Rurelec PLC

ANNUAL REPORT AND ACCOUNTS
for the year ended 31 December 2012

Stock code: RUR

AN **EXPANDING** INDEPENDENT POWER PRODUCER

Rurelec PLC is a British company 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.

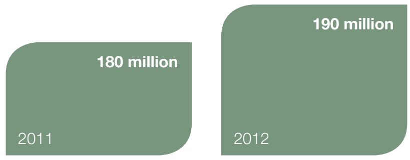
Photograph: Comodoro Rivadavia, Patagonia, Argentina

SUMMARY

295MW BEING DEVELOPED IN CHILE AND 5MW FINANCED AND UNDER CONSTRUCTION IN PERU

Final Arbitration Hearing for the claim in the arbitration proceedings against Bolivia took place in April

EdS revenues increased **6%** in local currency terms to **AR$190 million**
(2011: AR$180 million)



EXPANSION INTO CHILE AND PERU

Group cash position (2011: £1.8 million) — **£6.1 million**

Loss per share (2011: profit per share 0.47p) — **0.75p**

Net Asset Value per share (2011: 20.41p) — **19.33p**

Group loss before tax (2011: profit £1.9 million profit) — **£2.6 million**

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www.rurelec.com

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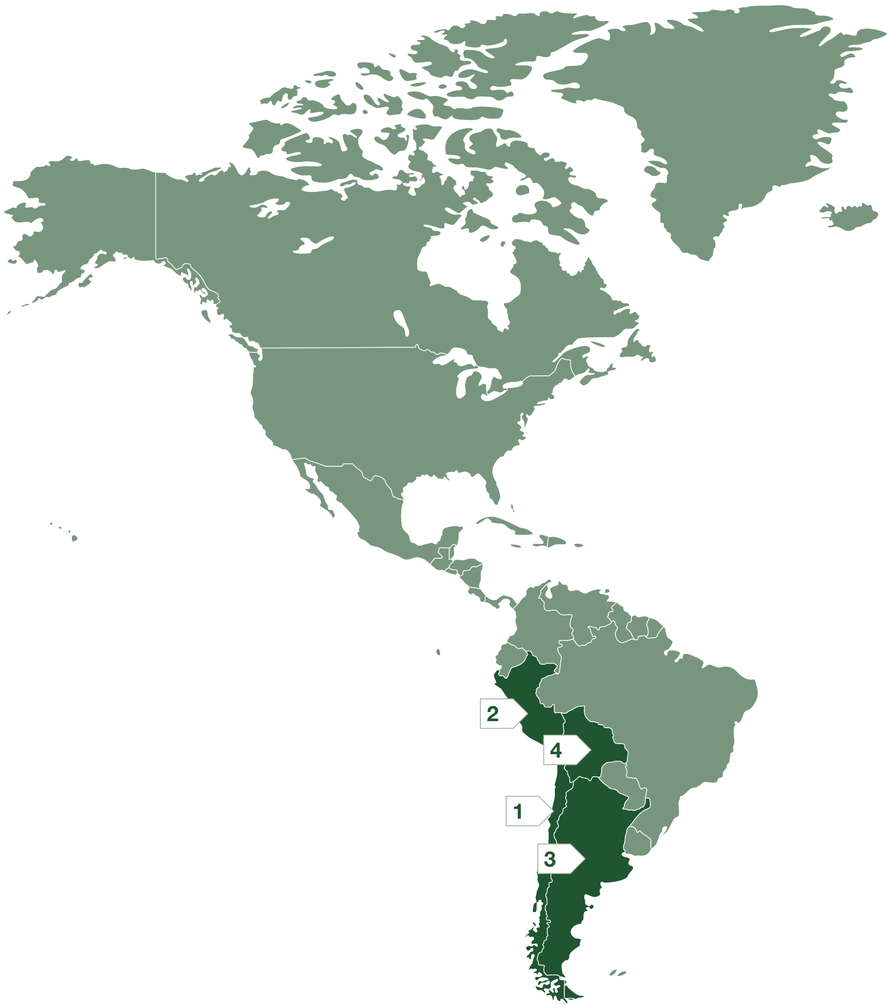
AT A GLANCE

OUR ACTIVITIES INCLUDE; OWNERSHIP, DEVELOPMENT, AND TECHNICAL ADVISORY SERVICES OF POWER PROJECTS.



Chile
Termonor, Arica 1

Location: Parinacota, Arica

Capacity: 40 MW nominal (increasing to 80 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 100 per cent. through Termoeléctrica del Norte 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 2

Project Names: Canchayllo/Santa Rita

Location: Junin Province/Ancash Province

Capacity: 5 MW/255 MW (30GWh/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 70 per cent. interest in Cascade Hydro Limited (“Cascade”), a newly formed hydroelectric power development company focused on run-of-river projects.

Argentina
Energia del Sur 3

Project Name: Energia del Sur/ ‘Comodoro’

Location: Comodoro Rivadavia, Patagonia

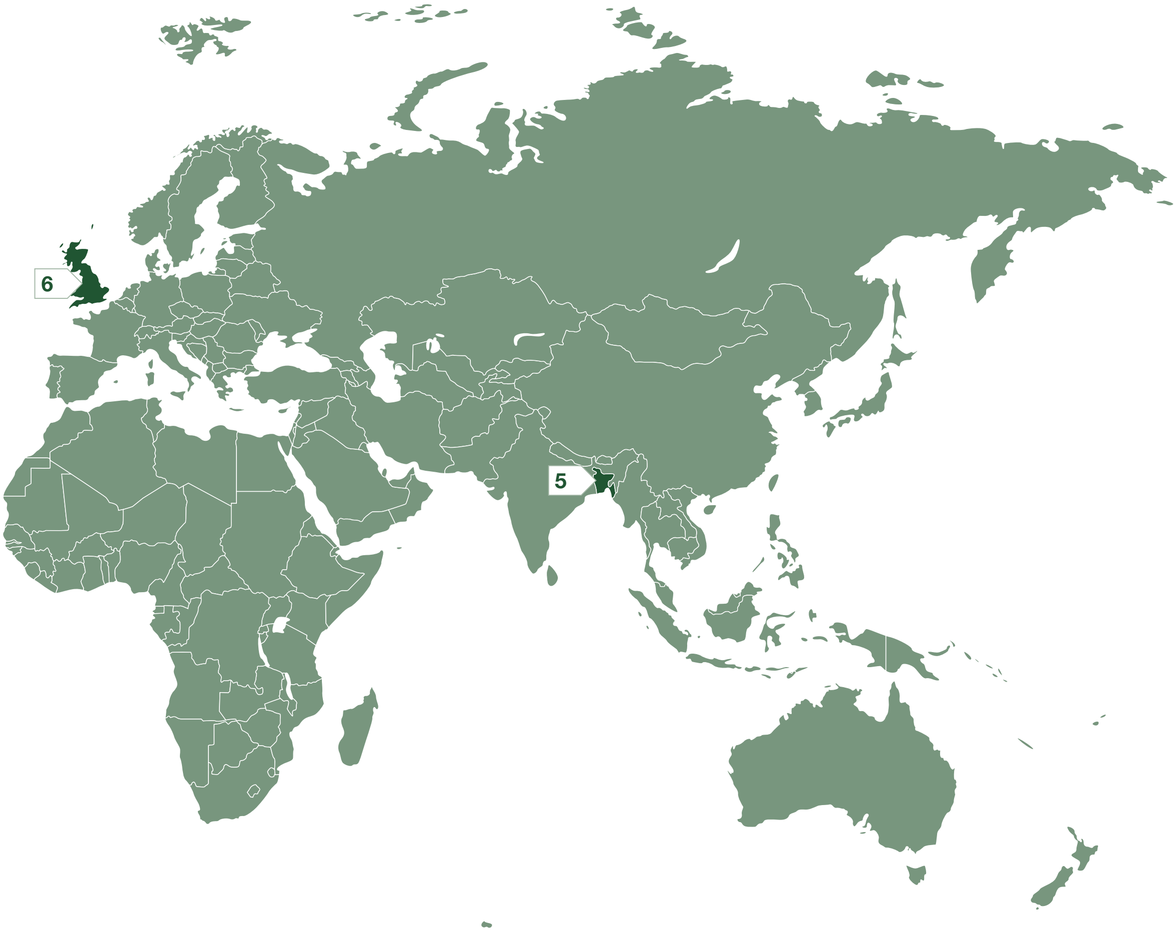
Capacity: 136 MW

Technology: CCGT

Equipment: 2GE 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.



Bolivia
Guaracachi

4

Project Names: 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 Rurelec's control it was also the largest investor in new generation capacity under the presidency of Evo Morales.

Bangladesh
Technical and Advisory Services

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Location: Chittagong

Capacity: 108 MW

Technology: LNG

Working with local partners, Energypac Confidence Power Ventures ("ECVP"), Rurelec sponsored a 108 MW project in Chittagong.

The plant is now under construction and is expected to achieve mechanical completion in August 2013.

Rurelec is hoping to develop a follow-on CCGT project of some 400 to 500 MW in Bangladesh.

United Kingdom
London

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Head Office:

Prince Consort House
27-29 Albert Embankment
London, SE1 7TJ

Headquatered on London's Albert Embankment within easy reach of the city and the West End.

CHAIRMAN'S STATEMENT

"THE GROUP CONTINUES TO MAKE STEADY PROGRESS, WITH INCREASED REVENUES AT EdS AND STRONG CASH FLOW FROM OPERATIONS"

I am pleased to present the results of Rurelec PLC ("Rurelec") for the year ended 31 December 2012. During 2012 Rurelec has refocused itself from purely a power generation ownership company to a power plant developer with the aim of adding new generation capacity over the next 12 months in Chile and Peru to replace the power plants in Bolivia which were nationalised in 2010.

The financial year just ended has seen the Group continue to make steady progress in the operation of its combined cycle power plant in Argentina with revenues at Energia del Sur S.A. ("EdS") increasing and with strong cash flow from operations. The Resolution 220 contract has continued to provide good margin capacity payments determined in US dollars, and this has helped Rurelec protect itself from the overall devaluation of the Argentine peso against the US dollar. However, EdS has been adversely affected by the fact that the bulk of its borrowings are denominated in US dollars. This has meant that, in spite of EdS's improved performance including paying down some of the project debt provided by Rurelec in London, we have nonetheless been required to make a provision of £2.4 million against unrealised foreign exchange losses in the Group accounts to reflect this balance sheet mismatch of currencies.

Group Results

Revenue, which currently reflects our 50 per cent. equity interest in EdS, fell slightly in sterling terms to £13.4 million (2011: £13.5 million). However in US dollar terms it rose from US$20.9 million to US$21.5 million.

Operating profit in Argentina, before exchange adjustments fell to £1.9 million (2011: £2.4 million) decreasing Group operating profit, after head office costs, to £1.0 million (2011: £1.6 million).

The Group loss after tax for the financial year under review is £3.1 million (2011: £1.8 million profit). Whilst the bulk of the loss can be attributed to the unrealised foreign exchange losses referred to above, the Group figures also include a charge of £0.7 million against the value of carbon credit income which Rurelec had expected EdS to receive from the sale of Certified Emission Reduction credits ("CERs") contracted multilateral buyers under its emissions reduction purchase agreements ("ERPA") with Confederacion Andina de Fomento ("CAF") and Kreditanstalt fur Wiederaufbau ("KfW"). The Group results also include loan arrangement expenses of £0.8 million arising on the US$15.45 million Birdsong loan raised in July 2012 to develop assets in Peru and Chile.

Photograph: Engineers at Canchayllo in Peru

It is therefore a priority for Rurelec in 2013 to restructure the balance sheet of EdS and of its intermediate holding company, Patagonia Energy Limited, in order to reduce the exposure to foreign exchange movements in Argentina. It will also accelerate repayment of amounts owed to Rurelec.

EdS Results

At the operating level in Argentina, and therefore based on 100 per cent. of EdS's activities, EdS's revenues decreased in sterling terms to £26.5 million this year (2011: £27.0 million). However, in local currency terms, there was an increase of 6 per cent. with EdS reporting turnover of AR$191 million (2011: AR$180 million). Fuel costs are denominated in US dollars, and as a result gross margin fell slightly from 42 per cent. in 2011 to 37 per cent. in 2012.

Gross operating profit fell slightly, to £9.7 million /AR$70 million (2011: £11.2 million/AR$76 million). Exchange losses of £4.2 million (2011: loss of £2.6 million) due to weakness of the Argentine peso together with a £1.3 million provision against the ERPA with CAF and KfW resulted in a pre-tax loss of £0.7 million (2011: £0.9 million). However, a tax charge, which includes a tax on turnover, of £1.4 million (£0.6 million) increased the loss to £2.1 million (2011: £1.5 million).

With respect to the exchange losses arising from weakness in the peso, one factor which should mitigate future losses is the fact that one third of the EdS generating capacity, which currently provides approximately 50 per cent. of its turnover, is based on a US dollar denominated contract.

Update on Bolivian Arbitration

Work on the Bolivian arbitration with our legal advisers, Freshfields Bruckhaus Deringer, and with our independent valuation experts, Compass Lexecon, has continued at varying levels throughout the year. Following the lodging of our statement of claim, including the independent expert's valuation of US$142.3 million on 1 March 2012, both the Government of Bolivia and the Company have delivered further statements and rejoinders in the arbitration process.

Final papers prior to the court hearing were lodged by the Government of Bolivia in March 2013. The case was heard under the auspices of the Permanent Court of Arbitration in Paris in early April 2013, some two years and eleven months after the nationalisation took place. The Directors are confident that the Company has prepared an excellent case, with the assistance of its advisors, demonstrating a significant loss of value to Shareholders as a result of the Government of Bolivia's failure to make a realistic offer of compensation following their actions in 2010. While the Directors are confident that Rurelec will receive a satisfactory level of compensation, the outcome of the case is not a foregone conclusion and so Shareholders are advised to follow the case via the PCA website.

Outlook

Rurelec has pursued a number of initiatives over the last year to add new generation capacity for the Group based on the anticipated monetisation of our expropriated assets in Bolivia. Timing of the receipt of proceeds is uncertain, but the Directors are expecting judgement before the year end.

Proceeds will be used to repay the Birdsong loan (due in December 2013) and to expand the business.

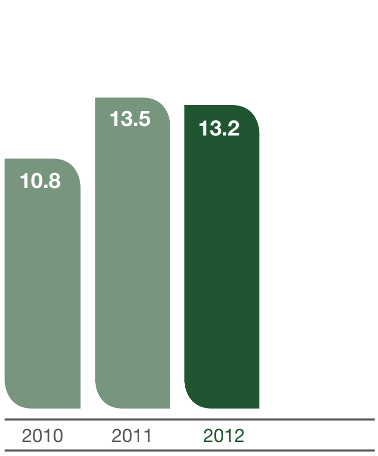
Whilst we currently own 100 per cent. of the Termonor project at Arica in northern Chile, our intention long term is to hold 50 per cent. of this and other Chilean power assets. In Peru, Rurelec currently owns a 70 per cent. interest in Cascade, a run-of-river hydro-electric company which is in the process of expanding its portfolio of generating assets under development. As part of its expansion process, Cascade is negotiating a funding deal with a private equity group which will take control of Cascade and provide up to US$60 million of new capital to build out the hydro-electric portfolio over the next four years.

Without increasing our shareholder base, the ability to expand our activities is dependent on securing partners or on receiving the proceeds from the Arbitration Claim.

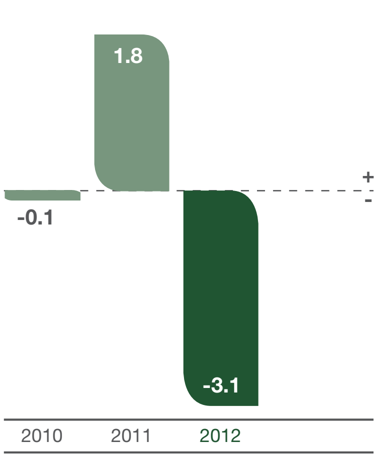
However we are also considering initiating plans to secure a secondary listing on the Chilean stock market at which time we may also consider a further capital increase to support a more aggressive expansion.

Andrew Morris
Chairman
7 June, 2013

Group turnover
£ million



Group after tax profit/loss on continuing operations
£ million



CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

"ON AN OPERATING LEVEL EdS IS PERFORMING WELL WITH AN INCREASE IN OUTPUT OF JUST OVER 12 PER CENT."

Argentina

The Energia del Sur S.A. ("EdS") plant in Comodoro Rivadavia continues to trade as expected. The key areas for concern are inflation and foreign exchange rates in Argentina.

The power plant itself is performing well at the operating level, generating 928 GWh over the year (2011: 827 GWh), an increase in output of just over 12 per cent. This increase in generation was offset in revenue terms by the cancellation, by the Ministry of Energy, of the generators agreement which was in force between 2008 and 2011 and this action has reduced capacity payments from AR$35 per MWh to AR$12 per MWh, as forewarned in last year's report. The impact of this change can be seen clearly in the fall of the average price of electricity in peso terms from AR$210.2 in 2011 to AR$206.4 this year, in spite of the increase in Resolution 220 revenues in Peso terms. Gross margin this year is now 37 per cent. against last year's figure of 42 per cent. In spite of the reduction in spot sales margin, overall, operating margin (which excludes unrealised foreign exchange losses) fell only slightly, to 15 per cent. (2011: 17 per cent.) as the peso devaluation and the increased output mitigated the reduction in peso revenues. Although inflation in Argentina remains high, EdS. saw only a small increase in administrative expenses in peso terms, which on translation into sterling show up as a reduction due to currency depreciation.

Although the majority of output is sold in the Spot market, which caps prices to enable the company to recover the actual cost of generation (including US$ denominated regulated fuel expense), approximately one third of our output earns 50 per cent. of revenues under a US$ contract. Even so, EdS suffers foreign exchange losses based on its US$ borrowings and the apparent drop in value of its local assets as they are carried in pesos, which this year amounted to a charge of a little over £4 million (£2 million in the Group accounts). In fact, as explained above, the Resolution 220 contract effectively matches our US$ borrowings with our US$ revenues.

Certified Emission Reduction Credits ("CER's)

In December 2009 EdS executed two emissions reductions purchase agreements one with CAF and the other with KfW, agreeing to sell all the CERs generated by the Company at an average price of approximately €11 per CER. EdS delivered a total of 166,757 CERs by the end of 2012. A further 126,057 are due for delivery prior to expiry of the ERPA contract. The resulting shortfall of 182,186 CERs against the contract has been provided against in the current year. The complex arrangements for accrediting and delivering CERs delayed the verification process and it was only in 2012 that the magnitude of the shortfall became clear.

Photograph: Supporting the local community in Canchayllo - Canchayllo School, Peru

The failure of successive international climate change summits to agree a replacement for the Kyoto Protocol, together with the recent actions by MEPs in voting down the proposed modifications to the EU Trading Arrangements, has decimated the CER market. As a result, EdS does not expect to make significant revenue from post 2012 CER sales.

2013

On 15 March, the Secretary of Energy of Argentina announced increases in payments to generators participating in the spot market which are to be subsidised by the National Government, effective February 2013. The aggregate increase applicable to EdS's spot energy rates is AR$32 per MWh due to start in May. At the time of the announcement it was noted that certain implementation issues needed to be resolved and, although there has been a delay in receiving the incremental cashflow arising from the announced increases, it is now expected to start in June.

Chile

Arica

As announced on 4th October 2012, Rurelec's Termonor subsidiary received the final government land zoning authorisations in Arica, a port town in the north of Chile that handles the bulk of Bolivia's maritime trade as well as exporting minerals mined in the vicinity. These permits are the final precursor to construction of the 40 MW Parinacota gas turbine plant, which is expected to dispatch peaking power into the northern transmission system in Chile. Termonor, currently wholly-owned by Rurelec's Chilean intermediate holding company, has signed an Engineering, Procurement and Construction ("EPC") contract with Energy Contact of Canada, its prime contractor, for the refurbishment and installation of a General Electric 6B gas turbine. The capital cost of the plant is US$16.5 million, with an initial commitment of US$6 million pending initiation of the civil works. The turbine was delivered to the Port of Arica in April, and the instruction to commence construction will be issued once the balance of funding is in place. Construction will take approximately 10 months.

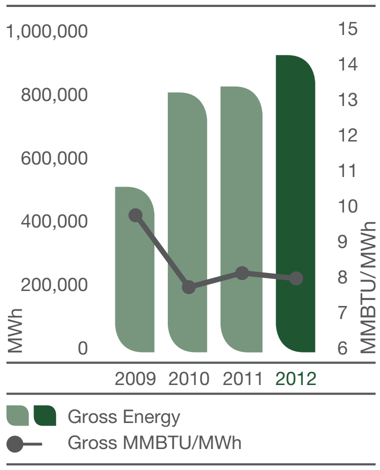
It remains Rurelec's intention to own, in partnership with Chilean investors, an eventual fifty per cent interest in Termonor. Northern Chile is regarded by the Rurelec Board as the most attractive power market in Latin America, and the Arica project's economics have improved considerably over the last year. As a result of a sharp increase in forecast electricity demand in the very north of Chile, the Arica power plant capacity is expected to be increased in due course from the initial configuration of 40 MW, rising to between 80 and 120 MW in a design similar to Rurelec's Comodoro Rivadavia plant in Argentina which uses the same 6B gas turbine as Arica.

Central Illapa

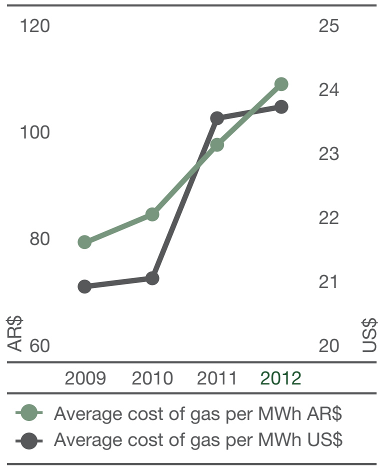
Following the acquisition of its 50 per cent. interest in Central Illapa S.A. ("Central Illapa"), a Chilean project company developing a 250 MW open cycle gas fired peaking plant in Mejillones, one of the key power hubs on the Sistema Interconnectado del Norte Grande ("SING") system of the Chilean power grid from Independent Power Corporation PLC ("IPC"), Rurelec's Chilean intermediate holding company acquired the balance of shares from former development partner Invener S.A.. Prior to Rurelec acquiring Illapa, a substantial amount of work had been undertaken by IPC and Invener to prepare a bankable project financing, but they were unable to conclude the process due to delays in the permitting process. The environmental approval for the plant, based on two Fiat Avio TG50 DS units, was announced on 9 May 2013. Having obtained the necessary environmental permits, Rurelec will now recommence the financing process with a view to achieving financial close prior to year end.

Through its interest in Central Illapa, Rurelec was able to participate in a tender to supply 500 MW of power, based on a new, high efficiency liquefied natural gas ("LNG") fired combined cycle gas turbine ("CCGT") plant, to the operations of a large international mining group in northern Chile. Whilst the bid was not selected, the tender has yet to be awarded and Rurelec is in discussions with substantial industry partners to construct,

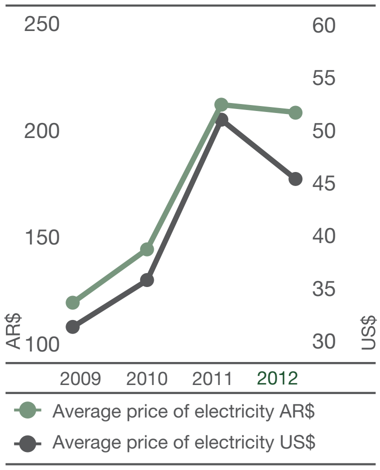
EdS Output and Heat Rates (MWh)



Average cost of gas



Average price of electricity



CHIEF EXECUTIVE'S REVIEW OF OPERATIONS continued

"SUCCESSFUL ACQUISITION OF IPC TO ACCELERATE GROWTH PROSPECTS IN EMERGING MARKETS."

own and operate this plant in tandem with the Central Illapa peaking plant.

Rurelec and IPC have together been short-listed for a further 500 MW CCGT project to be constructed in northern Chile also to run on LNG with capacity to be contracted to another mining group. The PPA proposals are scheduled to be adjudicated in the second or third quarters of 2013.

Rurelec acquired the shares in Central Illapa for zero premium and will reimburse a portion of IPC's third party project costs to the date of acquisition. IPC will continue to provide services to augment Rurelec's development efforts for which it will be reimbursed at cost. In addition, at financial close of each project, Rurelec will pay IPC development fees. The level of fee for each of the projects was agreed following an external appraisal of relevant fee scales commissioned by the Independent Directors of Rurelec.

It remains Rurelec's target to own 50 per cent. of over 1,250 MW of new Clean Tech generation capacity in Chile in the coming years and to obtain a quotation on the Santiago Stock Exchange.

Peru

In 2012 Rurelec acquired its first projects in hydro-electric power generation in Peru with the acquisition of the 255 MW run-of-river Santa Rita project and the portfolio of small hydro projects which is owned by Rurelec's subsidiary, Cascade Hydro Limited ("Cascade"). Canchayllo, the first Cascade project, has secured a US$7.2 million financing agreement with Inter-American Investment Corporation ("IIC"), a financing arm of the Inter-American Development Bank Group. Construction of the project has now begun and the plant size has been increased to just over 5 MW at a total cost of US$11 million. Mechanical completion is now expected at the end of 2013 with an in service date of early 2014.

The financing of the Canchayllo project has acted as the catalyst for a substantial private equity capital raising effort for Cascade. The increase in capital will dilute Rurelec's shareholding below the current 70 per cent. interest in Cascade, a company with a strong management team that is expected to build up a substantial portfolio of hydro plants in Peru.

Bolivia

The Guaracachi arbitration process remains on course and the hearing under the auspices of the Permanent Court of Arbitration ("the PCA") took place at the International Chamber of Commerce Paris in April of this year. Final submissions will be made shortly. The parties' filings may be viewed at the PCA website http://www.pca-cpa.org/, in accordance with the agreement on full transparency reached with Bolivia's Attorney General. We must now await the conclusions of the Tribunal.

Bangladesh

While Rurelec is focused on Latin America, the Company has nonetheless sought to capitalise on its track record of building and owning CCGT power plants at a time when other companies put their expansion plans on hold as a result of the difficulties arising from the global banking crisis. Rurelec has successfully used its experience and skills in operating thermal plants in Argentina and Bolivia to sponsor projects outside of the Americas. As a result, a Rurelec sponsored project of 108 MW in Chittagong in partnership with Energypac Confidence Power Ventures ("ECVP") has recently achieved financial close with a group of prominent local Bangladeshi banks supported by regional multilaterals. The plant is now under construction and is expected to achieve mechanical completion in August.

Rurelec is hoping to develop a follow-on CCGT project of some 400 to 500 MW in Bangladesh operating on LNG as a clone of the two LNG projects which it is now pursuing in Chile based on the original engineering and feasibility work completed by IPC.

Peter Earl
Chief Executive
7 June, 2013

OUR TARGET IS TO OWN 50 PER CENT. OF OVER 1,250 MW OF NEW CLEAN TECH GENERATION CAPACITY IN CHILE.

BOARD OF DIRECTOR'S

Andrew Morris
Chairman and Non-Executive Director

Appointed: A Fellow of the Association of Chartered Certified Accountants, Andrew was appointed Chairman of the Board 14 June, 2010. He is also Chairman of the Audit and Nominations' committees.

Brings to the Board: Andrew has spent most of his working life in the city. He has over ten years experience working in the renewable energy sector and is currently Finance and Corporate Development Director of Advanced Plasma Power Limited and previously Director and Chief Operating Officer of Bioethanol Limited.

He has worked in the financial markets for 16 years and in that time has been instrumental in raising funds to enhance the operations of the companies he has been involved with.

Peter Earl
Chief Executive

Appointed: Peter founded and became CEO of Rurelec in 2004 when it became the first utility to float on the Alternative Investment Market ("AIM"), following its spin out of Independent Power Corporation PLC ("IPC").

Brings to the Board: 20 years experience in the Latin American power sector. Peter was joint founder and CEO of IPC where he worked on a variety of power deals and projects worldwide. Previously to this he was the Head of European Corporate Finance at Fieldstone Private Capital Group where he advised on power sector acquisitions and bids totalling c. US$6 billion, involving 5,000 MW of generating capacity including various Latin American Transactions in 1993-1995.

He is a graduate of Oxford University and Kennedy Scholar at Harvard University.

Elizabeth Shaw
Finance Director

Appointed: Elizabeth is one of the original members of the Board and has been with the Company since it listed on AIM nine years ago.

Brings to the Board: Elizabeth has over 19 years experience in the electricity sector. She was a former Director of Fieldstone Private Capital Group where she advised on a number of M&A transactions, disposals in the electricity industry, both in the UK and emerging markets. She is also a Director of IPSA Group PLC, an AIM quoted power developer with a focus in South Africa and IPC, where she is responsible for business development and finance.

She is a graduate of Exeter University.

Marcelo Blanco

Regional Director of Finance

Appointed: Marcelo was appointed to the Board on 1st October 2008 having previously been the Finance Director of Guaracachi.

Brings to the Board: Marcelo has over 15 years experience it the energy sector, which include a two year appointment as Vice Minister of Electricity and Alternative Energies at the Bolivian Ministry of Public Works. He was reappointed as Finance Director of Guaracachi in 2004. He also held advisory posts with the Bolivian Embassy in Argentina and was a consultant to the United Nations Development programme.

Marcelo is a graduate of Green Mountain College in the United States and subsequently gained an MBA from the University of Belgrano, Argentina.

Larry Coben

Non-Executive Director

Appointed: Larry was appointed to the Board on 10th May, 2011 and he is also the Chairman of the Remuneration Committee.

Brings to the Board: Extensive knowledge of the Latin American energy market, Larry was the founder of alternative energy technologies company, Catalyst Energy Corporation. Before that he founded and managed Liberty Power Corp, in the early 1990s before becoming Chairman and CEO of Tremesis Energy LLC where he is currently. 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 is a graduate of Yale University and a J.D. from Harvard Law School before going on to study for an MA in Anthropology at the University of Pennsylvania.

DIRECTORS' REPORT

The Directors submit their annual report together with the audited financial statements for the year ended 31 December, 2012.

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, during 2012, 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. On 9 April, 2013, following representations from both parties, the arbitration proceedings closed and a decision is expected during the next few months.

In July 2012, the Company arranged a loan of US$15.45 million to provide additional working capital and funds for the acquisition of assets in Peru and Chile.

The assets acquired in Peru and Chile comprise special purpose project companies and accordingly, the costs associated with acquiring and developing these projects (Plant under Construction – note 14) have been accounted for on an asset acquisition basis.

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.

Principal risks and uncertainties

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, uncertainties in the financial markets and the outcome and settlement of the Bolivian arbitration proceedings.

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 – Economic conditions have shown gradual improvement over the past few months with the result that project finance is now more readily available in certain markets. However, the Group's expansion plans remain dependent on raising project finance from a combination of local partners and lending institutions.

c) Exposure to foreign currency - The Group's activities are in South America and therefore the Group's results will be affected by exchange rate movements and local inflation rates. Furthermore, past experience has shown that exchange controls restrictions can sometimes be applied and these may have an impact on the Group's ability to repatriate funds to the parent company. The Group seeks to limit these risks by raising funds in the currency of the operating units.

d) Bolivian arbitration proceedings - It is expected that judgement will be given in October 2013. In the event that it becomes likely that judgement and settlement may be delayed, the Directors have identified a number of fundraising options which they consider funds for the repayment of the loan which falls due on 31 December 2013.

Results and dividends

The Group results for the year ended 31 December, 2012 are set out in the Consolidated Statement of Comprehensive Income.

No dividend was paid during the year to 31 December, 2012 (2011: nil).

Share capital

Details of the issued share capital are set out in note 21.

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

Directors' interests

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

	31.05.2013	31.12.2012	31.12.2011
A.J.S. Morris	350,000	350,000	350,000
L.S. Coben	500,000	500,000	500,000
P.R.S. Earl	650,000	750,000	750,000
E.R. Shaw	275,000	275,000	275,000

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 31 May, 2013, being the last practicable date for reporting this information.

	Number of shares	% holding
Sterling Trust Ltd	211,611,181	50.30
YF Finance Ltd	96,565,166	22.96
Vidacos Nominees Ltd	27,150,000	6.45
Nortrust Nominees Ltd	12,655,311	3.01

The percentage shown are based on 420,671,505 shares in issue.

DIRECTORS' REPORT
continued

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, 2012 was 30 days (2011: 30 days).

Risk management and objectives

The financial risk management policies and objectives are set out in note 29.

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 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 each Directors is 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
7 June, 2013

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 eight times during 2012. 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.

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 in accordance with the Company's Articles of Association.

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
7 June, 2013

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, 2012 which comprise the consolidated and parent company statements of financial position, the consolidated income statement, consolidated statement of comprehensive income, 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.

Opinion on financial statements

In our opinion, 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, 2012 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

We draw attention to the disclosure made in note 19 to the financial statements regarding the uncertain outcome of the parent company's ability to recover the compensation of £51.5 million 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 settlement at less than the carrying amount have 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
7 June, 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Notes	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Revenue	4	13,373	13,522
Cost of sales	6	(8,386)	(7,903)
Gross profit		**4,987**	**5,619**
Administrative expenses	7	(3,979)	(3,981)
Operating profit		**1,008**	**1,638**
Other expense	9	(3,895)	(902)
Finance income	10	3,281	1,661
Finance expense	10	(2,940)	(500)
(Loss)/profit before tax		**(2,546)**	**1,897**
Tax expense	11	(598)	(141)
(Loss)/profit for the year		(3,144)	1,756
Earnings per share	12		
Basic (loss)/earnings per share		(0.75p)	0.47p
Diluted (loss)/earnings per share		(0.75p)	0.47p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
(Loss)/profit for the year		**(3,144)**	**1,756**
Other comprehensive income/(loss) for the year			
Exchange differences on translation of foreign operations		(1,443)	(440)
Revaluation of CERs		-	(142)
Total other comprehensive loss		**(1,443)**	**(582)**
Total comprehensive (loss)/income for year attributable to owners of the company		**(4,587)**	**1,174**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2012

	Notes	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	18,487	18,777
Intangible assets	15	3,168	3,393
Trade and other receivables	16a	15,376	15,109
Deferred tax assets	17	389	520
		37,420	**37,799**
Current assets			
Inventories	18	494	365
Trade and other receivables	16b	4,797	5,514
Compensation claim	19	51,473	47,997
Cash and cash equivalents	20	6,122	1,793
		62,886	**55,669**
Total assets		**100,306**	**93,468**
Equity and liabilities			
Shareholders' equity			
Share capital	21	8,413	8,413
Share premium account		53,012	53,012
Foreign currency reserve		(598)	845
Share option reserve	22	46	-
Other reserves		1,050	1,050
Retained earnings		19,389	22,533
Total equity attributable to shareholders of Rurelec PLC		**81,312**	**85,853**
Non-controlling interests		224	-
Total equity		**81,536**	**85,853**
Non-current liabilities			
Trade and other payables	23a	-	231
Tax liabilities	24a	210	306
Deferred tax liabilities	17	568	762
Borrowings	25a	1,301	1,653
		2,079	**2,952**
Current liabilities			
Trade and other payables	23b	4,325	4,532
Current tax liabilities	24b	53	131
Borrowings	25b	12,313	-
		16,691	**4,663**
Total liabilities		**18,770**	**7,615**
Total equity and liabilities		**100,306**	**93,468**

The financial statements were approved by the Board of Directors on 7 June, 2013 and were signed on its behalf by P. Earl (Chief Executive) and E. Shaw (Finance Director).

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2012

	Notes	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Assets			
Non-current assets			
Investments	26	18,988	8,470
Trade and other receivables	16c	40,397	54,344
		59,385	**62,814**
Current assets			
Trade and other receivables	16d	162	159
Cash and cash equivalents	20	4,502	1,385
		4,664	**1,544**
Total assets		**64,049**	**64,358**
Equity and liabilities			
Shareholders' equity			
Share capital	21	8,413	8,413
Share premium account		53,012	53,012
Share option reserve	22	46	-
Retained earnings		1,879	2,483
Total equity		**63,350**	**63,908**
Current liabilities			
Trade and other payables	23c	699	450
		699	**450**
Total equity and liabilities		**64,049**	**64,358**

The financial statements were approved by the Board of Directors on 7 June, 2013 and were signed on its behalf by P. Earl (Chief Executive) and E. Shaw (Finance Director).

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Notes	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Cash flows from operating activities			
Cash used in operations	28	(2,267)	(68)
Interest paid		(252)	(500)
Taxation paid		(587)	(468)
Net cash used in operating activities		**(3,106)**	**(1,036)**
Cash flows from investing activities			
Purchase of plant and equipment	14	(3,320)	(230)
Sale of plant and equipment		-	177
Repayments from/(loans to) joint venture company		629	(3,022)
Net cash used in investing activities		**(2,691)**	**(3,075)**
Net cash outflow before financing activities		**(5,797)**	**(4,111)**
Cash flows from financing activities			
Issue of shares (net of costs)		-	17,683
Loan drawdowns		10,126	654
Loan repayments		-	(12,590)
Net cash generated from financing activities		10,126	5,747
Increase in cash and cash equivalents		**4,329**	**1,636**
Cash and cash equivalents at start of year		1,793	157
Cash and cash equivalents at end of year		**6,122**	**1,793**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Notes	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Cash flows from operating activities			
Cash used in operations	28	(3,243)	(1,947)
Interest paid		-	(236)
Net cash used in operations		**(3,243)**	**(2,183)**
Cash flows from investing activities			
Investment in and loans to subsidiaries and joint venture company		(4,793)	(6.044)
Loan repayments by joint venture company		1,257	-
Loan from subsidiary		9,896	-
Net cash generated from/(used) in investing activities		**6,360**	**(6,044)**
Net cash inflow/(outflow) before financing activities		**3,117**	**(8,227)**
Cash flows from financing activities			
Issue of shares (net of costs)		-	17,683
Loan repayments		-	(8,142)
Net cash generated from financing activities		**-**	**9,541**
Increase in cash and cash equivalents		**3,117**	**1,314**
Cash and cash equivalents at start of year		1,385	71
Cash and cash equivalents at end of year		**4,502**	**1,385**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Share option reserve £'000	Retained earnings £'000	Other reserves £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
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**
Transactions with owners									
Issue of share options	-	-	-	46	-	-	**46**	-	**46**
Non-controlling interest	-	-	-	-	-	-	**-**	224	**224**
Total transactions with owners	**-**	**-**	**-**	**46**	**-**	**-**	**46**	**224**	**270**
Loss for year	-	-	-	-	(3,144)	-	**(3,144)**	-	**(3,144)**
Exchange differences	-	-	(1,443)	-	-	-	**(1,443)**	-	**(1,443)**
Total comprehensive income.(loss)	**-**	**-**	**(1,443)**	**-**	**(3,144)**	**-**	**(4,587)**	**-**	**(4,587)**
Balance at 31.12.12	**8,413**	**53,012**	**(598)**	**46**	**19,389**	**1,050**	**81,312**	**224**	**81,536**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1.1.11	4,413	39,329	-	(923)	**42,819**
Transactions 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**
Transactions with owners					
Issue of share options	-	-	46	-	**46**
Total transactions with owners	**-**	**-**	**46**	**-**	**46**
Loss for the year	-	-	-	(604)	**(604)**
Total comprehensive loss	**-**	**-**	**-**	**(604)**	**(604)**
Balance at 31.12.12	**8,413**	**53.012**	**46**	**1,879**	**63,350**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

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, 2012.

As set out in the Chairman's statement, the Company is expecting to receive a significant level of compensation from the Bolivian Government under the claim in respect of the nationalisation of Guaracachi. The Directors have been advised by their lawyers that a decision by the Permanent Court of Arbitration is expected to be given before the end of October which will mean that even if actual settlement of the award is not made until after 31 December 2013, being the date that the loan of US$15.45 million plus interest (see note 25) falls due for repayment, the Company will none-the-less be in a strong position to either extend the loan or obtain replacement funding. The Company is also considering alternative funding options, including listing on the Chilean Stock market and raising of equity capital in South America. Accordingly, the Directors have concluded that the Company will be able to meet the repayment terms of the US$15.45 million loan and for this reason continue to adopt the going concern basis for the preparation of these financial statements.

1c New accounting standards

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, 2014
IFRS 11*	Joint Arrangements	1 January, 2014
IFRS 12*	Disclosure of Interests in Other Entities	1 January, 2014
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, 2014
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 have a material impact on 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, 2015.

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, 2014.

IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31). It aligns more closely the accouting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. As at 31 December 2012 the Group's only joint arrangement within the scope of IFRS 11 is its 50 per cent investment in Patagonia Energy Ltd which

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

owns Energia del Sur S.A. in Argentina (see note 26). The Group currently accounts for this investment using the proportionate consolidation method. From next year it is expected that this investment will instead be accounted for using the equity method. The investment and share of the joint venture's profit or loss will then be presented as single line items (equity accounted investments) with a consequence reduction in other line items currently affected by proportionate consolidation. Management does not anticipate any material impact on the Group's net assets or results.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The Group financial statements consolidate the results of the Company, its 50 per cent. interest in EdS, its 100 per cent. interest of entities in Chile and its 70 per cent. interest of entities in Peru.

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 acquisition method. The acquisition 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 statement of financial position 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 within 'other expense'.

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 recognised in other comprehensive income and accumulated in the Foreign Currency Reserve.

2.4 Income and expense recognition

Revenue represents amounts receivable for goods or services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes, and excluding transactions with or between Group companies. Revenues from the sale of electricity are recorded based upon output delivered at rates specified under contract terms or prevailing market rates as applicable. Revenue is recognised on the supply of electricity when a contract exists and supply has taken place. Revenue received for keeping power plants operating and available for despatch into the grid as required is recognised on a straight-line basis over the contractual period. 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 (2011: 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 reporting 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.

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 reporting 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.

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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 reporting 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 re-measured 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.
"Share option reserve" represents the fair value of options granted and outstanding at the year-end.
"Retained earnings" represents retained profits.
"Other reserves" comprises unrealised revaluations of plant and machinery.

2.15 Pensions
During the year under review, the Group did not operate or contribute to any pension schemes (2011: 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. This review includes consideration of the book value of plant under construction which at the year-end amounted to £3.1 million. Actual results, however, may vary due to changes in technology and industry practices.

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. Details of the assumptions underlying management's forecasts for the Group's main Cash Generating Unit ("CGU") are set out in note 15.

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) Asset acquisitions - where the Group acquires assets or a company which is not considered to be a business as defined by IFRS 3, the transaction is accounted for as an asset acquisition and not a business combination.

e) The compensation claim is judged to be an asset due to the fact that an inflow of future economic benefit is virtually certain in accordance with the Bilateral Investment Treaties. The compensation asset is measured at cost (plus legal fees and interest) because, although a succesfull claim is virtually certain, management cannot reliably determine the fair value of these cash flows as there is a significant variability in the range of possible outcomes. Accordingly, and by analogous reference to IAS39, the asset is recorded at cost.

4 SEGMENT ANALYSIS

Management currently identifies the Group's four geographic operating segments; Argentina, Chile, Peru 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 2012 and 2011 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. The table also includes the book value of the net assets of Guaracachi in Bolivia (see note 19).

a) 12 months to 31.12.2012	Argentina £'000	Chile £'000	Peru £'000	UK £'000	Bolivia £'000	Consolidation adjustments £'000	Total £'000
Revenue	13,248	-	-	125	-	-	13,373
Cost of sales	(8,386)	-	-	-	-	-	(8,386)
Gross profit	**4,862**	**-**	**-**	**125**	**-**	**-**	**4,987**
Administrative expenses	(2,936)	-	-	(1,043)	-	-	(3,979)
Profit/(loss) from operations	**1,926**	**-**	**-**	**(918)**	**-**	**-**	**1,008**
Other expense	(670)	-	-	(825)	-	-	(1,495)
Foreign exchange losses	(1,027)	-	-	(1,373)	-	-	(2,400)
Finance income	-	-	-	4,869	-	(1,588)	3,281
Finance expense	(2,000)	-	-	(2,438)	-	1,498	(2,940)
Loss before tax	**(1,771)**	**-**	**-**	**(685)**	**-**	**(90)**	**(2,546)**
Tax credit/(expense)	(598)	-	-	-	-	-	(598)
Loss for the year	**(2,369)**	**-**	**-**	**(685)**	**-**	**(90)**	**(3,144)**
Total assets	21,991	2,188	3,593	21,061	51,473	-	100,306
Total liabilities	12,849	604	193	12,695	-	(7,571)	18,770
Capital expenditure	238	2,188	894	-	-	-	3,320
Depreciation	729	-	-	-	-	-	729

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b) 12 months to 31.12.2011	Argentina £'000	Chile £'000	Peru £'000	UK £'000	Bolivia £'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) from operations	**2,354**	**-**		**(716)**	**-**	**-**	**1,638**
Foreign exchange (loss)/gain	(1,325)	-		423	-	-	(902)
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	**(1,650)**	**-**	**-**	**3,406**	**-**	**-**	**1,756**
Total assets	27,496	-	-	17,975	47,997	-	93,468
Total liabilities	16,156	-	-	450	-	(8,991)	7,615
Capital expenditure	230	-			-	-	230
Depreciation	786	-	-	-	-	-	786

5 EXCHANGE RATE SENSITIVITY ANALYSIS

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

	31.12.12	31.12.11
i) Closing rate		
AR$ (Argentine Peso) to £	7.92	6.65
US$ to £	1.62	1.55
CLP (Chilean Peso) to £	773	n/a
PEN (Peruvian Sol) to £	4.12	n/a
ii) Average rate		
AR$ (Argentine Peso) to £	7.19	6.61
US$ to £	1.62	1.60
CLP (Chilean Peso) to £	770	n/a
PEN (Peruvian Sol) to £	4.12	n/a

If the exchange rate of sterling at 31 December, 2012 had been stronger or weaker by 10 per cent. with all other variables held constant, shareholder equity at 31 December, 2012 would have been £1.5 million (2011: £2.0 million) lower or higher than reported.

If the average exchange rate of sterling during 2012 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 (2011: £0.2 million) higher or lower than reported.

6 COST OF SALES

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Expenditure incurred in cost of sales is as follows:		
Cost of fuel	6,962	6,556
Depreciation	729	786
Maintenance	486	327
Other	209	234
	8,386	**7,903**

7 ADMINISTRATIVE EXPENSES

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	2,256	2,093
Services, legal and professional	447	199
Office costs and general overheads	1,216	1,634
Audit and non-audit services[1]	60	55

[1] Audit and non-audit services include £34,000 paid to the auditors for the audit of the Company and the Group financial statements and £6,000 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 (2011: £20,000).

8 EMPLOYEE COSTS

a) Group	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Aggregate remuneration of all employees and Directors, including social security costs	2,256	2,093

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

	Number	Number
Management	15	15
Operations	30	27
Total	**45**	**42**

b) Company	£'000	£'000
Aggregate remuneration of all employees and Directors, including social security costs	442	397

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

	Number	Number
Management	6	6

c) Directors' remuneration, including social security costs
The total remuneration paid to the Directors was £292,000 (2011: £322,000). The total remuneration of the highest paid Director was £107,000 (2011: £99,000).

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
P. Earl	107	99
M. Eyre	n/a	43
E. Shaw	79	87
A. Morris	50	56
M. Blanco	28	15
L. Coben	28	22
Total	**292**	**322**

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9 OTHER EXPENSE

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Carbon Emission Reduction adjustment[1]	670	-
Loan arrangement fees[2]	825	-
Foreign exchange losses[3]	2,400	902
Total	**3,895**	**902**

[1] In 2009, EdS contracted to sell Carbon Emission Reduction (CER) credits over a four year period 2009 to 2012. The number of CERs actually generated was less than the original forecast and the £670,000 charge in the current year represents the adjustment arising from this reduction.
[2] Loan arrangement fees relate to the arrangement fees charged in connection with the US$15.45 million set out in note 25.
[3] Foreign exchange losses have arisen in Argentina on US$ denominated loans and in the UK on US$ denominated receivables.

10 FINANCE INCOME AND (EXPENSE)

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Inter-group interest received/receivable[1]	1,501	1,661
Interest accrued on Bolivian claim[2]	1,780	-
Total interest income	**3,281**	**1,661**
Interest paid/payable on bank borrowings and loans	(2,860)	(500)

[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 £14.4 million (2011: £14.2 million). Interest on inter-group loans has been charged at rates of between 8 per cent. and 12 per cent.

[2] The settlement of the Bolivian claim will include interest on the settlement from 1st May 2010, being the date that the assets were nationalised, up to the payment date. The treaties under which the claim has been brought do not specify the applicable rate of interest. The expert valuation report included interest at the rate of 10.634 per cent. from the date on Nationalisation. However, for the interest of these financial statements, a rate of 1.43 per cent. has been applied, backdated to the 1st May 2010, which represents a conservative rate derived from the rates available on US Government Treasury Bonds and Bolivian Bonds.

[3] Interest paid/payable includes £578,000 accrued on the US$15.45 million loan referred to in note 25 at a rate of 12 per cent. per annum, plus a sum of £1.86 million which has been accrued as an estimate of the portion of the proceeds from the Bolivian claim to which the provider of the loan will be entitled. This figure of £1.86 million represents 10 per cent. of the book carrying value of the claim (£51.5 million). Both are based on estimated future cash flows and discounted using the loan's original effective interest rate, being the effective interest method.

Sensitivity analysis arising from changes in borrowing costs is set out in note 25.

11 TAX EXPENSE

The relationship between the expected tax expense at the basic rate of 24 per cent. (31 December, 2011: 26 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Result for the year before tax	(2,546)	1,897
Standard rate of corporation tax in UK	24%	26%
Expected tax credit/(charge)	611	(493)
Group relief surrender by joint venture company	74	216
Adjustment for different basis of calculating overseas tax	(1,283)	136
Actual tax expense	(598)	(141)
Comprising:		
Current tax expense	(626)	(409)
Deferred tax (net credit)	28	268
Total expense	**(598)**	**(141)**

12 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.

	Year ended 31.12.12	Year ended 31.12.11
Average number of shares in issue	420,671,505	371,356,437
Effect of dilution – share options outstanding	19,525,000	n/a
Result for the year		
(Loss)/profit attributable to equity holders of the parent	(£3.1m)	£1.8m
Basic (loss)/earnings per share	(0.75p)	0.47p
Diluted (loss)/earnings per share	(0.75p)	0.47p

There is no difference between the Basic and Diluted loss per share as there was a loss in the year and therefore the outstanding options were anti-dilutive.

13 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 loss for the year was £0.6 million (2011: profit £3.4 million).

14 PROPERTY, PLANT AND EQUIPMENT

	Land £'000	Plant and equipment £'000	Plant under construction £'000	Total £'000
a) Group				
Cost at 1.1.11	**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**
Exchange adjustments	(14)	(3,392)	-	**(3,406)**
Additions	-	238	3,082	**3,320**
Cost at 31.12.12	**72**	**18,386**	**3,082**	**21,540**
Depreciation at 1.1.11	**-**	**2,230**	**-**	**2,230**
Exchange adjustment	-	(167)	-	**(167)**
Charge for the year	-	786	-	**786**
Depreciation at 31.12.11	**-**	**2,849**	**-**	**2,849**
Exchange adjustments	-	(525)	-	**(525)**
Charge for the year	-	729	-	**729**
Depreciation at 31.12.12		**3,053**		**3,053**
Net book value – 31.12.12	**72**	**15,333**	**3,082**	**18,487**
Net book value – 31.12.11	**86**	**18,691**	**-**	**18,777**

Operating 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.

Plant under construction comprises plant in Chile (£2.2 million) and Peru (£0.9 million).

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

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15 INTANGIBLE ASSETS

	Goodwill £'000	CERs £'000	Total £'000
At 1 January, 2011	**3,168**	**685**	**3,853**
Fair value adjustment on sale of CERs	-	(460)	(460)
At 31 December, 2011	**3,168**	**225**	**3,393**
Fair value adjustment on sale of CERs	-	(225)	(225)
At 31 December, 2012	**3,168**	**-**	**3,168**

Goodwill represents 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 (for a period of 5 years) which are based on the most recent financial projections prepared for each Cash Generating Unit ("CGU"). The projections incorporate management's assumptions regarding; revenue volumes, revenue prices, operating costs including gas and forecast growth and are based on historical experience and current information. A long term discount rate, derived from market data on comparable interest rates in the local markets in which the Group operates, is then applied to the projected future cash flows. The equity discount rate applied is 14 per cent (2011: 15 per cent).

The following specific assumptions in respect of the Group's main CGU in Argentina include:

a) Resolution by no later than 2018 of the current foreign currency issues in Argentina which presently restrict the outflow of certain types of debt repayment
b) No adverse change in the gas price relative to the Government set price tariff
c) Existing contracts run their expected life and are renewed on terms no less favourable than the existing terms
d) Operating costs remain stable
e) No major plant disruptions occur
f) Maintenance expenditure remains in line with past experience
g) Any period over and above the forecast period of 5 years assumes nil growth other than that applicable to inflation

16 TRADE AND OTHER RECEIVABLES

	31.12.12 £'000	31.12.11 £'000
a) Group – non-current		
Trade receivables[1]	556	374
Amounts due from joint venture companies[2]	14,441	14,182
Other receivables and prepayments[3]	379	553
	15,376	**15,109**

[1] Non-current trade receivables includes £211,000 (2011: £37,000) of retentions by the Electricity Regulator in Argentina (which is expected to be either released or contributed towards ongoing capital projects) and £345,000 (2011: £337,000) of trade receivables which are not expected to be received within the next 12 months.

[2] Amounts due from joint venture companies represent 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 comprise £379,000 (2011: £553,000) of income tax paid by EdS which is expected to be recovered as an offset against future profits.

	31.12.12 £'000	31.12.11 £'000
b) Group – current		
Trade receivables	3,267	4,456
Other receivables and prepayments	1,530	1,058
	4,797	**5,514**

Other receivables and prepayments includes £894,000 of VAT recoverable in Peru.

	31.12.12 £'000	31.12.11 £'000
c) Company – non-current		
Amounts owed by subsidiary companies[1 and 2]	5,186	20,902
Amounts owed by joint venture companies[3]	32,789	32,445
Bolivian arbitration costs[4]	2,422	997
	40,397	**54,344**

The amounts owed by subsidiary companies include:

[1] Loan of £0.3 million (2011 - £20.9 million) which is supported by the Group's investment in Bolivia and which the Directors consider will be recovered in full as part of the compensation claim against the Bolivian Government. This loan is non-interest bearing, unsecured and payable on demand and although the Directors expect the compensation to be settled within the next 12 months, this loan continues to be shown as 'non-current'. At 31 December, 2011, amounts due by subsidiary companies included £20.6 million due from Birdsong Overseas Ltd which owned, through intermediate holding companies, the Group's 50.00125 per cent. investment in Guaracachi. This loan was converted into share capital in Birdsong Overseas Limited during 2012.

[2] Loans to subsidiaries in Chile (£1.7 million) and Peru (£3.2 million) are repayable on demand. The loans to Chile are currently non-interest bearing. The loans to Peru bear interest at rates of between 5 per cent and 12 per cent.

[3] The amounts owed by joint venture companies are interest bearing at rates of between 8 per cent. and 12 per cent. and are repayable on demand but are not expected to be fully received within the next 12 months. £10.7 million (2011 - £11.2 million) is secured by a first charge against the assets of EdS.

[4] 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.

	31.12.12 £'000	31.12.11 £'000
d) Company – current		
Other receivables and prepayments	162	159
	162	**159**

All trade and other receivables are unsecured, with the exception of the £10.7 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

	31.12.12 £'000	31.12.11 £'000
a) Asset at 1 January, 2012	520	363
Exchange translation	(83)	(24)
(Debited)/Credited to tax expense	(48)	181
Asset at 31 December, 2012	**389**	**520**

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

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
b) Liability at 1 January, 2012	762	937
Exchange translation	(174)	(88)
Credited to tax expense	(20)	(87)
Liability at 31 December, 2012	**568**	**762**

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

18 INVENTORIES

	31.12.12 £'000	31.12.11 £'000
Spare parts and consumables	494	365

Spare parts and consumables are valued at cost.

19 COMPENSATION CLAIM

	31.12.12 £'000	31.12.11 £'000
Book value of claim	51,473	47,997

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 $142.3 million. The increase in the year from £48.0 million to £51.5 million represents a) legal and professional fees of £1.7 million incurred during the year in preparing and submitting the claim for compensation to the Permanent Court of Arbitration in The Hague and b) an accrual of £1.8 million for interest which is expected to be received on the settement (see note 10[2]).

20 CASH AND CASH EQUIVALENTS

	31.12.12 £'000	31.12.11 £'000
a) Group		
Cash and short-term bank deposits	6,122	1,793
b) Company		
Cash and short-term bank deposits	4,502	1,385

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. Included within the Group and the Company's balance at 31 December 2012 is US$2.15 million of cash held in a blocked account pending payment of a deposit on plant being shipped to Chile.

21 SHARE CAPITAL

	31.12.12 £'000	31.12.11 £'000
In issue, called up and fully paid		
420,671,505 ordinary shares of 2 pence each (2011:420,671,505)	8,413	8,413

Reconciliation of movement in share capital

	Number	£'000
Balance at 1 January, 2011	220,671,505	4,413
Allotment in March, 2011	200,000,000	4,000
Balance at 31 December, 2011 and 31 December, 2012	**420,671,505**	**8,413**

The allotment in March 2011 was at 9 pence per share. 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 allotments are debited to the share premium account.

22 SHARE OPTION RESERVE

	31.12.12 £'000	31.12.11 £'000
At 1 January, 2012	**-**	**-**
Fair value of options granted during the year	46	-
At 31 December, 2012	**46**	**-**

In March 2012, the Company introduced a share option plan and granted options over 19,525,000 shares at 9.5 pence per share. Of these options, 3,875,000 were exercisable from the date of grant. The remaining 15,650,000 shares vest in three equal tranches in March 2013, March 2014 and March 2015 and are subject to performance targets.

The Black-Scholes option pricing model has been used to calculate the fair value of options granted during the year. Expected volatility in the share price has been based on 20 per cent.

All of the options granted to Directors vest in the three equal tranches and are subject to performance criteria, as referred to above.

Options granted to the Directors which were outstanding at the year-end:

	31.12.12 Number of shares	31.12.11 Number of shares
A Morris	1,000,000	-
P Earl	5,000,000	-
E Shaw	4,000,000	-
M Blanco	2,000,000	-
L Coben	650,000	-

No options were exercised during the year and the total number of options outstanding at the year-end was 19,525,000.

23 TRADE AND OTHER PAYABLES

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
a) Group – non-current		
CER liability	-	231
b) Group – current		
Trade payables	2,373	3,482
Accruals	1,952	1,050
	4,325	**4,532**
c) Company – current		
Trade payables	526	118
Accruals	173	332
		-
	699	**450**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

24 TAX LIABILITIES

a) Group – non-current	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Tax due in Argentina	210	306

b) Group – current	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
UK corporation tax	-	131
Tax due in Argentina	53	-

This liability for tax due in Argentina relates to an agreement reached with the tax authorities 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, 2012 was £263,000 (2011: £360,000). In 2011, the current portion of the liability (£54,000) was included within note 23.

25 BORROWINGS

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
a) Group – non-current		
Loan from CAMMESA[1]	**1,301**	**1,653**
b) Group – current		
Loan from CAMMESA[1]	316	-
Other loans[2]	11,997	-
	12,313	**-**
Group – total borrowings	**13,614**	**1,653**
The Group's borrowings are repayable as follows:		
Within 1 year	11,313	-
In more than 1 year, but less than 2 years	462	506
In more than 2 years, but less than 3 years	316	489
In more than 3 years	523	658
	13,614	**1,653**

[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] Other loans comprise a loan of US$15.45 million, plus accrued interest, to Birdsong Overseas Limited, a wholly owned subsidiary of Rurelec PLC and, through intermediary holding companies, owner of the shares in Empresa Electrica Guaracachi S.A.. The loan was arranged in July 2012 in order to provide additional working capital for the Group's expansion in Chile and Peru and the costs of the Bolivian litigation. The loan is repayable by 31 December, 2013 and is secured by a first charge on the proceeds from the Bolivian Arbitration claim and the assets of Birdsong Overseas Limited. Under the terms of the loan, the loan provider is entitled to a portion of the proceeds recovered in relation to the final settlement of, or award, in connection with the Bolivian arbitration. The portion of the proceeds payable to the loan provider is dependent upon a number of variables, including the length of time to recover such proceeds and the quantum of the proceeds. The minimum amount payable is 10 per cent. of the proceeds recovered and based on the carrying value of the claim (see note 19), the portion of the proceeds which the lender will be entitled to receive amounts to £5.1 million and accordingly a sum of £1.86 million has been accrued at 31 December 2012, representing amortisation of the sum of £5.1 million over the expected life of the loan. Interest on the loan is payable at 12 per cent. per annum.

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 £68,000 lower or higher than reported.

Sensitivity analysis to changes in exchange rates:
The Group's external borrowings are denominated in AR$ and US$. 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 £1.2 million (2011: £0.2 million).

26 INVESTMENTS

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
At 1 January, 2012	**8,470**	**8,470**
Capitalisation of loan to Birdsong Overseas Ltd	10,455	-
Investment in Cascade Hydro Ltd	72	-
Investment in Cochrane Power Ltd	1	-
At 31 December, 2012	**18,988**	**8,470**

At the year-end, the Company held the following investments:

- 50 per cent. (2011: 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.

- 100 per cent. (2011: 100 per cent.) of the issued share capital of Birdsong Overseas Ltd ("BOL"), a company registered in the British Virgin Islands, under registration number 688032. BOL owns 100 per cent. 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. During 2012 an amount of £10.5 million, which had previously been loaned by the Company to BOL, was capitalised and converted into share capital.

- 70 per cent. (2011 – nil) of the issued share capital of Cascade Hydro Limited, a company registered in England and Wales under registration number 7640689. Cascade Hydro Limited owns, through intermediate holding companies, 100 per cent. interest in Electricidad Andina S.A. and 88 per cent. of Empresa de Generacion Electrica Canchayllo S.A.C., both being companies registered in Peru.

- 100 per cent. (2011 – nil) of Cochrane Power Limited, a company registered in England and Wales under registration number 8220905. Cochrane Power Limited owned at the year-end, through intermediate holding companies, 50 per cent. interest in Central Illapa S.A. and 100 per cent. interest in Termoeléctrica del Norte S.A., both being companies registered in Chile.

27 JOINT VENTURE

The following table sets out the Group's share of its interest in its joint venture operation in Argentina.

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Revenue	13,248	13,522
Expenses	(11,322)	(11,168)
Non-current assets	16,729	19,933
Current assets	4,048	3,265
Non-current liabilities[1]	(16,519)	(17,052)
Current liabilities	(3,199)	(4,212)

Non-current liabilities includes £14.4 million (2011 - £14.1 million) of loans advanced by the Company (see note 16).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

28 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
a) Group		
(Loss)/profit for the year before tax	(2,546)	1,897
Net finance income	(341)	(1,161)
Adjustments for:		
Depreciation	729	786
Unrealised exchange losses in joint venture companies	1,741	790
Movement in share option reserve	46	
Movement in working capital:		
Change in inventories	(187)	-
Change in trade and other receivables	(1.907)	(2,025)
Change in trade and other payables	198	(355)
Cash used in operations	**(2,267)**	**(68)**

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
b) Company		
(Loss)/profit for the year before tax	(604)	2,987
Net finance income	(2,511)	(3,281)
Adjustments for:		
Unrealised exchange losses/(gains) on loans	1,105	(309)
Movement in share option reserve	46	
Movement in working capital:		
Change in trade and other receivables	(1,528)	(1,147)
Change in trade and other payables	249	(197)
Cash used in operations	**(3,243)**	**(1,947)**

29 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$ 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.

As set out in note 25, the Group has £12.3 million of loans falling due within 12 months. This includes the loan of $15.45 million, plus interest, which is due for repayment by 31 December 2013. This loan is due to be repaid from the proceeds of the claim against the Bolivian Government. The directors anticipate that settlement of the claim will be made before 31 December 2013 but in the event that settlement occurs after that date, the directors consider that the Group will be able to raise sufficient funds from other sources to repay the loan.

The following table sets out when the Group's financial obligations fall due:

	Year ended 31.12.12 £'000	Year ended 31.12.11 £'000
Current - due within 1 year:		
Trade payables	2,373	3,482
Borrowings	12,313	-
Total due within 1 year:	**14,686**	**3,482**
Non-current - due in more than 1 year but less than 5 years		
Borrowings	1,301	1,653

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 2012

	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	-	15,376	-	-	40,397	-
Trade and other receivables < 1 year	-	4,797	-	-	162	-
Cash and cash equivalents	-	6,122	-	-	4,502	-
Trade and other payables > 1 year	-	-	-	-	-	-
Trade and other payables < 1 year	-	-	(4,325)	-	-	(699)
Borrowings > 1 year	-	-	(1,301)	-	-	-
Borrowings < 1 year	-	-	(12,313)	-	-	-
Totals	**-**	**26,295**	**(17,949)**	**-**	**45,061**	**(699)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

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)**

30 CAPITAL COMMITMENTS

The Group had outstanding capital commitments of US$3.87 million (£2.4 million) (2011: £0.1 million) in respect of plant ordered but not delivered at the year-end.

31 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$6.6 million/£4.1 million (2011: US$7.3 million/£4.7 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.

Rurelec Chile Limitada, owner of Central Illapa S.A. and Termoeléctrica del Norte S.A. ("Termonor"), acquired the outstanding 50 per cent. of Termonor in November 2012 for US$ 1 plus contingent consideration of US$ 1.36 million which is payable once the land for the plant site has been transferred to Termonor. The land has been transferred since the year-end and US$ 250,000 was paid in January 2013 with the balance still due.

32 RELATED PARTY TRANSACTIONS

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

a) Company

i) Paid, to Independent Power Corporation PLC ("IPC"), a) £0.12 million under a "Shared Services Agreement", b) paid a development fee of US$ 250,000 for the introduction, leading to the acquisition, of Termonor and c) acquired, at a cost of US$2,500, a 50 per cent. interest in Central Illapa S.A. and purchased a loan of US$ 210,000 at par due by Central Illapa S.A. P.R.S. Earl and E.R. Shaw are Directors of IPC. IPC is 50 per cent owned by Sterling Trust Ltd, a shareholder in the Company.

ii) Paid salaries to key management amounting to £0.34 million (2011: £0.36 million).

iii) Charged interest on loans to its joint venture companies (PEL and EdS) amounting to £1.8 million and £1.2 million respectively. Loans by the Company to PEL and EdS at the year-end amounted to £17.7 million and £10.7 million respectively. In addition, the Company has provided £4.4 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.

iv) Provided loans totalling £3.2 million to its subsidiary companies in Peru and charged interest amounting to £90,000

v) Provided loans totalling £1.7 million to its subsidiaries companies in Chile.

b) Group

None.

33 POST BALANCE SHEET DATE EVENTS

Since the year-end, the Group has continued to invest in its subsidiaries in Peru and Chile and has increased its interest in Central Illapa S.A. to 100 per cent. at a cost of US$ 50,000 plus a success fee payable on financial close and, in May 2013, obtained environmental approval for the proposed 255 MW open cycle greenfield gas fired Illapa project in Chile.

The Chief Executive's Review of Operations contains further details.

COMPANY INFORMATION

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L. Coben (Non-Executive)
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P.R.S. Earl
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