RURELEC

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Stock code: RUR

RURELEC

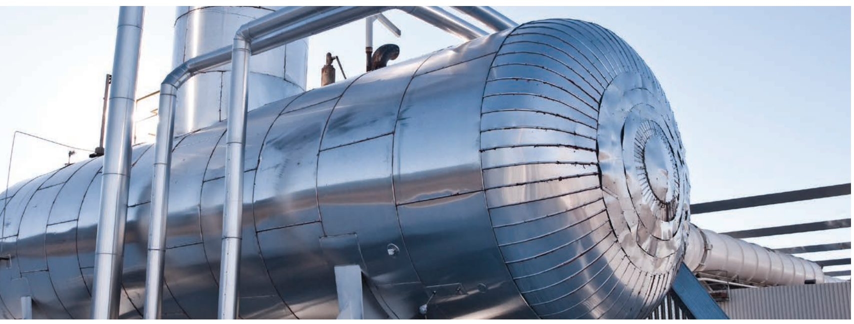
WELCOME TO RURELEC PLC

RURELEC PLC IS AN OWNER, DEVELOPER AND OPERATOR OF POWER GENERATION CAPACITY INTERNATIONALLY.

Originally focused on Latin America, Rurelec, is now looking beyond Latin America following the acquisition of Independent Power Corporation PLC ("IPC"), which provides engineering and operations & maintenance ("O&M") services globally to third parties including governments and multinationals. Rurelec's main business consists of the ownership and development of power generation facilities on national and regional grids and in isolated areas, selling wholesale electricity as a generator on commercial terms, through capacity payments or power purchase agreements ("PPAs").

Our current businesses include an operational plant in Argentina and development of new plants in Chile and Peru.

Read more about our strategy on page **04**



Read more online at **www.rurelec.com**

SUMMARY

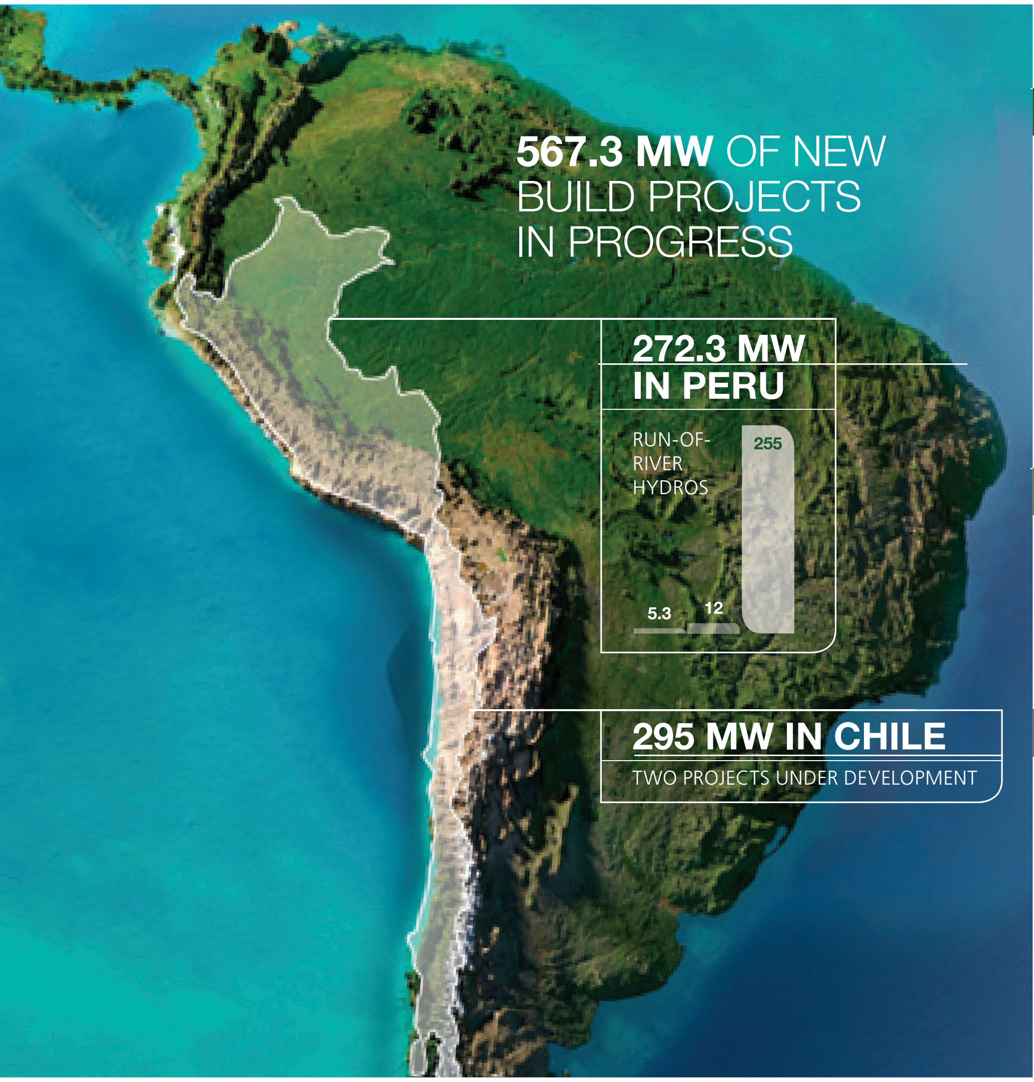
EDS OPERATING PROFIT
£ million

A change in contracting terms with CAMMESA results in a 12.4 per cent. increase

GROUP CASH POSITION
£3.8 million

LOSS PER SHARE
7.92p

NET ASSET VALUE PER SHARE
10.46p



CONTENTS

CHILE
UPDATE

Arica and Central Illapa

A lot has been happening in Chile. During the year we have purchased the land, turbine and transformer for Arica. Environmental approvals have been received for both Arica and Central Illapa. This allows us to commence construction at Arica while finalising selection of a joint venture partner for Central Illapa where financing is expected to be achieved by Q4 2014.

PERU
UPDATE

Successful financing

The construction of the 5.3 MW Canchayllo plant and development of a further 12 MW of new projects was made possible by the successful financing with IIC and further equity funding from Rurelec. Canchayllo is 95 per cent completed with commercial operation targeted for August 2014.

Read more on pages **04** and **05**

CHAIRMAN'S STATEMENT

Photograph: Gravel trap, Canchayllo, Peru.

"THE OBJECTIVE OF THE GROUP IS TO OWN AND OPERATE A PORTFOLIO OF GENERATING ASSETS IN DIFFERENT COUNTRIES AND OWNERSHIP STRUCTURES"

Dear Shareholder

I hereby present the results of Rurelec PLC ("Rurelec") for the financial year ended 31 December 2013, my first since joining the Board in October 2013. It has been a pivotal year for the Company as the arbitration hearing against Bolivia was completed in April 2013, and although the compensation award which was announced by the Permanent Court of Arbitration ("PCA") in February 2014 was significantly less than management expected, it allows us to look to the future away from the shadow of Bolivia.

In doing so and in a bid to diversify our business we acquired Independent Power Corporation PLC ("IPC") in June 2013, a company with an eighteen year history of developing, constructing and operating power generation facilities for corporate and government clients on four continents. The acquisition has seen us continue to switch from being a pure owner of power plants to an active developer and operator, both in Latin America and elsewhere.

In October with my appointment to the Board, Andrew Morris stood down after three and a half years as Non-Executive Chairman to take over as Group Finance Director, whilst Elizabeth Shaw has become Executive Director Project Finance. In addition, we are pleased to welcome Brian Rowbotham to the Board as Senior Independent Non-Executive Director. Brian is a qualified Chartered Accountant and brings with him extensive corporate finance experience accumulated through his time working in the City.

Strategy

The Group strategy is to seek generation opportunities for small to medium sized power plants in countries where we can leverage our significant proven experience of power plant development and operation. We have concentrated on the southern cone of South America in Argentina, Chile and Peru in recent years. However, we are also looking at opportunities in Africa, Europe and Asia where the addition of the past experience of IPC has been a critical development in the year. The objective of the Group is to own and operate a portfolio of generating assets in a number of different countries with differing ownership structures. In this way we minimise the country risk whilst bringing in funding partners to ensure that our capital is used in the most efficient way.

Further details of the operations of the Company can be found in the Chief Executive's Review of Operations.

I present the results of Rurelec PLC for the financial year ended 31 December 2013.

Group Results

The Group loss after tax for the financial year under review is £39.2 million (2012: £3.1 million loss). Most of the loss is due to the low level of award in the arbitration against the Government of Bolivia. The carrying value of the Bolivian entity was £51.5 million and was reported as a receivable in the 2012 Report and Accounts. The amount of the investment claimed under Bilateral Investment Treaties, as submitted to the Permanent Court of Arbitration in The Hague, was US$142.3 million and the Arbitration proceedings were held in April 2013. The award amount was for US$28.9 million (approximately £17.5 million) plus interest from 1 May 2010 to the date when the award was paid leading to a write down of £29.5 million. In addiotion the Tribunal representing the PCA decided not

Photograph: Construction of tunnel three and collection chamber. Canchayllo, Peru.

to award costs to either side. The cost of the Arbitration to Rurelec was £4.9 million. The book loss for the period is £34.4 million in relation to the Bolivian settlement.

In addition to this loss are the costs of the Birdsong loan of US$15.45 million taken out in July 2012 which relate to interest on the loan and contingent value rights related to the award from Bolivian arbitration amounting to £3.9 million. The Birdsong loan was repaid on 2 June 2014.

The Group figures also include a loss attributed to the unrealised foreign exchange losses from the Argentinian operation of £3.3 million. The individual results for the operations in Argentina, Peru, Chile and for IPC are shown below.

Energia del Sur S.A. Results

At the operating level, and therefore based on 100 per cent of Energia del S.A.'s ("EdS") activities, the gross operating profit for the plant in Comodoro Rivadavia for the year was £10.9 million (2012: £9.7 million) on revenues of £19.3 million (2012: £26.5 million). In local currency terms the revenues decreased to AR$167 million (2012: AR$192 million) whilst the operating profit was AR$115 million (2012: AR$70 million). The increase in operating profit was due to the change in the contracting terms with CAMMESA the buyer of the power from the plant, whereby the sales of spot power shows a net payment for the power less the costs of the gas to make the power. The increase in the net loss for the year in EdS of £4.2 million (2012: £2.4 million) was largely due to the one-off write-back of interest payable in 2012 on loans between EdS and Patagonia Energy Limited which is 50 per cent. owned by Rurelec and the effects of a significant deterioration in the Peso exchange rate.

Independent Power Corporation PLC

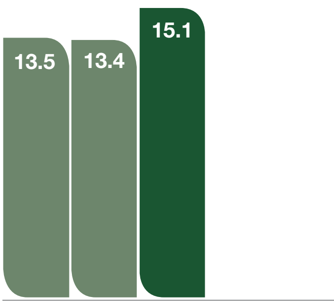
IPC was acquired in June 2013 and has made a profit for the year of £2.1 million. The activities of the company involve the development work for new projects, the supply of engineering services to Group companies and also the administration of the London office. The administration expenses for the year were £1.1 million.

Rurelec Chile

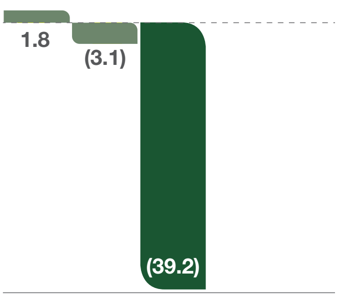
The development operations in Chile have incurred limited direct costs in the year of £111,000. However, we have purchased the land, the turbine and transformer for the Arica project at a cost of £4 million.

Development costs during the year have been £1 million on both the Central Illapa and Arica projects.

GROUP TURNOVER
£ million



GROUP AFTER TAX PROFIT/LOSS ON CONTINUING OPERATIONS
£ million



Cascade Hydro Power

In Peru we have been constructing the Canchayllo run-of-river hydro plant since the end of 2012. The value of the plant under construction at the year-end is £5.7 million. Rurelec has outstanding loans of £5.8 million to the Cascade group at the year end, whilst there is a bank loan with the Corporacion Interamericana de Inversion ("IIC") of £4.2 million and other loans of £0.9 million. The other assets of the Cascade group include £3.5 million of bonds held by IIC and the Ministry of Minerals and Energy.

Photograph: EdS in Argentina.

Outlook

In spite of the set back of the disappointing judgment of the PCA early in 2014 and the considerable write-off against reserves which this entails, the Board of Rurelec is optimistic that the outlook for the Group is good. We are now active in Peru and Chile, two of the strongest economies in Latin America, and we are now in a position to choose long-term equity partners for both of those countries with whom to share ownership of our excellent projects. Receipts from the sale of this equity will both recycle funds of over US$30 million to Rurelec for us to reinvest in other projects as well as enable us to engage with regional partners with whom to share the challenges of building greenfield plants many thousands of miles away from the United Kingdom. Rurelec has demonstrated its capability to grow organically and by acquisition over the last ten years. Now we can look forward to accelerated roll-out of new capacity with the saga of the Bolivian nationalisation finally a thing of the past.

I would like to congratulate the executive team under Peter Earl's leadership for the persistent and tireless way they pursued the Bolivian settlement. Under extreme pressure from outside sources to settle early, they obtained a pragmatic solution that now allows us to continue to grow our business.

Colin Emson
Chairman
5 June, 2014

AT A GLANCE

OUR STRATEGY:

INCREASE SHAREHOLDER VALUE

RESUME DIVIDEND PAYMENTS

BECOME A FULL SERVICE PROVIDER TO THE POWER INDUSTRY

Increase shareholder value

The Group's strategy is to increase shareholder value through the ownership and operation of modern, low emission power generation plants. With a diverse portfolio of assets in some of the strongest economies in Latin America we are well positioned for growth, both in Latin America and beyond, through IPC our development and O&M subsidiary.

Resume dividend payments

Long term, Rurelec is committed to pay dividends to shareholders based on strong cash flows whilst developing and constructing new power generation capacity with judicious use of project and local subsidiary company debt.

Become a full service provider to the power industry

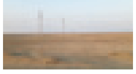
Through our subsidiary IPC and its team, Rurelec can now earn revenues from third party clients by outsourcing our skilled global team of engineers, financial modellers, environmental specialists and operations and maintenance services.

OUR PROJECTS

CHILE
Termonor, Arica

Project Name: Termonor, Arica
Location: Parinacota, Arica
Capacity: 40 MW nominal with the potential to increase to 140 MW
Technology: OCGT (potential for phase II CCGT)
Equipment: One GE PG654 gas turbine
Fuel: Diesel (locally sourced)
Additional details: Parinacota is a 40 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 140 MW combined cycle power plant as part of its second stage development.

CHILE
Mejillones, Antofagasta



Project Name: Central Illapa, Mejillones
Location: Mejillones, Antofagasta
Capacity: 256 MW nominal with the potential to increase to 358 MW
Technology: OCGT (potential for phase II CCGT)
Equipment: 701D Siemens gas turbines
Fuel: LNG (imported)
Additional details: Central Illapa is a 256 MW open cycle Greenfield gas fired power development in which Rurelec owns 100 per cent.
The project has the potential to convert to a 358 MW combined cycle power plant as part of its second stage development.

Photograph:
On the way to Mejillones.

PERU
Canchayllo,
Junin Province

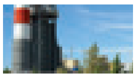
Project Name: Canchayllo
Location: Junin Province
Capacity: 5.3 MW
Technology: Run-of-River Hydro
Equipment: 2 horizontal Francis turbines
Additional details:
Canchayllo is one of six small hydros; Rurelec is also developing three further small hydro projects (6-18 MW each) in the same Junin region: Huasicancha, Colca, Chilcay and two others in Pasco region: (15 MW).

PERU
Santa Rita,
Ancash Province

Project Name: Santa Rita
Location: Ancash Province
Capacity: 255 MW
Technology: Run-of-River Hydro
Equipment: Francis turbines
Additional details:
The project in Santa Rita is expected to be tendered as part of the large hydro programme ran by Proinversion early next year.

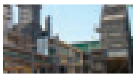
Photograph:
Canchayllo Project.

ARGENTINA
Energia del Sur,
Patagonia



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

BANGLADESH
Generation & Services



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. Construction is almost complete and it is anticipated that commissioning will commence 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.

COCHABAMBA STATEMENT TO THE PRESS

Photograph:
Transfer of share certificates which released US$31.5 million in cash to Rurelec

IMMEDIATELY AFTER THE SIGNING IN COCHABAMBA OF A FINAL AGREEMENT WITH THE PLURINATIONAL STATE OF BOLIVIA, PETER EARL, CEO OF RURELEC, ISSUED A PRESS STATEMENT.

As Chief Executive of Rurelec, I would like to congratulate President Morales and the negotiating team led by Procurador Hector Arce in arriving at a financial compensation deal which is very good indeed for Bolivia. ENDE has acquired a controlling stake in Guaracachi for US $31.5 million dollars.

Guaracachi is a wonderful company with the largest market share in Bolivia and a collection of the best gas turbines and engines in the world including the country's first combined cycle plant, which I had the personal privilege to initiate.

Rurelec has always been a strong supporter of Bolivia. Under the presidency of Evo Morales we constructed over 170 MW of new capacity when all the other private sector generators refused to install even one MW. We are proud that our investment in Bolivia since 2006 ensured the uninterrupted growth of Bolivia and has contributed to the amazing success of Bolivia today as the continent's highest growth economy.

Bolivia is a country of talented people and great natural resources. I am personally proud that over the last twenty one years of coming to Bolivia, originally with UNDP and later as CEO of Rurelec, that Bolivia has prospered and is a far stronger, more respected country than it was in 1993.

Photographs:
Guaracachi, Bolivia

My only sadness is that it has taken so long to reach a settlement for the nationalisation of Rurelec's shares in Guaracachi. I support the right of every country to nationalise strategic assets. However, to treat loyal supporters of the Morales Revolution with the bad treatment we have experienced over the last four years is unfair. We have received compensation of less than two times EBITDA and, before the arrival of Procurador Arce, we had no alternative but to go to international arbitration when all we wanted was a friendly negotiation and a handshake from President Morales. We are not enemies of Bolivia but friends. However at times we have not been treated that way, and my shareholders in Britain will take a great deal of convincing before they invest any money in Bolivia in future.

Nonetheless, I wish Bolivia well. Britain helped Simon Bolivar to achieve victory in the struggle against colonial oppression. Britain remains a close friend of Bolivia today. I hope that in future I and my hard working team of Britons and Bolivians working together to expand the power system of this wonderful country will come to be regarded as friends and loyal supporters who contributed to the economic success story of the Morales Presidency.

Photograph: Signing of final agreement in Cochabamba 31 May 2014

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

"SHAREHOLDERS IN BRITAIN WILL TAKE A GREAT DEAL OF CONVINCING BEFORE THEY INVEST ANY MONEY IN BOLIVIA IN FUTURE"

The year 2013 was perhaps the most frustrating for the Board and shareholders alike since Rurelec came to the AIM Market in 2004 as the first AIM quoted utility and power company. The year was dominated by delays in the process to achieve an independent determination at the PCA in The Hague of Rurelec's claim for compensation from the Government of Bolivia for the May 2010 nationalisation of its Bolivian generation assets.

The final decision of the three man arbitration tribunal was expected to be handed down between October and November 2013, and all of Rurelec's financing arrangements were geared to this court-led timetable following the actual final hearing of the tribunal which took place in early April 2013 in Paris. Instead, the judgment was only released in the early hours of 1 February 2014.

From the first moment of the nationalisation, when armed military took over the Guaracachi power plants early on May Day 2010, Rurelec had expected compensation to be no less than the pro rata book value of its Bolivian assets. That would have suggested compensation of around US$75 million before interest and other adjustments, and this figure has been constantly maintained in the audited accounts of the Rurelec Group. Incredibly, the arbitration tribunal decided that the fair market value of Rurelec's investment in Guaracachi as at 1 May 2010 was US$28.9 million. This represented a sum of less than two years of Guaracachi EBITDA, as projected immediately prior to the nationalisation for the full year 2011 following completion of the Guaracachi combined cycle gas turbine ("CCGT") power plant. Inclusive of interest to 31 January 2014, the full value of the PCA award was US$35.5 million, roughly the same price paid by Rurelec in 2006 for its controlling stake in Guaracachi before it added over 170 MW of new, high tech gas fired generation capacity and before Rurelec had successfully doubled the EBITDA of Guaracachi with the installation of Bolivia's first CCGT plant.

The PCA judgment did not award costs to Rurelec even though the judgment confirmed that Bolivia had failed to pay adequate compensation for the expropriation of Rurelec's assets. The costs of the arbitration were around US$7 million. The net award to Rurelec was thus only US$28.9 million before costs. One of the three panellists on the tribunal issued a minority report stressing the inequity of not awarding us costs but the two man majority view prevailed.

As this annual report goes to print, Bolivia has paid a discounted sum of US$31.5 million to Rurelec in full and final settlement of the award. With this matter behind us we can concentrate all our efforts in developing, funding and constructing a portfolio of power plants in a number of countries using a range of renewable and high technologies.

Photograph: Guaracachi Power Plant, Bolivia.

Photograph: EdS, Argentina.

Photograph: EdS, Argentina.

Argentina

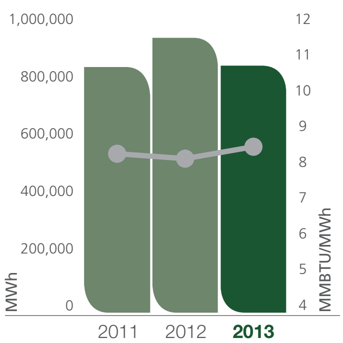
Operations at the power plant continue to allow EdS to show an excellent availability record. Gross energy output was approximately 840 GWh (2012: 928 GWh) a fall of 10.5 per cent due to a major outage in November at which time the steam turbine was stopped for the first time in three years. Ahead of the outage the heat rate had improved slightly to 8.43 MMBTU/MWh (2012: 8.1).

During 2013 the Ministry of Energy has enacted a number of changes in the electricity sector largely driven by the weak performance of the distribution sector, the increase in demand and the widening gap between the official and unofficial exchange rates.

The major impact of the changes for EdS has been to remove the obligation to pay for gas, thus reducing turnover whilst increasing gross margin. Since May the dispatch centre, CAMMESA, has been accounting for gas consumption for the gas turbines and the auxiliary firing of the steam turbines reducing revenues and expenditure. The average notional cost of gas per MWh generated was AR$118.36 (2012: AR$108.25), in US$ terms the gas cost has moved to US$21.50 per MWh from US$23.7 in 2012. The average price of electricity in peso terms increased by 28.5 per cent to AR$265.17 (2012: AR$206.40) and by 7 per cent in dollar terms, US$48.17 (2012: US$45.16) as a result of the weakening of the peso. The Res 220 contract is the main driver of the strengthening performance at the EBITDA level, as the proportion of US$ based revenue is boosted by the exchange rate as well as the removal of gas (a US$ expense) from the revenue line and the increased proportion of peso based expense. Turnover at EdS during 2013 fell to AR$166.5 million from AR$192.2 million in 2012, which figure also included AR$7.5 million in respect of the final CERs under the CAF/KfW contract. No CERs were registered in 2013 as the low CER prices currently do not cover the cost of registration. Even so, gross margin increased in peso terms to AR$115 million from AR$70 million. Large foreign exchange losses due to the impact of the revaluation of US$ borrowings arising from the weakening peso exchange rate once again increased the after tax loss. Cash flow was strong, allowing EdS to remit US$6 million to the UK during the year,

Photograph: EdS, Argentina.

EDS OUTPUT AND HEAT RATES
(MWh)

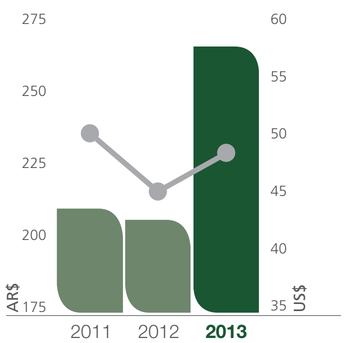


Gross Energy
Gross MMBTU/MWh

AVERAGE COST OF GAS

Average cost of gas per MWh AR$
Average cost of gas per MWh US$

AVERAGE PRICE OF ELECTRICITY



Average price of electricity AR$
Average price of electricity US$

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

Photograph: Canchayllo, Peru

"WITH THE RECEIPT OF ENVIRONMENTAL APPROVAL WE ARE NOW FINALISING THE SELECTION OF A JOINT VENTURE PARTNER FOR OUR CENTRAL ILLAPA PLANT IN CHILE"

however, the electricity sector is still held back by cash flow restrictions imposed as a result of the low tariffs of the two largest electricity distribution companies. CAMMESA has struggled to maintain timely payment of invoices to generators since the middle of the year.

Exchange rates in Q4 saw the biggest correction as the Government finally allowed the official peso exchange rate to move towards the unofficial exchange rate. At the start of the year it was AR$4.96 to the US$, by year-end it was AR$6.2, which has been relatively stable throughout the first half of 2014 after a 17 per cent devaluation in January 2014. The deterioration in the exchange rate was having an impact on our receivables, until a new directive was brought in to compensate generators for the impact for the late payment of their invoices.

Chile

Arica

In April 2013 we took delivery of the industrial frame GE 6B turbine in Arica. Construction was delayed when local interest groups objected to the change in the environmental approval. After a number of intensive stakeholder meetings at which the impact of the new plant on the local area was fully discussed the objections were assuaged. However, in the meantime, a review of the approval was put through the Chilean legal system and although the case was found largely in our favour, the Supreme Court did require the permit to be reviewed once again by the local environmental office. Final approval for the use of the gas turbine is expected shortly. Construction is expected to commence in the second half of the year.

Central Illapa

Following receipt of the environmental approval for the Central Illapa plant using Siemens 701 DU turbines, Rurelec acquired two refurbished turbines from IPSA Group PLC in June 2013. Pending the conclusion of project financing Rurelec is finalising the selection of a joint venture partner for the project. The selection of a partner and the closing of bank financing are expected to be achieved in the latter half of 2014.

Photograph: Canchayllo, Peru

Peru

During 2013 the construction of the 5.3 MW Canchayllo project continued apace. The successful closing of the financing of the plant with IIC together with further equity funding from Rurelec in 2014 has allowed to continue of the construction of the 5.3 MW Canchayllo plant and the development of a further 30 MW of new projects. Although we were able to submit the new projects successfully for the new renewable tender round in Q4, the slow pace of the Bolivian arbitration process has meant that we elected to fund only one project to close a power purchase agreement in this round. The two other projects have had to be held back for the next round planned for later this year.

"COMMERCIAL OPERATION FOR CANCHAYLLO, OUR 5.3 MW RUN-OF-RIVER PLANT IN PERU, TARGETED FOR AUGUST 2014."

Photograph: Canchayllo, Peru

At the present time, Canchayllo is 95 per cent complete, with commercial operation targeted for August this year. Rurelec has arranged additional funds to cover cost overruns, largely due to unforeseen geological conditions found in the construction of the power house, a 10 per cent overspend in the waterways and increased labour costs due to lack of funds.

The overall cost per MW installed is 18 per cent over budget at US$2.36 million per MW, and the plant is financed with 52 per cent debt and 48 per cent equity. The plant is still expected to be the first to commence operations of the second renewables round. With one of the lowest tariffs awarded, the challenge now is to secure a new PPA in order to improve returns once the plant enters production.

The Canchayllo project has proved challenging, but having gauged the pricing correctly in the third tender round, we can look forward to the portfolio growing steadily both in size and profitability in future years.

Independent Power Corporation

In June 2013 Rurelec completed the acquisition of IPC, one of the United Kingdom's leading power developers and the former parent company of the original Rurelec business. IPC's team of engineers, financial modellers and environmental specialists has now been integrated within the Rurelec Group giving Rurelec the capability not only to manage its own greenfield planning and project supervision but also the ability to earn revenues from third party clients.

IPC is currently short-listed in a government tender for the construction of a new power plant of 80 MW for GibElec in Gibraltar as well as being retained as lead developer on two dual fuel power developments in Ghana. IPC is also in advanced negotiations for a similar third party project in Ivory Coast and for the repowering of a combined heat and power plant in Russia.

After a tough and less than satisfying year, we expect the future to be better. We are working hard to make sure that it really is.

Peter Earl
Chief Executive Officer
5 June, 2014

BUSINESS REVIEW

"AFTER A TOUGH AND LESS THAN SATISFYING YEAR, WE EXPECT THE FUTURE TO BE BETTER. WE ARE WORKING HARD TO MAKE SURE THAT IT REALLY IS."

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 PCA at The Hague on 1 March, 2012. On 9 April, 2013, following representations from both parties, the arbitration proceedings closed and a decision was given on 31st January 2014. The award announced by the PCA in favour of the Group was $28.9 million for its assets that were nationalised along with interest from 1st May 2010 at a rate of 5.63331% per annum.

Photograph:
Eds, Argentina

In July 2012, the Company arranged a loan of $15.45m to provide additional working capital and funds for the acquisition of assets in Peru and Chile. This loan was due to be repaid on 31st December 2013 but the term was extended and was repaid on 2 June from the payment of the award from the Bolivian Government.

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 construction risks involved in building the hydro plant in Peru and possible changes in demand and pricing for electricity in the markets in South America in which the Group operates, relate to political risk and uncertainties in the financial markets.

a. Political risk – As evidenced by the decision in May 2010 by the Government of Bolivia to nationalise the Group's interest in Guaracachi, there exists significant political risk in areas in which the Group operates. The Group has sought to mitigate this risk by diversifying the countries in which it operates.

b. Financial markets – Whilst project finance may be available in the markets in which the Group operates, the Group's expansion plans remain dependent on raising project finance from a combination

Photograph:
EdS, Argentina

of local partners and lending institutions. The Group is seeking to broaden it's base of potential 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. Efficient operation – The Group has an effective maintenance programme and has entered into long term service agreements to reduce these risks as appropriate.

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. The Group made a loss in the year.

ii. Net asset value
Net asset value is calculated by dividing funds attributable to Rurelec's shareholders by the number of shares in issue. The net assets of the Group reduced in the year to 10.4 pence per share. (2012: 19.3 pence per share)

iii. Earnings per share
Earnings per share provide 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. The Group made a loss in the year.

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. The Group laid the foundations for expanding the capacity in the year by construction in Peru of the Canchayllo run-of river hydro plant and by the purchase of turbines for the two projects in Chile.

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. No change was noted in the operating efficiency of the Group in the year.

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. Average availability through the year for our plant in Argentina was 96 per cent, making the plant one of the most reliable in the Argentine interconnected system.

The Strategic Report was approved by the Board of Directors on 5th June, 2014 and were signed on its behalf by

P. Earl
Chief Executive
5 June, 2014

BOARD OF DIRECTORS

COLIN EMSON
Chairman and
Non-Executive Director

Colin has been Executive Director of Robert Fraser Group since 1979. He is a designated member of the business consulting firm Robert Fraser & Partners LLP and Co-founder of the specialist finance, insurance broking and investment consultancy Emson & Dudley in 1967. He has been Chairman and Director of Sterling Trust Limited since 1988. Colin is also Chairman of the Nominations Committee.

PETER EARL
Chief Executive Officer

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

ANDREW MORRIS
Group Finance Director

Former Chairman of Rurelec PLC. Previously he has spent twelve years working in the renewable energy sector most recently as Finance and Corporate Development Director of Advanced Plasma Power Limited where he played an important role in raising corporate investment into the business. He has also been responsible for leading a number of negotiations and teams for business development to further enhance operations and is fully conversant with all aspects of financial control and reporting. Andrew is a Fellow of the Association of Chartered Certified Accountants having trained at Price Waterhouse Cooper and is a graduate of the University of Newcastle upon Tyne.

ELIZABETH SHAW
Executive Director Project
Finance

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

MARCELO BLANCO

Regional Finance Director for Latin America

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

BRIAN ROWBOTHAM

Senior Independent Non-Executive Director

Brian is the Senior Independent Non-Executive Director and Chairman of the Audit Committee. He worked as a Chartered Accountant with Deloitte and Touche. He has extensive experience working in the City of London, joined Teather and Greenwood in 1997 and was involved as partner and then Finance Director in the company's flotation on AIM and subsequent move to the Official List. He ran his own consultancy specialising in turnarounds and start-ups until joining Hitchens, Harrison & Co plc in January 2005. He left Hitchens, Harrison & Co plc after its acquisition by Religare in 2008. Brian is a Fellow of the Institute of Chartered Accountants in England and Wales.

LAWRENCE COBEN

Non-Executive Director

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

SUE LAKER

Company Secretary

An experienced power sector corporate lawyer and a sinologist, who has advised on trade and legal affairs relating to China, she is a graduate of the London School of Oriental and African Studies where she obtained a first class honours degree in Chinese followed by a Robert Sterling Clark fellowship to Taiwan National University and a Kennedy Scholarship to Harvard. She gained wide business experience in Asia having been responsible for business development in China for Racal Electronics Plc for a decade. She has been working in the electricity sector since 1997.

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013.

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.

Results and dividends

The Group results for the year ended 31 December, 2013 are set out in the Consolidated Statement of Comprehensive Income.

No dividend was paid during the year to 31 December, 2013 (2012: 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.

Directors

The following Directors served during the year:

Colin Emson – Chairman and Non-Executive Director (Appointed 16 October 2013)

Brain Rowbotham – Non-Executive Director (Appointed 16 October 2013)

Lawrence Coben – Non-Executive Director

Peter Earl – Chief Executive

Andrew Morris – Group Finance Director (Appointed 16 October 2013. Non-Executive Chairman from 1 January 2013 to 15 October 2013)

Elizabeth Shaw – Executive Director Project Finance

Marcelo Blanco – Regional Director of Finance

Photograph:
EdS, Argentina

Directors' interests

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

	31.05.2014	31.12.2013	31.12.2012
A.J.S. Morris	687,700	687,700	350,000
L.S. Coben	900,000	900,000	500,000
P.R.S. Earl	6,900,000	6,900,000	750,000
E.R. Shaw	275,000	275,000	275,000
Brian Rowbotham	270,000	270,000	0

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 2014, being the last practicable date for reporting this information.

	NUMBER OF SHARES	% HOLDING
Sterling Trust Ltd	303,092,303	53.989
YF Finance Ltd	96,565,166	17.201

The percentages shown are based on 561,387,586 shares in issue.

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 Strategic Report, 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.

The Directors confirm that:

- there is no relevant audit information of which the Company's Auditor is 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 Auditor is 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

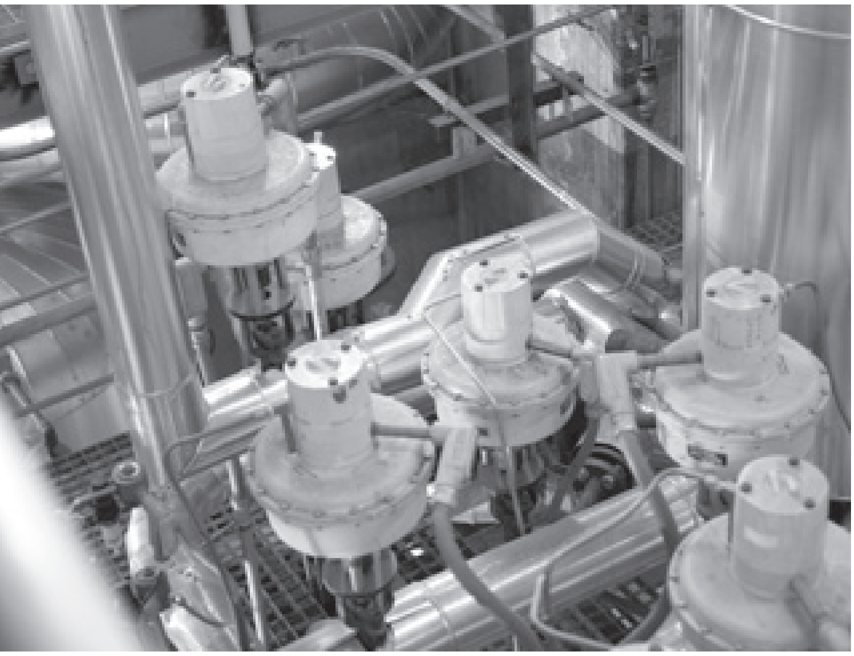
The Auditor, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Susan Laker
Company Secretary
5 June, 2014

Photograph:
Canchayllo, Peru

Photograph:
EdS, Argentina



CORPORATE GOVERNANCE STATEMENT

Photograph:
Canchayllo, Peru

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 (the "Code") and the Board recognises that it does not do so. 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 appropriate for a company of its size.

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 to be disclosed 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 seven members made up of a Non-Executive Chairman, four Executive Directors and two Non-Executive Directors. 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 2013. External advice is available to the Directors if they consider it necessary. The Chairman and Non-Executive Directors met twice during the financial year without the Executive Directors being present.

The Chairman of the Board is Colin Emson, who is also an Executive Director of a number of other companies. The Non-Executive Directors are Brian Rowbotham and Larry Coben, both of whom 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 Executive Director Project Finance, Andrew Morris who is Group Finance Director and Marcelo Blanco, who has special responsibility for regional financing in Latin America. All Directors are involved in significant decisions.

The Board received appropriate information and a formal agenda before each Board meeting.

The Company has in place appropriate procedures to deal with conflicts of interest.

The Company maintains Directors and Officers liability insurance against any claims which may be made against the Directors and Officers of the Company.

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 Brian Rowbotham as Chairman of the Committee, Colin Emson and Lawrence Coben who are all Non-Executive Directors.

Brian Rowbotham is an accountant and Colin Emson and Lawrence 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

Photograph: Canchayllo, Peru

Committee met twice to review the draft half year and annual financial statements.

Remuneration Committee

The Remuneration Committee comprises Lawrence Coben as Chairman of the Committee, Colin Emson and Brian Rowbotham. 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 Colin Emson as Chairman, Brian Rowbotham and Lawrence 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 both considered to be independent in character and judgement. The Non-Executive Chairman is a related party in that he is also the Chairman of the largest shareholder but in other respects the Company complies with the Code in so far as appropriate for an AIM listed company. The Board recognises that it does not comply with the Code.

Susan Laker
Company Secretary
5 June, 2014

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, 2013 which comprise the consolidated and parent company statements of financial position, the consolidated income statement, consolidated statement of comprehensive income, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

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 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and 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
5 June, 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Revenue	4	15,093	13,373
Cost of sales	6	(5,805)	(8,386)
Gross profit		**9,288**	**4,987**
Administrative expenses	7	(8,109)	(3,979)
Operating profit		**1,269**	**1,008**
Other expense	9 a,b,c	(41,581)	(3,895)
Finance income	10	2,200	3,281
Finance expense	10	(1,272)	(2,940)
(Loss)/profit before tax		**(39,384)**	**(2,546)**
Tax expense	11	189	(598)
(Loss)/profit for the year attributable to owner of the company		**(39,195)**	**(3,144)**
Earnings per share	12		
Basic (loss)/earnings per share		(7.92p)	(0.75p)
Diluted (loss)/earnings per share		(7.92p)	(0.75p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
(Loss)/profit for the year		**(39,195)**	**(3,144)**
Other comprehensive income/(loss) for the year			
Items that will subsequently Reclassified to Profit & Loss			
Exchange differences on translation of foreign operations		(934)	(1,443)
Total other comprehensive loss		**(934)**	**(1,443)**
Total comprehensive (loss)/income for year attributable to owners of the company		**(40,129**	**(4,587)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	39,158	18,487
Intangible assets	15	4,959	3,168
Trade and other receivables	16a	16,809	15,376
Deferred tax assets	17	341	389
		61,267	**37,420**
Current assets			
Inventories	18a	227	494
Trade and other receivables	16b	9,831	4,797
Compensation claim, Interest & Dividends Receivable on Award	19	19,126	51,473
Cash and cash equivalents	20	3,750	6,122
		32,935	**62,886**
Total assets		**94,202**	**100,306**
Equity and liabilities			
Shareholders' equity			
Share capital	21	11,145	8,413
Share premium account		67,369	53,012
Foreign currency reserve		(1,532)	(598)
Share option reserve	22	107	46
Other reserves		1,050	1,050
Retained earnings		(19,949)	19,389
Total equity attributable to shareholders of Rurelec PLC		**58,190**	**81,312**
Non-controlling interests		142	224
Total equity		**58,332**	**81,536**
Non-current liabilities			
Tax liabilities	24a	18	210
Deferred tax liabilities	17	420	568
Borrowings	25a	1,499	1,301
		1,938	**2,079**
Current liabilities			
Trade and other payables	23b	8,883	4,325
Current tax liabilities	24b	466	53
Borrowings	25b	24,583	12,313
		33,932	**16,691**
Total liabilities		**35,870**	**18,770**
Total equity and liabilities		**94,202**	**100,306**

The financial statements were approved by the Board of Directors on 5 June, 2014 and were signed on its behalf by P. Earl (Chief Executive) and A. Morris (Group Finance Director).

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	31.12.13 £'000	31.12.12 £'000
Assets			
Non-current assets			
Investments	26	16,743	18,988
Trade and other receivables	16c	42,287	40,397
		59,030	**59,385**
Current assets			
Inventories	18b	16,195	—
Trade and other receivables	16d	34	162
Cash and cash equivalents	20	21	4,502
		16,250	**4,664**
Total assets		**75,280**	**64,049**
Equity and liabilities			
Shareholders' equity			
Share capital	21	11,145	8,413
Share premium account		67,369	53,012
Share option reserve	22	107	46
Retained earnings		(8,486)	1,879
Total equity		**70,135**	**63,350**
Current liabilities			
Trade and other payables	23c	5,145	699
		5,145	**699**
Total equity and liabilities		**75,280**	**64,049**

The financial statements were approved by the Board of Directors on 5 June, 2014 and were signed on its behalf by P. Earl (Chief Executive) and A. Morris (Group Finance Director).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Cash flows from operating activities			
Cash used in operations	28	(1,942)	(2,267)
Interest paid		(1,271)	(252)
Taxation paid		189	(587)
Net cash used in operating activities		**(3,024)**	**(3,106)**
Cash flows from investing activities			
Purchase of plant and equipment	14	(7,944)	(3,320)
Sale of plant and equipment		—	—
Repayments from/(loans to) joint venture company		3,840	629
Net cash used in investing activities		**(4,104)**	**(2,691)**
Net cash outflow before financing activities		**(7,128)**	**(5,797)**
Cash flows from financing activities			
Issue of shares (net of costs)		—	—
Deferred Consideration		—	—
Loan drawdowns		4,756	10,126
Loan repayments		—	—
Net cash generated from financing activities		**4,756**	**10,126**
Increase / (Decrease) in cash and cash equivalents		**(2,372)**	**4,329**
Cash and cash equivalents at start of year		6,122	1,793
Cash and cash equivalents at end of year		**(3,750)**	**6,122**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Cash flows from operating activities			
Cash used in operations	28	5,783	(3,243)
Interest paid		—	—
Net cash used in operations		**5,783**	**(3,243)**
Cash flows from investing activities			
Investments in Assets		—	—
Investment in and loans to subsidiaries and joint venture company		(14,104)	(4,793)
Loan repayments by joint venture company		3,840	1,257
Loan from subsidiary		—	9,896
Net cash generated from/(used in) in investing activities		**(10,264)**	**6,360**
Net cash inflow/(outflow) before financing activities		**(4,481)**	**3,117**
Cash flows from financing activities			
Issue of shares (net of costs)		—	—
Loan repayments		—	—
Net cash generated from financing activities		—	—
Increase / (Decrease) in cash and cash equivalents		**(4,481)**	**3,117**
Cash and cash equivalents at start of year		4,502	1,385
Cash and cash equivalents at end of year		**21**	**4,502**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	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 1.1.12	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 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**
Transactions with owners									
Issue of share	2,732	14,357	—	—	—	—	**17,089**	—	**17,089**
Issue of share options	—	—	—	61	—	—	**61**	—	**61**
Non-controlling interest	—	—	—	—	—	—	—	(82)	**(82)**
Total transactions with owners	**2,732**	**14,357**	**—**	**61**	—	**—**	**17,150**	**(82)**	**17,068**
Loss for year	—	—	—	—	(39,337)	—	**(39,337)**	—	**(39,337)**
Exchange differences	—	—	(934)	—	—	—	**(934)**	—	**(934)**
Total comprehensive loss	**—**	**—**	**(934)**	**—**	**(39,337)**	**—**	**(40,271)**	**—**	**(40,271)**
Balance at 31.12.13	**11,144**	**67,369**	**(1,532)**	**107**	**(19,948)**	**1,050**	**58,190**	**142**	**58,332**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	SHARE OPTION RESERVE £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
Balance at 1.1.12	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**
Transactions with owners					
Issue of share	2,732	14,357	—	—	**17,089**
Issue of share options	—	—	61	—	**61**
Total transactions with owners	**2,732**	**14,357**	**61**	**—**	**17,150**
Loss for the year	—	—	—	(10,364)	**(10,364)**
Total comprehensive loss	**—**	**—**	**—**	**(10,364)**	**(10,364)**
Balance at 31.12.13	**11,145**	**67,369**	**107**	**(8,486)**	**70,135**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013. The Directors have continued to adopt the going concern basis for the preparation of these financial statements since 2 June 2014 the Group received US$31.5 million from the Government of Bolivia in full settlement of the Bolivian arbitration and also settled the full amount of the outstanding Birdsong loan of US$25.9 million.

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
IAS 28 (Revised)*	Investments in Associates and Joint Ventures	1 January, 2014
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 accounting 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 in entities in Chile and 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 Fair Value of consideration, 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 purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired company, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the entity prior to acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated 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 statement of financial position 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 fair value 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 reporting 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 dispatch 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 (2012: 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 are 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 property, plant and equipment 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.

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 remeasured at amortised cost using the effective interest method, less provision for impairment. Any impairment is recognised in the income statement.

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

2.11 Financial liabilities

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

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

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

2.12 Inventories

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

2.13 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.

2.14 Pensions

During the year under review, the Group did not operate or contribute to any pension schemes (2012: nil).

2.15 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 makes 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 considers 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 reviews, 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 £9.8 million. Actual results, however, may vary due to changes in technology and industry practices.

b) Impairment – management reviews 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 successful 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 IAS 39, 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 2013 and 2012 for each geographic segment. The main customer (accounting for over 90 per cent of revenues) in Argentina is a body which is subject to supervision by the Government electricity regulator.

a) 12 months to 31.12.2013	ARGENTINA £'000	CHILE £'000	PERU £'000	UK £'000	BOLIVIA £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	9,651	—	—	5,442	—	—	**15,093**
Cost of sales	(4,186)	—	—	(1,619)	—	—	**(5,805)**
Gross profit	**5,465**	**—**	**—**	**3,823**	**—**	**—**	9,288
Administrative expenses	(4,278)	**(55)**	**(475)**	(3,211)	—	—	**(8,019)**
Profit/(loss) from operations	**1,187**	**(55)**	**(475)**	**612**	**—**	**—**	1,269
Other expense	—	—	—	—	(38,314)	—	**(38,314)**
Foreign exchange losses	(3,761)	**(55)**	197	(504)	—	856	**(3,267)**
Finance income	—	—	186	3,857	(198)	(1,645)	**2,200**
Finance expense	(1,819)	(3)	(219)	(12,218)	—	12,987	**(1,272)**
Loss before tax	**(4,393)**	**(113)**	**(311)**	**(8,253)**	**(38,512)**	**12,198**	(39,384)
Tax credit/(expense)	218	—	(29)	—	—	—	**189**
Loss for the year	**(4,174)**	**(113)**	**(340)**	**(8,255)**	**(38,512)**	**12,198**	(39,195)
Total assets	15,741	944	6,499	78,441	(1,729)	(5,694)	**94,202**
Total liabilities	22,169	1,701	6,869	6,199	—	(1,068)	**35,870**
Capital expenditure	221	1,786	5,934	16,195	—	—	**24,136**
Depreciation	435	—	4	5	—	—	**444**

b) 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 (loss)/gain	(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)/profit before tax	**(1,771)**	**—**	**—**	**(685)**	**—**	**(90)**	**(2,546)**
Tax (expense)/income	(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**

5 Exchange rate sensitivity analysis

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

	31.12.13	31.12.12
i) Closing rate		
AR$ (Argentine Peso) to £	10.7073	7.92
US$ to £	1.6488	1.62
CLP (Chilean Peso) to £	866	773
PEN (Peruvian Sol) to £	4.55	4.12
ii) Average rate		
AR$ (Argentine Peso) to £	10.54	7.19
US$ to £	1.64	1.62
CLP (Chilean Peso) to £	863	770
PEN (Peruvian Sol) to £	4.51	4.12

If the exchange rate of sterling at 31 December 2013 had been stronger or weaker by 10 per cent with all other variables held constant, shareholder equity at 31 December 2013 would have been £0.9 million (2012: £1.5 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 £0.4 million (2011: £0.2 million) higher or lower than reported.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6 Cost of sales

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Expenditure incurred in cost of sales is as follows:		
Cost of fuel	3,021	6,962
Depreciation	435	729
Maintenance	730	486
Cost of Equipment and ancillary costs	1,475	—
Other	144	209
	5,805	**8,386**

7 Administrative expenses

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	3,370	2,256
Services, legal and professional	497	447
Office costs and general overheads	4,065	1,216
Audit and non-audit services[1]	87	60
	8,019	**3,979**

1 Audit and non-audit services include £75,300 paid to the Auditor for the audit of the Company and the Group financial statements and £nil paid to the Company's Auditor for non-audit professional services provided to the Company in connection with the review of overseas activities (2012: £6,000). Fees paid to other auditors, in respect of the audit of joint venture companies, amounted to £11,500 (2012: £20,000).

8 Employee costs

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Aggregate remuneration of all employees and Directors, including social security costs	3,370	2,256

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

	NUMBER	NUMBER
Management	12	15
Operations	17	30
Development	7	
Administration	24	
Total	**60**	**45**

b) Company	£'000	£'000
Aggregate remuneration of all employees and Directors, including social security costs	409	442

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 £615,000 (2012: £292,000). The total remuneration of the highest paid Director was £230,000 (2012: £107,000). Other emoluments paid were health insurance costs, there were no bonuses, pension costs or share based payments paid during the year (2012: nil)

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
	Base Salary/Fee Inc. Social Security	Other Emoluments	Total	Total
P. Earl	226	4	230	107
E. Shaw	157	3	160	79
A. Morris	88	—	88	50
M. Blanco	95	—	95	28
L. Coben	30	—	30	28
C. Emson	6	—	6	—
B. Rowbotham	6	—	6	—
Total	**608**	**7**	**615**	**292**

9 a) Other expense

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Carbon Emission Reduction adjustment[1]	—	670
Loan arrangement fees[2]	—	825
Foreign exchange losses[3]	3,268	2,400
Total	**3,268**	**3,895**

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 prior year represent 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.

9 b) Other expense

Loss on Bolivia settlement	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Loss on settlement of Claim – Bolivia[1]	29,455	—
Arbitration Costs[2]	4,929	—
Total	**34,384**	—

1. The loss on the settlement with the Plurinational Government of Bolivia has been arrived at further to the agreement in April 2014 from meetings held between the senior management of Rurelec plc and the Attorney General of Bolivia. The agreed settlement is US$31.5 million or £19.1 million which is made up of £17.5 million compensation claim and interest of £1.6 million. The carrying value of the claim, excluding interest and reimbursement of costs, as at 31 December 2012 was £47.0 million and therefore the loss was £29.5 million.

2. The arbitration costs were not awarded to Rurelec and so £4.9 million has been taken as a charge in 2013, in 2012 these costs had been shown as a debtor from the claim.

9 c) Other expense

Birdsong Loan Expense	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Interest Payable to Birdsong Loan[1]	2,327	244
Birdsong loan participation expense – CVR costs[2]	1,299	1,860
Accrued lender costs in 2014[3]	303	—
Total	**3,929**	**2,104**

1 Interest on the Birdsong loan of US$15.45 million has been shown in the table above and accrued until May 2014.
2 The Birdsong loan included a contingent value right which amounted to 15 per cent of the Bolivian claim plus interest.
3 The Birdsong lender charges for extending the loan past 31st December 2013 have been accrued in 2013.

10 Finance income & Expense

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Inter-group interest received/receivable[1]	2,399	1,501
Interest accrued on Bolivian claim[2]	(199)	1,780
Total interest income	**2,200**	**3,281**
Interest paid/payable on bank borrowings and loans[3]	(1,272)	(2,860)

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 £13.5 million (2012: £14.4 million). Interest on inter-group loans has been changed at rates of between 8 per cent and 19 per cent.
2 The settlement of the Bolivian claim includes interest of £1.58 million on the settlement from May 2010, being the date that the assets were nationalised, up to the payment date in May 2014. The effective interest rate for this amount on the award of £17.5 million (US$ 28.9 million) is a rate of 2.14 per cent. This has let to a write down of £0.2 million of the interest accrual in 2013.

3 Interest paid/payable includes interest on bank borrowings and other loans in Peru and Argentina whilst excludes interest accrued on the US$15.45 million loan referred to in note 25, however the amount shown for 2012 included accrued interest on the loan of £578,000. The details of amounts due under the loan are shown in note 25

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

11 Tax expense

The relationship between the expected tax expense at the basic rate of 23.75 per cent. (31 December 2012: 24 per cent) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Result for the year before tax	(39,384)	(2,546)
Standard rate of corporation tax in UK	23.75%	24%
Expected tax credit/(charge)	9,354	611
Adjustment for non-tax expense	(8,166)	-
Group relief surrender by joint venture company	-	74
Adjustment for different basis of calculating overseas tax	(997)	(1,283)
Actual tax expense	189	(598)
Comprising:		
Current tax expense	136	(626)
Deferred tax (net credit)	53	28
Total expense	**189**	**(598)**

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 31.12.13	YEAR ENDED 31.12.12
Average number of shares in issue	494,993,260	420,671,505
Effect of dilution – share options outstanding	19,525,000	19,525,000
Result for the year		
(Loss)/profit attributable to equity holders of the parent	£(39.2m)	£(3.1m)
Basic (loss)/earnings per share	(7.92p)	(0.75p)
Diluted (loss)/earnings per share	(7.92p)	(0.75p)

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 £10.4 million (2012: £0.6 million).

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14 Property, plant and equipment

	LAND £'000	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group				
Cost at 1.1.12	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**
Exchange adjustments	(19)	(4,661)	(321)	**(5,000)**
Additions	72	16,418	7,649	**24,134**
Cost at 31.12.13	**125**	**30,142**	**10,409**	**40,678**
Depreciation at 1.1.12	—	2,849	—	**2,849**
Exchange adjustments	—	(525)	—	**(525)**
Charge for the year	—	729	—	**729**
Depreciation at 31.12.12		**3,053**		**3,053**
Exchange adjustments	—	(1,977)	—	**(1,977)**
Charge for the year	—	444	—	**444**
Depreciation at 31.12.13		**1,520**		**1,520**
Net book value – 31.12.13	**125**	**28,621**	**10,409**	**39,158**
Net book value – 31.12.12	**72**	**15,333**	**3,082**	**18,487**

Operating property, plant and equipment is located in Argentina.

Plant under construction comprises plant in Chile (£3.7 million) and Peru (£6.7 million).

b) Company

The Company had no property, plant and equipment.

15 Intangible assets

	GOODWILL £'000	TOTAL £'000
At 1 January 2013	**3,168**	**3,168**
Fair value adjustment on Goodwill and intangibles	1,791	**1,791**
At 31 December 2013	**4,959**	**4,959**
At 31 December 2012	**3,168**	**3,168**

a) 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 and the acquisition of 100 per cent of IPC in June 2013 including intangibles.

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 13 per cent (2012 - 14 per cent).

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

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

The assumptions in respect of the IPC CGU include the financial close and payment of development fees to IPC from the development company for developments in Chile and Peru, whilst also including engineering fees and recharge of expenses. The costs of the group that are charged into IPC are well known and are shown to rise at a reasonable inflationary rate of 3 per cent and expansionary rate of an additional 7 per cent per annum. The goodwill impairment test has been completed and shows no need for any impairment. Indeed the brand value of IPC and its experience over 20 years in the South American market supports the intangible assets shown within the IPC financial statements.

The amount of goodwill that has been included in the intangible asset is £1,276,621.

IPC has been active in the development, financing and construction of power generation plants in South America, Asia, Africa and Europe for 19 years and has customer bases in these markets which Rurelec did not have prior to this business combination. The Group can ascribe separate identifiable intangible assets in some of these markets where Rurelec has not been active over the past years. The direct cashflow basis has been used as the methodology to assess the value of the separate markets from Rurelec's established market in South America.

The main addition to the revenue streams are the engineering fees and costs reimbursement plus development fees outside South America. The effect is that the NPV of the separate markets can be valued at £514,000 which values the Goodwill and Intangibles at £1,791,000 with the goodwill element being £1,276,621.

b) IPC for the period up to acquisition had Revenues of £1,354k and Profit of £749k. For the full year Revenues were £5,604k and Profits were £2,108k.
c) Costs relating to the acquisition of IPC were £201k and these have been recognised as an expense and included in administrative costs. All issue costs were recognised as an expense.
d) IPC's gross contractual amounts of trade and other receivables were £46k and £1,510k respectively.

16 Trade and other receivables

	31.12.13 £'000	31.12.12 £'000
a) Group – non-current		
Trade receivables[1]	535	556
Amounts due from joint venture companies[2]	15,399	14,441
Other receivables and prepayments[3]	875	379
	16,809	**15,376**

1 Non-current trade receivables includes £22,297 (2012: £211,000) of retentions by the Electricity Regulator in Argentina (which is expected to be either released or contributed towards ongoing capital projects) and £513,000 (2012: £345,000) 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 18 per cent per annum.

3 Other receivables comprise £379,125 (2012: £379,000) of income tax paid by EdS which is expected to be recovered as an offset against future profits.

	31.12.13 £'000	31.12.12 £'000
b) Group – current		
Trade receivables	3,043	3,267
Other receivables and prepayments	6,788	1,530
	9,831	**4,797**

Other receivables and prepayments includes £921,000 of VAT recoverable in Peru.

	31.12.13 £'000	31.12.12 £'000
c) Company – non-current		
Amounts owed by subsidiary companies[1]	16,851	7,608
Amounts owed by joint venture companies[2]	25,436	32,789
	42,287	**40,397**

The amounts by subsidiary companies include:

1 Loans to subsidiaries in Chile (£6.2 million) and Peru (£5.7 million) are repayable on demand. The loans to Chile are currently non-interest bearing. The loans to Chile and Peru bear zero per cent interest at rates.

2 The amounts owed by joint venture companies are interest bearing at rates of between 8 per cent and 18 per cent and are repayable on demand but are not expected to be fully received within the next 12 months. £7.7 million (2012: £10.7 million) is secured by a first charge against the assets of EdS.

	31.12.13 £'000	31.12.12 £'000
d) Company – current		
Other receivables and prepayments	34	162
	34	**162**

All trade and other receivables are unsecured, with the exception of the £7.7 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

	31.12.13 £'000	31.12.12 £'000
a) Asset at 1 January 2013	389	520
Exchange translation	(101)	(83)
(Debited)/Credited to tax expense	53	(48)
Asset at 31 December 2013	**341**	**389**

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

	31.12.13 £'000	31.12.12 £'000
b) Liability at 1 January 2013	568	762
Exchange translation	(148)	(174)
Credited to tax expense	—	(20)
Liability at 31 December 2013	**420**	**568**

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

18 Inventories

	31.12.13 £'000	31.12.12 £'000
a) Group – Inventories		
Spare pars and consumables	227	494

Spare parts and consumables are valued at cost

	31.12.13 £'000	31.12.12 £'000
b) Parent Company – Inventories		
Inventories	**16,195,**	—

Inventories comprises of two Siemens 701DU Turbines acquired from IPSA in June 2013, these will be sold to Central Illapa SA for use in Chile during 2014.

19 Compensation claim

	31.12.13 £'000	31.12.12 £'000
Book value of claim	19,126	51,473

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, was not less than £47.0 million and was reported in the 2012 Report and Accounts. The amount of the investment claimed under Bilateral Investment Treaties as submitted to the Permanent Court of Arbitration in The Hague, was US$142.3 million and the Arbitration proceedings were held in April 2013. The award amount was for US$28.9million plus interest from 1 May 2010 to the date when the award is paid. As at 31 January the interest amounted to US$6.6 million making the total amount due to Rurelec in settlement of the claim US$35.5million or £21.5million. The Tribunal representing the Permanent Court of Arbitration decided not to award costs to either side. The costs of the Arbitration to Rurelec were £4.9 million.

After further negotiations with the Plurinational State of Bolivia at the end of April 2014 the total payment to be received by Rurelec would be $31.5 million or £19.1 million. This is a total loss of £34.6 million on the carrying value of the assets as at 31st December 2013 being a loss of £29.5 million on the underlying assets and £5.1 million on the legal fees and accrued interest.

Further details and information on this claim can be found in the Chief Executive Officer's Review of Operations.

20 Cash and cash equivalents

	31.12.13 £'000	31.12.12 £'000
a) Group		
Cash and short-term bank deposits	3,750	6,122
b) Company		
Cash and short-term bank deposits	21	4,502

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 was $2.15 million of cash held in a blocked account pending payment of a deposit on plant being shipped to Chile, this was settled in 2013.

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21 Share capital

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
In issue, called up and fully paid		
557,236,492 ordinary shares of 2p each (2012: 420,671,505)	11,145	8,413

Reconciliation of movement in share capital

	NUMBER	£'000
Balance at 1 January 2012	420,671,505	8,413
Allotment in June 2013	136,564,987	2,732
Balance at 31 December 2013	557,236,492	11,145

The allotment in June 2013 was at 12.5 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

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Balance at 1 January 2013	**46**	**–**
Fair value of options granted during the year	61	46
Balance at 31 December 2013	**107**	**46**

In March 2012, the Company introduced a share option plan and granted options over 19,525,000 shares at 9.5p per share. Of these options, 3,875,000 were exercisable from the date of grant. 5,216,667 options vested in 2013, the remuneration committee approved 50 per cent vesting of these, the remaining 50 per cent are dependent of performance targets being met or being waived at a future date. The remaining 10,433,333 shares vest in two equal tranches in March 2013 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:

	31.12.13 NUMBER OF SHARES	31.12.12 NUMBER OF SHARES
A. Morris	1,000,000	1,000,000
P. Earl	5,000,000	5,000,000
E. Shaw	4,000,000	4,000,000
M. Blanco	2,000,000	2,000,000
L. Coben	650,000	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

	31.12.13 £'000	31.12.12 £'000
a) Group – non-current		
CER liability	—	—
b) Group – current		
Trade payables	8,417	2,373
Accruals	466	1,952
	8,883	**4,325**
c) Company – current		
Trade payables	5,084	526
Accruals	61	173
	1,921	**699**

24 Tax liabilities

a) Group – non-current	31.12.13 £'000	31.12.12 £'000
Tax due in Argentina	18	210

b) Group – current	31.12.13 £'000	31.12.12 £'000
UK corporation tax	—	—
P.A.Y.E in the UK	29	—
VAT in UK	11	—
Tax due in Argentina	56	53
Other taxes due in Argentina principally VAT	343	—
P.A.Y.E. in Peru	27	—
	466	**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 2013 was £191,000 (2012: £263,000).

25 Borrowings

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
a) Group – non-current		
Loan from CAMMESA[1]	**877**	**1,301**
Other loans[2]	622	—
	1,499	**1,301**
b) Group – current		
Loan from CAMMESA[1]	1,516	316
Other loans[2]	23,067	11,997
	24,583	**12,313**
Group – total borrowings	**26,082**	**13,614**
The Group's borrowings are repayable as follows:		
Within 1 year	24,583	11,313
In more than 1 year, but less than 2 years	311	462
In more than 2 years, but less than 3 years	311	316
In more than 3 years	877	523
	26,082	**13,614**

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. 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 was repayable by 31 December 2013 secured by a first charge on the proceeds from the Bolivian Arbitration claim and the assets of Birdsong Overseas Limited. In December 2013 the term of the loan was extended to 30 April 2014. It was also extended a second time on 1 May 2014. 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 the 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 became 15 per cent of the proceeds recovered after 1January 2014 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 US$5.2 million and accordingly has been accrued at 31 December 2013. Interest on the loan is payable at 12 per cent per annum up to 31st December 2013 and 24 per cent thereafter.

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 £1.3 million 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 (2012: £1.2 million).

26 Investments

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Cost at 1 January 2013	**18,998**	**8,470**
Additions during 2012	—	10,528
Investment in Cascade Hydro Limited	269	—
Investment in Termoelectrica del Norte SA	4,190	—
Investment in Central Illapa SA	33	—
Investment in Independent Power Corp PLC	4,000	—
Reduction in Investment in Birdsong	(10,455)	—
Reduction in Investment in Energia para Sistemas Aislados SA	(292)	—
Balance at 31 December 2013	**16,743**	**18,998**

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

1. 50 per cent (2012: 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.
2. 100 per cent (2012: 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 2013 BOL made a loss of £6.8 million due to the accounting for the Bolivian Arbitration Award received in January 2014.
3. 100 per cent (2012: 70 per cent) of the issued share capital of Cascade Hydro Limited (CHL), a company registered in England and Wales under registration number 7640689. CHL owns, through intermediate holding companies, 100 per cent interest in Electricidad Andina S.A. and 93 per cent of Empresa de Generacion Electrica Canchayllo S.A.C., both being companies registered in Peru. During 2013 CHL acquired the remaining 30 per cent minority stake by way of an exchange of shares. The minority shareholders received 1,737,116 new Rurelec shares for their holdings in CHL, issued at a price of 12.5 pence per share, an aggregate consideration of £217,139.
4. 100 per cent (2012: 100 per cent) 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, 100 per cent interest in Central Illapa S.A. and 100 per cent interest in Termoelectrica del Norte S.A., both being companies registered in Chile.
5. 100 per cent (2012: 100 per cent) of Central Illapa SA, a company registered in Chile under registration number 76.14535-9 and owner of the Illapa 255 MW project.
6. 100 per cent (2012: 100 per cent) Termoelectrica del Norte SA, a company registered in Chile under registration number 76.043.067-6 and owner of the Arica project. The investment during the year has been in the turbine and a transformer during the year plus development costs of the project totalling £4.2 million.
7. 100 per cent (2012: 100 per cent) of Energia para Sistemas Aislados SA a company registered in Bolivia under registration number 107782. The investment in this company in Bolivia of £292,000 has been written down to zero in the year because the assets have been incorporated within the overall settlement with the Plurinational State of Bolivia with the nationalisation of the assets of Empresa Electrica Guaracachi SA.
8. 100 per cent (2012: Nil per cent) of the issued share capital of Independent Power Corporation plc (IPC), a company registered in England and Wales under registration number 3097552. The investment in IPC was acquired in June 2013. IPC is one of the United Kingdom's leading power developers and power plant operators. Since 1995 it has developed and operated thermal and hydro plants in North America, Latin America, South Africa, Asia and Europe. In consideration for the acquisition of the entire issued share capital of IPC, 32,000,000 new Ordinary Shares in Rurelec PLC were issued to the shareholders of IPC which, at the Placing Price, represents an implied value for IPC of £4 million.

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26 Investments (continued)

The provisional fair values of IPC's assets and liabilities acquired were as follows:

	BOOK VALUE £'000	FAIR VALUE ADJUSTMENT £'000	PROVISIONAL FAIR VALUE £'000
Property, plant and machinery	16	0	16
Investments	8,523	(8,523)	0
Inventories	1,291	0	1,291
Trade and other receivables < 1 year	4,399	(2,321)	2,078
Cash	24	0	24
Trade and other payables > 1 year	(12,964)	11,764	(1,200)
Total Net Assets acquired	1,289	920	2,209
Excess of acquired cost over net assets (Goodwill and Intangibles)			1,791
Purchase Consideration paid in the year in Rurelec PLC shares			**4,000**

27 Joint venture

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

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Revenue	9,652	13,248
Expenses	(8,465)	(11,322)
Non-current assets	11,906	16,729
Current assets	3,103	4,048
Non-current liabilities[1]	(16,682)	(16,519)
Current liabilities	(2,800)	(3,199)

1 Non-current liabilities includes £15.4 million (2012: £14.4 million) of loans advanced by the Company (see note 16).

28 Reconciliation of profit before tax to cash generated from operations

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
a) Group		
(Loss)/profit for the year before tax	(39,384)	(2,546)
Net finance income	928	(341)
Adjustments for:		
Depreciation	444	729
Unrealised exchange losses in joint venture companies	(3,267)	1,741
Movement in share option reserve	61	46
Adjustment for loss in Bolivia	34,384	—
Movement in working capital:		
Change in inventories	(267)	(187)
Change in trade and other receivables	(6.467)	(1.907)
Change in trade and other payables	4,558	198
Cash used in operations	**(1,942)**	**(2,267)**

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
b) Company	—	—
(Loss)/profit for the year before tax	(10,364)	(604)
Net finance income	2,276	(2,511)
Adjustments for:		
Unrealised exchange losses/(gains) on loans	437	1,105
Movement in share option reserve	61	46
Adjustment for loss in Birdsong	10,689	—
Movement in working capital:		
Change in trade and other receivables	(1,762)	(1,528)
Change in trade and other payables	4,446	249
Cash used in operations	**5,783**	**(3,243)**

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 £24.6 million of loans falling due within 12 months. This includes the loan of US$15.45 million, plus interest, which is due for repayment by 30 April 2014. This loan was repaid on 2 June 2014 from the proceeds of the claim against the Bolivian Government.

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

	YEAR ENDED 31.12.13 £'000	YEAR ENDED 31.12.12 £'000
Current – due within 1 year:		
Trade payables	8,883	2,373
Borrowings	25,049	12,313
Total due within 1 year:	33,932	14,686
Non-current – due in more than 1 year but less than 5 years		
Borrowings	1,499	1,301

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 2013

	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	—	16,809	—	—	35,771	—
Trade and other receivables < 1 year	—	9,831	—	—	6,075	—
Cash and cash equivalents	—	3,750	—	—	21	—
Trade and other payables > 1 year	—	—	—	—	—	—
Trade and other payables < 1 year	—	—	(8,883)	—	—	(5,144)
Borrowings > 1 year	—	—	(1,499)	—	—	—
Borrowings < 1 year	—	—	(24,583)	—	—	—
Totals	**—**	**30,390**	**(34,965)**	**—**	**41.867**	**(5,144)**

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 2013

30 Capital commitments

The Group had outstanding capital commitments of US$0.7 million (2012: £2.4 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$6.3 million/£3.8 million (2011: US$6.6 million/£4.1 million). In the event that EdS wishes 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.

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 its 100 per cent subsidiary Independent Power Corporation PLC ("IPC"), a) £0.1 million to Independent Power Corporation PLC ("IPC") under a "Shared Services Agreement", b) paid a development fee of US$ 0.08 million in respect of a proposed project in Chile c) reimbursed expenses incurred by IPC on behalf of the Company totalling £9,000. d) Reimbursed pre-project expenses relating to Central Illapa of £322,000. P.R.S. Earl and E.R. Shaw are Directors of IPC which was acquired by the Company on 10 June 2013.

ii) Paid salaries to key management amounting to £0.6 million (2011: £0.3 million).

iii) Charged interest on loans to its joint venture companies (PEL and EdS) amounting to £2.1 million and £0.8 million respectively. Loans by the Company to PEL and EdS at the year-end amounted to £19.4 million and £7.7 million respectively. In addition, the Company has provided £3.8 million of support to creditors of EdS. Interest on these loans has been accrued at rates of between 8 per cent and 18 per cent.

iv) Provided loans totalling £5.6 million to its subsidiary companies in Peru and charged interest amounting to £90,000

v) Provided loans totalling £1.0million to its subsidiaries companies in Chile.

b) Group

None.

33 Post balance sheet date events

Since the year-end, the Group has continued to develop the generation projects in Chile whilst seeking local partners for the two projects under development. The Group has also continued to construct the Canchayllo run-of-river hydro plant in the Junin province of Peru some 250km East of Lima, whilst also obtaining the Peruvian Government backed power purchase agreement for a 12 MW run-of-river hydro plant in the same province as Canchayllo by depositing a $3 million bond with the Supervisory Agency for Investment in Energy and Mining a public institution responsible for regulating and supervising companies in the electricity, oil and mining sectors.

On the 2 June 2014 the Group received US$31.5 million from the Government of Bolivia in full settlement of the arbitration and also settled the full amount of the outstanding Birdsong loan of US$25.9 million.

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

COMPANY INFORMATION

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L. Coben (Non-Executive)
B. Rowbotham (Non-Executive)
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P.R.S. Earl
A.J.S Morris
E.R. Shaw

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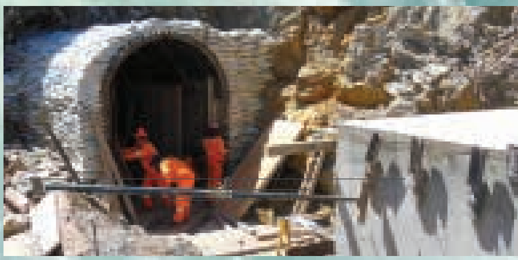

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