

TE WIND S.A.

Société Anonyme

CONSOLIDATED FINANCIAL STATEMENTS

For the period from May 3, 2013 (date of incorporation)

to December 31, 2013

111, avenue de la Faïencerie
L-1511 Luxembourg
R.C.S. Luxembourg: B 177.030

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DIRECTORS' REPORT

The Board of Directors of TE Wind S.A. ("TE Wind" or the "Company") presents their report and the audited consolidated financial statements of TE Wind S.A. for the period from May 3, 2013 (date of incorporation) to December 31, 2013.

General

TE Wind was incorporated on May 3, 2013 under Luxembourg law as a "Société Anonyme" by Iris Fund SICAV FIS, SCA (the "Fund"), its sole shareholder at that date. TE Wind has its registered office at 111, avenue de la Faïencerie in Luxembourg and is registered with the Luxembourg Trade and Companies Register under the number B177.030. The main purpose of TE Wind is the acquisition of ownership interests, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever operating in the renewable energy field and particularly in the energy production from eolic sources.

The Company has been incorporated in order to acquire all the investments in mini-eolic plants, already developed by the Fund through its sub-fund True Energy during the years 2011-2012, and to apply for a listing on AIM Italia, the Alternative Capital Market of the Borsa Italiana dedicated to small and medium-sized enterprises with high growth potential.

The Company was successfully listed on 11 October 2013, reaching 8,1 Million Euro of collection, composed by 3,7 Million Euro as Capital Increase and 4,4 Million Euro of convertible Bonds.

Activity report

Here below the main activities of the company in 2013.

Windmill Srl is the only operationally active subsidiary of the Company with 38 small wind turbines in production. The other subsidiaries, Gea Energy Srl, Windmill Sardinia S.r.l. and REIA Wind S.r.l. are in the process of carrying out the investment phase at the balance sheet date. Since this is a newly formed Group, there are no comparative figures from the previous year.

Within the last months, 50 small wind turbines for a unit power of 30 kW have been installed and a total of 1.41 MW project has been realized through Windmill Srl. Forty of these turbines are connected to the network ENEL and can generate revenues by invoicing to the GSE at a guaranteed tariff that varies from EUR 0,265 to EUR 0,300 per kWh, depending on the date of connection of turbines, for a period that varies between 15 and 20 years from the connection date. For the connection of the remaining turbines we are waiting for the activation intervention by ENEL SpA.

The Company, through a careful market analysis of different operators, national and international, has identified the U.S. Company Northern Power Systems Inc. ("NPS") as a reliable supplier of small wind turbines from 60 kW and has signed on 12 June 2013, and 18 February 2014 two contracts for the supply of a total of 60 turbines. Twenty-seven of these turbines were delivered between December 2013 and February 2014 and are currently in the warehouses of Cagliari SpA's international port - Cagliari International Container Terminal (with specific reference to 7 turbines of GEA Energy and 12 turbines of Windmill 60) and at the SITE warehouse in San Vitaliano (NA) (8 turbines of GEA Energy) waiting for to be installed in various sites.

DIRECTORS' REPORT (CONTINUED)

During the month of December 2013 contracts were signed with leading operators in the sector, such as Site SpA (December 4, 2013) and Sarcos S.r.l. (December 19, 2013) respectively, for the implementation of 9 and 15 plants with a total capacity of 1.44 MW. On these plants will be installed turbines NPS.

Through In-Vento Srl, a technical partner of the Company, over 500 sites have been carefully examined on which a technical due diligence was performed that led to the identification of about 44 sites suitable for construction.

Regarding the project REIA Wind Srl, for the first lot of 10 plants, the surface rights were already acquired and the authorization procedures are now being finalized by providing shortly the actual starting the construction. On these sites, 20 turbines of 30 kW power units, currently in stock in the warehouse, will be installed.

In relation to the first lot, composed of 15 plants, of the subsidiary Gea Energy Srl (equipped of 60 kW turbines), two plants are ready for installation and connection to the BT network, 11 are in process to purchase the surface rights, and two are in due diligence by PROTOS SpA, the independent expert. All 15 turbines have already been purchased and delivered with installation expected by July 2014.

With regard to the first lot of Windmill 60: 12 sites have been identified and are currently in process of acquisition, prior to the due diligence and 3 are in the process of authorization by the competent authorities. Even in this case, all 15 turbines with a nominal power of 60 kW have been acquired and 12 are already delivered, with installation expected by August 2014.

The financing process concluded by Gea Energy Srl and Raiffeisen Bank International AG (the "Ex-Im Loan Agreement") is nearly completed, based on which Raiffeisen Bank will issue a loan of EUR 8,484,257, with possibility of extension of the maturity date. One of the conditions for the extension of the Ex-Im Loan Agreement is the approval and the continued validity of a warranty of the Export-Import Bank of the United States. The signing of the Ex-Im Loan Agreement is expected during the first semester of 2014.

Financial Performance

Due to its recent establishment, the Company has been affected by costs related to both the start-up phase and the listing process. At December 31, 2013, Windmill Srl was the only company of the Group with 25 mini-Eolic plants installed whose 5 of them were still under connection. Consequently the operative revenues were affected by the start-up phase of the plants. Anyhow the revenues are only slightly lower compared to the expectations.

The lack of revenues combined with the presence of non-deductible high operating costs, particularly related to the issuance of convertible bonds and warrants, result in a loss for the period.

In accordance with SIC 17 the transaction costs directly attributable to the stock exchange listing of shares have been deducted from equity.

DIRECTORS' REPORT (CONTINUED)

Other elements affecting the final results of the company are represented by:

- the operating costs related to the issuance of warrants and convertible bonds
- the fair value of the warrants issued for an amount of EUR 457.497

Their effects on the results of the company are significant and related to the accounting policy requested by the IFRS.

As per IAS32 derivate instruments whose features are comparable to the TE WIND's warrants meet the financial liabilities definition and have to be measured at fair value through profit and loss even if they do not represent a cost for the company.

As at 31 December 2013 the result of the period amounts to EUR 1,241,269.

The valuation exercise performed on the plants, using the discounted cash flow method and involving the estimated future cash flows of the plants, has led to a negative value adjustment of EUR 89.175,86 resulting from the decrease of the feed in tariff for 10 Windmills' plants already installed due to the delay in connection with the local network by the ENEL.

The gearing ratio equals 56.84% and is equal to net debt divided by total capital plus net debt. The net debt is the total borrowings (including payables to related parties) less cash and cash equivalents. This value represents a structure of debts/equity of 56%/44% in line with the practice of the market for investments in renewable energy.

Investment strategy

The loss of 2013 was expected as result of the investment strategy in place that has for the first two years a strong program of investments in order to maximize the number of producing plants by the end of 2015, generating full income as expected starting 2015.

In the same circumstances a loss is also expected for 2014. The Board assesses that the Company could restore its profitability starting 2015.

The investment strategy is based on a minimum expected IRR of 14%, unless the investment decision is adopted with the unanimous approval of the directors attending the relevant meeting, including, in any case, the approval by at least one independent director. Therefore TE Wind will not consider investment opportunities below this minimum expected return or not complying with these requirements.

In order to consolidate its competitive position on the market, TE Wind will continue to focus on the development of its production capacity of renewable energy through the expected installation of mini-Eolic plants with a nominal power of 50/60 kW, located in Sardinia and in the South of Italy. Within the next two years, TE Wind plans to install 120 plants, located in Sardinia, Basilicata and Puglia, which will increase its power capacity by 5.4 MW to reach a total of 6.81 MW.

DIRECTORS' REPORT (CONTINUED)

A new opportunity has been detected on the small wind turbines market, due to the large wind farm operators and / or with experience in the world of renewable energy, which, being engaged on large capital-intensive projects, lack the necessary resources and a flexible structure to operate also in this area, though interesting for them.

A new strategic direction of the Company which was approved aims to give further input to the growth diversifying the risk, adding to the current model which includes the installation of mini-wind turbines through the direct management of all stages, a structure of SPVs involving the Company for an amount equal to 70% of the share capital, while 20% will be at industrial partners' charge massively present in the territory with a proven capacity, strong balance sheet and significant know-how developed through the experience of wind production. These actors bring mini-wind projects of high standing already at an advanced stage of development as the Company will be responsible for financially structuring the project and to coordinate their operations; the remaining 10% stake will report to True Energy Advisory Srl. For this purpose, it is proposed to form a company dedicated to the conclusion of industrial partnerships, as described above, that will be structured as an holding company, 100% owned by TE Wind, which will have the control of the various project companies to the extent indicated above. In order to find the necessary financial resources to support that development plan, the Company will perform a capital increase and / or the issuance of additional convertible bonds.

The Company acknowledged that the market for the development of sites is particularly complicated and therefore the schedule of the entire cycle is proving to be longer than expected due to the large bureaucracy.

Ultimately there is no active market and no qualified operators. If on one hand, it makes the business more interesting and more a niche market, on the other hand, it puts the company in front of additional difficulties.

Regulatory framework and risk mitigation

The Italian regulator has determined a nominal power range for "mini-eolic plants" between 1 kW and 200 kW. The choice to focus on the 50/60 kW power range is related to the simplified authorization process required for the construction of plants within this range. The process only requires an authorization from the municipality and it therefore materially limits the authorization risk and implied potential delays in the plant developments.

In order to mitigate the risks linked to the development of wind turbines, TE Wind signed outsourcing service agreements with strategic partners for most critical development stages including site research, feasibility analysis, construction permit requests and wind turbine acquisitions. TE Wind mitigates the risks linked to the plant installation by signing contracts including defining regular project milestones and requiring external opinions and certifications for the acceptance of the milestones. In order to be recognized as a partner the producer of wind turbines also needs to deliver a quality certification to TE Wind.

DIRECTORS' REPORT (CONTINUED)

Developments within the mini-eolic Market

At the world level in 2012, the installed power capacity of mini-eolic plants reaches 600 MW, with China and the USA represent 80% of the total capacity. In Europe with 50 MW of installed power capacity, only the United Kingdom has a significant power capacity. This is mainly due to its quite attractive feed-in tariffs and its simplified authorization process leading to a maximum time for installation of 6 months. At this stage the Italian market still represents a niche with 23 MW of power capacity installed resulting however from a significant growth in mini-eolic power capacity from 1.4 MW in 2009 to 23 MW as of today, with 423 working plants, 5 MW of them installed in the first 6 months of 2013.

TE Wind is currently concentrating its investments in Italy in order to benefit from the positive trend and regulatory framework but it started to consider the possibility to invest outside Italy through the partnership with important international players.

Today TE Wind can be considered as one of the major players in Italy in terms of plants installed as single group.

Corporate Governance

TE Wind is listed on the AIM Italia but this market does not require any entity admitted to its listing to comply with the Code of Conduct sponsored by the Committee for Corporate Governance of the Italian Stock Exchange issued in December 2011. However, TE Wind is aware of the importance of having solid corporate governance. Therefore, in consideration of the current size and the nature of the company's activity, it has been decided to start implementing some measures in order to prepare the adoption of the corporate governance code at a later stage. It is expected that in the near future the Shareholders will appoint two independent Directors in accordance with the corporate governance guidelines.

Events subsequent to the end of the reporting period

On March 24, 2014 a general meeting was held to approve the project of financial statements and also to implement additional strategies of development.

On March 3, 2014 the Company issued 2,800 convertible bonds for EUR 102.35 each, out of which EUR 100 corresponds to the nominal value and EUR 2.35 corresponds to the accrued interests for the period from October 11, 2013 to March 3, 2014. The conversion ratio is 62 new ordinary shares per convertible bond. The interest rate is 6% payable annually on October 11 each year. The conversion period starts on October 12, 2017 and ends on October 4, 2018.

On April 24, 2014 the acquisition of 6 sites was completed in Sardinia through notarial deed.

On or around the same date, the completion of the implementation of turbines has been done in MAMOIADA (Sardinia). A letter related to the acquisition of 6 sites ready-to-build has been signed with Friendly Power, an important player in the renewable energy market, whose production is expected for August 2014.

On May 7, 2014 a new agreement was signed with F.Ili Franchini Impianti, a relevant player in the Italian market for the installation of plants and the acquisition of 4 turbines to be developed in Sardinia.

To the shareholders of
TE WIND S.A.
Société Anonyme

R.C.S. Luxembourg B 177.030

111, avenue de la Faïencerie
L – 1511 LUXEMBOURG

REPORT OF THE REVISEUR D'ENTREPRISES

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of TE Wind S.A. and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 3 May 2013 (date of incorporation) to 31 December 2013, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement of the *réviseur d'entreprises agréé*, 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 *réviseur d'entreprises agréé* 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 the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the period from 3 May 2013 (date of incorporation) to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Directors' report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

Luxembourg, 14 May 2014

For MAZARS LUXEMBOURG, Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 LUXEMBOURG



Thierry SALAGNAC
Réviseur d'entreprises agréé

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

	Notes	As at December 31, 2013
Assets		
Non-current assets		
Intangible assets	8	277,318
Property, plant and equipment	9	7,447,068
Deferred tax assets	21	203,454
Derivative financial instruments	10	51
Other non-current financial assets	11	106,395
Trade and other receivables	12	904,764
		<u>8,939,050</u>
Current assets		
Trade and other receivables	12	1,750,586
Cash and cash equivalents	13	5,335,751
		<u>7,086,337</u>
Total assets		<u>16,025,387</u>
Equity		
Equity attributable to owners of the Parent		
Share capital	15	2,589,741
Share premium	15	2,226,750
Other reserves	16	2,244
Retained earnings		-1,276,390
		<u>3,542,345</u>
Non-controlling interests	17	-16,459
Total equity		<u>3,525,886</u>
Liabilities		
Non-current liabilities		
Derivative financial instruments	20	457,497
Borrowings	18	6,664,894
Trade and other payables	19	2,355,715
Deferred tax liabilities	21	91,548
		<u>9,569,654</u>
Current liabilities		
Borrowings	18	328,649
Trade and other payables	19	2,597,988
Current income tax	21	3,210
		<u>2,929,847</u>
Total liabilities		<u>12,499,500</u>
Total liabilities and equity		<u>16,025,387</u>

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

CONSOLIDATED STATEMENT OF INCOME

For the period from May 3, 2013 (date of incorporation) to December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

	Notes	Period ended December 31, 2013
Revenue	22	125,822
Cost of sales		-44,285
Gross profit		81,537
Depreciation and amortisation expenses		-132,548
Net investment income		- 51,011
Administrative expenses		-500,397
Other operating expenses		-12,762
Formation expenses		-93,307
Other expenses	23	-167,341
Other income		27,533
Operating profit/ (loss)		-797,285
Finance income	25	116,284
Finance costs	24	-668,964
Finance income, net		-552,680
Net loss before income tax		-1,349,965
Income tax expense	21	108,696
Loss for the period		-1,241,269
Loss attributable to:		
Owners of the parent		-1,224,893
Non-controlling interests		-16,376
Earnings per share (Note 26)		Period ended December 31, 2013
Basic and diluted		-0.31

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from May 3, 2013 (date of incorporation) to December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

	Period ended December 31, 2013
Loss for the period	-1, 241,269
Other comprehensive income	
<i>Items that will not be reclassified subsequently to profit or loss</i>	0
Gain on revaluation	0
Others comprehensive income	0
Income tax	0
<i>Total items that will not be reclassified to profit or loss</i>	<u>0</u>
Other comprehensive income for the period, net of tax	<u>0</u>
Total comprehensive income for the period, net of tax	<u>-1, 241,269</u>
Total comprehensive income, net of tax, attributable to:	
Owners of the parent	-1, 224,893
Non-controlling interests	-16,376

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from May 3, 2013 (date of incorporation) to December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance as at date of incorporation	2,589,741	2,226,750	2,244		4,767,238		4,767,238
Proceeds from shares issued				51,580	0	-83	-83
Non-controlling interests arising on taking control of a subsidiary				-1,224,893	-1,224,893	-16,376	-1,241,269
<i>Profit/ (loss) for the period</i>				0	0	0	0
<i>Other comprehensive income for the period</i>	0	0	0	-1,224,893	-1,224,893	-16,376	-1,241,269
Total income							
Balance as at December 31, 2013	2,589,741	2,226,750	2,244	-1,276,390	3,542,345	-16,459	3,525,886

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from May 3, 2013 (date of incorporation) to December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

	Period ended December 31, 2013
Cash flows from operating activities	
Loss before income tax	-1,349,965
Adjustments for:	
Depreciation and amortisation expense	132,548
Loss on revaluation of property, plant and equipment	89,176
Finance income	-114,784
Finance costs	
Loss of actuarial gains on receivables	67,781
Other finance costs	457,497
Changes in working capital	
Increase in trade and other receivables	-905,776
Decrease in trade and other payables	1,926,226
Net cash used in operating activities	302,703
Cash flows from investing activities	
Net inflow of cash and cash equivalents on acquisition	24,806
Purchase of intangible assets	-272,186
Purchase of property, plant and equipment (including prepayments)	-3,205,415
Net cash used in investing activities	-3,452,797
Cash flows from financing activities	
Proceeds from issue of shares	3,629,500
Proceeds from borrowings	4,998,249
Repayment of borrowings	-141,904
Net cash provided by financing activities	8,485,845
Net increase in cash and cash equivalents	5,335,751
Cash and cash equivalents at the beginning of the period	0
Cash and cash equivalents at the end of the period	5,335,751

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

1. GENERAL INFORMATION

TE Wind S.A. (hereafter the “Company”) was incorporated on May 3, 2013, and is organised under the laws of the Grand Duchy of Luxembourg as a “société anonyme” (public limited company) for an unlimited period.

The Company is registered under number B 177.030 with the Luxembourg Trade and Companies Register, where the articles of incorporation may be inspected.

The main purpose of the Company is to acquire and hold ownership interests and participations in Luxembourg or foreign companies, the object and purpose of which is to acquire, hold, manage, develop and dispose of renewable energy investments. In addition, the Company may borrow in any form and issue bonds. The Company may also lend funds or give guarantees to its subsidiaries and other companies.

The Company is a subsidiary of IRIS Fund SICAV-FIS SCA (the “Fund”), which was incorporated in the Grand-Duchy of Luxembourg on April 18, 2007 under the form of a limited partnership by shares (société en commandite par actions), qualifying as an investment company with variable capital (société d’investissement à capital variable) under the law of February 13, 2007 on Specialised Investment Funds (“SIF”), as amended, and managed by IRIS Specialized Asset Management S.à r.l., a Luxembourg private limited company (société à responsabilité limitée) in its capacity as the general partner of the Fund.

The Company’s accounting year begins on the first day of January and ends on the thirty-first of December, except for the first financial year which began on May 3, 2013 (date of incorporation) and ended on December 31, 2013.

The Company has issued shares, warrants and convertibles bonds which are traded on the Alternative Investment Market (AIM) Italia.

The registered office of the Company is 111, avenue de la Faïencerie, L-1511 Luxembourg, Grand-Duchy of Luxembourg.

The Company and its subsidiaries are collectively referred to as the “Group”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified, where applicable, by the revaluation of property, plant and equipment and the revaluation of financial assets and financial liabilities (including derivative financial instruments).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU"). The consolidated financial statements are prepared in Euro ("EUR"). The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

At December 31, 2013, the Standards adopted by the European Union and used by the Company for the preparation of these financial statements present no differences with the standards as published by the IASB. The Standards, as adopted by the European Union, are available on the website http://ec.europa.eu/internalmarket/accounting/ias/index_en.htm

(a) New and amended standards adopted by the Group without significant impact on the consolidated financial statements as of December 31, 2013 :

- IAS 1 (Amendment), "Presentation of financial statements"
- IAS 12 (Amendment), "Income Taxes"
- IAS 19R "Employee Benefits"
- IFRS 7 (Amendment), "Financial Instruments : Disclosures"
- IFRS Annual improvement 2009 to 2011
- IFRS 13 (Amendment), "Fair Value Measurement"

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning on or after January 1, 2013 (including those pending EU endorsement) and not early adopted by the Group, as far as permitted

- IFRS 9, 'Financial Instruments'. On November 12, 2009, the IASB issued IFRS 9, 'Financial Instruments' as the first step in its project to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. On October 28, 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for de-recognition of financial assets and financial liabilities. On December 16, 2011, the IASB has issued an amendment to IFRS 9 that delays the effective date to annual periods beginning on or after January 1, 2015. The original effective date was for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets measured at amortised cost. On completion of these various projects, IFRS 9 will be a complete replacement for IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

IFRS 9, in its current form, requests financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The classification is determined at initial recognition and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. For financial liabilities, the main change is that in case where the fair value option is retained, the effect of the fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless it creates an accounting mismatch. The Directors will quantify the impact of IFRS 9 on the financial position or performance of the Group when the final standard including all phases is issued.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011), key features of which are summarised below:

- IAS 27, 'Separate Financial Statements' (revised standard). As a consequence of the new IFRS 10 and IFRS 12, the scope of IAS 27 is restricted to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The adoption of this revised standard is only relevant to separate financial statements. Should such financial statements be prepared, this revised standard is not expected to have any effect thereon.
- IAS 28, 'Investments in associates and joint ventures' (revised standard). As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28, 'Investment in associates and joint ventures' and describe the application of the equity method to investments in joint ventures in addition to associates. No impact resulting from the adoption of the revised standard on the financial position and performance of the Group has been identified at this stage.
- IFRS 10, 'Consolidated Financial Statements'. IFRS 10 replaces the portion of IAS 27, 'Consolidated and Separate Financial Statements' that addresses the accounting for consolidated financial statements. It also includes the issue raised in SIC 12, 'Consolidation - Special Purpose Entities'. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The new standard is not expected to have any impact on the Group's financial statements.
- IFRS 11, 'Joint Arrangements'. IFRS 11 replaces IAS 31, 'Interests in Joint Ventures' and SIC 13, 'Jointly-controlled Entities – Non-monetary Contributions by Venturers'. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard will have no effect on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRS 12, 'Disclosure of Interests in Other Entities'. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to the consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. A number of new disclosures are also required. The Directors expect no impact from the adoption of the standard on the financial position or performance of the Group.

In June 2012, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time adoption. These five standards together with the transition guidance become effective for annual periods beginning on or after January 1, 2013¹.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 (including those pending EU endorsement) and not currently relevant to the Group

- IAS 32, 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' (amendments), effective January 1, 2014
- IAS 36, 'Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets' (amendment), effective January 1, 2014, not yet endorsed by the EU
- IAS 39, 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting' (amendment), effective January 1, 2014, not yet endorsed by the EU
- IFRIC 21, 'Levies', effective January 1, 2014, not yet endorsed by the EU
- Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27), effective January 1, 2014, not yet endorsed by the EU.

¹ On June 1, 2012, the Accounting Regulatory Committee ("ARC") voted on a regulation that requires IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 to be applied, at the latest, as from the commencement date of a company's first financial year starting on or after January 1, 2014 with early adoption permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2. Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2013.

Subsidiaries

Subsidiaries are all entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Accordingly, income and expenses of subsidiaries acquired or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

A list of subsidiaries is included in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Asset acquisitions versus business combinations*

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold property, plant and equipment, but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations. For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transaction or events do not give rise to goodwill. See Note 6 for further details.

2.3. Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

In consolidation, the results of overseas operations are translated into EUR at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

2.4. Formation costs

Formation costs are expensed when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5. Intangible assets**

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The intangibles recognised by the Group and their useful economic lives are as follows:

- Surface rights 20 years

2.6. Property, plant and equipment*Recognition and subsequent measurement*

The cost of an item of property, plant and equipment ("PPE") is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. In particular, wind turbines which are installed under a turnkey agreement are only recognised after installation and satisfactory testing performed by the supplier.

PPE are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses, in accordance with the revaluation model under IAS 16.

Revaluations are carried out at least once a year by the Group based on discounted cash flows ("DCF") method. See Note 3.2 for further details.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and other depreciable assets are credited to other comprehensive income and shown as other reserves in the shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the consolidated statement of comprehensive income.

Each period, the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of comprehensive income and depreciation based on the asset's original cost is transferred from "Other reserves" to "Retained earnings".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Depreciation*

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. Significant parts of an item of PPE that have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item are grouped in determining the depreciation charge.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

- Operating wind turbines 20 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.7. Non-derivative financial instruments*Classification*

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group only holds financial assets classified as "loans and receivables" and "available-for-sale financial assets".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include "trade and other receivables" and "cash and cash equivalents".

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months at the end of the reporting period. Available-for-sale financial assets include equity investments.

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

The Group's financial liabilities consist of trade and other payables and borrowings. They are classified as other liabilities in accordance with IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Initial measurement*

When financial assets are recognised initially, they are measured at fair value, except for investments not classified as financial assets at fair value through profit or loss, which are measured at fair value plus directly attributable transaction costs.

Initial recognition of financial liabilities is at fair value less directly attributable transaction costs.

Subsequent measurement

The loans and receivables are measured subsequently at amortised cost, using the effective interest rate ("EIR") method, less provisions for impairment. Discounting is omitted for short-term loans and receivables.

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss.

The other financial liabilities including the interest bearing borrowings are measured subsequently at amortised cost using the EIR method.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial instrument.

*Impairment**(a) Assets carried at amortised costs*

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. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that such a 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.

For the loans and receivables category, the amount of the loss is measured as the difference between the assets 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as "available-for-sale"

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss are not reversed through the consolidated statement of comprehensive income.

Derecognition

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or when the Group transfers substantially all risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.8. Derivative financial instruments

The Group may use derivatives such as interest rate swaps or options to hedge its risks exposure to fluctuations in interest rates and has issued warrants and convertible bonds.

Such derivatives are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are presented as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

The change in the fair value of the derivatives is shown under "financial result" in the statement of income.

The Group has deliberately chosen not to apply hedge accounting if conditions for its application are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The fair value of interest rate swap or option contracts is calculated at the present value of the estimated future cash flows based on observable yield curves. The warrants and of the convertible bonds are valued based on the last quoted price available in an active market.

2.9. Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.10. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.11. Share capital

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

2.12. Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

2.13. Trade and other 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 if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.14. Taxation

The tax expense for the period comprises current and deferred tax. Tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. 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 tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax 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 nor loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15. Operating leases – Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

2.16. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Sale of electricity*

Revenue from the sale of electricity is recorded when the power is delivered to the grid. The Group's power stations are eligible for payments under feed-in tariff ("FiT") government programs designed to promote the supply of renewable energy. Revenue is determined based on a fixed amount per MWh delivered, as set by law.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2.17. Dividends

Dividend distributions to the shareholders of the Company are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

2.18. Events after reporting period

Events after reporting period that provide additional information about a position of the Group at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are non-adjusting events are disclosed in the notes when deemed material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the asset or liability affected in future periods.

3.1. Judgements other than estimates

In the process of applying the Group's accounting policies, the Directors have made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and, are satisfied that the Company has the resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements were prepared on a going concern basis.

Useful life of property, plant and equipment

The objective of the Group is to review the estimated useful lives of PPE at the end of each reporting period. As the Group was newly created, the useful lives were determined based on usual range of industry practice.

Asset acquisitions versus business combinations

Management considers that at acquisition, Windmill S.r.l. constituted a group of assets, rather than a business combination as defined in IFRS 3, 'Business combination', mainly because the acquisition is viewed from an investor's perspective as a purchase of assets and because the key technical functions have been outsourced to third parties.

3.2. Estimates and assumptions*Fair value estimation*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Under IFRS, those assets and liabilities are analysed by using a fair value hierarchy that reflects the significance of inputs.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(continued)**

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2013:

	Level 1	Level 2	Level 3	Total balance as at December 31, 2013
Assets				
Property, plant and equipment				
<i>Operating wind turbines</i>	0	0	7,447,068	7,447,068
Available-for-sale financial assets				
<i>Unquoted equity investment</i>	0	0	106,395	106,395
Derivative financial instruments				
<i>Interest Rate Option</i>	0	51	0	51
Liabilities				
Borrowings				
<i>Convertible bonds</i>	4,397,648	0	0	4,397,648
Derivative financial instruments				
<i>Warrants</i>	457,497	0	0	457,497

Valuation of property, plant and equipment

PPE mainly consist of wind turbines and are accounted for under the revaluation model within IAS 16. Therefore, as at December 31, 2013, these assets are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment.

The fair value of fully operating plants has been assessed by using the discounted cash flow ("DCF") method.

The key assumptions used for DCF calculations are as follows:

- Forecast period: period from 2014 to 2032;
- Applicable regulations: the wind turbines will operate under a feed-in tariff ("FiT") scheme, offering a fixed purchase price up until 2032;
- Applicable FiT scheme:
 - o For wind turbines in operation by December 31, 2012: EUR 0.300/ kWh;
 - o For wind turbines installed in 2012 but operating in April 2013: EUR 0.265/kWh;
 - o For wind turbines in operation after December 31, 2012: EUR 0.268/kWh;
 - o For wind turbines in operation after December 31, 2013: EUR 0.263/kWh;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

- Sources of revenue: FiT revenue generated over the forecasted period;
- Costs are expected to grow at a rate of 2% p.a. from 2014 to 2032;
- A weighted average cost of capital set at 9%; and
- No residual value taken into consideration at the end of the forecasted period.

The fair value of plants under development has been assessed at their replacement value.

The valuation exercise based on DCF model plus the replacement value of plants under development led to a total value of EUR 7,447,068 as at December 31, 2013.

Provisions and contingencies

The assessment undertaken in recognising provisions and contingencies have been made in accordance with IAS 37. The evaluation of the likelihood of the contingent events has required best judgment by management regarding the probability of exposure to potential loss. Should circumstances change following unforeseeable developments, this likelihood could alter.

As of December 31, 2013, no provision for decommissioning costs (i.e. costs of dismantling and removing the wind turbines and restoring the site on which they are located) was recognised as the Group entered into agreements by which only the decommissioning costs in excess of the estimated scrap value of the wind turbines will be billed to the Group and the management considers this billing immaterial.

Income taxes

The Group is subject to income tax in several jurisdictions and significant judgement is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

4. FINANCIAL RISK MANAGEMENT

The objective of the Group is to seek current income and capital appreciation through renewable energy investments.

The Group is exposed to a variety of financial risks, including market risk, credit risk, liquidity risk and other risks associated with investments in renewable energy.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

4.1. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk arises from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity securities classified as "available-for-sale".

Foreign exchange risk

Foreign exchange risk arises in respect of monetary financial assets and liabilities that are not in the functional currency of the respective group entities.

At the reporting date, the Group's investments are located in the Euro zone hence limiting the exposure to currency risk.

Interest rate risk

Interest rate risk arises from the Group's exposure, due to its financial obligations, to adverse movements in interest rates. This risk is not considered for the debts instruments represented by the bonds for which the interest rate is fix.

The Group's interest rate risk principally arises from long-term borrowings (see Note 18).

Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

For the purpose of reducing its exposure to interest rate fluctuations, the Group entered into an interest rate option to cap the floating rate paid by the Group. The derivative economically hedges cash flow interest rate risk of floating rate borrowings.

Price risk

The Group is exposed to equity securities price risk because of the investment held by the Group in Jonica Impianti S.r.l. and classified in the consolidated statement of financial position as available-for-sale. Due to the amount at stake, the risk is deemed very limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***4. FINANCIAL RISK MANAGEMENT (continued)****4.2. Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from cash and cash equivalents and trade and other receivables (including prepayments).

As far as banks and financial institutions are concerned, the Group minimizes credit risk by dealing exclusively with high credit rating counterparties.

In respect of trade and other receivables, the Group's exposure to credit risk is limited as the Group primarily deals with Gestore Servizi Energetici ("GSE"), a state-owned company which promotes and supports renewable energy sources in Italy.

Credit quality and acceptance of other customers are assessed based on their financial position, credit history and other factors.

The Group's maximum exposure to credit risk approximates the carrying amounts of its financial assets as at the reporting date, as disclosed in Note 7.

4.3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group regularly monitors current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest dates the Group can be required to pay:

As at December 31, 2013	On demand	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Borrowings						
Principal		-328 649	-338 534	-682 587	-1 238 058	-2 587 828
Interests		-179 597	-155 076	-343 406	-284 310	-962 389
Convertible bonds issued						
Principal				-4 365 000		-4 365 000
Interests		-261 900	-261 900	-785 700		-1 309 500
Trade and other payables	-1 946 096	-651 892	-587 401	-2 415 454	0	-5 600 843
Total	-1 946 096	-1 422 038	-1 342 911	-8 592 147	-1 522 368	-14 825 560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

5. FINANCIAL RISK MANAGEMENT (continued)**5.4. Risks associated with investments in renewable energy**

The Group is exposed to risks other than those in respect of financial instruments, such as commodity price risk.

The main risks the Group is exposed to in that respect include:

- Availability of renewable resources;
- Risks deriving from domestic and international policies in support of renewable energy;
- Volatility of market prices of electricity and changes in subsidised pricing schemes (i.e. feed-in tariff);
- Equipment performance/ failure and risks associated with changes in technology;
- Capital intensive business/ financial risks;
- Business model/ entrepreneurial risks;
- Concentration of investments in some geographical areas or categories of assets;
- Legal and regulatory framework in Italy;
- Impact of environmental laws, regulations and administrative rulings; and
- Operational risks associated with the acquisition and management of investments.

The Group's main measures to minimise potential adverse effects of such a risk on the Group's financial performance include the following:

- Use of asset managers and experts with extensive experience in the energy sector;
- Evaluation of the investment opportunities in accordance with the investment objectives of the Group;
- Substantial due diligence investigation prior to acquisition or contracting with a third party supplier;
- Evaluation of prospective investments through on-site visits of the property, review of environmental assessments and appraisal reports and retention of local consultants and advisors;
- Plant acquisitions from the market leader with certified curve of power and contractual guarantee on productivity;
- Long-term maintenance arrangements with penalty conditions in connection with loss of production;
- Insurance to cover the damage for unforeseeable natural causes and related loss of production; and
- Diversification of locations within Italy and search for sites in Europe for future developments.

5.5. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Except for "thin capitalisation" rules imposed by tax authorities and loan covenants, the Group is not subject to any externally imposed capital requirements.

The Board of Directors regularly follows up on compliance with the rules and covenants referred to above and monitor capital using a gearing ratio. The Group targets a gearing ratio between 75% and 80%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including payables from related parties) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***4. FINANCIAL RISK MANAGEMENT (continued)**

The gearing ratio as at December 31, 2013 is as follows:

	As at décembre 31, 2013
Borrowings	6,993,543
Payables to related parties	2,984,788
Less: cash and short-term deposits	-5,335,751
Net debt	4,642,580
Equity	3,525,886
Equity and net debt	8,168,466
Gearing ratio	56.84%

5. SEGMENT INFORMATION

As the Group operates in one geographical sector being Italy and in one industry sector being the wind energy industry, no break-down of revenues by products and by geographical sector are disclosed.

In terms of concentration, revenues for the period ended December 31, 2013 amounting to EUR 125,822 are derived from a single customer, being GSE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***6. ACQUISITION OF SUBSIDIARIES**

On June 7, 2013, the Company acquired from True Holding I S.C.A. ("TH1"), a wholly owned subsidiary of the Fund, 100% of the equity of Windmill S.r.l., an Italian entity owning 25 mini Eolic plants located in Puglia, Italy.

The assets and liabilities recognised on the date of the acquisition were as follows:

Assets	
Intangible assets	13,500
Property, plant and equipment	4,379,311
Trade and other receivables	573,873
Cash and cash equivalents	24,806
Liabilities	
Borrowings	-2,137,200
Current income tax liabilities	-1,888
Trade and other payables	-1,090,204
Total purchase consideration	1,762,198
<i>Less:</i>	
Deferred payment (*)	1,762,198
Cash and cash equivalents of subsidiary acquired	24,806
Net inflow of cash and cash equivalents on acquisition	24,806

(*) Representing the net present value of EUR 2,415,454 as at June 7, 2013 with a payment deferred according to the following schedule:

▪ June 30, 2017	EUR 791,000
▪ December 31, 2017	EUR 1,624,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***7. FINANCIAL INSTRUMENTS CLASSIFIED BY CATEGORY (IAS 39)**

As at December 31, 2013	Loans and receivables (including cash and cash equivalents)	Available-for-sale financial assets	Financial assets at fair value through profit and loss	Total
Financial assets as per statement of financial position				
Non-current assets				
Derivative financial instrument			51	51
Other non-current financial assets		106,395		106,395
Trade and other receivables (excluding tax receivables)	904,764			904,764
Current assets				
Trade and other receivables (excluding tax receivables)	1,059,734			1,059,734
Cash and cash equivalents	5,335,751			5,335,751
Financial liabilities as per statement of financial position				
		Other financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Total
Non-current liabilities				
Derivative financial instruments			457,497	457,497
Borrowings		2,267,247	4,397,647 (*)	6,664,894
Trade and other payables (excluding tax payables)		2,355,715		2,355,715
Current liabilities				
Borrowings		328,649		328,649
Trade and other payables (excluding tax payables)		2,597,735		2,597,735

(*) corresponds to the convertible bonds issued

The fair value of the items included under current assets and current liabilities approximate their carrying amount due to their short-term maturity. For details on borrowings, refer to Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***8. INTANGIBLE ASSET**

	<u>As at December 31, 2013</u>
<u>Gross amount</u>	
Balance as at date of incorporation	0
Acquisition through share deals	13,500
Additions	272,186
Disposals	0
Revaluation increase/ (decrease)	0
Other	0
Balance as at December 31, 2013	<u>285,686</u>
<u>Accumulated amortisation and impairment</u>	
Balance as at date of incorporation	0
Amortisation charge for the period	-8,368
Other	0
Balance as at December 31, 2013	<u>-8,368</u>
Carrying amount as at December 31, 2013	<u>277,318</u>

9. PROPERTY PLANT AND EQUIPMENT

	<u>As at December 31, 2013</u>
<u>Gross amount</u>	
Balance as at date of incorporation	0
Acquisition through share deals	4,379,311
Additions	3,205,415
Disposals	0
Revaluation increase/ (decrease)	-89,176
Other	75,697
Balance as at December 31, 2013	<u>7,571,248</u>
<u>Accumulated depreciation and impairment</u>	
Balance as at date of incorporation	0
Depreciation charge for the period	-124,180
Other	0
Balance as at December 31, 2013	<u>-124,180</u>
Carrying amount as at December 31, 2013	<u>7,447,068</u>

Refer to the note 31 for the breakdown of property, plant and equipment by location.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***10. DERIVATIVE FINANCIAL ASSETS**

The group entered into an interest rate option on December 13, 2013 whose main features are the followings:

- Nominal amount: EUR 300,00
- Nominal outstanding at December 31, 2013: EUR 200,000
- Premium: EUR 1,410
- Interest paid: Euribor 3M
- Interest cap: 1% p.a.
- Maturity: December 17, 2015

11. OTHER NON-CURRENT FINANCIAL ASSETS

	As at December 31, 2013
<i>Available-for-sale financial assets</i>	
Shares held in Jonica Impianti SRL	106,395
Total	106,395

The Group holds 3% of the share capital of Jonica Impianti S.r.l., an Italian company main activity of which is to manufacture, to sell and to maintain wind turbines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***12. TRADE AND OTHER RECEIVABLES**

	As at December 31, 2013
Non-current	
Trade receivables	904,764
	904,764
Current	
Trade receivables	1,056,517
VAT receivables	690,852
Other	3,217
	1,750,586
Total	2,655,350

Trade and other receivables include and amount of respectively EUR 904,764 as non-current and EUR 109,206 as current which are to be received from THI (see note 14 for further details).

13. CASH AND CASH EQUIVALENTS

	As at December 31, 2013
Cash at bank and in hand	5,335,751
Total	5,335,751

14. NON-CASH TRANSACTIONS

During the period ended December 31, 2013, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

Acquisition of a subsidiary subject to deferred payment (Note 6)	(2,415,454)
Acquisition of available-for-sale financial assets (Note 11) subject to deferred payment	(104,780)
Issuance of warrants to the directors of the company and to existing shareholders as at October 7, 2013 (Note 20)	(457,497)
Transfer of a loan from a related party financed with a debt towards another related party (see Note 27)	
- Loan from THI	1,081,750
- Debt towards the Fund, which was contributed to capital on September 10, 2013 (Note 15)	(1,081,750)
	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

(Unless otherwise stated all amounts are expressed in EUR)

15. SHARE CAPITAL

The Company was incorporated with a capital of EUR 1,000,000 represented by 10,000 ordinary shares with a nominal value of EUR 100 each, fully paid-up in cash.

The ordinary shares carry right to receive any dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares.

On July 3, 2013, further to the decision to reduce the nominal value of each share, the share capital of EUR 1,000,000 was represented by 2,000,000 ordinary shares with a nominal value of EUR 0.50 each.

On September 10, 2013, the share capital was increased to EUR 2,081,750, represented by 4,163,500 ordinary shares with a nominal value of EUR 0.50 each.

On October 7, 2013, the Company issued a total of 1,634,500 warrants out of which 150,000 warrants have been allocated to the Directors of the Company (note 20).

On October 17, 2013 the share capital was increased to EUR 3,566,250, represented by 7,132,500 ordinary shares with a nominal value of EUR 0.50 each, together with an allocation to the share premium account for a total amount of EUR 2,226,750.

The Company has an authorized capital amounting to EUR 30,000,000 as at December 31, 2013.

The shares are listed on the Alternative Investment Market (AIM) Italia (Isin code LU0975260794).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***16. OTHER RESERVES**

	As at 31 December 2013
Balance at the beginning of the period	
Increase on revaluation of property, plant and equipment	0
Impairment loss	0
Reversal of impairment loss	0
Deferred tax liabilities arising on revaluation	0
Reversal of deferred tax liability on revaluation	0
Transfer to retained earnings	0
Other	2,244
Balance at the end of the period	2,244

17. NON-CONTROLLING INTERESTS

	As at December 31, 2013
Balance at the beginning of the period	0
Non-controlling interests arising on taking control of subsidiaries	-83
Share of profit/ (loss) of the period	-16,376
Balance at the end of the period	-16,459

18. BORROWINGS

The policy of the Group is to finance its investment activities from a combination of equity and debt sources. The main forms of debt financing utilised by the Group are the following:

Movements in interest bearing borrowings

	As at December 31, 2013
Balance at the beginning of the period	
Borrowings assumed through acquisition of a subsidiary	2,137,200
Proceeds from borrowings	600,600
Repayments of borrowings	-141,904
Convertible bonds issued	4,397,648
Balance at the end of the period	6,993,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***18. BORROWINGS (continued)***Details of interest bearing borrowings*

Counterparty	Type of loan	Original currency	Nominal interest rate	Maturity	Principal amount outstanding as at December 31, 2013
Mediocredito Italiano S.p.A.	Term loan	EUR	3-M EURIBOR + 7.50%	31-Mar-2027	873,600
Mediocredito Italiano S.p.A.	Term loan	EUR	3-M EURIBOR + 6.95%	30-Sep-2026	1,391,267
Intesa Sanpaolo (*)	Term loan	EUR	3-M EURIBOR + 7.50%	31-Dec-2015	331,028
Convertible bonds issued	Convertible bond	EUR	6%	11-Oct-2018	4,365,000
					6,960,895

(*) Subject to an interest rate cap agreement limiting the increase of the variable portion of the interest rate to 1% p.a.

On October 11, 2013, the Company issued 43,650 convertible bonds with a nominal value of EUR 100 each. The conversion is 1 bond for 62 ordinary shares of the Company and the conversion period is from October 10, 2017 to October 11, 2018. The convertible bonds are listed on the Alternative Investment Market (AIM) Italia (Isin code IT0006727934).

Maturity analysis

	As at December 31, 2013
Bank loans maturing beyond 5 years	1,246,125
Bank loans maturing between 1 and 5 years	1,021,121
Bank loans maturing within 1 year	328,649
Convertible bonds (beyond 5 years)	4,397,648
Total	6,993,543

The fair value of floating rate borrowings approximates their carrying amount. The fair value of the convertible bonds amounts to 99.4% and the accrued interest to EUR 58,838 as at December 31, 2013.

The borrowings are subject to bank covenants at the entity level including minimum equity requirements presence during the loans life as reported below:

- Windmill Srl - Loan of initial amount of EUR 1,638,000 has a requirement of EUR 702,000
- Windmill Srl - Loan of initial amount of EUR 1,092,000 has a requirement of Debt/Equity ratio over 2.33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***19. TRADE AND OTHER PAYABLES**

	As at December 31, 2013
Non-current	
Payables to related parties (Note 27)	2,355,715
	2,355,715
Current	
Trade payables	958,312
Payables to related parties (Note 27)	629,073
Other tax payables	253
Accruals	904,285
Other	106,065
	2,597,988
Total	4,953,703

20. DERIVATIVE FINANCIAL LIABILITIES

On October 7, 2013, the Company issued a total of 1,484,500 warrants on the basis of 2 warrants for 1 existing share. In addition, 150,000 warrants have been allocated to the Directors of the Company.

The main features of those warrants are the followings:

- Strike Price: EUR 1.625
- Conversion period from October 11, 2013 to October 11, 2018
- Exercise price: EUR 0.5 for 1 share
- Conversion ratio : the warrant offer the possibility to subscribe shares at the Subscription Price of EUR 0.50 (the nominal value of the shares) following the below formula:

$$\frac{\text{Monthly Average Price} - \text{Strike Price}}{\text{Monthly Average Price} - \text{Subscription Price}}$$

with a maximum of EUR 2.5 for the Monthly Average Price.

The warrants are listed on the Alternative Investment Market (AIM) Italia (Isin code LU0975261412).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***21. TAXATION***Major components of income tax expense*

	As at December 31, 2013
Current income tax	
Current income tax expense	-3,210
Deferred income tax	
Deferred tax asset	203,454
Deferred tax liabilities	-91,548
Income tax (expense)/income reported in the consolidated statement of income	108,696

Tax reconciliation

	Period ended December 31, 2013
Accounting profit/ (loss) before income tax	-1,349,965
Tax calculated at domestic rate	-394,460
<i>Tax effect of:</i>	
Non-deductible expenses	0
Income not subject to taxation	0
Tax losses reversed/ (utilised)	0
Tax losses for which deferred tax assets were not recognised	180,623
Other	105,141
Tax expense/ (credit) at an effective tax rate of 8,5%	-108,696

Deferred tax analysis

	As at December 31, 2013
Deferred tax liabilities	
Opening balance	
Recognised in other comprehensive income:	
Effect of revaluation of property, plant and equipment	91,548
Deferred tax liabilities	
Movements on deferred tax liabilities	-91,548
Closing balance	-91,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***22. REVENUE**

	Period ended December 31, 2013
Sales of electricity	125,822
Total	125,822

23. OTHER EXPENSES

	Period ended December 31, 2013
Loss on revaluation of property plant and equipment	89,176
Other expenses	78,165
Total	167,341

24. FINANCE COSTS

	Period ended December 31, 2013
Actuarial loss on receivable	67,781
Interest expenses	141,304
Revaluation of warrants	457,497
Other financial expenses	2,382
Total	668,964

25. FINANCE INCOME

	Period ended December 31, 2013
Actuarial gains on debt	88,525
Revaluation convertible bonds	26,190
Revaluation of interest rate option	51
Interest income	1,518
Total	116,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***26. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit or loss for the period attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the period.

	<u>As at December 31, 2013</u>
Profit or loss attributable to the owners of the parent	
Earnings used in the calculation of basic earnings per share	-1,224,893
Weighted average number of ordinary shares in issue	
Ordinary shares	3,921,434
Earnings per share	
Basic	-0.31

The Company is not exposed to potential dilutive effect on the ordinary shares. The diluted earnings per share equal the basic earnings per share.

27. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related party transactions and period-end balances consist of the following:

Acquisition of subsidiaries

During the period ended December 31, 2013, the Company acquired from a related party interests in Windmill Srl for a total consideration of EUR 2,415,454. See Notes 6 and 9 for further details.

Remuneration of the Directors

On October 7, 2013, the Company issued and allocated 150,000 warrants for free to the Directors. During the year 2013, Directors' fees have been paid for a total amount of EUR 117,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***27. TRANSACTIONS WITH RELATED PARTIES (continued)***Total transactions to statement of income split by nature*

	Period ended December 31, 2013
Actuarial gains recognised as part of the deferred consideration for the acquisition of a subsidiary	584,578
Actuarial gains and losses recognised in profit or loss (Notes 24 and 25)	20,744
Directors fees	-117,000
Warrant granted to the directors	-41,985
Total	446,337

Period-end balances due from/ to related parties

	As at December 31, 2013
Receivable from TH1 (Note 12)	1,013,970
Payable to TH1 in relation to the acquisition of a subsidiary (*)	-1,830,877
Payable to TH1 in relation to the acquisition of available-for-sale financial assets (Notes 11 & 14)	-104,780
Payable to the Fund in relation to a debt reassignment	-1,045,988
Warrants granted to the directors	-41,985
Total	-2,009,660

(*) Representing the net present value of EUR 2,415,454 as at December 31, 2013 (see Note 6).

28. CONTINGENCIES AND COMMITMENTS*Contingent liabilities*

As at December 31, 2013, there are no material contingent liabilities outstanding identified by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***28. CONTINGENCIES AND COMMITMENTS (continued)***Operating lease commitments*

The Company's subsidiaries have entered into long-term lease agreements for the use, or option to use, of land in connection with the operation of their wind turbines.

Future minimum payments under these non-cancellable leases are as follows:

	<u>As at December 31, 2013</u>
Within 1 year	49,808
Between 1 and 5 years	155,481
5 years and more	826,000
Total	<u>1,031,289</u>

Turbine maintenance agreements

The Group has entered into wind turbine maintenance service agreements covering the turbines in operation on various sites. The contracts provide for maintenance and require annual minimum payments over a period of 5 years since the commissioning of the wind turbines, with an option to extend the maintenance program at agreed upon conditions.

The 5-years commitment as of December 31, 2013 represents minimum payments of EUR 300,000.

Loan covenants

The borrowings are subject to bank covenants at the entity level including minimum equity requirements presence during the loans life as reported below:

- Windmill Srl - Loan of initial amount of EUR 1,638,000 has a requirement of EUR 702,000
- Windmill Srl - Loan of initial amount of EUR 1,092,000 has a requirement of Debt/Equity ratio over 2.33

As at December 31, 2013, the loan covenants are respected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***29. SUBSEQUENT EVENTS**

On March 24, 2014 a general meeting was held to approve the project of financial statements and also to implement additional strategies of development.

On March 3, 2014 the Company issued 2,800 convertible bonds for EUR 102.35 each, out of which EUR 100 corresponds to the nominal value and EUR 2.35 corresponds to the accrued interests for the period from October 11, 2013 to March 3, 2014. The conversion ratio is 62 new ordinary shares per convertible bond. The interest rate is 6% payable annually on October 11 each year. The conversion period starts on October 12, 2017 and ends on October 4, 2018.

On April 24, 2014 the acquisition of 6 sites was completed in Sardinia through notarial deed.

On or around the same date, the completion of the implementation of turbines has been done in MAMOIADA (Sardinia). A letter related to the acquisition of 6 sites ready-to-build has been signed with Frendly Power, an important player in the renewable energy market, whose production is expected for August 2014.

On May 7, 2014 a new agreement was signed with F.Ili Franchini Impianti, a relevant player in the Italian market for the installation of plants and the acquisition of 4 turbines to be developed in Sardinia.

30. LIST OF CONSOLIDATED ENTITIES

The list of consolidated entities under the control of the Group as at December 31, 2013 is as follows:

Company name	Country of incorporation	Equity %	% of voting rights	Consolidation method
REIA Wind S.r.l. (formerly True Energy Sviluppo S.r.l.)	Italy	90.00%	90.00%	Full consolidation
Windmill Sardinia S.r.l.	Italy	90.00%	90.00%	Full consolidation
GEA Energy S.r.l.	Italy	90.00%	90.00%	Full consolidation
Windmill S.r.l.	Italy	100.00%	100.00%	Full consolidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at December 31, 2013

*(Unless otherwise stated all amounts are expressed in EUR)***31. BREAK DOWN OF PROPERTY, PLANT AND EQUIPMENT BY LOCATION**

Project name	Location	Type of asset	Nominal power	Number of years subject to FiT ^(*)
Laterza Chiancone	Laterza, Puglia, Italy	Wind turbine	50 kw	14
Paradiso	Laterza, Puglia, Italy	Wind turbine	50 kw	14
Monte Priamo	Castelluccio Valmaggiore, Puglia, Italy	Wind turbine	50 kw	14
Caserotte/ Montesanto	Troia Localita Caserotte, Puglia, Italy	Wind turbine	50 kw	14
Troia Tursi	Troia Localita Tursi, Puglia, Italy	Wind turbine	50 kw	14
Poggiorsini 188	Poggiorsini, Puglia, Italy	Wind turbine	60 kw	14
Poggiorsini 189	Poggiorsini, Puglia, Italy	Wind turbine	60 kw	14
Poggiorsini 23	Poggiorsini, Puglia, Italy	Wind turbine	60 kw	14
Poggiorsini 68	Poggiorsini, Puglia, Italy	Wind turbine	60 kw	14
Poggiorsini 496	Poggiorsini, Puglia, Italy	Wind turbine	60 kw	19,5
Gravina 267	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	19,5
Gravina 269	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	19,5
Gravina 346	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	19,5
Gravina 272	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	19,5
Gravina 347	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	19,5
Gravina 20	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	20
Gravina 24	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	20
Gravina 76	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	20
Gravina 106	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	20
Gravina 306	Gravina in Puglia, Puglia, Italy	Wind turbine	60 kw	20
Avetrana Centonze	Avetrana Contrada Centonze, Puglia, Italy	Wind turbine	60 kw	20
Atella Liccione 1	Atella, Basilicata, Italy	Wind turbine	60 kw	20
Atella Liccione 2	Atella, Basilicata, Italy	Wind turbine	60 kw	20
San Fele	San Fele, Basilicata, Italy	Wind turbine	60 kw	20
Poggiorsini 44	Poggiorsini, Puglia, Italy	Wind turbine	60 kw	20

(*) Remaining number of years as from December 30, 2013, based on the current legislation

32. AUDIT FEES

For the year ended December 31, 2013, the total fees received by the “Réviseur d’entreprises agréé” and the component auditor for the audit of the stand-alone annual accounts and of the consolidated financial statements are detailed as follow:

- Statutory audit : EUR 52,726
- Other assurance services: EUR 0
- Tax advisory services: EUR 0
- Other non audit services: EUR 0