

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with *IAS 12, Income Taxes*, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. The Company's management estimates future taxable profits based on the financial models used to value the solar power projects as described in the [Note 3\(a\)](#). Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized by the Group. At December 31, 2017, the Group recognized \$2.8 million (2016: \$2.8 million) of net deferred income tax assets. [Note 13](#)

4. FINANCIAL RISK MANAGEMENT

(a) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing returns to stakeholders by increasing its operating capacity and cash flow with new projects. The capital structure of the Group consists of total equity and borrowings. The Group's objectives when managing the capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain flexibility and liquidity for investment opportunities in the renewable energy segment. The Company's Board of Directors reviews the capital structure of the Group throughout the year and, as part of this review, considers the cost of capital and the risks associated with each class of capital. This review specifically focuses on the gearing ratio and working capital requirements at the corporate level. These objectives are primarily met through cash management and continuous review of attractive acquisition and development opportunities. In order to maintain or maximize the capital structure of the Group at

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

the corporate level, the Group may raise additional funds through equity financing, long-term corporate debt or sell assets in order to manage debt levels or pursue additional opportunities within the renewable energy segment.

(b) FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks relating to its operations in Japan. These risks include market risk (interest rate risk, foreign currency risk, and price risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets, specifically changes in foreign currency exchange rates and interest rates, and seeks to minimize potential adverse effects on the Group's financial performance. The Group seeks to minimize the effects of these risks primarily by using derivative financial instruments to hedge interest rate risk exposures. The Company's management carries out risk management procedures with guidance from the Audit Committee. The Board of Directors also provides regular guidance on the Group's overall risk management procedures.

Market risk

Interest rate risk

The Group is highly leveraged through financing at the project and corporate level for the construction of its solar power projects. The Group enters into non-recourse

project loans issued at variable interest rates with financial institutions that provide financing for up to 85% of the total project costs. In addition, in April 2014, the Group issued \$87 million (€80 million) of new corporate bonds in the Norwegian bond market with a fixed interest rate.

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

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

The following table shows the sensitivity analysis on the profit or loss if interest rates on Euro and Japanese yen denominated borrowings change by 10 basis points ("bps") with all other variables held constant.

	Carrying amount	+10 bps shift in interest rate curve		-10 bps shift in interest rate curve	
		Impact on profit/(loss)	Impact on other comprehensive income	Impact on profit/(loss)	Impact on other comprehensive income
At December 31, 2017					
Sumitomo Mitsui Trust Bank	139,013	(93)	-	93	-
Total impact		(93)	-	93	-
Derivative financial instruments	10,232	-	1,178	-	(1,193)
Total net impact		(93)	1,178	93	(1,193)
At December 31, 2016					
Sumitomo Mitsui Trust Bank	93,769	(87)	-	87	-
Total impact		(87)	-	87	-
Derivative financial instruments	9,514	-	946	-	(959)
Total net impact		(87)	946	87	(959)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Swiss franc and US dollar. The Group's foreign currency exposure is due primarily to intercompany borrowings made in US dollars from subsidiaries that have a different functional currency. The Group does not undertake hedging arrangements to mitigate the foreign currency exposure on its net investments in foreign operations or on income from foreign operations in order to hedge the risk of foreign currency variations.

Price risk

Revenues generated by the Group's solar power projects in Japan are secured by long-term contracts based on a feed-in-tariff ("FIT").

Credit risk

Credit risk mainly arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high and medium rated institutions operating in local markets are accepted. The sale of electricity is made to the public utilities in Japan, and therefore the Company's management considers, based on the collection experience, the credit risk associated with trade receivables to be minor.

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

The credit risk on liquid funds and derivative financial instruments is considered to be limited due to the fact that counterparties are financial institutions with high and medium credit ratings assigned by international credit agencies. The credit quality of financial assets that are neither past due nor impaired at December 31, 2017, can be assessed by reference to credit ratings from Standard & Poors, if available, as follows:

	2017	2016
Cash and cash equivalents:		
AA-	18,613	39,093
A+	1,379	4,121
A	15,108	16,085
A-	-	-
BBB+	6,758	371
BBB-	394	150
BB-	-	1,354
BBB	76	-
Other	874	-
Total cash and cash equivalents	43,203	61,174

Liquidity risk

The Company's management prepares cash flow forecasts in order to ensure that sufficient cash is available to meet operational needs at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by matching maturity profiles of financial assets and liabilities. The Company's management monitors the Group's liquidity position taking into consideration the Group's debt financing plans and covenant compliance. **Note 24**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

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

	Carrying amount	Contractual Amount	Less than 1 year	1 to 5 years	More than 5 years	Total
At December 31, 2017						
Borrowings	179,701	213,439	13,423	79,018	120,998	213,439
Interest rate swap contracts, net	10,232	10,232	1,444	5,323	3,465	10,232
Trade and other payables	3,493	3,493	3,493	-	-	3,493
Total financial and non-financial liabilities	193,426	227,164	18,360	84,341	124,463	227,164
At December 31, 2016						
Borrowings	284,777	443,004	28,621	127,327	287,056	443,004
Interest rate swap contracts, net	9,514	9,514	1,167	4,452	3,895	9,514
Trade and other payables	10,671	10,671	10,671	-	-	10,671
Total financial and non-financial liabilities	304,962	463,189	40,459	131,779	290,951	463,189

(c) FAIR VALUE ESTIMATION

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

Level 1: includes fair value measurements derived from quoted prices in active markets for identical assets or liabilities. The fair values of financial instruments traded in the active market are based on quoted market prices at the balance sheet date. At December 31, 2017 and 2016, the Group had no financial instruments classified as Level 1.

Level 2: includes fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques that maximize the use of observable market data, where it is available, and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At December 31, 2017 and 2016, the Group's interest rate swap contracts were classified as Level 2 and the fair value of such instruments was calculated as the present value of

the estimated future cash flows, calculated using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR forward interest rate curves and an appropriate discount factor. In addition, at December 31, 2017, the Group's corporate bond call option was classified as Level 2 and the fair value was calculated using the Hull-white model using observable market data in the Norwegian bond market. [Note 24](#)

Level 3: includes fair value measurements derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data. At December 31, 2017 and 2016, the Group had no financial instruments classified as Level 3.

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

	2017	2016
Financial assets		
Level 2:		
- Bond call option	319	-
Total financial assets	319	-
Financial liabilities		
Level 2:		
- Derivative financial instruments	10,232	9,514
Total financial liabilities	10,232	9,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

5. SEGMENT REPORTING

The Board of Directors considers reportable segments from a geographical perspective and measures performance based on EBITDA and reviews and monitors performance of the Group on this basis. The Company's management identified two reportable segments, solar energy Chile ("Solar Chile") and solar energy Japan ("Solar Japan"). Salvador's income and expenses are included only in the Group's consolidated financial statements until September 30, 2017, the date when the Group ceased to control this subsidiary.

While the Company's management has determined that the Company has only two reportable segments, the Company has decided to disclose additional information about its corporate activities as it believes that this information is useful for readers of the consolidated financial statements.

The Group's country of domicile is Canada. However, all consolidated revenues from external customers are derived from Japan. The Group's electricity production in Japan is sold to the Japanese public utilities, Tokyo Electric Power Company ("TEPCO") and Tohoku Electric Power Co., Inc. ("TOHOKU"). **Note 8.** The Group's revenues, EBITDA and results from continuing operations are presented as follows:

	2017				2016			
	Solar Chile	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Revenue	6,525	15,323	-	21,848	9,510	5,723	-	15,233
Operating expenses (Opex)	(5,389)	(3,974)	-	(9,363)	(6,896)	(1,162)	-	(8,058)
General and administrative (G&A)	(269)	(251)	(8,653)	(9,173)	(149)	(194)	(7,547)	(7,890)
Other income (expenses)	(6)	576	(36)	534	(23)	134	189	300
EBITDA	861	11,674	(8,689)	3,846	2,442	4,501	(7,358)	(415)
Gain on deconsolidation of subsidiary	-	-	41,015	41,015	-	-	-	-
Impairment	-	(18)	(207)	(225)	(75,675)	-	(278)	(75,953)
Depreciation and amortization	(4,034)	(6,059)	(184)	(10,277)	(8,497)	(2,244)	(216)	(10,957)
Finance income	28	92	319	439	223	164	5,725	6,112
Finance costs	(7,822)	(3,159)	(6,185)	(17,166)	(12,395)	(1,181)	(8,139)	(21,715)
(Loss) income before income tax	(10,967)	2,530	26,069	17,632	(93,902)	1,240	(10,266)	(102,928)
Income tax (expense) recovery	-	(403)	(722)	(1,125)	(6,854)	(259)	(337)	(7,450)
Net (loss) income for the year	(10,967)	2,127	25,347	16,507	(100,756)	981	(10,603)	(110,378)

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

	December 31, 2017			December 31, 2016			
	Solar Japan	Corporate	Total	Solar Chile	Solar Japan	Corporate	Total
Property, plant and equipment	140,563	45	140,608	87,907	101,555	137	189,599
Intangible assets	5,327	4,398	9,725	7,226	5,558	3,095	15,879
Cash and cash equivalents	12,818	30,385	43,203	4,121	14,767	42,286	61,174
Other assets	8,747	9,852	18,599	3,614	11,079	7,296	21,989
Total assets	167,455	44,680	212,135	102,868	132,959	52,814	288,641
Borrowings	139,013	40,688	179,701	148,900	93,769	42,108	284,777
Trade and other payables	1,460	2,033	3,493	639	6,328	3,704	10,671
Other liabilities	17,603	1,491	19,094	20,599	18,191	692	39,482
Total liabilities	158,076	44,212	202,288	170,138	118,288	46,504	334,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

6. DECONSOLIDATION OF SUBSIDIARY

Salvador

On September 30, 2017 the Group concluded that in accordance with IFRS it no longer has control of Salvador, the 70%-owned subsidiary that owns the licenses and rights to operate the 70 MW solar power project in Northern Chile ("Project Salvador"). As a result of the deemed loss of control the Group no longer consolidates Salvador's financial position and performance from September 30, 2017.

The Salvador impairment of \$75.7 million against property, plant and equipment and intangible assets recognized in 2016 resulted from a sharp decline in the outlook for long term power prices in the Chilean market where Salvador is located. The current and expected Chilean market conditions are so adverse to Salvador's operations that according to management projections, based on third party market price studies, the only party that would be affected by the returns on the project is the project lender bank. Therefore it is no longer appropriate to consolidate Salvador.

Salvador control reassessment

Due to the signing of the forbearance agreement with the Overseas Private Investment Corporation ("OPIC") in March 2017, the capitalization of the shareholder loan in January 2017, the unlikelihood to obtain any positive returns from Salvador (due to negative long-term outlook of the spot market prices in the Chilean market) and the impact of potential debt restructurings, all unfavorable developments, management concluded that it was necessary to perform a reassessment of control in accordance with IFRS 10.

After considering all current material facts and circumstances and the results of the control reassessment exercise, management concluded that the Group meets only one (power) of the three conditions that are necessary to demonstrate control in accordance with IFRS 10. The Group no longer meets the second and third condition (exposure to variable returns and link between power and variable returns) to continue to demonstrate control. Even though Etrion has all the contractual rights and instruments to lead the decision-making process of the Company, any of the actions it could take would have no impact or affect returns to Etrion.

Accounting upon Salvador deconsolidation

September 30, 2017, is regarded as the date when the Group "ceased to control" of Salvador as a result of the control reassessment. In accordance with IFRS 10, income and expenses from Salvador are being recognized in the Group's consolidated financial statements until September 30, 2017, when Etrion ceased to control Salvador. After deconsolidation, the retained investment

in Salvador is accounted for as an equity investment and recorded at a fair value of nil. The net present value of Etrion's share in the forecasted shortfall is negative and Etrion does not have any legal obligation to fund Salvador's deficit and has no current commitment or intentions to provide additional financial support to Salvador.

Gain on Salvador deconsolidation

During 2017, the Group derecognized its share in the net liabilities of Salvador, resulting in a non-cash extraordinary gain of US\$41.0. In addition, the Group derecognized the equity value attributable to non-controlling interests in Salvador of \$17.6 million. The financial position below was used as the basis for calculating the net gain on deconsolidation:

PV Salvador SpA	
Financial Position	
September 30, 2017	
	\$ thousands
Assets	
Property, plant and equipment	84,259
Intangibles	6,959
Trade receivables and other assets	3,577
Cash	2,584
Total assets	97,379
Liabilities	
Borrowings	154,015
Trade payables and other	1,957
Total liabilities	155,972
Net liabilities	58,593
Non-Controlling Interest share in net liabilities	17,578
Etrion share in net liabilities	41,015
<hr/>	
Etrion share in net liabilities	41,015
Fair value of retained investment in Salvador	-
Gain on deconsolidation of subsidiary	41,015

The non-recourse project loan obtained by Salvador, to finance Project Salvador matures in 2033. The repayment of this credit facility is secured principally by the proceeds from the sale of electricity in the spot market. On March 9, 2017, Salvador signed an amendment to the existing senior finance agreement with OPIC ("Forbearance agreement"), whereby all scheduled interest and principal payments between May 31, 2017 and May 31, 2018 will be deferred and due end of the period, if the debt is not restructured or period extended. Given the terms of the Forbearance Agreement, the Group was not in breach of any of the imposed operational and financial covenants associated with its Chilean project loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

7. DISCONTINUED OPERATION

On November 14, 2016, the Group announced the signing of a definitive sale and purchase agreement with EF Solare Italia, a joint venture owned equally by Enel Green Power S.p.A. and Fondo Italiano per le Infrastrutture "F2i" for the disposal of its 100% economic interest in Etrion Spa and Helios ITA Srl (collectively the "Italian subsidiaries"). Sale proceeds consisted of €78.1 million in cash and €24 million of contingent consideration depending on the outcome of certain legal and regulatory proceedings. The Italian subsidiaries are reported in the current period as a discontinued operation in the comparative 2016 income statement. Financial information relating to the discontinued operations for the period to the applicable date of disposal is set out below.

(a) FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance presented is for the period ended on the disposal dates in 2016.

	2016
Revenue	38,038
Operating expenses	(4,145)
General and administrative expenses	(1,196)
Other (expense) income	(262)
Depreciation and amortization	(11,551)
Finance income	739
Finance costs	(12,515)
Income before tax expense	9,108
Net income tax (expense) recovery	(1,486)
Net income after tax	7,622
Gain on sale of subsidiaries	61,324
Accumulated hedging losses	(29,884)
Transaction costs	(3,102)
Profit from discontinued operation	35,960
Cash flow from discontinued operation	
Net cash inflow from operating activities	27,485
Net cash inflow from investing activities	1,035
Net cash outflow from financing activities	(22,386)
Net increase in cash	6,134

(b) DETAILS OF THE SALE OF THE ITALIAN SUBSIDIARIES

	€	\$
Total cash consideration at closing	78,078	82,652
Less (-) proceeds from shareholder loans	(6,118)	(6,473)
Cash received for the sale of shares	71,960	76,179
Carrying amount of net assets sold	(15,232)	(16,105)
Goodwill at date of sale	(1,311)	(1,390)
Foreign exchange translation	-	2,640
Gain on sale of subsidiaries	55,417	61,324

Upon the execution of the sale and purchase agreement, the 100% participation in the shares of the Italian subsidiaries and the shareholder loan outstanding from these entities were both acquired by EF Solare Italia for €72.0 million (\$76.2 million) and €6.1 million (\$6.5 million), respectively.

Etrion's management assessed the nature of the earn-out clauses and concluded that they do not meet the recognition criteria to be considered as part of the proceeds at the closing date and therefore have not accounted for this in the Group's consolidated financial statements.

Transaction costs directly attributable to the sale transaction of approximately \$3.1 million have been recognized as part of the results from the discontinued operation.

The carrying amounts of assets and liabilities as at the date of sale were as follows:

	€	\$
Property, plant and equipment	221,271	234,057
Intangibles	5,543	5,865
Trade receivables	91,906	97,367
Other assets	22,444	23,730
Cash	12,032	12,721
Total assets	353,196	373,740
Borrowings	224,132	237,138
Trade payables	10,432	11,027
Derivative financial liabilities	10,702	11,259
Other liabilities	92,698	98,211
Total liabilities	337,964	357,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

8. REVENUE

	2017	2016
Feed-in Tariff	15,323	5,723
Spot market price	727	1,686
PPA agreement	4,838	6,904
Other utility income	960	920
Total revenue	21,848	15,233

The Group receives revenues denominated in Japanese yen from its operating solar projects. Revenues in Japan come from the FiT system, whereby a premium constant price is received for each kWh of electricity produced through a 20-year contract with TEPCO or TOHOKU, as applicable.

Until September 30, 2017, the Group also recognized revenue denominated in \$ from its Chilean solar project from (1) the spot market price ("Market Price") received for each kWh of electricity generated in Chile, and (2) contracted PPAs within Chile, whereby a fixed price is received for each kWh of electricity sold under private electricity sale agreements. Effective September 30, 2017, the Group no longer controls Salvador. [Note 6](#)

In February/July, 2017, the Company connected the four solar park sites of the Group's Misawa solar project in Japan (respectively), representing the 9.5 MW total planned capacity and started recognizing FiT revenues from these solar park sites.

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

9. OPERATING EXPENSES

	2017	2016
O&M	2,303	2,266
Purchased power	2,013	3,114
Personnel costs	1,209	889
D&A	10,093	10,741
Property tax	1,030	231
Insurance	448	372
Land lease	940	353
Transmission costs	899	554
Other operating expenses	521	279
Total Opex	19,456	18,799

O&M costs relate to fees paid in connection with the operation and maintenance activities of the Group's operating solar power projects in Japan and Chile. The Group outsources these O&M services to third parties.

In addition, in order to satisfy the obligations under the terms of the PPA agreement, Salvador purchases and pays the cost of electricity in the withdrawal node at the off-taker ("Nodal Costs"). These Nodal costs were recognized and consolidated until September 30, 2017, the date when Etrion ceased to control Salvador.

Depreciation and amortization relate to the Group's operating solar power projects producing electricity during the year.

Transmission costs during 2017 and 2016, relate to fees paid by electricity producers, including Salvador, for the utilization of the private electricity grid in the Sistema Interconectado Central ("SIC") electricity network area in Chile to deliver electricity to final consumers.

10. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Salaries and benefits	3,707	3,690
Pension costs	114	164
Board of directors fees	156	151
Share-based payments	566	442
Professional fees	2,298	1,551
Listing and marketing	636	332
D&A	184	216
Office lease	391	384
Office, travel and other	916	1,176
Write-off guarantees	389	-
Total G&A	9,357	8,106

11. IMPAIRMENT

During 2017, the Company impaired capitalized development costs of \$0.2 million (2016: \$0.3 million) associated with development activities of Japanese projects. In addition, during 2016, the Company identified indicators of impairment related to Salvador, an entity within its Solar Chile segment. The carrying value of the Salvador solar assets in Chile was compared to the recoverable amount of its cash generating unit based on its value-in-use. The Company completed an impairment assessment based on value-in-use estimates derived from long-range forecasts and market values observed in the marketplace. To determine the value-in-use, a before tax discount rate of 8.33% was utilized. As a result of the impairment assessment, the Company determined that the recoverable amount was equal to \$98.3 million (before consolidation adjustments) and recorded impairment charges of \$70.0 million and \$5.7 million against property, plant and equipment and intangible assets respectively. The impairment resulted from a sharp decline in the outlook for long term power prices in the Chilean market where Salvador is located.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

12. FINANCE INCOME AND COSTS

	2017	2016
Finance income:		
Changes in fair values of derivative financial instruments:		
- Corporate bond call option Note 24	319	-
- Ineffective portion reclassified from other comprehensive income Note 26	87	162
- Written call option	-	1,473
Foreign exchange gain	-	4,414
Other finance income	33	63
Total finance income	439	6,112
Finance costs:		
Interest rate expense:		
- Credit facilities and non-recourse loans Note 24	9,606	11,741
- Interest rate swap contracts associated with non-recourse loans	1,240	176
- Corporate bond Note 24/31	3,525	6,994
- Credit facility with non-controlling interest Note 27	267	1,784
- Amortization of transaction costs	668	1,140
Changes in fair values of derivative financial instruments:		
- Ineffective portion reclassified from other comprehensive income Note 26	106	226
- Written call option	-	202
Foreign exchange loss	1,911	-
Other finance costs	222	223
Total finance costs before deducting amounts capitalized	17,545	22,486
Amounts capitalized on qualifying assets Note 16	(379)	(771)
Total finance costs	17,166	21,715
Net finance costs	16,727	15,603

The Group has four floating-rate credit facilities outstanding associated with its operating solar power projects and assets under construction in Japan. These credit facilities are hedged using interest rate swap contracts. In addition, the Group has a fixed-rate credit facility that financed the construction of its solar power plant in Chile. Refer to [Note 24](#) and [Note 26](#) for further details on the Group's credit facilities and derivative financial instruments.

Applicable borrowing costs have been capitalized as assets under construction within property, plant and equipment. [Note 16](#)

During 2017, the Group recognized finance income of \$0.3 million associated with the fair value of the corporate bond call option, which is considered an embedded derivative in the debt contract and deemed to be in-the-money as of the end of 2017. [Note 24](#)

During 2016, the Group recognized a \$1.5 million gain upon the release of the written call options associated with its 70% economic interest in Salvador.

In addition, during 2017, the Group recognized \$1.9 million of foreign exchange loss (2016: foreign exchange gain \$4.4 million) mainly associated with intragroup loans denominated in foreign currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

13. INCOME TAXES

(a) INCOME TAX EXPENSE

	2017	2016
Current income tax expense:		
Corporate income tax	(1,020)	(1,046)
Total current income tax expense	(1,020)	(1,046)
Deferred income tax expense:		
Temporary differences	(105)	403
Tax benefits recognized during the year	-	(6,807)
Total deferred income tax expense	(105)	(6,404)
Total income tax expense	(1,125)	(7,450)

The Group recognized a current income tax expense of \$0.3 million (2016: \$0.3 million) associated with its solar power projects in Japan and an income tax expense of \$0.7 million (2016: \$0.7 million) associated with its holding and management services subsidiaries. In addition, the Group recognized a deferred income tax expense of \$0.1 million (2016: \$6.4 million) due to the effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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

	2017	2016
Loss before tax from continuing operations	17,362	(102,928)
Income tax expense calculated at 26.00% (2016: 26.00%)	4,514	(26,762)
Tax effects of:		
Permanent differences	1,812	-
Non-taxable income	(10,254)	-
De-recognition deferred tax assets	-	6,562
Tax losses not recognized	4,299	26,833
Differences in foreign tax rates	667	787
Other	87	30
Total income tax expense	1,125	7,450

(b) CURRENT INCOME TAX LIABILITIES

	December 31 2017	December 31 2016
Corporate income tax	265	443
Provincial income tax	270	115
Total current income tax liabilities	535	558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

(c) DEFERRED INCOME TAX

The movements in deferred income tax assets and liabilities during 2017 were as follows:

	Opening balance	Profit or loss	Other comprehensive income	Exchange differences	Closing balance
Deductible temporary differences:					
Intangible assets	17	(10)	-	-	7
Tax losses carried forward	-	76	-	-	76
Derivative financial instruments	2,534	(21)	(49)	121	2,585
Provisions	297	139	(60)	16	392
Total deferred income tax asset	2,848	184	(109)	137	3,060
Taxable temporary differences:					
Intangible assets	-	289	-	-	289
Total deferred income tax liability	-	289	-	-	289
Net deferred income tax asset	2,848	(105)	(109)	137	2,771

The movements in deferred income tax assets and liabilities during 2016 were as follows:

	Opening balance	Profit or loss	Other comprehensive income	Exchange differences	Reclassifications	Closing balance
Deductible temporary differences:						
Property, plant and equipment	200	-	-	12	(212)	-
Intangible assets	-	(30)	-	47	-	17
Tax losses carried forward	6,927	(6,807)	-	(120)	-	-
Interest expense carried forward	9,093	-	-	(1,152)	(7,941)	-
Derivative financial instruments	3,075	10	992	909	(2,452)	2,534
Provisions	100	35	270	(108)	-	297
Special tax credits	414	-	-	(20)	(394)	-
Total deferred income tax asset	19,809	(6,792)	1,262	(432)	(10,999)	2,848
Taxable temporary differences:						
Intangible assets	400	(389)	-	(11)	-	-
Total deferred income tax liability	400	(389)	-	(11)	-	-
Net deferred income tax asset	19,409	(6,403)	1,262	(421)	(10,999)	2,848

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

At December 31, 2017, deferred income tax assets and liabilities of \$2.7 million and nil, respectively (2016: \$2.8 million and nil, respectively) were expected to be recovered more than twelve months after the balance sheet date. At December 31, 2017, the Group had unrecognized deferred income tax assets in respect of tax

losses associated with Canada, Chile, Japan and Luxembourg of \$183.7 million (2016: \$180.3 million), of which \$3.3 million (2016: \$2.0 million) expires between one and ten years, \$35.7 million (2016: \$38.4 million) expires between ten and twenty years and \$144.6 million (2016: \$139.9 million) has no expiry.

In addition, during 2017, the Group recognized an income tax expense of \$0.1 million (2016: \$1.0 million) within other comprehensive income associated with its derivative financial instruments. [Note 23](#)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

14. EARNING (LOSS) PER SHARE

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

	2017	2016
Income (loss) attributable to common shareholders:		
From continuing operations	19,551	(79,113)
From discontinued operations	-	35,960
Total Income (loss) for the year attributable to common shareholders	19,551	(43,153)
<hr/>		
Weighted average number of thousand shares outstanding	334,094	334,094
<hr/>		
Basic and diluted earnings (loss) per share:		
From continuing operations	\$0.06	\$(0.24)
From discontinued operations	-	\$0.11
Total basic and diluted earnings (loss) per share attributable to common shareholders	\$0.06	\$(0.13)

Basic earnings (loss) per share equals diluted earnings (loss) per share, as there is no dilutive effect from the existing stock options since they are all out of the money and conditions of the existing RSUs were not satisfied. **Note 22**

15. NON-CONTROLLING INTERESTS

The Group's subsidiaries in which there is a non-controlling interest ("NCI") are Shizukuishi Solar GK ("Shizukuishi"), Etrion Energy 1 GK ("Mito"), Etrion Energy 4 GK ("Komatsu"), Etrion Energy 5 GK ("Misawa"), all together the "Japanese entities", and Salvador.

Shizukuishi, Mito, Komatsu and Misawa are Japanese entities that own the licenses, permits and facilities to build and operate solar parks in Japan totaling 57 MW ("the Japanese project companies"). Mito and Shizukuishi are owned 87% by Etrion and 13% by Hitachi High-Tech ("HHT"). Komatsu is owned 85.1% by Etrion, 14.9% by HHT. The Komatsu Project is under construction and is expected to be fully operational by the second quarter of 2018. Misawa (previously named Aomori) is owned 60% by Etrion, 10% by HHT and 30% by Tamagawa Holdings, a Japanese real state and solar power developer. The construction of the Misawa project sites finished in February/July 2017 and became fully operational.

The non-controlling interest at December 31, 2017, of \$0.8 million (2016: negative \$31.5 million), represents the value attributable to non-controlling interests in the Japanese project companies. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Japanese project companies, other than those imposed by the lending banks related to cash distributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

Set out below is summarized financial information for each subsidiary with non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

	December 31, 2017			December 31, 2016		
	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)	Current assets (liabilities)	Non-current assets (liabilities)	Net assets (Liabilities)
Shizukuishi	1,730	(2,606)	(876)	3,916	(5,485)	(1,569)
Mito	663	781	1,444	3,658	(3,016)	642
Misawa	2,652	(1,028)	1,624	(2,331)	3,469	1,138
Komatsu	2,374	(1,739)	635	531	1,258	1,789
Salvador	-	-	-	39	(110,555)	(110,516)
Total net assets (liabilities)	7,419	(4,592)	2,867	5,813	(114,329)	(108,516)

Changes in the net assets (liabilities) position over time of the subsidiaries above are mainly driven by the ability of accumulating positive operating results and changes in the fair value of derivatives instruments (i.e. interest rate swaps).

The summarized income statement for the Japanese entities including the portion allocated to NCI for the year ended December 31, is as follows:

	2017			2016		
	(Loss) income for the period	Comprehensive income (loss) for the period	Comprehensive income (loss) allocated to NCI	(Loss) income for the period	Comprehensive income (loss) for the period	Comprehensive income (loss) allocated to NCI
Shizukuishi	283	703	92	(208)	(2,252)	(295)
Mito	606	777	101	760	126	16
Misawa	379	438	175	(31)	(403)	(161)
Komatsu	(147)	(1,239)	(185)	(32)	(32)	(5)
Salvador	(10,967)	(10,967)	(3,290)	(104,402)	(104,402)	(31,321)
Total	(9,846)	(10,288)	(3,107)	(103,913)	(106,963)	(31,766)

The net change in participating non-controlling interests in operating entities is as follows:

	Salvador	Shizukuishi	Mito	Komatsu	Misawa	Total
As at December 31, 2016	(32,224)	(193)	127	291	525	(31,474)
Net (loss) income attributable to NCI	(3,290)	37	79	(22)	152	(3,044)
Other comprehensive income (loss) attributable to NCI	-	54	26	(152)	42	(30)
Loans conversion	19,510	-	-	-	-	19,510
Deconsolidation of subsidiary Note 6	17,578	-	-	-	-	17,578
Intercompany eliminations and other	(1,574)	(14)	(43)	(22)	(69)	(1,722)
As at December 31, 2017	-	(116)	189	95	650	818
Interest held by third parties	30%	13%	13%	15%	40%	

On January 13, 2017, Salvador signed an agreement whereby the shareholders waived the outstanding balance of the shareholders loans and accumulated interest of \$65.1 million and converted to share capital (\$19.5 million attributable to the 30% non-controlling interests). In addition, as of September 30, 2017, the Group completed a control reassessment and derecognized the carrying amount of the 30% non-controlling interest in Salvador of approximately US\$17.6 million. [Note 6](#)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Solar power projects	Assets under construction	Other PPE	Total
Cost:					
At January 1, 2016	10,891	521,354	33,371	3,148	568,764
Additions	2,777	1,084	37,029	3,039	43,929
Sale of subsidiaries Note 7	(10,467)	(304,572)	-	(4,131)	(319,170)
Disposals	(30)	(325)	-	-	(355)
Impairment	-	(70,005)	-	-	(70,005)
Transfer from intangibles	-	-	327	-	327
Reclassifications	-	60,290	(63,436)	3,146	-
Exchange differences	(594)	(17,897)	4,919	(1,015)	(14,587)
At December 31, 2016	2,577	189,929	12,210	4,187	208,903
Additions	-	346	39,586	114	40,046
Deconsolidation of subsidiary Note 6	-	(103,457)	-	(1,000)	(104,457)
Disposals	-	-	-	(256)	(256)
Reclassifications	44	23,079	(23,123)	-	-
Exchange differences	52	3,367	482	818	4,719
At December 31, 2017	2,673	113,264	29,155	3,863	148,955
Accumulated depreciation:					
At January 1, 2016	-	86,460	-	1,331	87,791
Charge for the year	-	20,903	-	303	21,206
Sale of subsidiaries Note 7	-	(84,453)	-	(660)	(85,113)
Disposals	-	(101)	-	-	(101)
Exchange differences	-	(4,435)	-	(44)	(4,479)
At December 31, 2016	-	18,374	-	930	19,304
Charge for the year	-	9,115	-	62	9,177
Deconsolidation of subsidiary Note 6	-	(20,099)	-	(99)	(20,198)
Disposals	-	-	-	(62)	(62)
Exchange differences and other	-	579	-	(453)	126
At December 31, 2017	-	7,969	-	378	8,347
Net book value:					
At December 31, 2016	2,577	171,555	12,210	3,257	189,599
At December 31, 2017	2,673	105,295	29,155	3,485	140,608

During 2017, the Group capitalized as assets under construction \$39.2 million (2016: \$37.0 million) of incurred capital expenditures associated with the solar power projects in Japan. In February and July 2017, the Group's 9.5 MW Japanese solar power project (Misawa) achieved commercial operation date and the Company reclassified the associated construction costs to solar power projects in accordance with the Group's accounting policies.

In addition, during 2017, the Group capitalized \$0.4 million (2016: \$0.8 million) of borrowing costs associated with credit facilities obtained to finance the construction of Misawa and Komatsu. [Note 12](#)

As of September 30, 2017, the Group completed a control reassessment and derecognized the net carrying amount of the Salvador solar power plant and asset retirement obligation of US\$84 million. [Note 6](#)

In December 2016, The Group completed the sale transaction of its Italian assets, transferred the ownership of its solar power plants and derecognized the net carrying value at the disposal date. [Note 7](#)

Other PPE includes mainly dismantling costs and during 2017, the Group recognized an increase associated with its Japanese solar parks based on a revision of the previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

17. INTANGIBLE ASSETS

	Goodwill	Licenses and permits	Internally generated development costs and other	Total
Cost:				
At January 1, 2016	1,428	26,578	3,963	31,969
Additions	-	1,749	2,169	3,918
Sale of subsidiaries Note 7	(1,390)	(8,282)	-	(9,672)
Impairment	-	(5,670)	(278)	(5,948)
Transfer to property, plant and equipment	-	-	(327)	(327)
Reclassifications	-	1,895	(1,136)	759
Exchange differences	(38)	(519)	(97)	(654)
At December 31, 2016	-	15,751	4,294	20,045
Additions	-	184	1,328	1,512
Deconsolidation of subsidiary Note 6	-	(9,330)	-	(9,330)
Impairment	-	-	(225)	(225)
Exchange differences	-	301	465	766
At December 31, 2017	-	6,906	5,862	12,768
Accumulated amortization:				
At January 1, 2016	-	3,730	602	4,332
Charge for the year	-	1,486	56	1,542
Sale of subsidiaries Note 7	-	(2,417)	-	(2,417)
Reclassifications	-	299	460	759
Exchange differences	-	(114)	64	(50)
At December 31, 2016	-	2,984	1,182	4,166
Charge for the year	-	927	151	1,078
Deconsolidation of subsidiary Note 6	-	(2,371)	-	(2,371)
Exchange differences	-	39	131	170
At December 31, 2017	-	1,579	1,464	3,043
Net book value:				
At December 31, 2016	-	12,767	3,112	15,879
At December 31, 2017	-	5,327	4,398	9,725

During 2017, general and administrative expenses of \$1.3 million (2016: \$2.5 million) representing internally-generated costs of \$1.2 million (2016: \$2.0 million) and third-party costs of \$0.1 million (2016: \$0.5 million) were capitalized during the year within intangible assets as they directly related to the Group's development activities in Japan.

As of September 30, 2017, the Group completed a control reassessment and derecognized the net carrying amount of the Salvador licenses and permits of US\$7.0 million.

[Note 6](#)

In December 2016, the Group completed the sale transaction of its Italian assets, transferred the ownership of its licenses and permits and derecognized the net carrying value at the disposal date.

Goodwill of \$1.4 million allocated to the CGUs relating to the Group's solar power in Italy was derecognized at the disposal date. [Note 7](#)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

18. FINANCIAL ASSETS

	Loans and receivables
At December 31, 2017	
Current assets	
Derivative financial instruments	319
Trade and other receivables	941
Cash and cash equivalents	43,203
Total current financial assets	44,463
Total financial assets	44,463

At December 31, 2016	
Current assets	
Trade and other receivables	1,761
Cash and cash equivalents	61,174
Total current financial assets	62,935
Total financial assets	62,935

19. TRADE AND OTHER RECEIVABLES

	December 31 2017	December 31 2016
Current portion:		
Financial assets		
- Trade receivables	881	1,711
- Other financial assets	60	50
Total financial assets Note 18	941	1,761
Input VAT	4,689	7,869
Advances paid and prepaid expenses	1,196	1,122
Other current assets	8,036	2,425
Total current portion	14,862	13,177
Non-current portion:		
Input VAT	66	46
Advances and prepaid expenses	581	5,918
Total non-current portion	647	5,964
Total trade and other receivables	15,509	19,141

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

	December 31 2017	December 31 2016
Up to three months	881	1,711
Total trade receivables	881	1,711

At December 31, 2017, trade receivables of \$0.9 million (2016:\$1.7 million) were past due but not impaired, of which \$0.9 million (2016:\$1.7 million) was received after the balance sheet date. The currencies of the Group's financial assets included within trade receivables are as follows:

	December 31 2017	December 31 2016
Euros	581	1,713
US dollars	60	876
Canadian dollars	118	12
Japanese Yen	14,326	13,261
Swiss francs	424	80
Chilean pesos	-	3,199
Total trade and other receivables	15,509	19,141

20. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents (including restricted cash) are held in banks with high and medium grade credit ratings assigned by international credit agencies. The fair value of cash and cash equivalents approximates their carrying value due to short maturities. Included within cash and cash equivalents is restricted cash relating to the Group's solar power projects as follows:

	December 31 2017	December 31 2016
Unrestricted cash at parent level	30,385	42,286
Restricted cash at project level	12,818	18,888
Total	43,203	61,174

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

21. SHARE CAPITAL

The Company has authorized capital consisting of an unlimited number of common shares, of which 334,094,324 are issued and outstanding at December 31, 2017 (2016: 334,094,324). In addition, the Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which have been issued. The common shares of the Company have no par value, are all of the same class, carry voting rights, and entitle shareholders to receive dividends as and when declared by the Board of Directors. No dividends were declared in the years ended December 31, 2017 and 2016.

	Number of Shares outstanding	Share capital \$'000
At December 31, 2016	334,094,324	111,304
At December 31, 2017	334,094,324	111,304

Restricted Share Unit (RSUs) exercised during 2017 were settled in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

22. SHARE-BASED PAYMENTS

The Company maintains a Restricted Share Unit (RSU) award plan for employees, consultants, directors and officers. RSUs have a contractual term of approximately four years and have time-based and performance-based vesting conditions that are market and non-market based. In addition, the Company maintains an equity-settled stock option awards scheme for employees, consultants, directors and officers. All outstanding stock options have a contractual term ranging from five to ten years and generally vest over a period of three years with the exercise price set equal to the market price at the date of grant. During 2017, the Group recognized share-based payment expenses of \$0.6 million (2016: \$0.4 million) related to its stock option and RSU award schemes. **Note 10.** Changes in the Company's outstanding RSUs stock options are as follows:

	Number of RSUs
At December 31, 2015	16,892,793
Granted	17,000,000
Forfeited	(211,373)
Expired	(3,662,813)
At December 31, 2016	30,018,607
Granted	4,000,000
Forfeited	(8,983,194)
Exercised	(115,980)
Expired	(2,495,000)
At December 31, 2017	22,424,433

The Company recognizes an expense within general and administrative expenses when RSUs are granted to employees, consultants, directors and officers using the grant date share fair value for RSUs with service and non-market performance conditions. For RSUs with market-based performance conditions, share-based compensation is calculated using an adjusted grant date share fair value calculated with a valuation model that incorporates all the variables included in the market vesting conditions. A summary of the Company's RSUs issued and outstanding at December 31, 2017, is as follows:

Performance condition	Number of RSUs outstanding	Expiry date	Contractual life (years)
Time-based	324,706	December 31, 2019	2.00
Market	6,599,727	December 31, 2019	2.00
Market	11,500,000	December 31, 2020	2.00
Market	4,000,000	December 31, 2020	3.00
	22,424,433		

As of December 31, 2017 there were no exercisable RSUs outstanding. Performance RSU awards with market conditions granted in December 2017 and 2016 were valued using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation.

The assumptions used in the calculation of the adjusted share price were as follows:

	2017	2016
Share price at grant date	CAD\$0.23	CAD\$0.29
Exercise price	CAD\$0.00	CAD\$0.00
Risk-free interest rate	1.49%	0.85%
Expected volatility	56.00%	57.00%
Dividend yield rate	0.00%	0.00%
Contractual life of RSUs	4 years	4 years
Fair value at grant date	CAD\$0.04	CAD\$0.08

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

	Number of share options	Weighted average exercise price CAD\$
At December 31, 2015	3,751,000	0.42
Forfeited	(549,000)	0.34
At December 31, 2016	3,202,000	0.43
Forfeited	(475,000)	0.32
Expired	(2,577,000)	0.42
At December 31, 2017	150,000	1.59
Stock options exercisable:		
At December 31, 2016	3,202,000	0.43
At December 31, 2017	150,000	1.59

The Company recognizes an expense within general and administrative expenses when stock options are granted to employees, consultants, directors and officers using the fair value method at the date of grant. Share-based compensation is calculated using the Black-Scholes option pricing model for stock options. A summary of the Company's stock options issued and outstanding at December 31, 2017, is as follows:

Exercise price (CAD\$)	Share options outstanding	Share options exercisable	Expiry date	Contractual life (years)
1.59	150,000	150,000	28 April 2018	0.33
	150,000	150,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

23. OTHER RESERVES

	Translation reserve	Hedging reserve	Transactions with non- controlling interests	Total
At January 1, 2016	112	(39,208)	1,314	(37,782)
Currency translation difference:				
- Loss on translation adjustment	(4,534)	-	-	(4,534)
- Loss on net investment in foreign subsidiary	(306)	-	-	(306)
Written call options	-	-	(1,271)	(1,271)
Cash flow hedges:				
- Loss on fair value movements	-	(6,114)	-	(6,114)
- Tax on loss on fair value movements	-	903	-	903
- Ineffective portion of fair value movements to profit or loss	-	(392)	-	(392)
- Tax on ineffective portion of fair value movements to profit or loss	-	94	-	94
- Re-designated portion of derivative to profit or loss	-	2,281	-	2,281
- Tax on re-designated portion of derivative to profit or loss	-	(103)	-	(103)
- Reclassification to profit from discontinued operation	-	29,884	-	29,884
At December 31, 2016	(4,728)	(12,655)	43	(17,340)
Currency translation difference:				
- Gain on translation adjustment	3,900	-	-	3,900
Cash flow hedges:				
- Loss on fair value movements	-	(200)	-	(200)
- Tax on loss on fair value movements	-	(90)	-	(90)
- Ineffective portion of fair value movements to profit or loss	-	(57)	-	(57)
- Tax on ineffective portion of fair value movements to profit or loss	-	21	-	21
At December 31, 2017	(828)	(12,981)	43	(13,766)

Translation reserve

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

Hedging reserve

The hedging reserve includes the effective portion of changes in the fair value (net of tax) of the Group's derivative financial instruments that qualify for hedge accounting. The ineffective portion of these derivative financial instruments is included within finance income/costs [Note 12](#). At December 31, 2017 and 2016, all of the Group's interest rate swap contracts qualified for hedge accounting. In 2016, the accumulated losses in the hedging reserve associated with the Italian assets were reclassified to discontinued operation [Note 7](#).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

24. BORROWINGS

	Corporate bond	Project bond	Project loans	Total
At January 1, 2016	87,059	37,522	408,479	533,060
Proceeds from loans	-	-	56,455	56,455
Repayment of loans and interest	(52,158)	(7,370)	(31,813)	(91,341)
Sale of subsidiaries <i>Note 7</i>	-	(34,578)	(202,560)	(237,138)
Accrued interest	6,994	4,997	12,450	24,441
Amortization of transaction costs	877	(571)	192	498
Exchange difference	(664)	-	(534)	(1,198)
At December 31, 2016	42,108	-	242,669	284,777
- Current portion	645	-	14,782	15,427
- Non-current portion	41,463	-	227,887	269,350
At January 1, 2017	42,108	-	242,669	284,777
Proceeds from loans	-	-	48,844	48,844
Repayment of loans and interest	(10,978)	-	(12,667)	(23,645)
Deconsolidation of subsidiary <i>Note 6</i>	-	-	(154,015)	(154,015)
Accrued interest	3,525	-	9,606	13,131
Amortization of transaction costs	386	-	175	561
Exchange difference	5,647	-	4,401	10,048
At December 31, 2017	40,688	-	139,013	179,701
- Current portion	605	-	8,312	8,917
- Non-current portion	40,083	-	130,701	170,784

The Group's borrowings are denominated in € and ¥, and the minimum principal repayment obligations are as follows:

	December 31 2017	December 31 2016
Less than 1 year	8,917	15,427
Between 1 and 5 years	69,812	70,574
After 5 years	102,975	198,776
Total borrowings	181,704	284,777

(a) CORPORATE BORROWINGS

On April 23, 2014, Etrion issued €80 million principal amount of new secured bonds in the Norwegian bond market. The bonds have an annual interest rate of 8.0% and mature in April 2019.

In December 2016, Etrion completed a bond repurchase transaction where the Company purchased a nominal amount of €40 million of bonds via a buy-back offer for offers up to and including a price of 100% of par value plus accrued unpaid interest.

On October 24, 2017, Etrion purchased a nominal amount of approximately €6.3 million (\$7.4 million) of its outstanding corporate bonds at par value, from certain existing bondholders. These Bonds will be held by the Company and will not be cancelled. The bond repurchase was considered as debt extinguishment and the Company recognized a \$0.1 million finance cost associated with this transaction in the statement of net income.

The corporate bond agreement includes a call option that allows the Company to redeem the bond early (in its entirety) at any time at a specified percentage over the par value. The Company can call the bonds after the second year at 4% above par value, after the third year at 2.5% above par value and after the fourth year at 1% above par value. During 2017, the Company's corporate

bond started trading at a premium, triggering an implicit yield below the 8% fixed-rate coupon and management concluded that the corporate bond call option of \$0.3 million was "in-the-money" and therefore the embedded derivative had value. At December 31, 2016, no separate amount was recognized in relation to this call option.

The carrying value of the corporate bonds as at December 31, 2017, including accrued interest net of transaction costs, was \$40.7 million. The corporate bond agreement requires the Company to maintain a minimum unrestricted cash balance of €3 million. At December 31, 2017, the fair value of the corporate bond amounted to \$40.8 million (2016: \$42.6 million).

At December 31, 2017 and 2016, the Group was not in breach of any of the imposed operational and financial covenants associated with its corporate borrowings.

(b) NON-RECOURSE PROJECT LOANS

Japanese subsidiaries

The non-recourse project loans obtained by the Group's Japanese subsidiaries to finance the construction costs of the Group's Japanese solar power projects, mature between 2034 and 2036 and bear annual interest rates of TIBOR plus a margin ranging from 1.1% to 1.4%. The Japanese non-recourse project loans are 90% hedged through interest rate swap contracts during the operational period at an interest rate ranging from 1.72% to 3.13% all-in. At December 31, 2017 and 2016, the fair value of the non-recourse project loans approximated their carrying values as the loans bear floating interest rates. All the Japanese interest rate swap contracts qualified for hedge accounting at December 31, 2017, and December 31, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

During 2017, the Group's Japanese subsidiaries with solar power projects under construction drew down a total of ¥5,113 million (\$45.5 million) and ¥423 million (\$3.8 million) under the senior financing agreements and under the VAT credit facility, respectively (2016: ¥5,760 million (\$48.4 million) and ¥384 (\$3.3 million), respectively). At December 31, 2017, the combined undrawn gross amount under all the Japanese credit facilities amounted to ¥525 million (\$4.6 million) (2016: ¥6,075 million (\$51.9 million)). On March 24, 2017, Shizukuishi received a cash reimbursement of ¥501 million (\$4.5 million) from the Japanese tax authorities associated with VAT credits accumulated during the construction of its solar power plant. On September 30, 2017, Shizukuishi repaid ¥435 million (\$3.8 million) to the lender bank in relation to the associated VAT credit facility.

Repayment of these credit facilities is secured principally by the proceeds from the sale of electricity under contracts entered into by the Group with the local grid operator in Japan and proceeds from the collection of input VAT accumulated for construction costs. Counterparties to the non-recourse project loans do not have unconditional or unilateral discretionary rights to accelerate repayment to earlier dates. The Company's Japanese subsidiaries have provided certain of its assets as collateral to secure its obligations under the financing agreement. The carrying value of Japanese fixed assets pledged as collateral at December 31, 2017, was \$140.6 million (2016: \$101.7 million).

At December 31, 2017 and 2016, the Group was not in breach of any of the imposed operational and financial covenants associated with its Japanese project loans.

Chilean subsidiaries

During the third quarter of 2017, the Group completed a control reassessment and derecognized the net carrying amount of the Salvador non-recourse project loan of US\$154 million. [Note 6](#)

Italian subsidiaries

In December 2016, the Group completed the sale transaction of its Italian assets, transferred its obligations under the non-recourse loan agreements and derecognized the carrying value of these liabilities at the disposal date. [Note 7](#)

25. FINANCIAL LIABILITIES

	Other financial liabilities	Derivative financial instruments	Total
At December 31, 2017			
Non-current financial liabilities:			
Borrowings	170,784	-	170,784
Derivative financial instruments	-	8,788	8,788
Total non-current	170,784	8,788	179,572
Current financial liabilities:			
Trade and other payables	285	-	285
Borrowings	8,917	-	8,917
Derivative financial instruments	-	1,444	1,444
Total current	9,202	1,444	10,646
Total financial liabilities	179,986	10,232	190,218

At December 31, 2016			
Non-current financial liabilities:			
Borrowings	269,350	-	269,350
Derivative financial instruments	-	8,347	8,347
Total non-current	269,350	8,347	277,697
Current financial liabilities:			
Trade and other payables	862	-	862
Borrowings	15,427	-	15,427
Derivative financial instruments	-	1,167	1,167
Total current	16,289	1,167	17,456
Total financial liabilities	285,639	9,514	295,153

26. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31 2017	December 31 2016
Derivative financial assets:		
Corporate bond call option	319	-
Total derivative financial assets	319	-
Derivative financial liabilities:		
Interest rate swap contracts		
- Current portion	1,444	1,167
- Non-current portion	8,788	8,347
Total derivative financial liabilities	10,232	9,514

Corporate bond call option

During 2017, the Group recognized the fair value of the corporate bond call option of \$0.3 million which is deemed to be in-the-money as of the end of 2017. [Note 24](#)

Interest rate swap contracts

The Group enters into interest rate swap contracts in order to hedge against the risk of variations in the Group's cash flows as a result of floating interest rates on its non-recourse project loans in Japan. The fair value of these interest rate swap contracts is calculated as the present value of the estimated future cash flows, using the notional amount to maturity as per the interest rate swap contracts, the observable TIBOR interest rate forward yield curves and an appropriate discount factor. The Group's derivative financial instruments are classified within level 2 of the fair value hierarchy. During 2017, the Group recognized a net fair value loss of \$0.4 million (2016: \$3.1 million), net of tax, within other

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

comprehensive income related to the effective portion of the Group's interest rate swap contracts.

At December 31, 2017, the notional amount of the Group's interest rate swap contracts was \$123.5 million (2016: \$99.9 million), which was denominated in Japanese yen. The fair market value of the interest rate swap contracts at December 31, 2017, increased to a liability position of \$10.2 million (2016: \$9.5 million) due to new interest rate swap contracts entered into during the year.

At December 31, 2017, and 2016, all of the Group's derivative financial instruments qualified for hedge accounting with fair value movements accounted for within equity, except for the ineffective portion that is recorded in to finance income/costs.

27. PROVISIONS AND OTHER LIABILITIES

The movement of provisions over the year is as follows:

	Site restoration	Pension plan	Total
At January 1, 2016	5,945	1,281	7,226
Additions	2,670	173	2,843
Change in estimate	228	(139)	89
Unwinding of discount	165	-	165
Disposal of subsidiaries	(4,400)	-	(4,400)
Utilization	-	(147)	(147)
Exchange differences	(114)	(44)	(158)
At December 31, 2016	4,494	1,124	5,618
Non-current	4,494	1,124	5,618
At January 1, 2017	4,494	1,124	5,618
Additions	-	114	114
Change in estimate	84	(229)	(145)
Unwinding of discount	52	-	52
Deconsolidation of subsidiaries	(1,107)	-	(1,107)
Utilization	-	(134)	(134)
Exchange differences	162	60	222
At December 31, 2017	3,685	935	4,620
Non-current	3,685	935	4,620

(a) DECOMMISSIONING AND SITE RESTORATION

The Group has legal and constructive obligation to complete the landfill site restoration and decommissioning of its solar power projects in Japan after their expected closure. The provision for decommissioning and site restoration is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected life of the solar power projects. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, discounts applied for economies of scale and the rate of inflation.

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

	2017	2016	
	Japan	Japan	Chile
Discount rate	0.5%	0.6%	4.0%
Inflation rate	1.0%	1.0%	2.7%
Weighted average expected remaining life of solar power plant	19 years	20 years	28 years

The discount rates represent the government bond yield rate for a period equivalent to the expected life of the solar power projects in Japan. The inflation rate represents the inflationary environment in the above mentioned countries where the liability will be settled and is consistent with the rate used by the Company's management to value the Group's solar power projects.

The Group's other liabilities as at December 31, 2017 and 2016 are as follows:

	December 31 2017	December 31 2016
Deferred income	163	567
Contributions from NCI	3,544	23,225
Total other liabilities	3,707	23,792
Non-current	3,323	22,521
Current	384	1,271

(b) CONTRIBUTIONS FROM NON-CONTROLLING INTEREST

In accordance with the shareholder agreements between Etrion and its partners in Japan, total project costs for the solar power plants are financed through a combination of non-recourse project debt and equity. The equity is funded by Etrion and its partners based on their respective ownership interests. During 2017, \$0.5 million were contributed by non-controlling interests under the existing shareholder loan agreements (2016: \$1.4 million). These shareholder loans have a fixed annual interest rate of 8% for the Japanese entities. Contributions from non-controlling interest in the form of shareholder loans qualify as financial liabilities and have been accounted for using the amortised cost method based on the effective interest rate method. The fair value of the shareholder loans equal their carrying amount, as the impact of discounting is not significant given their fixed-rate terms. The fair values are based on cash flows discounted using an average rate of 8% for the Japanese entities and are within level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

28. RETIREMENT OBLIGATIONS

The Group operates a defined benefit pension plan in Switzerland that is managed through a private fund. At December 31, 2017, the Group recognized \$0.2 million within other comprehensive loss associated with actuarial gains (2016: \$0.1 million of actuarial losses).

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

	December 31 2017	December 31 2016
Present value of funded obligations	2,565	2,784
Fair value of plan assets	(1,630)	(1,660)
Net liability position	935	1,124

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

	2017	2016
Defined benefit obligation at the beginning	2,784	2,962
Current service cost	134	221
Employee contributions	76	97
Interest cost	17	27
Past service cost	(27)	(59)
Benefits paid	(353)	(245)
Remeasurement loss	(215)	(110)
Exchange differences	149	(109)
Defined benefit obligation at the end	2,565	2,784

The weighted average duration of the defined benefit obligation is 17.4 years. There is no maturity profile since the average remaining life before active employees reach final age according to the plan is 10.4 years.

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

	2017	2016
Fair value of plan assets at the beginning	1,660	1,666
Interest income on plan assets	10	15
Return on plan assets (excluding interest)	14	29
Employer contributions	134	163
Employee contributions	76	97
Benefits paid	(353)	(245)
Foreign exchange	89	(65)
Fair value of plan assets at the end	1,630	1,660

The plan assets comprise the following:

	2017		2016	
	%	\$'000	%	\$'000
Cash and cash equivalents	8.3%	135	7.5%	124
Fixed interest rate instruments	42.4%	691	40.5%	672
Equity instruments	34.5%	562	37.2%	618
Real estate	14.8%	242	14.8%	246
Total fair value of plan assets		1,630		1,660

Investments are well diversified such that failure of any single investment would not have a material impact on the overall level of assets. All investment instruments are not quoted in active markets. No asset-liability strategy was performed in the years ended December 31, 2017 and 2016. The amount recognized in the income statement associated with the Group's pension plan is as follows:

	2017	2016
Current service cost	134	221
Interest expense on defined benefit obligation	17	27
Interest income on plan assets	(10)	(15)
Past service cost	(27)	(59)
Total expense recognized	114	174

The expense associated with the Group's pension plan of \$0.1 million (2016: \$0.2 million) for the year ended December 31, 2017, was included within general and administrative expenses. **Note 10**

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

	2017	2016
Discount rate	0.7%	0.6%
Inflation rate	1.0%	1.0%
Future salary increases	1.0%	1.0%
Future pension increases	0.0%	0.0%
Retirement age	Men 65 Women 64	Men 65 Women 64

Assumptions regarding future mortality are set based on actuarial advice in accordance with the LPP 2015 generational published statistics and experience in Switzerland. The discount rate is determined by reference to the yield on high-quality corporate bonds. The rate of inflation is based on the expected value of future annual inflation adjustments in Switzerland. The rate for future salary increases is based on the average increase in the salaries paid by the Group, and the rate of pension increases is based on the annual increase in risk, retirement and survivors' benefits. Contributions to the Group's pension plan during 2018 are expected to total \$0.2 million. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.9%	Increase by 9.1%
Salary growth rate	0.50%	Increase by 0.6%	Decrease by 0.6%
Life expectancy	1 year	Increase by 1.7%	Decrease by 1.8%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

29. TRADE AND OTHER PAYABLES

	December 31 2017	December 31 2016
Financial liabilities:		
Trade payables	285	862
Total financial liabilities	285	862
Accrued expenses	2,496	7,823
Other trade and other payables	712	1,986
Total trade and other payables	3,493	10,671

Accrued expenses at December 31, 2017, of \$2.5 million (2016: \$7.8 million) include \$0.4 million for the construction of the Komatsu solar power project (2016: \$4.5 million).

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

The currencies of the Group's trade and other payables are as follows:

	December 31 2017	December 31 2016
Japanese yen	2,106	7,264
Euros	30	1,480
Swiss francs	716	1,150
US dollars	100	748
Canadian dollars	541	29
Total trade and other payables	3,493	10,671

30. OPERATING LEASES

The Group has operating leases for land associated with its solar power projects in Japan and for its offices in Tokyo and Geneva.

The minimum lease payments associated with the Group's operating leases are as follows:

	December 31 2017	December 31 2016
Next year	1,186	1,322
Years 2 through 5	3,972	4,145
Beyond 5 years	13,756	15,052
Total minimum payments	18,914	20,519

During 2017, the Group recognized \$1.4 million (2016: \$0.8 million) of operating lease expenses, of which \$1.0 million (2016: \$0.4 million) related to land leases included within operating expenses and \$0.4 million (2016: \$0.4 million) related to office leases included within general and administrative expenses. [Note 9](#) and [Note 10](#). The Group had no finance leases at December 31, 2017 and 2016.

31. RELATED PARTIES

For the purposes of preparing the Company's consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, under ordinary control, or if one party can exercise significant influence over the other party in making financial and operational decisions. The Company's major shareholder is the Lundin family, which

collectively owns through various trusts approximately 24.3% of the Company's common shares (2016: 24.3%).

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

(a) RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

	2017	2016
General and administrative expenses:		
Lundin Services BV	8	14
Lundin Petroleum AB	19	27
Lundin SA	124	112
Finance costs:		
Lundin family:		
- Interest expense	560	865
- Transaction costs	48	106
Total transactions with related parties	759	1,124

Amounts outstanding to related parties at December 31, 2017 and 2016 are as follows:

	December 31 2017	December 31 2016
Current liabilities:		
Lundin Services BV:		
General and administrative expenses	1	1
Lundin family share in corporate bond	17	98
Total current liabilities	18	99
Non-current liabilities:		
Lundin family share in corporate bond	466	6,323
Total non-current liabilities	466	6,323
Total amounts outstanding	484	6,422

There were no amounts outstanding from related parties at December 31, 2017 and 2016.

Lundin Services BV

The Group receives professional services from Lundin Services BV ("Lundin Services"), a wholly-owned subsidiary of Lundin Petroleum AB. The Chairman of Lundin Petroleum AB is a Director of the Company.

Lundin family

Investment companies associated with the Lundin family subscribed for €15 million of the corporate bond issue completed in April 2014. On October 24, 2017, the Lundin family sold to the Company a nominal amount of approximately €5.7 million (\$6.7 million) of corporate bonds. As at December 31, 2017, the total corporate bonds held by the Lundin family amounted to €0.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

Expressed in US\$'000 unless otherwise stated

Lundin SA

On April 1, 2016, The Group entered into a new service agreement with Lundin SA, to make available fully staffed and equipped premises to serve members of its Board of Directors. The contract is renewed automatically, unless terminated by either party.

(b) KEY MANAGEMENT PERSONNEL

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

	2017	2016
Salaries and short-term benefits	956	1,307
Pension costs	154	125
Termination benefits	236	-
Board of Directors	150	150
Share-based payment	582	376
Total	2,078	1,958

Amounts outstanding to key management personnel at December 31, 2017 and 2016 are as follows:

	December 31 2017	December 31 2016
Termination benefits	236	-
Other (bonus and pension costs)	148	500
Total	384	500

There were no amounts outstanding from key management personnel at December 31, 2017 and 2016.

32. COMMITMENTS

Contractual commitments

The Group enters into engineering, procurement and construction agreements with large international contractors that design, construct, operate and maintain utility-scale solar photovoltaic power plants. As of December 31, 2017, the Group had a contractual obligation in less than one year to acquire construction services in the amount of \$3.0 million related to the construction of the 13.2 MW Komatsu solar power projects in Japan. This contractual obligation will be funded from existing cash available at the project company level and/or from the Group's unrestricted cash balance upon financial close. The Group also has contractual commitments associated with its lease contracts [Note 30](#).

33. CONTINGENT LIABILITIES

On August 10, 2015, the Group received a litigation notice from a former employee alleging unreconciled labor-related differences. The Company's directors believe the claim is without merit, and the Group intends to vigorously defend itself. Given the stage of the legal process, the Company is unable to make a reliable estimate of the financial effects of the litigation and has not included a provision for liability under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, in these consolidated financial statements.