RURELEC

FOCUSED ON POWER GENERATION IN LATIN AMERICA

RURELEC PLC

Annual Report and Accounts

for the year ended 31 December 2011

Stock code: RUR

Rurelec PLC is a company incorporated in England & Wales established to develop, own and operate power generation capacity in the Southern Cone of Latin America. Rurelec is managed by a team with a strong track record in developing power projects worldwide and with considerable experience in the electricity sector in the region.

Rurelec's main business consists of the ownership and development of power generation facilities on the national grid and in isolated areas, selling electricity on commercial terms.

Since listing on AIM in 2004, Rurelec has acquired interests in power generation operations in Bolivia (nationalised in 2010) and Argentina. Rurelec has also acquired development opportunities in Chile and Peru.

›› For more information on Rurelec go to **www.rurelec.com**

HIGHLIGHTS

- Focus on increasing capacity following the successful fundraising of £18.0 million
- Profit before tax from continuing operations £1.9 million (2010: £0.1 million)
- Revenues increased 25 per cent. to £13.5 million (2010: £10.8 million)
- Group borrowings of £1.7 million (2010: £13.7 million)
- Guaracachi has been independently valued at US$142.3 million as the claim in the arbitration proceedings against Bolivia is lodged
- Expansion into Peru and Chile
- Earnings per share 0.47p (2010: loss 0.06p)
- Net Asset Value per share 20.41p (2010: 31.38p)
- Authority sought to buy back up to 25 per cent. of shares in issue

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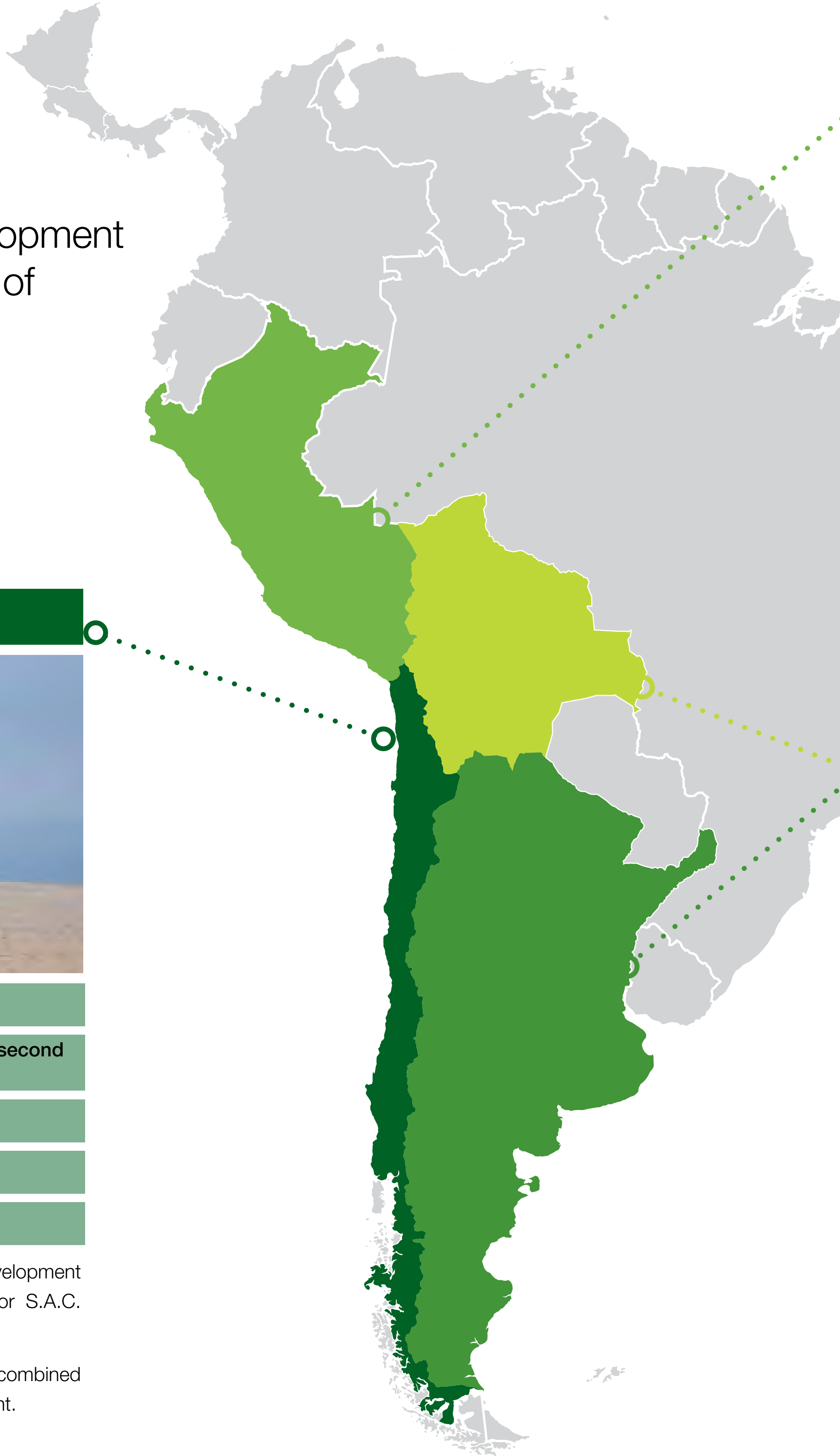
AT A GLANCE

Our current activities include operations in Argentina, development in Chile and Peru and pursuit of our claim against the Bolivian Government.



Chile – Termonor, Arica

- Location: Parinacota, Arica
- Capacity: 38 MW nominal (increasing to 76 MW if second turbine is added)
- Technology: OCGT (potential for phase II CCGT)
- Equipment: One GE MS6001B gas turbine
- Fuel: Diesel (locally sourced)

Parinacota is a 38 MW Greenfield thermal power plant development in which Rurelec owns 50 per cent. through Termonor S.A.C. ("Termonor"), the project development company.

The project has the potential to convert to a 136 MW combined cycle power plant as part of its second stage development.

Peru – Cascade Hydro

- Project Names: Canchayllo/Santa Rita
- Location: Junin Province/Ancash Province
- Capacity: 4 MW/255 MW (1,424 GWh/annum)
- Technology: Both Run-of-River Hydro
- Equipment: 2 × horizontal Francis turbines 3 x vertical Francis turbines

Rurelec has recently acquired a 50 per cent. interest in Cascade Hydro Limited ("Cascade"), a newly formed hydroelectric power development company focused on run-of-river projects.

Bolivia – Guaracachi

- Project Name: Santa Cruz/Aranjuez/Karachipampa/ San Matias
- Location: Santa Cruz, Bolivia
- Capacity: 420 MW/51.2 MW/15.5 MW/2.6 MW
- Technology: Gas CCGT/Gas OCGT and Engines (Dual Fuel and Gas)

Rurelec's Bolivian subsidiary, Empresa Electrica Guaracachi, S.A. ("Guaracachi"), was nationalised by the Bolivian Government on 1 May, 2010. Not only is it the largest power producer in the country but whilst under Rurelecs' control it was also the largest investor in new generation capacity under the presidency of Evo Morales.

Argentina – Energia del Sur

- Project Name: Energia del Sur/'Comodoro'
- Location: Comodoro Rivadavia, Patagonia
- Capacity: 136 MW
- Technology: CCGT
- Equipment: 2 × GE MS6001B gas turbines
- Fuel: Natural Gas (locally sourced)

Rurelec owns 50 per cent. of Energia del Sur S.A. ("EdS"), which owns and operates a 136 MW CCGT power plant in Southern Patagonia, Argentina.

The conversion project is registered to earn Certified Emission Reduction credits ("CERs") under the Clean Development Mechanism.

CHAIRMAN'S STATEMENT

Andrew Morris
Chairman

"The valuation of our former interest in Guaracachi has been set by the independent valuation expert at US$142.3 million, just under twice the notional value used in the accounts. In addition, and as a result of the support of shareholders and Sterling Trust in particular, the Group is now virtually debt free."

I am pleased to present the report of the results of Rurelec PLC ("Rurelec" or the "Company") for the year ended 31 December, 2011. The past year has seen the Group consolidate its position following the fundraising of £18 million, before expenses, in March 2011 and prepare to refocus on adding capacity. A welcome change from the torrid couple of years that preceded.

Group Results

The profit after tax for the financial year under review is £1.8 million (2010: £15.7 million). This figure compares with a 2010 loss after tax, for continuing operations of £0.1 million.

Turnover during the year rose to £13.5 million (2010: £10.8 million) and is based solely on our 50 per cent. equity interest in Energia del Sur S.A. ("EdS") in Argentina. These figures include a full year of revenues from the Resolution 220 power purchase contract.

As a result of the support of shareholders and Sterling Trust in particular, the share issue in March last year went ahead as described in the circular dated 11 March, 2011 and the Group is now virtually debt free, with only £1.7 million of non-shareholder borrowings at the operating company level.

Rurelec is now the primary lender to EdS and is in the process of restructuring the debt in order to accelerate payments back to London. Indeed, since the capital increase closed, Rurelec has received capital repayments of US$2.5 million from EdS.

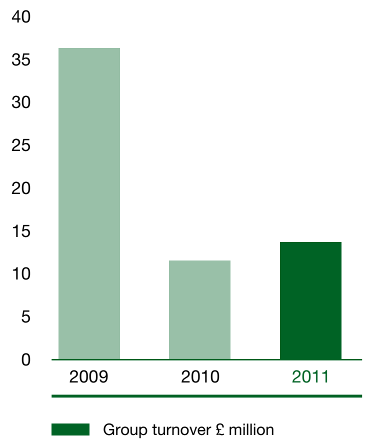
Operating profit, before exchange adjustments, improved in Argentina from £1.5 million to £2.4 million resulting in an increase in Group operating profit, after head office costs, from £0.4 million to £1.6 million.

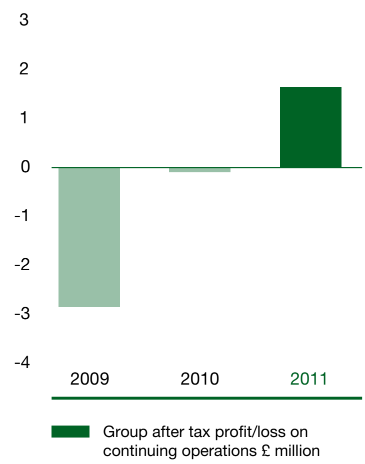
EdS Results

At the operating level in Argentina, and therefore based on 100 per cent. of EdS's activities, EdS's revenues increased to £27 million (AR$180 million) this year (2010: £21.7 million/AR$131 million). Gross operating profit also increased substantially, to £10.5 million (AR$70 million) (2010: £7.7 million/AR$47 million). Exchange losses of £2.6 million (2010: loss of £0.9 million) due to weakness of the Argentine Peso reduced operating profits to £1.5 million (2010: profit £2.3 million).

Inflation in Argentina and downward foreign exchange pressure on the peso have eroded part of our margin on the Resolution 220 power purchase agreement which continues to provide us with a premium pricing on our incremental at EdS.

Pictured:
Energia del Sur





Update on Bolivian Arbitration

Throughout 2011 the Executive Directors have been working with our legal advisers, Freshfields Bruckhaus Deringer, preparing the statement of claim in the arbitration proceedings against the Government of Bolivia. This was lodged with the Court on 1 March, 2012, and as expected the claim is substantially in excess of the notional value used in these financial statements. The valuation of our former interest in Guaracachi has been set by the independent valuation expert at US$142.3 million, just under twice the notional value used in the accounts. As agreed in the procedural orders, the statement of claim is available to the public and we provide a copy in both English and Spanish on our website. The Government of Bolivia must publish their defence on or before 1 August, 2012.

Outlook

In addition, the Directors have been looking to add new capacity to Rurelec's operating business. We have announced the launch of initiatives to develop new assets in Peru and in Chile through our 50 per cent. interest in Cascade and Termonor, respectively.

Pending receipt of any proceeds from the arbitration claim, expansion will be funded from internally generated funds or through borrowings.

During 2012 we expect to be able to announce additional capacity under development in Chile and in Peru as our presence on the ground in these two countries increases.

Andrew Morris
Chairman
1 June, 2012

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

Peter Earl
Chief Executive

"This year we have expanded into Peru and Chile, replacing some of the generating capacity lost through the Bolivian nationalisation in 2010. At last we are looking to a future of growth and liquidity for Rurelec and I will welcome the day on which I can also announce a return to the payment of dividends from ordinary activities as the dramas of world events finally subside."

Introduction

2011 was a year of consolidation and expansion for Rurelec. After the shocks of the previous year, 2011 was the year in which Rurelec substantially eliminated its borrowings and prepared the groundwork for a full and fair compensation claim against the Government of Bolivia at the Permanent Court of Arbitration in The Hague. These actions have in turn allowed Rurelec to begin the process of replacing the power generation capacity which was lost through the May Day 2010 nationalisation of Guaracachi.

A year in Review

Our 136 MW Argentine combined cycle power plant at Comodoro Rivadavia in Patagonia has performed to the very high expectations which we had of it when it was originally planned. EdS's new plant capacity has been meeting the predicted increased demand for power in southern Argentina with record levels of dispatch and the highest level of reliability of any plant in the southern wholesale electricity market. This in turn has meant increased cash flow from operations which has permitted EdS to start paying down debt owed to Rurelec.

Overall operations at EdS have been satisfactory. An increase in spot market capacity and operations and maintenance prices came in to effect in January 2011. However, cash releases from the business have been less than expected due to CAMMESA delaying payment of the increase from July 2011.

In March 2012 the Ministry of Energy announced that this capacity price increase was formally cancelled, reducing revenues by approximately US$2.4 million per annum. This is regarded as a temporary suspension pending a wider review of spot market prices which we believe is long overdue. Resolution 220 income remains unaffected.

Reported earnings in Argentina continue to be adversely affected by Peso weakness and by local inflation rates, salary inflation remains above 20 per cent. per annum, even though the official inflation rate is reported as 9.8 per cent. (March 2012). Recent changes to the foreign exchange control rules appear to be having the effect of increasing liquidity in the local banking system, so we are redoubling efforts to refinance EdS in order to mitigate the impact of foreign exchange variations on earnings.

Inflation in Argentina and downward foreign exchange pressure on the peso have eroded part of our margin on the Resolution 220 power purchase agreement which continues to provide us with a premium pricing on our incremental capacity at EdS. Nonetheless, the past year has seen a solid performance in Argentina and we continue to expect to operate at full plant capacity in the coming years.

During 2011, Rurelec raised £16 million of new funds by way of a capital increase to acquire the project loan provided by Standard Bank in 2008 for the construction of the EdS combined cycle capacity. Rurelec also raised a further £2 million of new capital by issuing Ordinary shares in exchange for loans, thereby taking the overall capital increase to £18 million and eliminating all of Rurelec's bank borrowings, loan notes and loans. This has left Rurelec in an almost unique position among global power companies of being almost completely ungeared other than in the form of trade creditors at the operating company level.

EdS is currently looking to refinance part of its loans to Rurelec by means of a peso denominated loan at the EdS level. This loan is expected to complete before the year end and will reduce the quantum of debt which Rurelec will have lent to the combined cycle project. At present Rurelec is owed, directly and indirectly, some US$50 million by EdS. Recycling this money back to Rurelec will allow us to use the funds released to buy into new generation capacity in Chile and Peru.

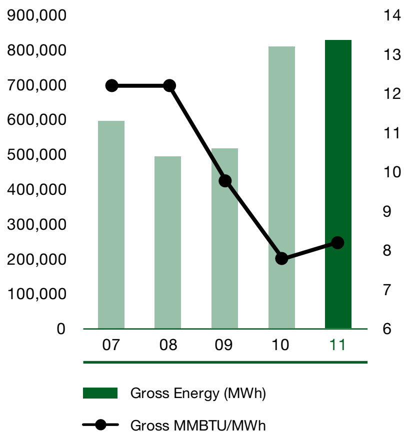
The primary focus of management during the year was preparing the very detailed information and financial models required to mount a serious claim for compensation against the Plurinational State of Bolivia pursuant to the UK–Bolivia investment treaty. This complex and laborious process was undertaken with great determination by a Rurelec team operating out of London, Denver, Buenos Aires and Santa Cruz de la Sierra in Bolivia. It was complemented by a Freshfields legal team split between New York and Washington DC. On 2 February, 2012 Rurelec announced that it had submitted its Statement of Claim to the Permanent Court of Arbitration in The Hague. The value of the claim for the expropriation of its controlling share stake in Guaracachi and other associated assets was assessed by independent valuation experts at US$142.3 million.

Previously, in a highly significant move, the Government of Bolivia had agreed to full transparency relating to documents filed in the arbitration process and at the hearings, which will now be held in public. Both Rurelec and the Government of Bolivia are bound by the decision of the arbitration tribunal, which is not appealable on the merits.

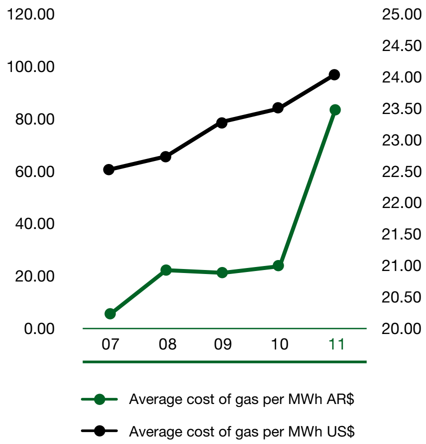
In accordance with the process laid down in the 2010 Arbitration Rules of the United Nation Commission on International Trade Law (UNCITRAL) and the Tribunal's rulings, if no earlier settlement is reached, the final hearing of the arbitration panel following submission of all written submissions is now scheduled for April 2013. Given the progress made in the expropriation claim during 2011, we expect that the Bolivian Government will pay compensation in full which will enable the Rurelec Group to reinvest in replacement power generation assets in Latin America. Details of the claim have been posted on the Rurelec website.

In Bangladesh, discussions with regards to providing technical services for the construction of new generation capacity are ongoing, although no firm agreement has been reached at this stage.

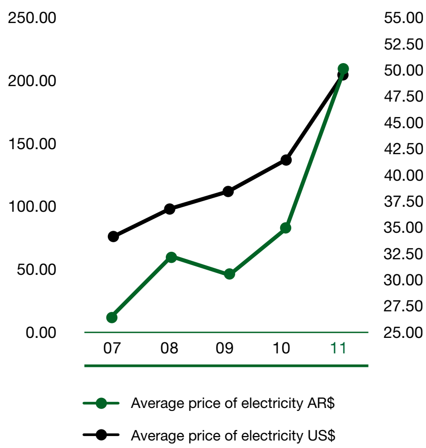
EdS Output And Heat Rates



Average cost of gas



Average price of electricity



CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

Pictured:
View of Santa Rita project location
View of Parinacota project location

Growth Strategy

The job of finding suitable projects has begun in Chile and Peru and at the end of 2011 we announced our first ever project in Peru, a small 4 MW run-of-river hydro plant at Canchayllo to be developed by Cascade Hydro. This was soon followed by the announcement of a 38 MW liquid fuel plant at Arica in northern Chile.

In Peru, Rurelec has helped to establish a new, specialist hydroelectric power plant development and owning company. Cascade is 50 per cent. owned by Rurelec, although that percentage is likely to diminish through dilution as Cascade raises capital for new projects. Initially, however, Rurelec will be the sponsor of Canchayllo and other small hydros. This role of project manager, arranger and sponsor has allowed Cascade to win an important tender to acquire the 255 MW Santa Rita hydro project, a world scale hydro development. Rurelec's track record in project development and its historical ties with the region's development banks contributed to Cascade's selection by Trading Emissions PLC in April 2012 as the new owner of Electricidad Andina SPA, the owner of the Santa Rita project. Cascade will be undertaking a small capital increase in 2012 with a view to a flotation in London and Lima in 2013 at which time Rurelec's shareholders may be able to acquire shares directly as well as participate via Rurelec's shareholding in Cascade.

However, it is Chile which the Directors believe presents the most important opportunities for rapid expansion in the coming years. Northern Chile requires at least 2,300 MW of new clean tech capacity over the next five years and Rurelec is well placed to fill a large part of that requirement. This is as a result of cooperation in 2011 between Rurelec and Independent Power Corporation PLC ("IPC"), the leading UK power developer which is owned by Sterling Trust, Rurelec's largest shareholder. IPC has spent the last two years preparing feasibility studies and competing in Chilean tenders held by international mining companies for new generation capacity.

This early development allowed Rurelec to enter the Chilean market in a 38 MW diesel fired project in Arica which is now 50 per cent. owned by Rurelec and 50 per cent. by local Chilean partners, Invener and Enerbosch. Arica is the main Pacific sea port serving trade into and out of Bolivia. It is also where Chilean mining expansion requires reserve capacity to ensure grid stability for electricity transmission. The Arica project is therefore only a first phase for a wider expansion in 2012 as Rurelec seeks to win power contracts for new thermal plants in Arica, Iquique and Antofagasta with a view to owning and operating close to 1,000 MW of clean tech thermal generation based on LNG and liquid fuels to be operational by 2015. The first 38 MW of capacity at Arica is due on-line by the end of 2013.

Outlook

Peru and Chile are expected to be the two countries where Rurelec will own new capacity to replace the 540 MW of generation capacity lost through nationalisation. However, in addition to replacing lost capacity, Rurelec has committed to use part of the proceeds of any Bolivian settlement to undertake a significant buy-back of Rurelec shares in order to reverse some of the equity dilution suffered by shareholders since the nationalisation of the Company's Bolivian assets on 1 May, 2010. Such a buy-back will be subject to shareholder approval and can only occur once cash funds are received from Bolivia. In anticipation of that receipt in the near future, the Directors are now seeking the necessary authority to buy back up to 25 per cent. of Rurelec shares currently in issue. A resolution will be put to shareholders at this year's annual general meeting to be held on 29 June, 2012.

Shareholders have been extraordinarily patient since 2008 as Rurelec has suffered first the effects of the global financial crisis and then the unprovoked nationalisation of Company assets. Now at last we are looking to a future of growth and liquidity for the Company and I will welcome the day on which I can also announce a return to the payment of dividends from ordinary activities as the dramas of world events finally subside.

Peter Earl
Chief Executive
1 June, 2012


PELIGRO
CARGA
SUSPENDIDA

BOARD OF DIRECTORS

ANDREW MORRIS

Chairman and Non-Executive Director

Andrew was appointed Chairman of the Board 14 June, 2010 and he is also Chairman of the Audit and Nomination committees. Andrew is currently the Finance and Corporate Development Director of Advanced Plasma Power Limited where he plays an important role in raising corporate investment into the business. He has also been responsible for leading a number of negotiations and teams for business development to further enhance operations and is fully conversant with all aspects of financial control and reporting. Andrew is a Fellow of the Chartered Association of Certified Accountants.

PETER EARL

Chief Executive

Peter began his career at the Boston Consulting Group advising state-owned companies before becoming an investment banker best known for his demergers. He has acted on secondment to the World Bank and United Nations Development Program where he advised governments on privatisations in Latin America and Eastern Europe. In 1995 he founded IPC which has rapidly established itself as the United Kingdom's leading developer and operator of power plants on four continents. He is an Oxford University graduate and was a Kennedy Scholar and tutor at Harvard University.

ELIZABETH SHAW

Finance Director

Elizabeth has been involved in the electricity sector since 1994 when she joined Fieldstone Private Capital Group. Between 1994 and 2000, as a Director of Fieldstone, she advised on a number of mergers, acquisitions and disposals in the electricity industry, both in the UK and in developing markets. She joined IPC as a Director in 2000 where she is responsible for business development and finance. She is also a Director of IPSA Group PLC. She is a graduate of Exeter University.

MARCELO BLANCO

Regional Director of Finance

Marcelo was, until 1 May, 2010, Finance Director of Guaracachi and was appointed to the Company's Board in October 2008. Marcelo graduated from Green Mountain College in the United States and subsequently gained an MBA from the University of Belgrano in Argentina. He has extensive financial advisory experience and has also held appointments in the Bolivian Embassy in Argentina and as a consultant to the World Bank and the United Nations Development programme. Over the last 11 years, Marcelo has focused on the energy sector, including a two year appointment as Vice Minister of Electricity and Alternative Energies at the Bolivian Ministry of Public Works before being reappointed as Finance Director at Guaracachi in 2004.

LARRY COBEN

Non-Executive Director

Larry has extensive experience in the international electricity sector, particularly in Latin America. He was a founder of Catalyst Energy Corporation, which focused on alternative energy technologies. In the early 1990s he founded and managed Liberty Power Corporation. Currently Chairman and CEO of Tremesis Energy LLC, he is also a Director of NRG Energy and serves as Executive Director of the Sustainable Preservation Initiative, a not-for-profit organisation that preserves cultural heritage worldwide through locally based and owned economic development. Larry received a BA in economics from Yale University and a J.D. from Harvard Law School before going on to an MA in Anthropology from the University of Pennsylvania where he expects to gain his PhD in 2012. Larry is Chairman of the Remuneration Committee.

MIKE EYRE

Technical Director

(resigned on 5 April, 2011)

Mike is both a Chartered and European Engineer with over 33 years experience in project management and development in the power sector. As a CEGB engineer, Mike spent part of his early career on secondment to Eskom of South Africa. During the Privatisation of the UK electricity industry, he was Head of Engineering Quality with National Power. In 1996, he established a joint venture between National Power Plc and Lloyd's Register, a project development and risk management business for IPP's and the London Insurance industry. Mike was invited in 1997 by the UN Secretary General of the Rio Earth Summit to join the UN Emissions Trading Policy Forum. He is also a Director of IPSA Group PLC.

SIR ROBIN CHRISTOPHER KBE CMG

Non-Executive Director

(resigned on 23 February, 2011)

Sir Robin was a VSO volunteer in Bolivia in 1963/4 and British Ambassador to Argentina from 2000 to 2004. He is Secretary General of GLF Global Leadership Foundation. He is a trustee for The Brooke Hospital, Prospect Burma and St. Matthew's Children's Fund (Ethiopia). He is also an Hon. Fellow of the Institute for the Study of the Americas (ISA) at London University.

DIRECTORS' REPORT

The Directors submit their annual report together with the audited financial statements for the year ended 31 December, 2011.

Principal activities and business review

The Company and the Group's principal activity is the acquisition, development and operation of power generation assets in markets in Latin America.

In addition, and as opportunities arise, the Company acquires, refurbishes and sells power generation equipment to third parties.

Since the Company's admission to AIM in August 2004, the Company has acquired interests in power generation operations in Bolivia and Argentina and, since the year-end, in Peru and Chile.

In October, 2004, the Company acquired 100 per cent. of the equity of Energia para Sistemas Aislados S.A. ("Energais"), a company incorporated in Bolivia.

In July 2005, the Company acquired 50 per cent. of the equity of Patagonia Energy Limited ("PEL"), which owns and operates, through its wholly owned subsidiary EdS, generating plant supplying electricity in southern Patagonia, Argentina. In June 2008, the Company acquired the remaining 50 per cent. of PEL. In June 2009, as part of the process of raising additional equity, the Company sold back 50 per cent. of PEL to the former 50 per cent. owner of PEL.

In January 2006, the Company, through its acquisition of Bolivia Integrated Energy Limited ("BIE"), acquired a controlling interest (50.00125 per cent.) in Guaracachi which owns and operates generating plant supplying electricity in Bolivia.

On 1 May, 2010, the Bolivian Government nationalised the Group's interest in Guaracachi by expropriating the shares held by the Group. On 13 May, 2010, The Group initiated the process to recover adequate compensation for the Nationalisation under each of the US and UK bilateral investment treaties by notifying the relevant governmental authorities that an investment dispute had arisen. As announced on 1 December, 2010, the Notice of Arbitration was issued. A statement claim, including a valuation of the Company's interest at US$142.3 million was filed with the Permanent Court of Arbitration at The Hague on 1 March, 2012. The arbitration process is continuing.

In March 2011, the Company issued 200 million shares at 9 pence per share raising additional working capital of £17.7 million net of expenses. This enabled the Group and the Company to reduce its borrowings from £13.7 million and £8.1 million respectively at 31 December, 2010 to £1.7 million and £nil respectively at 31 December, 2011.

Since the year-end, the Company has acquired operations in Peru and Chile.

A more detailed review of the business and future developments is provided in the Chairman's Statement and the Chief Executive's review of operations.

The principal risks and uncertainties facing the Group, apart from the efficient operation of the Group's generating plant and possible changes in demand and pricing for electricity in the markets in South America in which the Group operates, relate to political risk and the current uncertainties in the financial markets.

a) Political risk – As evidenced by the decision in May 2010 by the Government of Bolivia to nationalise the Group's interest in Guaracachi, there exists significant political risk in areas in which the Group operates.

b) Financial markets – The current economic conditions have affected the markets for project finance. If these conditions continue for a prolonged period, the Group may experience difficulties in raising funds to refinance its assets and to finance future development plans.

Results and dividends

The Group results for the year ended 31 December, 2011 are set out in the Consolidated Statement of Comprehensive Income.

No dividend was paid during the year to 31 December, 2011 (2010: nil).

Share capital

Details of the issued share capital, together with changes during the year, are set out in note 20. There have been no changes since the year-end.

Going concern

As set out in note 1b to the financial statements, the Directors have continued to adopt the "going concern" basis for the preparation of the financial statements since the Directors consider that the Company and the Group will have sufficient financial resources available to continue trading for at least 12 months from the date of approval of the financial statements.

Key performance indicators

The Directors use a range of performance indicators to monitor progress in the delivery of the Group's strategic objectives, to assess actual performance against targets and to aid management of the businesses.

Rurelec's key performance indicators ("KPIs") include both financial and non-financial targets which are set annually.

Financial KPIs

Financial KPIs address operating profitability, net asset value and earnings per share.

i) Operating profitability

Operating profit excludes all non-operating costs, such as financing and tax expenses as well as one-off items and non-trading items such as negative goodwill. The exclusion of these non-operating items provides an indication of the performance of the underlying businesses.

ii) Net asset value

Net asset value is calculated by dividing funds attributable to Rurelec's shareholders by the number of shares in issue.

iii) Earnings per share

Earnings per share provides a measure of the overall profitability of the Group. It is defined as the profit or loss attributable to each Ordinary Share based on the consolidated profit or loss for the year after deducting tax and minority interests. Growth in earnings per share is indicative of the Group's ability to identify and add value.

Non-Financial KPIs

Non-financial KPIs address other important technical aspects of the business, such as gross capacity, operating efficiency and availability.

i) Gross capacity

Gross capacity is the total generation capacity owned by Group companies and is affected by acquisitions, expansion programmes and disposals.

ii) Operating efficiency

Operating efficiency is the average operating efficiency of the generating plant owned by Group companies. It can be improved through the installation of more thermally efficient turbines, refurbishment activities or through conversion to combined cycle operation.

iii) Technical availability

Technical availability measures when a plant is available for dispatch. The measurement method excludes time allowed for planned maintenance activities which occur at regular intervals during the life of the unit plus an allowance for unplanned outages. Unplanned and forced outages in excess of the annual allowance will cause a reduction in the technical availability factor.

Directors

The following Directors served during the year:

Andrew Morris – Chairman and Non-Executive Director

Peter Earl – Chief Executive

Elizabeth Shaw – Finance Director

Marcelo Blanco – Regional Director of Finance

Larry Coben – Non-Executive Director

Mike Eyre – Technical Director (resigned on 5 April, 2011)

Sir Robin Christopher KBE CMG – Non-Executive Director (resigned on 23 February, 2011)

Directors' interests

The Directors' beneficial interests in the shares of the Company were on the reference dates as stated below:

	24.05.2012	31.12.2011	31.12.2010
A.J.S. Morris	350,000	350,000	100,000
J.G. West	n/a	n/a	2,370,230
L.S. Coben	500,000	500,000	n/a
P.R.S. Earl	750,000	750,000	250,000
E.R. Shaw	275,000	275,000	275,000

DIRECTORS' REPORT

Significant shareholdings in the Company

In addition to the shareholdings shown above, the Company is aware of the following interests of 3 per cent. or more in the issued ordinary share capital of the Company notifiable at 24 May, 2012, being the last practicable date for reporting this information.

	Number of shares	% holding
Sterling Trust Ltd*	210,361,181	50.01
Nortrust Nominees Ltd	55,421,000	13.17
HSBC Global Custody (Nominee) (UK) Ltd	33,938,593	8.07
Vidacos Nominees Ltd	27,555,000	6.60

*26,325,962 shares are held in a nominee account with Forest Nominees Ltd.

Policy and practice on payment of suppliers

It is the policy of all Group companies, with respect to suppliers, to: a) settle payment terms when agreeing the terms of each transaction, b) ensure suppliers are made aware of the terms of payment and c) pay in accordance with the contractual and legal obligations. The Company's average creditor payment period at 31 December, 2011 was 30 days (2010: 45 days).

Risk management and objectives

The financial risk management policies and objectives are set out in note 27.

Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law Section 393, Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The Auditor, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Susan Laker
Company Secretary
1 June, 2012

CORPORATE GOVERNANCE STATEMENT

Policy Statement

The Board is committed to applying high standards of corporate governance and integrity to all our activities. The Company is not required by the rules of the AIM market of the London Stock Exchange to comply with the UK Corporate Governance Code (June 2010) (the "Code"). However, the Board has been briefed on the Code and is accountable to the Company's shareholders for good corporate governance and therefore seeks to comply with the Code in so far as is practicable as a smaller company.

Internal Controls

The Directors are responsible for the Group's systems of internal control. Whilst no risk management process or systems of internal control can completely eliminate the risk of material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified in a timely manner and dealt with appropriately. The Board considers that there have been no substantial weaknesses in financial controls resulting in material loss, contingencies or uncertainties and thus disclosable in the accounts. The Board has considered the need for an internal audit function and has concluded that there is no current need for such a function.

Board Composition and Independence

The Board currently comprises five members made up of a Non-Executive Chairman, three Executive Directors and one Non-Executive Director. The Board is responsible for the overall direction, strategic objectives and key policies for reviewing performance of the Company as well as approving major capital expenditure, potential acquisitions and financial matters. The Board meets regularly and has a schedule of business reserved to it including raising new capital, entering into financing facilities for projects, treasury policies and approval of annual operating budgets and monitoring of key risks. The Board met five times during 2011. External advice is available to the Directors if they consider it necessary. The Chairman and Non-Executive Director met twice during the financial year without the Executive Directors being present.

The Chairman of the Board is Andrew Morris, who is also an Executive director of another company. The other Non-Executive Director is Larry Coben. Both are regarded by the Board as independent in character and judgement.

The Executive Directors are Peter Earl, who is Chief Executive, Elizabeth Shaw, who is Finance Director, and Marcelo Blanco, who has special responsibility for regional financing in Latin America. All Directors are involved in significant decisions.

Shareholder Relations

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. It therefore holds regular meetings with and gives presentations to its institutional shareholders to discuss objectives.

Corporate Governance Statement

The Annual General Meeting ("AGM") is used to communicate with private investors with whom dialogue is encouraged. Additional information is supplied through the circulation of the interim report and the Annual Report and Accounts. The Company maintains up-to-date information on the investor section of its website www.rurelec.com.

Audit Committee

The Audit Committee comprises Andrew Morris and Larry Coben who are both Non-Executive Directors and is chaired by Andrew Morris. Both Mr Morris, who is an accountant, and Mr Coben have recent and relevant financial and commercial experience.

The Committee's remit is to review financial reporting practices, internal financial controls and internal and external audit policy including the appointment of the Company's Auditor. During the year, the Audit Committee met twice to review the draft half year and annual financial statements.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee

The Remuneration Committee comprises Larry Coben and Andrew Morris and is chaired by Larry Coben. The Remuneration Committee reviews the remuneration policy for the Executive Directors and for senior management. The Executive Directors determine the remuneration arrangements for the Non-Executive Directors. No Director may participate in decisions regarding his own remuneration. Details of the Directors' remuneration can be found in Note 8c.

Appointment of Directors

The Nomination Committee presently comprises Andrew Morris as Chairman and Larry Coben. The Committee is responsible for monitoring the composition of the Board and meets to make recommendations to the Board on all new Board appointments and succession planning. The Board has not used external consultants in the appointment of Directors. All Directors are subject to re-election by shareholders every three years.

Health, Safety and Environmental Protection Policy

The Group is committed to compliance with all relevant laws and regulations and continues to assess its operations to ensure protection of the environment, the community and the health and safety of its employees. The Group maintains appropriate procedures to ensure that all activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues.

Share Dealing Code

The Company has a Share Dealing Code which covers dealings by Persons Discharging Managerial Responsibilities ("PDMRs"). The Company's code complies with the provisions of the Code and restricts dealings in shares during designated closed periods and at any time when they are in possession of unpublished price sensitive information.

Statement of Non-Compliance

The Non-Executive Directors are all considered to be independent in character and judgement. However, in view of the size of the Board Andrew Morris currently chairs the Audit Committee as he has recent relevant financial experience although the Company recognises that it is not able to comply with the Code in this respect.

Susan Laker
Company Secretary
1 June, 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RURELEC PLC

We have audited the financial statements of Rurelec PLC for the year ended 31 December, 2011 which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out in the Group Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Basis for qualified opinion on financial statements

In the prior year, whilst we were able to conduct appropriate audit procedures on Rurelec PLC as a standalone company and its joint venture company, Energia Del Sur S.A. ("EdS"), we were unable to carry out sufficient audit procedures or obtain sufficient appropriate audit evidence in relation to the financial results of Empresa Electrica Guaracachi S. A. ("Guaracachi") for the four months to 1 May, 2010 that have been consolidated into the 2010 financial statements. The audit evidence available to us was limited following the nationalisation of Guaracachi in May 2010 and the resulting change in local management. As a result of this we were unable to access the auditors' working papers relating to Guaracachi, nor were we able to conduct alternative audit procedures, such as reviewing primary documentation prepared by Guaracachi for the prior year. Our audit opinion on the financial statements for the year ended 31 December, 2010 was modified accordingly. As the investment in Guaracachi was disposed of in the prior year there is no impact on the current period's figures. However, our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified opinion on financial statements

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion paragraph:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December, 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter — discontinued operations

We draw attention to the disclosure made in note 11 to the financial statements regarding the uncertain outcome of the parent company's ability to recover the compensation of £47m for the nationalisation of Guaracachi. The ultimate outcome of this matter cannot presently be determined, and no provision for any adjustments that would result from a non-satisfactory settlement of the compensation has been made.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
1 June, 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Notes	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Revenue	4	13,522	10,835
Cost of sales	6	(7,903)	(6,981)
Gross profit		**5,619**	**3,854**
Administrative expenses	7	(4,883)	(3,242)
Operating profit		**736**	**612**
Finance income	9	1,661	631
Finance expense	9	(500)	(1,098)
Profit before tax		**1,897**	**145**
Tax expense	10	(141)	(284)
Profit/(loss) for the year from continuing operations		**1,756**	**(139)**
Discontinued operations			
Trading profit		-	1,420
Other income		-	15,111
Profit from discontinued operations		**-**	**16,531**
Profit for the year		**1,756**	**16,392**
Attributable to:			
Owners of the parent			
Continuing operations		1,756	(139)
Discontinued operations		-	15,821
		1,756	**15,682**
Non-controlling interests		-	710
		1,756	**16,392**
Earnings per share	13		
i) Result for the year			
Basic earnings per share		0.47p	7.34p
Diluted earnings per share		0.47p	7.02p
ii) Continuing operations			
Basic earnings per share		0.47p	(0.06p)
Diluted earnings per share		0.47p	(0.06p)

The notes on pages 26 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Notes	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Profit for the year		**1,756**	**16,392**
Other comprehensive income/(loss) for the year			
Exchange differences on translation of foreign operations		(440)	(126)
Exchange differences on disposal of Guaracachi now realised		-	(2,633)
Revaluation of CERs		(142)	(191)
Total other comprehensive loss attributable to the owners of the parent		**(582)**	**(2,950)**
Total comprehensive income for year		**1,174**	**13,442**
Attributable to:			
Owners of the parent		1,174	12,732
Non-controlling interests		-	710
		1,174	**13,442**

The notes on pages 26 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2011

	Notes	31.12.11 £'000	31.12.10 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	18,777	21,084
Intangible assets	15	3,393	3,853
Trade and other receivables	16a	15,109	10,939
Deferred tax assets	17	520	363
		37,799	**36,239**
Current assets			
Inventories	18	365	395
Trade and other receivables	16b	5,514	3,641
Compensation claim	11	47,997	47,000
Cash and cash equivalents	19	1,793	157
		55,669	**51,193**
Total assets		**93,468**	**87,432**
Equity and liabilities			
Shareholders' equity			
Share capital	20	8,413	4,413
Share premium account		53,012	39,329
Foreign currency reserve		845	1,285
Other reserves		1,050	1,192
Retained earnings		22,533	20,777
Total equity attributable to shareholders of Rurelec PLC		**85,853**	**66,996**
Non-current liabilities			
Trade and other payables	21a	231	470
Tax liabilities	22a	306	381
Deferred tax liabilities	17	762	937
Borrowings	23a	1,653	1,081
		2,952	**2,869**
Current liabilities			
Trade and other payables	21b	4,532	4,916
Current tax liabilities	22b	131	59
Borrowings	23b	-	12,592
		4,663	**17,567**
Total liabilities		**7,615**	**20,436**
Total equity and liabilities		**93,468**	**87,432**

The financial statements were approved by the Board of Directors on 1 June, 2012 and were signed on its behalf by P. Earl (Chief Executive) and E. Shaw (Finance Director).

The notes on pages 26 to 48 form an integral part of these financial statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2011

	Notes	31.12.11 £'000	31.12.10 £'000
Assets			
Non-current assets			
Investments	25	8,470	8,470
Trade and other receivables	16c	54,344	35,623
		62,814	**44,093**
Current assets			
Trade and other receivables	16d	159	7,443
Cash and cash equivalents	19	1,385	71
		1,544	**7,514**
Total assets		**64,358**	**51,607**
Equity and liabilities			
Shareholders' equity			
Share capital	20	8,413	4,413
Share premium account		53,012	39,329
Retained earnings		2,483	(923)
Total equity		**63,908**	**42,819**
Current liabilities			
Trade and other payables	21c	450	644
Loan note	23c	-	2,500
Borrowings	23c	-	5,644
		450	**8,788**
Total equity and liabilities		**64,358**	**51,607**

The financial statements were approved by the Board of Directors on 1 June, 2012 and were signed on its behalf by P. Earl (Chief Executive) and E. Shaw (Finance Director).

The notes on pages 26 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	24	(68)	1,209
Interest paid		(500)	(873)
Taxation paid		(468)	(369)
Net cash used in operating activities		**(1,036)**	**(33)**
Cash flows from investing activities			
Purchase of plant and equipment	14	(230)	(1,199)
Sale of plant and equipment		177	-
Loans to joint venture company		(3,022)	(59)
Cash in discontinued operation		-	(3,915)
Net cash used in investing activities		**(3,075)**	**(5,173)**
Net cash outflow before financing activities		**(4,111)**	**(5,206)**
Cash flows from financing activities			
Issue of shares (net of costs)		17,683	1,452
Loan drawdowns		654	-
Loan repayments		(12,590)	(265)
Net cash generated from financing activities		**5,747**	**1,187**
Increase/(decrease) in cash and cash equivalents		**1,636**	**(4,019)**
Cash and cash equivalents at start of year		157	4,176
Cash and cash equivalents at end of year		**1,793**	**157**

The notes on pages 26 to 48 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Cash flows from operating activities			
Cash used in operations	24	(1,947)	(881)
Interest paid		(236)	(399)
Net cash used in operations		**(2,183)**	**(1,280)**
Cash flows from investing activities			
Loans to joint venture company		(6,044)	(123)
Net cash used in investing activities		**(6,044)**	**(123)**
Net cash outflow before financing activities		**(8,227)**	**(1,403)**
Cash flows from financing activities			
Issue of shares (net of costs)		17,683	1,452
Loan repayments		(8,142)	-
Net cash generated from financing activities		**9,541**	**1,452**
Increase in cash and cash equivalents		**1,314**	**49**
Cash and cash equivalents at start of year		71	22
Cash and cash equivalents at end of year		**1,385**	**71**

The notes on pages 26 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Retained earnings £'000	Other reserves £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
Group								
Balance at 1.1.10	4,108	38,182	4,044	5,095	1,383	**52,812**	33,810	**86,622**
Transactions with owners:								
Disposal	-	-	-	-	-	**-**	(34,520)	**(34,520)**
Allotment of shares	305	1,220	-	-	-	**1,525**	-	**1,525**
Share issue costs	-	(73)	-	-	-	**(73)**	-	**(73)**
Total transactions with owners	**305**	**1,147**	**-**	**-**	**-**	**1,452**	**(34,520)**	**(33,068)**
Profit for year	-	-	-	571	-	**571**	710	**1,281**
Disposal	-	-	(2,633)	15,111	-	**12,478**	-	**12,478**
Revaluation of CERs	-	-	-	-	(191)	**(191)**	-	**(191)**
Exchange differences	-	-	(126)	-	-	**(126)**	-	**(126)**
Total comprehensive income/(loss)	**-**	**-**	**(2,759)**	**15,682**	**(191)**	**12,732**	**710**	**13,442**
Balance at 31.12.10	**4,413**	**39,329**	**1,285**	**20,777**	**1,192**	**66,996**	**-**	**66,996**
Balance at 1.1.11	4,413	39,329	1,285	20,777	1,192	**66,996**	-	**66,996**
Transactions with owners:								
Allotment of shares	4,000	14,000	-	-	-	**18,000**	-	**18,000**
Share issue costs	-	(317)	-	-	-	**(317)**	-	**(317)**
Total transactions with owners	**4,000**	**13,683**	**-**	**-**	**-**	**17,683**	**-**	**17,683**
Profit for year	-	-	-	1,756	-	**1,756**	-	**1,756**
Revaluation of CERs	-	-	-	-	(142)	**(142)**	-	**(142)**
Exchange differences	-	-	(440)	-	-	**(440)**	-	**(440)**
Total comprehensive income/(loss)	**-**	**-**	**(440)**	**1,756**	**(142)**	**1,174**	**-**	**1,174**
Balance at 31.12.11	**8,413**	**53,012**	**845**	**22,533**	**1,050**	**85,853**	**-**	**85,853**

The notes on pages 26 to 48 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Retained earnings £'000	**Total equity £'000**
Company				
Balance at 1.1.10	4,108	38,182	600	**42,890**
Transaction with owners				
Allotment of shares	305	1,220	-	**1,525**
Share issue costs	-	(73)	-	**(73)**
Total transactions with owners	**305**	**1,147**	**-**	**1,452**
Loss for year	-	-	(1,523)	**(1,523)**
Total comprehensive loss	**-**	**-**	**(1,523)**	**(1,523)**
Balance at 31.12.10	**4,413**	**39,329**	**(923)**	**42,819**
Balance at 1.1.11	4,413	39,329	(923)	42,819
Transaction with owners				
Allotment of shares	4,000	14,000	-	**18,000**
Share issue costs	-	(317)	-	**(317)**
Total transactions with owners	**4,000**	**13,683**	**-**	**17,683**
Profit for year	-	-	3,406	**3,406**
Total comprehensive income	**-**	**-**	**3,406**	**3,406**
Balance at 31.12.11	**8,413**	**53,012**	**2,483**	**63,908**

The notes on pages 26 to 48 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

1 GENERAL INFORMATION, BASIS OF PREPARATION AND NEW ACCOUNTING STANDARDS

1a General information

Rurelec PLC is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of Rurelec's registered office is given on the information page. Rurelec's shares are traded on the AIM market of the London Stock Exchange PLC. The nature of the Group's operations and its principal activities are the generation of electricity in South America.

1b Basis of preparation, including going concern

The Company and the consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union and company law applicable to companies reporting as at 31 December 2011.

In 2010, the results of Guaracachi, which were consolidated in prior years, have been shown as discontinued operations in the Consolidated Statement of Comprehensive Income.

A detailed review of the Group's business activities and recent developments is set out in the Chairman's Statement and the Chief Executive's Report.

As a result of the share issue in March 2011 and the improved trading performance of EdS, the Directors consider that the Company and the Group has sufficient working capital for at least the next 12 months and accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

1c New accounting standards

The Group has adopted the following new interpretations, revisions and amendments to IFRSs issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2011:

- IAS 1 Presentation of Financial Statements (Revised 2007)
- Amendments to IFRS 7 Financial Instruments: Disclosures – improved disclosures about financial instruments
- IFRS 8 Operating Segments

The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the Group:

- IAS 27 (revised) Consolidated Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards
- IFRIC 18 Transfer of Assets from Customers
- Improvements to IFRSs (2009)
- Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)
- Additional Exemptions for First-time Adopters (Amendments to IFRS 1)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14* (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7* (effective 1 July 2011)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 31 December 2011 financial statements

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the Group's financial statements are as follows:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments: Classification and measurement	1 January, 2015
IFRS 10	Consolidated Financial Statements	1 January, 2013
IFRS 11*	Joint Arrangements	1 January, 2013
IFRS 12*	Disclosure of Interests in Other Entities	1 January, 2013
IFRS 13*	Fair Value Measurement	1 January, 2013
IAS 19 (Revised June 2011)*	Employee Benefits	1 January, 2013
IAS 28 (Revised)*	Investments in Associates and Joint Ventures	1 January, 2013
Amendments to IFRS 7*	Disclosures - Transfers of Financial Assets and Offsetting Financial Assets and Financial Liabilities -	1 July, 2011
Amendments to IAS 12*	Deferred Tax: Recovery of Underlying Assets	1 January, 2012
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	1 July, 2012
Amendments to IAS 32*	Offsetting Financial Assets and Financial Liabilities -	1 January, 2014

*Not expected to be relevant to the Group.

IFRS 9, 'Financial instruments: Classification and measurement'

In November 2009, the Board issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The new standard is mandatory for annual periods beginning on or after 1 January, 2013.

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 issues 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 judgement 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. This standard becomes effective for annual periods beginning on or after 1 January, 2013.

Amendments to IAS 1 Presentation of Financial Statements (IAS 1 Amendments)

The IAS 1 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July, 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

The Directors do not anticipate that the adoption of these standards and interpretations in future periods will have any material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The Group financial statements consolidate the results of the Company and its 50 per cent. interest in EdS.

The results for the prior year include, within 'discontinued operations', the Group's 50.00125 per cent. interest in Empresa Electrica Guaracachi S.A. ("Guaracachi") which was nationalised by the Bolivian Government on 1 May, 2010.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Joint ventures are arrangements in which the Group has a long-term interest and shares control under a written contractual agreement. The Group reports its interests in jointly controlled entities using proportionate consolidation such that the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line by line basis.

Goodwill, or the excess of interest in acquired assets, liabilities and contingent liabilities over cost, arising on the acquisition of the Group's interest in subsidiary or jointly controlled entities is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Unrealised gains on transactions between the Group and subsidiary and joint venture entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary and joint venture entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries and joint venture entities are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired company, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the entity prior to acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Investments in subsidiaries and joint ventures are stated at cost in the balance sheet of the Company.

2.2 Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is stated after separating out identifiable assets and liabilities. Goodwill is carried at cost less accumulated impairment losses. Any excess of interest in acquired assets, liabilities and contingent liabilities over cost ("negative goodwill") is recognised immediately after acquisition through the income statement.

2.3 Foreign currency translation

The financial information is presented in pounds sterling, which is also the functional currency of the parent company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions ("spot exchange rate"). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognised in the income statement in administrative expenses.

In the consolidated financial statements, all separate financial statements of subsidiary and jointly controlled entities, originally presented in a currency different from the Group's presentation currency, have been converted into sterling. Assets and liabilities have been translated into sterling at the closing rate at the balance sheet date. Income and expenses have been converted into sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the Foreign Currency Reserve.

2.4 Income and expense recognition

Revenue is recognised upon the performance of services or transfer of risk to the customer. Revenues represent the total amount receivable by the Group for electricity sales, excluding VAT. Electricity sales includes the income from the sale of electricity generated and the income received for keeping power plants operating and available for despatch into the grid as required. During the year under review and the prior year, no revenues were derived from the sale of equipment purchased with a view to subsequent resale.

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin. All other income and expenses are reported on an accrual basis.

2.5 Dividends

Dividends paid/receivable are recognised on a cash paid/cash received basis. No dividends were paid or received during the year (2010: nil).

2.6 Borrowing costs

All borrowing costs are expensed as incurred except where the costs are directly attributable to specific construction projects, in which case the interest cost is capitalised as part of those assets.

2.7 Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction.

All operational buildings and plant and equipment in the course of construction are recorded as plant under construction until such time as they are brought into use by the Group. Plant under construction includes all direct expenditure and may include capitalised interest in accordance with the accounting policy on that subject. On completion, such assets are transferred to the appropriate asset category.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations and overhauls is included in the carrying amount of the assets where it is probable that the economic life of the asset is significantly enhanced as a consequence of the work. Major renovations and overhauls are depreciated over the expected remaining useful life of the work.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment other than freehold land by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Buildings	25 to 50 years
Plant and equipment	3 to 15 years

Material residual values are updated as required, but at least annually. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.8 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

2.9 Taxation

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement or through the statement of changes in equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in respect of non-tax deductible goodwill. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantially enacted at the balance sheet date.

Deferred tax is provided on differences between the fair value of assets and liabilities acquired in an acquisition and the carrying value of the assets and liabilities of the acquired entity and on the differences relating to investments in subsidiary and joint venture companies if the difference is a temporary difference and is expected to reverse in the foreseeable future.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

2.10 Financial assets

The Group's financial assets include cash and cash equivalents, loans and receivables.

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as bank deposits.

Loans and receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Receivables are measured initially at fair value and subsequently remeasured at amortised cost using the effective interest method, less provision for impairment. Any impairment is recognised in the income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

2.11 Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All transaction costs are recognised immediately in the income statement.

A financial liability is derecognised only when the obligation is extinguished, that is when the obligation is discharged, cancelled or expires.

Bank and other loans are raised for support of long-term funding of the Group's operations. They are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.12 Inventories

Inventories comprise spare parts and similar items for use in the Group's plant and equipment. Inventories are valued at the lower of cost and net realisable value on a first in, first out basis.

2.13 CERs

CERs (Carbon Emission Reduction credits) are recognised at fair value on acquisition of a subsidiary, associate or joint venture company and are revalued by reference to an active market at each balance sheet date. A liability is recognised in respect of any payments received for CERs in advance of their generation. CERs arising subsequent to an acquisition are credited to the revenue in the period that they are generated.

2.14 Shareholders' equity

Equity attributable to the shareholders of the parent company comprises the following:

"Share capital" represents the nominal value of equity shares.
"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
"Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.
"Retained earnings" represents retained profits.
"Other reserves" comprises unrealised revaluations of plant and machinery and Carbon Emission Reduction credits.

2.15 Pensions

During the year under review, the Group did not operate or contribute to any pension schemes (2010: nil).

2.16 Segment reporting

In identifying its operating segments, management follows the Group's geographic locations. The activities undertaken by segments are the generation of electricity in their country of incorporation within South America.

Each of the operating segments is managed separately as the rules and regulations vary from country to country.

The measurement policies used by the Group for segment reporting under IFRS 8 are the same as those used in the financial statements.

3 KEY ASSUMPTIONS AND ESTIMATES

When preparing the financial statement, management make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities income and expenses. The actual results may differ from the judgements, estimates and assumptions made and will seldom equal the estimated results. The areas which management consider are likely to be most affected by the significant judgements, estimates and assumptions on recognition and measurement of assets, liabilities, income and expenses are:

a) Useful lives of depreciable assets – management review, with the assistance of external expert valuers, the useful lives of depreciable assets at each reporting date. Actual results, however, may vary due to changes in technology and industry practices.

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b) Impairment – management review tangible and intangible assets at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. This review process includes making assumptions about future events, circumstances and operating results. The actual results may vary from those expected and could therefore cause significant adjustments to the carrying value of the Group's assets.

c) Deferred tax assets and liabilities – there exists an element of uncertainty regarding both the timing of the reversing of timing differences and the tax rate which will be applicable when the reversing of the asset or liability occurs.

d) The amount which will be recovered from the claim for compensation following the Nationalisation of the Group's interest in Guaracachi. Further details are set out in note 11.

4 SEGMENT ANALYSIS

Management currently identifies the Group's two geographic operating segments, Argentina and the head office in the UK, as operating segments as further described in the accounting policy note. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2011 and 2010 for each geographic segment. The main customer (accounting for over 90 per cent. of revenues) in Argentina is a body which is subject to supervision by the Government electricity regulator.

a) 12 months to 31.12.2011	Argentina £'000	Bolivia £'000	UK £'000	Consolidation adjustments £'000	**Total £'000**
Revenue	13,522	-	-	-	**13,522**
Cost of sales	(7,903)	-	-	-	**(7,903)**
Gross profit	**5,619**	**-**	**-**	**-**	**5,619**
Administrative expenses	(3,265)	-	(716)	-	**(3,981)**
Profit/(loss) before exchange adjustments	**2,354**	**-**	**(716)**	**-**	**1,638**
Exchange (loss)/gain	(1,325)	-	423	-	**(902)**
Operating profit/(loss)	**1,029**	**-**	**(293)**	**-**	**736**
Finance income	-	-	3,517	(1,856)	**1,661**
Finance expense	(2,119)	-	(237)	1,856	**(500)**
(Loss)/profit before tax	**(1,090)**	**-**	**2,987**	**-**	**1,897**
Tax (expense)/income	(560)	-	419	-	**(141)**
(Loss)/profit for the year from continuing operations	**(1,650)**	**-**	**3,406**	**-**	**1,756**
Total assets	27,496	47,997	17,975	-	**93,468**
Total liabilities	16,156	-	450	(8,991)	**7,615**
Capital expenditure	230	-	-	-	**230**
Depreciation	786	-	-	-	**786**

b) 12 months to 31.12.2010	Argentina £'000	Bolivia £'000	UK £'000	Consolidation adjustments £'000	**Total £'000**
Revenue	10,835	-	-	-	**10,835**
Cost of sales	(6,981)	-	-	-	**(6,981)**
Gross profit	**3,854**	**-**	**-**	**-**	**3,854**
Administrative expenses	(2,345)	(50)	(1,042)	-	**(3,437)**
Profit/(loss) before exchange adjustments	**1,509**	**(50)**	**(1,042)**		**417**
Exchange (loss)/gain	(350)	-	545	-	**195**
Operating profit/(loss)	**1,159**	**(50)**	**(497)**	**-**	**612**
Finance income	1,035	-	(404)	-	**631**
Finance expense	(474)	-	(624)	-	**(1,098)**
Profit/(loss) before tax	**1,720**	**(50)**	**(1,525)**	**-**	**145**
Tax credit/(expense)	(285)	-	1	-	**(284)**
(Loss)/profit for the year from continuing operations	**1,435**	**(50)**	**(1,524)**	**-**	**(139)**
Total assets	32,711	47,312	7,409	-	**87,432**
Total liabilities	18,967	1	8,788	(7,320)	**20,436**
Capital expenditure	1,199	-	-	-	**1,199**
Depreciation	618	-	-	-	**618**

5 EXCHANGE RATE SENSITIVITY ANALYSIS

The Group's electricity generating assets are located in Argentina and as a result, the Group's reported results are affected by currency movements.

The key exchange rates applicable to the results were as follows:

	31.12.11	31.12.10
i) Closing rate		
AR$ to £	6.65	6.15
US$ to £	1.55	1.54
ii) Average rate		
AR$ to £	6.61	6.06
US$ to £	1.60	1.55

If the exchange rate of sterling at 31 December 2011 had been stronger or weaker by 10 per cent. with all other variables held constant, shareholder equity at 31 December 2011 would have been £2.0 million (2010: £1.4 million) lower or higher than reported.

If the average exchange rate of sterling during 2011 had been stronger or weaker by 10 per cent. with all other variables held constant, the profit for the year, would have been £0.2 million (2010: £0.1 million) higher or lower than reported.

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6 COST OF SALES

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Expenditure incurred in cost of sales is as follows:		
Cost of fuel	6,556	5,950
Depreciation	786	631
Maintenance	327	365
Other	234	35
	7,903	**6,981**

7 ADMINISTRATIVE EXPENSES

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	2,093	1,553
Services, legal and professional	199	843
Office costs and general overheads	1,634	986
Audit and non-audit services[1]	55	55
	3,981	**3,437**
Exchange losses/(gains)[2]	902	(195)
	4,883	**3,242**

[1] Audit and non-audit services include £30,000 paid to the auditors for the audit of the Company and the Group financial statements and £5,000 paid to the Company's auditors for non-audit professional services provided to the Company in connection with the review of overseas activities. Fees paid to other auditors, in respect of the audit of joint venture companies, amounted to £20,000 (2010: £20,000).

[2] The exchange losses (2010: gains) have arisen primarily of borrowings in Argentina which are US$ denominated.

8 EMPLOYEE COSTS

a) Group	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Aggregate remuneration of all employees and Directors, including social security costs	2,093	1,553

The average number of employees in the Group, including Directors, during the year was as follows:

	Number	Number
Management	15	14
Operations	27	19
Total	**42**	**33**

b) Company	£'000	£'000
Aggregate remuneration of all employees and Directors, including social security costs	397	380

The average number of employees in the Company, including Directors, during year was as follows:

	Number	Number
Management	6	7

c) Directors' remuneration

The total remuneration paid to the Directors, including national insurance, was £322,000 (2010: £301,000). The total remuneration of the highest paid Director was £99,000 (2010: £68,000).

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
P. Earl	99	59
M. Eyre	43	68
E. Shaw	87	68
J. West	-	22
Sir R. Christopher	-	19
A. Morris	56	44
M. Blanco	15	21
L. Coben	22	-
Total	**322**	**301**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

9 FINANCE INCOME AND EXPENSE

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Inter-group interest[1]	1,661	631
Interest paid/payable on bank borrowings and loans	500	1,098

[1] Inter-group interest arises on loans by the Company to its 50 per cent. owned joint venture companies (PEL and EdS). The loans by the Company to PEL and EdS exceed the loans of the other 50 per cent. shareholder by £14.2 million (2010: £9 million). Interest on inter-group loans has been charged at rates of between 8 per cent. and 12 per cent.

Sensitivity analysis arising from changes in borrowing costs is set out in note 23.

10 TAX EXPENSE

The relationship between the expected tax expense at the basic rate of 26 per cent. (31 December 2010: 28 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
Result for the year before tax	1,897	145
Standard rate of corporation tax in UK	26%	28%
Expected tax charge	493	41
Group relief surrender by joint venture company	(216)	-
Adjustment for different basis of calculating overseas tax	(136)	38
UK losses carried forwards	-	426
Adjustment in respect of prior year	-	(221)
Actual tax (income)/expense	**141**	**284**
Comprising:		
Current tax expense	409	301
Deferred tax (net credit)	(268)	(17)
Total (income)/expense	**141**	**284**

11 COMPENSATION CLAIM

	31.12.11 £'000	31.12.10 £'000
Book value of claim	47,997	47,000

As detailed in the 2010 Report and Accounts, on 1 May 2010 the Bolivian Government nationalised by force Rurelec's controlling interest in Guaracachi. The Bolivian book value of the net assets of Guaracachi, together with declared but unpaid dividend for 2009, is not less than £47.0 million and has been used for accounting purposes only and does not represent fair market value of the investment to be claimed under Bilateral Investment Treaties. The actual amount claimed, as submitted to the Permanent Court of Arbitration in The Hague, is $142.4 million. The increase from £47.0 million to £48.0 million represents costs incurred in preparing and submitting the claim for compensation to the Permanent Court of Arbitration in The Hague.

12 HOLDING COMPANY'S RESULT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the holding company's income statement is not shown separately in the financial statements. The profit for the year was £3.4 million (2010: loss £1.5 million).

13 EARNINGS PER SHARE

Basic loss per share is calculated by dividing the loss for the period attributable to shareholders by the weighted average number of shares in issue during the period. For diluted loss per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares. There were no outstanding options or warrants to acquired shares at the year-end and therefore there was no difference between the basic and diluted earnings per share.

	Year ended 31.12.11	Year ended 31.12.10
Average number of shares in issue	371,356,437	213,520,135
i) Result for the year		
Profit attributable to equity holders of the parent	£1.8m	£15.7m
Basic earnings per share	0.47p	7.34p
Diluted earnings per share	0.47p	7.02p
ii) Continuing operations		
Profit/(loss) attributable to equity holders of the parent from continuing operations	£1.8m	£(0.1m)
Basic earnings per share	0.47p	(0.06p)
Diluted earnings per share	0.47p	(0.06p)

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14 PROPERTY, PLANT AND EQUIPMENT

	Land £'000	Plant and equipment £'000	Plant under construction £'000	Total £'000
a) Group				
Cost at 1 January 2010	**4,636**	**103,153**	**48,783**	**156,572**
Disposal of Guaracachi	(4,530)	(81,078)	(48,616)	**(134,224)**
Exchange adjustments	(1)	(232)	-	**(233)**
Additions	-	1,199	-	**1,199**
Reclassification	-	167	(167)	**-**
Cost at 31.12.10	**105**	**23,209**	**-**	**23,314**
Exchange adjustments	(6)	(1,733)	-	**(1,739)**
Additions	-	230	-	**230**
Disposals	(13)	(166)	-	**(179)**
Cost at 31.12.11	**86**	**21,540**	**-**	**21,626**
Depreciation at 1 January 2010	**-**	**14,227**	**-**	**14,227**
Disposal of Guaracachi	-	(12,598)	-	**(12,598)**
Exchange adjustment	-	(17)	-	**(17)**
Charge for year	-	618	-	**618**
Depreciation at 31.12.10	**-**	**2,230**	**-**	**2,230**
Exchange adjustment	-	(167)	-	**(167)**
Charge for the year	-	786	-	**786**
Depreciation at 31.12.11	**-**	**2,849**	**-**	**2,849**
Net book value – 31.12.11	**86**	**18,691**	**-**	**18,777**
Net book value – 31.12.10	**105**	**20,979**	**-**	**21,084**

i) All property, plant and equipment is located in Argentina. The value of property, plant and equipment recognised upon the initial acquisition of 50 per cent. of EdS in Argentina in 2005 was £4.2 million. This amount included a negative fair value adjustment of £0.5 million resulting from a professional valuation carried out at the date of the acquisition. The value of property, plant and equipment recognised upon the acquisition of the remaining 50 per cent. of EdS in June 2008 was £19.7 million. This included a positive fair value adjustment of £5.0 million based on the Directors' estimate of the fair value of the plant under construction. Following the sale of 50 per cent. of EdS in June 2009, the fair value adjustment of £5.0 million was been reduced to £2.5 million.

b) Company – The Company had no property, plant and equipment.

15 INTANGIBLE ASSETS

	Goodwill £'000	CERs £'000	Total £'000
At 1 January 2010	**3,168**	**950**	**4,118**
Fair value adjustment on sale of CERs	-	(265)	**(265)**
At 31 December 2010	**3,168**	**685**	**3,853**
Fair value adjustment on sale of CERs	-	(460)	**(460)**
At 31 December 2011	**3,168**	**225**	**3,393**

Goodwill represents 50 per cent. of the difference between the Group's share of the fair value of the net identifiable assets acquired and the consideration transferred on the acquisition of 50 per cent. of PEL in June 2008.

The Group tests goodwill and other intangible assets annually or more frequently if there are indications that the intangible asset might be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the future cash flows, which are based on management projections, taking into account experience, expected revenues and operating margins, and the discount rate applied to those cash flows. The discount rate applied is 15 per cent.

CERs (Carbon Emission Reduction credits) represent the fair value of the CERs in EdS. In June 2008, following the acquisition of the outstanding 50 per cent. of EdS, the value of the CERs was based on the Directors' estimate of the discounted value of the expected future income. During 2009, In a prior year, EdS entered into a contract under which EdS is required to deliver, in 2012, 475,000 CERs at a fixed price of €11.18 per CER. In addition, EdS agreed an advanced payment, which was paid in February 2010, in respect of 172,350 CERs. The carrying value at 31 December, 2011 of £225,000 represents 50 per cent. of the discounted value of the remaining CERs.

16 TRADE AND OTHER RECEIVABLES

	31.12.11 £'000	31.12.10 £'000
16a Group – non-current		
Trade receivables[1]	374	123
Amounts due from joint venture companies[2]	14,182	8,992
Other receivables and prepayments[3]	553	1,824
	15,109	**10,939**

[1] Non-current trade receivables includes £37,000 (2010: £123,000) of retentions by the Electricity Regulator in Argentina (which is expected to be either released or contributed towards ongoing capital projects) and £337,000 (2010: £nil) of trade receivables which are not expected to be received within the next 12 months.

[2] Amounts due from joint venture companies represent 50 per cent. of the excess of the amounts lent by the Company, in excess of the amounts lent by the other 50 per cent. shareholder, to PEL and EdS, including credit support provided to suppliers of EdS. Interest on these amounts has been accrued at rates of between 8 per cent. and 12 per cent. per annum.

[3] Other receivables includes £nil (2010: £1.5 million) of input VAT which has been paid by EdS and is recoverable as a deduction against future VAT liabilities and £0.6 million (2010: £0.3 million) of income tax paid by EdS which is expected to be recovered as an offset against future profits.

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16b Group – current

	31.12.11 £'000	31.12.10 £'000
Trade receivables	4,456	2,801
Other receivables and prepayments	1,058	840
	5,514	**3,641**

Other receivables and prepayments includes £479,000 (2010: nil) of VAT recoverable by EdS.

16c Company – non-current

	31.12.11 £'000	31.12.10 £'000
Amounts owed by subsidiary companies	20,902	20,890
Amounts owed by joint venture companies	32,445	14,733
Bolivian arbitration costs	997	-
	54,344	**35,623**

The amounts owed by subsidiary companies are non-interest bearing, unsecured and payable on demand but are not expected to be fully received within the next twelve months. Included within amounts due by subsidiary companies is an inter-company loan of £20.6 million which was supported by the Group's investment in Guaracachi and which the Directors consider will be recovered in full as part of the compensation claim against the Bolivian Government.

The amounts owed by subsidiary and joint venture companies are interest bearing at rates of between 8 per cent. and 12 per cent. and are payable on demand but are not expected to be fully received within the next twelve months. £11.2 million is secured by a first charge against the assets of EdS.

The Bolivian arbitration costs represent legal and professional expenses incurred in preparing and submitting the claim for compensation to the Permanent Court of Arbitration in The Hague.

16d Company – current

	31.12.11 £'000	31.12.10 £'000
Amounts due from joint venture companies	-	7,424
(in 2011, included in "non-current" – see 16c above)		
Other receivables and prepayments	159	19
	159	**7,443**

The £nil (2010: £7.4 million) due from joint venture companies is unsecured, interest free and payable on demand.

All trade and other receivables are unsecured, with the exception of the £11.2 million referred to in 16c above, and are not past their due by dates. The fair values of receivables are not materially different to the carrying values shown above.

17 DEFERRED TAX

	31.12.11 £'000	31.12.10 £'000
a) Asset at 1 January 2011	363	1,722
Exchange translation	(24)	(3)
Disposal of Guaracachi	-	(1,449)
Credited to tax expense	181	93
Asset at 31 December 2011	**520**	**363**

The Group deferred tax asset arises principally from tax losses carried forward in Argentina.

	31.12.11 £'000	31.12.10 £'000
b) Liability at 1 January 2011	937	2,299
Disposal of Guaracachi	-	(1,274)
Exchange translation	(88)	(12)
(Credited)/charged to tax expense	(87)	(76)
Liability at 31 December 2011	**762**	**937**

The Group deferred tax liability arises from deferred tax provisions on the fair value adjustments arising on the acquisition of 50 per cent. of PEL.

18 INVENTORIES

	31.12.11 £'000	31.12.10 £'000
Spare parts and consumables	365	395

Spare parts and consumables are valued at cost.

19 CASH AND CASH EQUIVALENTS

	31.12.11 £'000	31.12.10 £'000
a) Group		
Cash and short-term bank deposits	1,793	157
b) Company		
Cash and short-term bank deposits	1,385	71

Cash and short-term bank deposits are held, where the balance is material, in interest bearing bank accounts, accessible at between 1 and 30 days' notice. The effective average interest rate is less than 1 per cent. The Group holds cash balances to meet its day-to-day requirements.

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for the year ended 31 December 2011

20 SHARE CAPITAL

	31.12.11 £'000	31.12.10 £'000
In issue, called up and fully paid		
420,671,505 ordinary shares of 2p each (2010: 220,671,505)	8,413	4,413

Reconciliation of movement in share capital

	Number	£'000
Balance at 1 January 2010	205,421,505	4,108
Allotment in May 2010	11,000,000	220
Allotment in September 2010	4,250,000	85
Balance at 31 December 2010	**220,671,505**	**4,413**
Allotment in March 2011	200,000,000	4,000
Balance at 31 December 2011	**420,671,505**	**8,413**

The prices per share of the allotments referred to above were: May and September 2010: 10 pence, and March 2011: 9 pence. The difference between the total consideration arising from shares issued and the nominal value of the shares issued has been credited to the share premium account. Costs associated with the allotments have been debited to the share premium account.

There have been no changes in the issued share capital of the Company since the balance sheet date.

21 TRADE AND OTHER PAYABLES

	31.12.11 £'000	31.12.10 £'000
a) Group – non-current		
CER liability[1]	231	470
b) Group – current		
Trade payables	3,482	3,565
Accruals	1,050	1,351
	4,532	**4,916**
c) Company – current		
Trade payables	118	234
Accruals	332	410
	450	**644**

[1] The future CER liability represents the present value of CERs which were sold by EdS in 2009 for delivery between 2010 and 2012 and which had not been delivered at 31 December 2011. The liability is credited to the income statement as the CERs are generated.

22 TAX LIABILITIES

	31.12.11 £'000	31.12.10 £'000
a) Group – non-current	306	381

This relates to an agreement reached with the tax authorities in Argentina in 2009 in respect of a claim for tax on the capitalisation of a loan in earlier years before the Group had an interest in EdS which has been deemed taxable by the tax authorities. The tax is payable in equal quarterly instalments with the final instalment due in August 2019. The total liability outstanding at 31 December 2011 was £360,000 (31 December 2010: £440,000) of which £306,000 (31 December 2010: £381,000) is due in more than 12 months. The current portion of the liability is included within note 21.

b) Group – current	31.12.11 £'000	31.12.10 £'000
UK corporation tax	131	59

23 BORROWINGS

	31.12.11 £'000	31.12.10 £'000
a) Group – non-current		
Loan from CAMMESA[1]	**1,653**	**1,081**
b) Group – current		
Loan note[2]	-	2,500
Loan from CAMMESA[1]	-	517
Bank loans – EdS[3]	-	3,931
Other loans[4]	-	5,644
	-	**12,592**
Group – total borrowings	**1,653**	**13,673**
The Group's borrowings are repayable as follows:		
2012 (at 31.12.10 – 2011)	-	12,592
2013 (at 31.12.10 – 2012)	506	521
2014 to 2016 (at 31.12.10 – 2013 to 2015)	1,147	560
	1,653	**13,673**
c) Company – current		
Loan note[2]	-	2,500
Other loans[4]	-	5,644
Company – total borrowings	**-**	**8,144**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

	31.12.11 £'000	31.12.10 £'000
The Company's borrowings are repayable as follows:		
2012 (31.12.10 – 2011)	-	5,644
2012 (31.12.11 – 2012)	-	2,500
	-	**8,144**

[1] CAMMESA, the Argentine wholesale market administrator, has advanced funds to EdS to support capital expenditure. The loan bears interest at 7 per cent. per annum. The loan is repayable in instalments with the final repayment due in July 2016.

[2] The loan note was repaid in full in March 2011.

[3] The EdS bank loan was repaid in full in April 2011.

[4] Other loans were repaid in full in March and April 2011.

Sensitivity analysis to changes in interest rates:

If interest rates on the Group's borrowings during the year had been 0.5 per cent. higher or lower with all other variables held constant, the interest expense and pre-tax profits would have been £25,000 lower or higher than reported.

Sensitivity analysis to changes in exchange rates:

The Group's external borrowings are denominated in AR$. As a result, the liability to the Group's lenders will change as exchange rates change. The Group's borrowings are substantially related to specific electricity generating assets and therefore the effect on the net equity of the Group is limited. The overall effect on the Group's net equity which would arise from changes in exchange rates is set out in note 5 above.

The effect on borrowings alone if exchange rates weakened or strengthened by 10 per cent. with all other variables held constant would be to reduce or increase the value of the Group's borrowings and equity by £0.2 million (2010: £0.7 million).

24 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
a) Group		
Profit for the year before tax	1,897	145
Net finance (income)/expense	(1,161)	467
Adjustments for:		
Depreciation	786	618
Unrealised exchange losses/(gains) in joint venture companies	790	(224)
Movement in working capital:		
Change in trade and other receivables	(2,025)	1,103
Change in trade and other payables	(355)	(900)
Cash (used in)/generated from operations	**(68)**	**1,209**

	Year ended 31.12.11 £'000	Year ended 31.12.10 £'000
b) Company		
Profit/(loss) for the year before tax	2,987	(1,524)
Net finance (income)/expense	(3,281)	1,028
Adjustments for:		
Unrealised exchange gains on loans	(309)	(545)
Movement in working capital:		
Change in trade and other receivables	(1,147)	12
Change in trade and other payables	(197)	148
Cash used in operations	**(1,947)**	**(881)**

25 INVESTMENTS

	31.12.11 £'000	31.12.10 £'000
Balance at 31 December 2011	8,470	8,470

The Company held the following investments:

i) 50 per cent. (2010: 50 per cent.) of the issued share capital of Patagonia Energy Limited ("PEL"), a company registered in the British Virgin Islands under registration number 620522. PEL owns 100 per cent. of the issued share capital of Energia del Sur S.A. ("EdS"), a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina.

ii) 100 per cent. (2009: 100 per cent.) of the issued share capital of Bolivia Integrated Energy Limited ("BIE"), a company registered in the British Virgin Islands, under registration number 510247. Until 1 May 2010, BIE owned, through an intermediary holding company, 50.00125 per cent. of the issued share capital of Empresa Electrica Guaracachi S.A. ("Guaracachi"), a company registered in Bolivia.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

26 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated to secure the Group's short to medium-term cash flows by minimising its exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the Group is exposed are described below:

a) Foreign currency risk

The Group is exposed to translation and transaction foreign exchange risk. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group. The Group's principal trading operations are based in South America and as a result the Group has exposure to currency exchange rate fluctuations in the principal currencies used in South America. The Group also has exposure to the US$ and the € as a result of borrowings denominated in these currencies.

b) Interest rate risk

Group funds are invested in short-term deposit accounts, with a maturity of less than three months, with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

c) Capital management policies and liquidity risk

The Group considers its capital to comprise its ordinary share capital, share premium, accumulated retained earnings and other reserves.

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company meets its capital needs primarily by equity financing. The Group sets the amount of capital it requires to fund the Group's project evaluation costs and administration expenses. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company and Group do not have any derivative instruments or hedging instruments. It has been determined that a sensitivity analysis will not be representative of the Company's and Group's position in relation to market risk and therefore, such analysis has not been undertaken.

d) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying value. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

e) Fair values

In the opinion of the Directors, there is no significant difference between the fair values of the Group's and the Company's assets and liabilities and their carrying values and none of Group's and the Company's trade and other receivables are considered to be impaired.

The financial assets and liabilities of the Group and the Company are classified as follows:

31 December 2011

	Group			Company		
	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000
Trade and other receivables > 1 year	-	15,109	-	-	54,344	-
Trade and other receivables < 1 year	-	5,514	-	-	159	-
Cash and cash equivalents	-	1,793	-	-	1,385	-
Trade and other payables > 1 year	-	-	(231)	-	-	-
Trade and other payables < 1 year	-	-	(4,532)	-	-	(450)
Borrowings > 1 year	-	-	(1,653)	-	-	-
Borrowings < 1 year	-	-	-	-	-	-
Totals	**-**	**22,416**	**(6,416)**	**-**	**55,888**	**(450)**

31 December 2010

	Group			Company		
	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000
Trade and other receivables > 1 year	-	10,939	-	-	35,623	-
Trade and other receivables < 1 year	-	3,641	-	-	7,443	-
Cash and cash equivalents	-	157	-	-	71	-
Trade and other payables > 1 year	-	-	(470)	-	-	-
Trade and other payables < 1 year	-	-	(4,916)	-	-	(644)
Borrowings > 1 year	-	-	(1,091)	-	-	-
Borrowings < 1 year	-	-	(12,592)	-	-	(8,144)
Totals	**-**	**14,737**	**(19,069)**	**-**	**43,137**	**(8,788)**

27 CAPITAL COMMITMENTS

The Group had outstanding capital commitments of £0.1 million (2010: £0.2 million).

28 CONTINGENT LIABILITIES

EdS has entered into a long-term maintenance agreement with a third party who provides for the regular service and replacement of parts of two turbines. The agreement runs until 2022. The Group's 50 per cent. share of the total payable under the agreement until the year 2022 amounts to US$7.3 million/£4.7 million (2010: US$8 million/£5 million). In the event that EdS wish to terminate the agreement before 2022, a default payment would become payable. The Group does not anticipate early termination and therefore no provision has been made in this regard.

NOTES TO THE FINANCIAL STATEMENTS

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29 RELATED PARTY TRANSACTIONS

During the year the Company and the Group entered into material transactions with related parties as follows:

a) Company

i) Paid £0.12 million to Independent Power Corporation PLC ("IPC") under a "Shared Services Agreement". P.R.S. Earl and E.R. Shaw are Directors of IPC and IPC is a wholly owned subsidiary of Sterling Trust Ltd, a shareholder in the Company.

ii) Repaid loans of £1.1 million to IPC.

iii) Paid salaries to key management amounting to £0.36 million (2010: £0.35 million).

iv) Repaid borrowings of EdS of £7.9 million.

v) Charged interest on loans to its joint venture companies (PEL and EdS) amounting to £2 million and £1.5 million respectively. Loans by the Company to PEL and EdS at the year-end amounted to £11.2 million and £16.6 million respectively. In addition, the Company has provided £4.6 million of support to creditors of EdS. Interest on these loans has been accrued at rates of between 8 per cent. and 12 per cent.

b) Group

None.

30 POST BALANCE SHEET DATE EVENTS

Since the year-end, the Group has, through joint venture companies, made investments in Peru and Chile. Further details are set out in the Chief Executive's Review of Operations.

COMPANY INFORMATION

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P.R.S. Earl
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