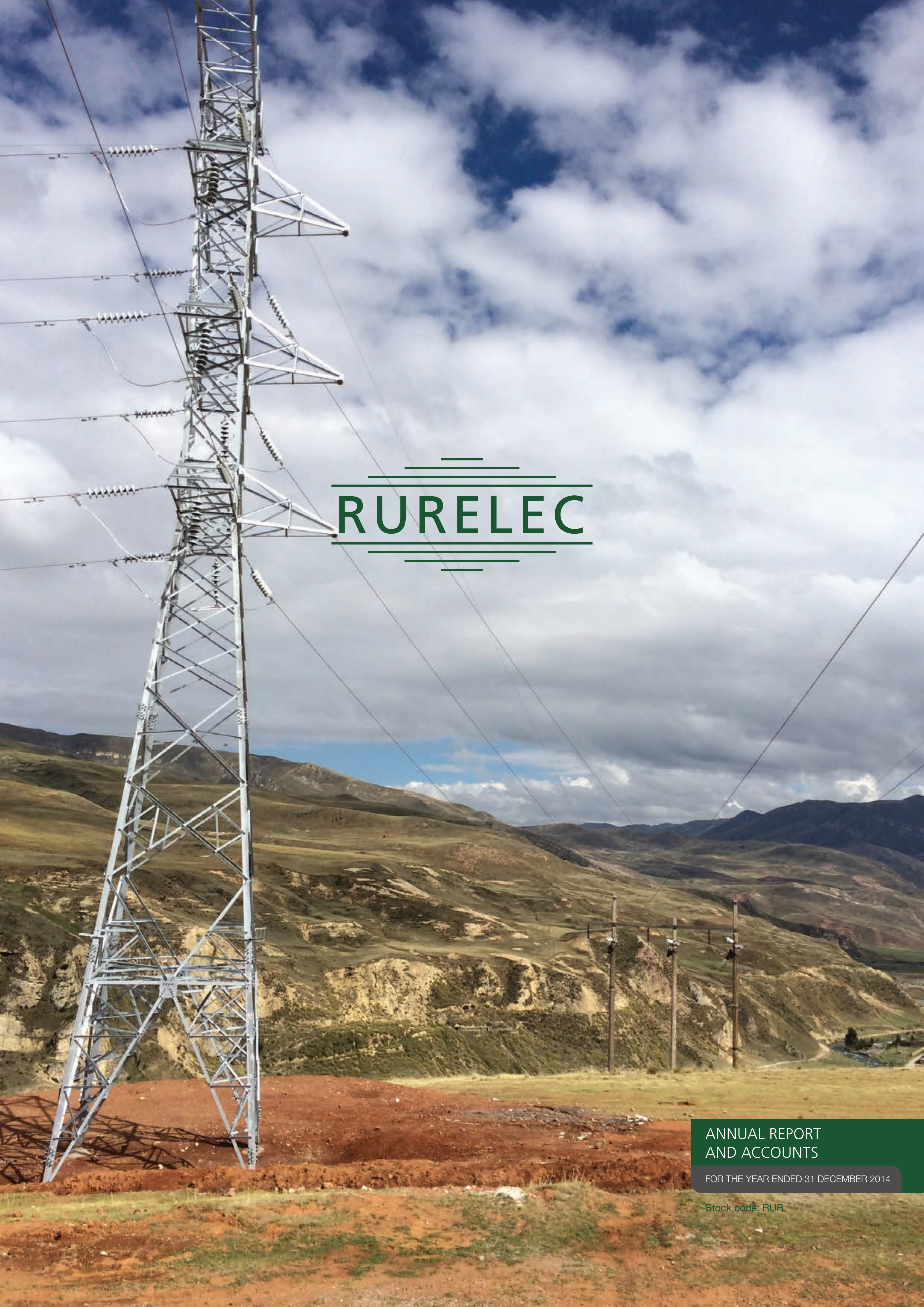

RURELEC

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Stock code: RUR

RURELEC

WELCOME TO RURELEC PLC

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

Rurelec's main business consists of the ownership, operation 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 operational plants in Argentina and Peru, as well as the development of new plants in Argentina, Chile and Peru.

CONTENTS

Photo outside front cover:
Transmission line connecting Canchayllo run of river hydro to Grid, Peru

Photos outside back cover:
Top; EdS plant in Patagonia, Argentina.
Rest; Canchayllo run of river hydro, Peru

Read more online at
www.rurelec.com

CHAIRMAN'S STATEMENT

Dear Shareholder

It falls to me to present the results of Rurelec PLC ("Rurelec") for the financial year ended 31 December 2014, which proved to be a difficult year for the Company following the announcement in February of the disappointing result of the Permanent Court of Arbitration ("PCA") ruling in The Hague which found against Bolivia but which awarded Rurelec less than half the book value of its historical 2006 investment in Empresa Guaracachi. This in turn was followed by the further discounted settlement for $31.5 million grudgingly paid by Bolivia in June 2014, which resulted in an additional loss against the sum awarded by the PCA. It should be noted that the Board of Rurelec had expected to receive not less than US $75 million being the book value of the Bolivian investment and declared but unpaid dividends. The proceeds of the settlement were used to repay a loan which had been taken to fund both the cost of the arbitration and the Group's expansion into Peru and Chile.

During the year Larry Coben stepped down from the Board of the Company due to other commitments and we thank him for his incisive input during his three years on the Board. In April 2015 the board welcomed Pablo Galante as a new director who brings to the Board extensive experience in the energy sector both in Latin America and internationally, with particular insight into the business of fuel supply.

Outlook

In spite of the serious setback from the quantum of the PCA award and the considerable write-off against reserves which this entailed, the Board of Rurelec remains optimistic for the future of the Company. There are continuing projects in Peru and Chile as well as the potential to expand our presence in Argentina where the country's need for power encourages new plant development under US dollar denominated contracts.

The result of the Arbitration means that the Company has considerably less funding available to direct towards new projects, and this has slowed our expansion. In the light of our straightened circumstance, the Board has decided to concentrate Group funds in areas of faster growth, involving thermal plants which have the advantage of shorter lead times in construction. It is therefore intended to divest the small hydro development business in Peru which trades under the Cascade Hydro Power brand. Funds realised from the disposal of this business will be used to repay loans in connection with development activities and to bring into construction Rurelec's thermal developments in Chile and Peru.

Activities in Chile were slowed by the change in government which led to all projects being called in for review. This had an impact on the Company's power project developments in northern Chile including those with already permitted sites. The process to select a long term equity partner for projects in Chile has been caught up in these delays and by the complex transmission system in the region. These issues have now been largely overcome and the Company expects to make more rapid progress for the future.

The Company has recently signed a bridging loan facility of $12 million against the anticipated sales of the Peru hydro projects. The Company has also agreed terms but has not yet been contracted, for an alternative one year secured loan from a large organisation within the South American power industry which will allow the Group to settle the deferred payment to IPSA Group PLC and repay outstanding loans. This facility is the first stage of an intended larger cooperation with this South American company, a power generation company operating in the same field as Rurelec in Central and Latin America. The Group expects to repay all loans from the proceeds of the sale of its Peruvian hydro portfolio, but with contingency plans for repayment from other sources if the sales are delayed.

In anticipation of a planned closer co-operation with the South American group, the Board has agreed that the project development activities under Independent Power Corporation PLC ("IPC") should be spun out of Rurelec now that its task in Latin America has been completed. IPC was acquired for £4 million in June 2013 to consolidate the replacement of capacity through greenfield development of projects led by IPC during the arbitration process. The business separation will be achieved by Peter Earl acquiring outright ownership of IPC in a transaction whereby the principal assets of IPC will be transferred up to Rurelec leaving IPC with only nominal assets and fixed overheads of some £500,000 per annum. Peter Earl will step down as both a director and CEO of Rurelec and will purchase IPC and its development team for nominal consideration. Former Chairman, Andrew Morris, has agreed to take over as CEO of the Company. Both Peter Earl and IPC are entering into consultancy agreements with the Company so as to maintain continuity and a smooth handover for the next stage of Rurelec's planned return to a dividend paying company. The net effect will be to reduce overhead within Rurelec and re-establish the core business of the Group as ownership of cash-producing power plants in Latin America to be valued on the basis of income.

I look forward to the future with optimism.

Colin Emson
Chairman
18 June, 2015

STRATEGIC REPORT

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, but we are now ready to expand our horizons in our aim to add cash generating assets to our Group with a view to paying dividends as soon as practicable. This goal was underpinned in December 2014, when the High Court approved a capital reorganisation which will give us the ability to pay dividends when the opportunity arises.

Business Model

Having identified a new power plant opportunity the development team work to identify and eliminate the major obstacles ahead on the development time line. The principle hurdles are obtaining environmental and planning permits, fuel strategy and development of the financing plan. In order to effectively use the minimal amount of capital at our disposal, having reached this stage in the development process, we seek an equity partner by selling down up to 50 per cent. of a project company, which allows us to validate a percentage of the development premium, whilst participating in the long term increase in capital value.

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 10.1 pence per share. (2013 restated: 11.0 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 and hence there were no positive earnings per share.

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 expanded the capacity in the year by completing the construction in Peru of the 5.3 MW Canchayllo run-of river hydro plant. The continued ownership of three turbines ready for deployment for the two projects in Chile shows the readiness to complete further expansion of the gross capacity by 295 MW.

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.

REVIEW OF FINANCIAL PERFORMANCE

Group Results

The Group loss after tax for the financial year under review is £2.9 million (2013 restated: £35.8 million loss). The majority of the loss is due to operational costs and the net effect of foreign exchange gains and losses on our assets. The results for the operations in Argentina, Peru, Chile and for IPC are shown below.

Group revenue was £0.3 million (2013 restated: £5.4 million). Administrative expenses amounted to £7.1 million (2013 restated £3.7 million). Operating loss was £6.9 million (2013 restated £0.1 million gain. The loss before tax is £3 million (2013 restated: £35.7 million loss). The basic loss per share is 0.52p (2013: 7.23p loss). In the balance sheet the restatement of the 2013 financial statements under IFRS11 has resulted in a decrease in total assets to £91.0 million – compared with the audited figures of £94.2 million. In 2014, the total assets of £74.8 million (2013 restated: £91.0 million) includes assets of £18.2 million (2013: £0), which are held for sale. In December 2014 Rurelec PLC reorganised its reserves by moving £45 million from the share premium account to a special reserve that can be designated as distributable once all creditors at the year end have been paid. Total equity stands at £56.5 million, or 10.1 pence per share.

A more detailed analysis of the business entities is given below.

Energia del Sur S.A. Results

At the operating level the plant in Comodoro Rivadavia and therefore based on 100 per cent. of Energia del Sur S.A.'s ("EdS's") activities the gross operating profit for the year was £14.99 million (2013: £10.9 million) on revenues of £17.2 million (2013: £19.3 million). In local currency terms the revenues increased to AR$220 million (2013: AR$ 167 million) whilst the gross operating profit was AR$ 191 million (2013: AR$ 113 million). The reduction in the net loss for the year in EdS to £0.2 million (2013: £4.2 million loss) was due to change in the revenue structure with significantly more contracted energy revenue where we have no fuel costs compared to 2013 where there was significantly more spot energy sales with corresponding increase in fuel costs, which led to the increase in the operating profits for the year in 2014.

It should be noted that the results of EdS are no longer shown proportionately within the accounts in this annual report. This is because of a change in the reporting rules under the international accounting convention of the International Financial Reporting Standards ("IFRS") which requires us to report the EdS joint venture as a single line in the Consolidated Statement of Financial Position and in the Consolidated Income Statement. Further information on this can be seen in the note 28 to the accounts and in the Review of Operations.

Independent Power Corporation PLC

IPC has made a loss for the year of £4.2 million (2013: £2.1 million profit) which was partly attributable to the Group's administration costs being charged to IPC in 2014 after the group overheads were reorganised. Previously Rurelec's administration costs were charged in to Rurelec PLC itself. The activities of the company involve development work for new projects, the supply of engineering services to group and other companies and also the administration of the London office. Administration expenses for the year were £1.2 million (2013: £1.1 million). The additional cost this year relates to the writing back of accrued income for the success fee from the financial close of the Illapa project in Chile. The measurement of this accrued income was based on management estimates of the amount of work that had been completed and the proximity to achieving finance of the project. Selecting the equity partner has been affected by the change in Government and the slow-down of power projects in the country. This along with the need to be certain about accrued income has led to a one-off write back which has increased the accounting loss for the period by £3.1 million.

Rurelec Chile

The development operations in Chile have expensed limited direct costs in the year of £82k (2013: £111k). Capitalised development costs have accumulated to £0.9 million – (2013: £1.0 million) on both the Central Illapa and Arica projects.

Cascade Hydro Power

In Peru, the Canchayllo run-of-river hydro plant was completed in the final days of 2014 and the value of the plant at the year-end is £8.8 million (2013: £5.7 million).

Rurelec has outstanding loans of £9.5 million (2013: £5.8 million) to the Cascade group at the period end, whilst there is a bank loan relating to the Canchayllo operating plant with the Corporacion Interamericana de Inversion ("IIC") of £4.6 million (2013: £4.2 million) and other loans of £2.8 million (2013: £0.9 million). The other assets of the Cascade group include £3.2 million (2013: £3.5 million) of bonds held by IIC and the Ministry of Minerals and Energy in connection with development projects.

During 2014 the Board took the decision to sell the Peruvian assets and has therefore reported these assets in accordance with IFRS standards as assets held for sale. The equity sale of the Canchayllo plant has been agreed for a total of £4.4 million with the IIC debt of £4.6 million remaining with the plant.

REVIEW OF OPERATIONS

The first half of the year was devoted to the recovery of the sum – disappointingly low – awarded by the Arbitration Tribunal, reduced even further by the Bolivian Government's threats not to pay unless Rurelec accepted a further cash discount. All the same, the Group was able to emerge from the four year nationalisation nightmare with a number of projects under development in Peru and Chile. In the second half of the year your executives were able to concentrate on developing the business, even in the straitened circumstances arising from the pitiful award. The main source of cashflow for the Group during this period has arisen from its joint venture operations in Argentina.

Argentina

Operations at the power plant continue to allow EdS to show an excellent availability record. Gross energy output was 14 per cent. higher at approximately 958 GWh (2013: 840 GWh), since no maintenance outage was experienced. The average heat rate of the plant was 8.33 MMBTU/MWh (2013: 8.43), a slight drop due to normal degradation following the outage in 2013. The Ministry of Energy has enacted further 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 the deduction of a maintenance reserve payment each month, which we have negotiated to recover starting May 2015, thus increasing cashflow in the coming year. The average notional cost of gas per MWh generated was AR$176.67 (2013: AR$118.36), in US$ terms the gas cost has moved to US$21.46 per MWh from US$21.5 in 2013. The average price of electricity in peso terms increased by 43 per cent. to AR$378.73 (2013: AR$265.17) however it has decreased by 4.5 per cent in dollar terms, US$46.00 (2013: US$48.17) as a result of the weakening of the peso. The Resolution 220 contract is the main driver of the strengthening performance at the EBITDA level, as the proportion of US$ 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 2014 was AR$220 million from AR$ AR$166.5 in 2013. No CERs were registered in 2014 as the low CER prices currently do not cover the cost of registration. Gross margin increased in peso terms to AR$191 million from AR$115 million. Large foreign exchange losses due to the impact of the revaluation of US$ borrowings arising from the weakening peso exchange rate once again increased the after tax loss. Even with the foreign exchange loss of AR$52.5 million (2013: AR$46 million) the loss for the year was AR$2.4 million (2013: loss of AR$36 million). This improvement was significantly due to the change in the structure of the energy sales now more reliant on the Resolution 220 Contract rather than spot sales, which incur fuel costs. Cashflow was strong, allowing EdS to remit US$5.4 million to the UK during the year, however, the electricity sector is still held back by cashflow 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 Q1 2014 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$6.2 to the US$, by year end it was AR$8.23 with most of the fall during January 2014 after a 17 per cent devaluation in that month alone. 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.

The following table sets out the Group's share of its interest in the joint venture in Argentina following the changes in the accounting for joint ventures to the equity accounting method:

	Year ended 31.12.14 £'000	Year ended 31.12.13 £'000
Revenue attributable to the Group	8,611	9,652
Expenses	(5,579)	(8,465)
Non-current assets	9,736	11,906
Current assets	4,408	3,103
Non-current liabilities	(14,865)	(16,682)
Current liabilities	(8,518)	(2,800)

Chile

Arica

Final approval for the use of the gas turbine was received in May 2014. However, as a result of further objections made locally during the latter half of 2014, we have decided to relinquish the approval for the GT and revert to the original diesel engine-based technology of the initial approval. Limited construction worked has commenced and the environmental approval has been secured. On this revised basis, dispatch levels for the plant, when constructed, are expected to be higher than originally envisaged when using high efficiency engines. With little new generation other than solar plants planned for the northern part of the SING system, we expect the project to be an important contributor to securing electricity supply in the local area.

Central Illapa

Development of the Illapa project has progressed slower than anticipated, principally due to the definition of the transmission interconnection taking longer than expected. This issue has now been resolved and selection of a joint venture partner and financing for the project is underway and will be pursued with financial completion expected during 2015.

Peru

During 2014 the construction of the 5.3 MW Canchayllo project continued and the plant was successfully commissioned on 31 December 2014 after much hard work on the part of our Cascade Hydro staff in Peru and Harbin, the original equipment manufacturer. The cost of the plant was approximately 20 per cent more than originally budgeted but with a higher installed capacity than originally projected. The Canchayllo plant was financed with equity from Rurelec and debt from the IIC. In addition, the Cascade team was successful in winning PPAs for a further 30 MW of new projects, although we elected to fund only one project to close a power purchase agreement in the 2014 PPA round. The two other projects have had to be held back for the next round which planned for later this year.

With significant funding required for bonding and construction of hydro plants in the tender process, we expect to reduce exposure to this sector by selling Canchayllo and our development company Cascade Hydro Power SAC. This still leaves us with the opportunity to develop large hydro in the form of Rurelec's 255 MW Santa Rita project and thermal generation in Peru. The Proinversion tender for awarding large hydro PPAs was announced in February 2015 and Rurelec is active now in preparing a qualifying bid in partnership with a strong financial partner currently being selected.

Independent Power Corporation

During 2014 IPC directed much of its activities to projects under development by clients in Ghana having received the disappointing news that it was unsuccessful in the Gibraltar tender for which it had qualified. IPC is also in advanced negotiations for a similar third party project in Ivory Coast.

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 sort 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 of local partners and lending institutions. The Group is seeking to broaden its 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.

The Strategic Report was approved by the Board of Directors on 18 June, 2015 and were signed on its behalf by P.R.S. Earl (Chief Executive).

BOARD OF DIRECTORS

COLIN EMSON

Chairman and Non-Executive Director

Colin has been Executive Director of Robert Fraser Group since 1979. He is designated member of the business consulting firm Robert Fraser & Partners LLP and Co-founder of 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

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 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

Non-Executive Director Former 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

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

PABLO GALANTE

Non-Executive Director

Pablo has worked for 18 years in the Oil industry. He is currently focusing his activities in Latin America and West Africa for one of Europe's largest oil and energy traders. As a Non-Executive Director of the Company, he brings an extensive network of contacts and experience in economies with rapidly expanding requirements for power. Graduated in Economics from Universidad Catolica Andres Bello of Caracas, Venezuela.

DIRECTOR'S REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2014.

Principal activities

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, 2014 are set out in the Consolidated Statement of Comprehensive Income.

No dividend was paid during the year to 31 December, 2014 (2013: 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

Peter Earl – Chief Executive

Andrew Morris – Group Finance Director

Elizabeth Shaw – Executive Director Project Finance

Marcelo Blanco – Non-Executive Director
(Regional Director of Finance until 1 January 2015)

Brian Rowbotham – Non-Executive Director

Larry Coben – Non-Executive Director (resigned 11 July 2014)

Pablo Galante – Non-Executive Director
(Appointed 9 April 2015)

Directors' interests

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

	16.06.2015	31.12.2014	31.12.2013
A.J.S. Morris	737,700	737,700	687,700
L.S. Coben	n/a	n/a	900,000
P.R.S. Earl	7,000,000	7,000,000	6,900,000
E.R. Shaw	325,000	325,000	275,000
Brian Rowbotham	450,000	450,000	270,000
Pablo Galante	13,000,000	n/a	n/a

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 16 June 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
HSBC Client Holdings Nominees (UK) Limited	16,884,673	3.008

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;

DIRECTOR'S REPORT

- 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 auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.
- the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

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

On behalf of the Board

Susan Laker
Company Secretary
18 June, 2015

CORPORATE GOVERNANCE

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, three Executive Directors and three 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 eleven times during 2014. 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, Marcelo Blanco and Pablo Galante two of them 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, and Andrew Morris, who is Group Finance Director. 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.

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, Marcelo Blanco and Pablo Galante who are all Non-Executive Directors. Mr Rowbotham, is an accountant and Mr Emson, Mr Blanco and Mr Galante have recent and relevant financial and commercial experience.

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

Remuneration Committee

The Remuneration Committee comprises Brian Rowbotham as Chairman of the Committee, Colin Emson, Marcelo Blanco and Pablo Galante. The Remuneration Committee reviews the remuneration policy for the Executive Directors and for key management personnel. 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, Marcelo Blanco and Pablo Galante. 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.

CORPORATE GOVERNANCE

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

Marcelo Blanco as Non-Executive Director who has previously served as an Executive Director cannot be 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
18 June, 2015

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 2014 which comprise the consolidated income statement, the consolidated and parent company statements of financial position, the consolidated and parent company statements of cash flow, the consolidated and parent 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 on pages 7 & 8, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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
18 June, 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000
Revenue	4	303	5,442
Write off of accrued income	15	(3,129)	–
Cost of sales	6	(231)	(1,619)
Gross profit		**(3,147)**	**3,823**
Administrative expenses	7	(3,832)	(3,741)
Operating (loss)/profit		**(6,979)**	**82**
Other expense	9,b,c, 15	(392)	(38,314)
Other income/(expense) – exchange gain/(loss)	9a	2,180	(561)
Other expense – From share of joint venture	28	**–**	**(319)**
Finance income	10	2,567	2,767
Finance expense	10	(312)	(20)
Loss before tax		**(2,936)**	**(36,365)**
Tax expense	11	(8)	(29)
Loss for the year attributable to owner of the company		**(2,944)**	**(36,394)**
Earnings per share	12		
Basic loss per share		(0.52p)	(7.23p)
Diluted (loss)/earnings per share		(0.52p)	(7.23p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000
Loss for the year		**(2,944)**	**(36,394)**
Other comprehensive income/(loss) for the year:			
Items that will be subsequently Reclassified to Profit or Loss:			
Exchange differences on translation of foreign operations		(2,249)	(364)
Total other comprehensive loss		**(2,249)**	**(364)**
Total comprehensive loss for year attributable to owners of the company		**(5,193)**	**(36,758)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	31.12.14 £'000	31.12.13 RESTATED £'000	1.1.13 RESTATED £'000
Assets				
Non-current assets				
Property, plant and equipment	14	22,169	27,788	3,082
Intangible assets	15	1,321	1,792	–
Investment in Argentinian Joint Venture		–	–	319
Trade and other receivables	16a	23,212	23,649	32,833
Deferred tax assets	17	–	–	–
		46,702	**53,229**	**36,234**
Current assets				
Inventories	18	–	–	188
Trade and other receivables	16b	9,600	14,591	1,189
Compensation claim, Interest & Dividends Receivable on Award	19	–	19,126	51,473
Cash and cash equivalents	20	283	3,730	6,042
		9,883	**37,447**	**58,892**
Assets classified as held for sale	34	**18,178**	**–**	**–**
Total assets		**74,763**	**90,676**	**95,126**
Equity and liabilities				
Shareholders' equity				
Share capital	21	11,228	11,145	8,413
Share premium account		22,754	67,369	53,012
Foreign currency reserve		(3,211)	(962)	(598)
Share option reserve	22	146	107	46
Plant reserve		1,050	1,050	1,050
Other Reserve	23	45,000	–	–
Retained earnings		(20,426)	(17,199)	19,195
Total equity attributable to shareholders of Rurelec PLC		**56,541**	**61,510**	**81,118**
Non-controlling interests		283	142	224
Total equity		**56,824**	**61,652**	**81,342**
Non-current liabilities				
Tax liabilities	25	–	18	–
Deferred tax liabilities	17	–	–	–
Borrowings	26a	–	622	–
		–	**640**	**–**
Current liabilities				
Trade and other payables	24b	4,423	8,051	1,787
Current tax liabilities	25b	70	65	–
Borrowings	26b	3,164	20,268	11,997
		7,657	**28,384**	**13,784**
Liabilities classified as held for sale	34	**10,282**	**–**	**–**
Total liabilities		**17,939**	**29,024**	**13,784**
Total equity and liabilities		**74,763**	**90,676**	**95,126**

The financial statements were approved by the Board of Directors on 18 June, 2015 and were signed on its behalf by P.R.S. Earl (Chief Executive) and A.J.S. Morris (Group Finance Director).

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	31.12.14 £'000	31.12.13 £'000
Assets			
Non-current assets			
Investments	27	9,755	16,743
Trade and other receivables	16c	50,599	42,287
		60,354	**59,030**
Current assets			
Inventories	18b	16,195	16,195
Trade and other receivables	16d	38	34
Cash and cash equivalents	20	1	21
		16,234	**16,250**
Total assets		**76,588**	**75,280**
Equity and liabilities			
Shareholders' equity			
Share capital	21	11,228	11,145
Share premium account	23	22,754	67,369
Share option reserve	22	146	107
Other Reserves	23	45,000	–
Retained earnings		(7,521)	(8,486)
Total equity		**71,607**	**70,135**
Current liabilities			
Trade and other payables	24c	4,981	5,145
		4,981	**5,145**
Total equity and liabilities		**76,588**	**75,280**

The financial statements were approved by the Board of Directors on 18 June, 2015 and were signed on its behalf by P.R.S. Earl (Chief Executive) and A.J.S. Morris (Group Finance Director).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000
Cash flows from operating activities			
Cash used in operations	29	(4,890)	(3,980)
Interest paid		(312)	547
Taxation paid		(8)	(29)
Net cash used in operating activities		**(5,210)**	**(3,462)**
Cash flows from investing activities			
Purchase of plant and equipment	14	(5,135)	(7,523)
Settlement for expropriated assets		18,863	–
Repayments from joint venture company		3,381	3,840
Net cash generated from/(used in) investing activities		**17,109**	**(3,683)**
Net cash inflow/(outflow) before financing activities		**11,899**	**(7,145)**
Cash flows from financing activities			
Issue of shares (net of costs)		468	–
Deferred Consideration		(125)	–
Loan drawdowns		3,170	4,753
Loan repayments		(18,859)	–
Net cash (used in)/generated from financing activities		**(15,346)**	**4,753**
Decrease in cash and cash equivalents		**(3,447)**	**(2,392)**
Cash and cash equivalents at start of year		3,730	6,122
Cash and cash equivalents at end of year		**283**	**3,730**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	29	(4,397)	5,783
Net cash (used in)/generated from operations		**(4,397)**	**5,783**
Cash flows from investing activities			
Investment in and loans to subsidiaries and joint venture company		(2,919)	(14,104)
Loan repayments by joint venture company		3,382	3,840
Loan repayment from subsidiary		3,323	–
Net cash generated from/(used in) investing activities		**3,786**	**(10,264)**
Net cash outflow before financing activities		**(611)**	**(4,481)**
Cash flows from financing activities			
Issue of shares (net of costs)		468	–
Loan drawdowns		278	
Loan repayments		(155)	–
Net cash generated from financing activities		**591**	**–**
Decrease in cash and cash equivalents		**(20)**	**(4,481)**
Cash and cash equivalents at start of year		21	4,502
Cash and cash equivalents at end of year		**1**	**21**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM £'000	FOREIGN CURRENCY RESERVE £'000	SHARE OPTION RESERVE £'000	RETAINED EARNINGS £'000	OTHER RESERVE £'000	PLANT RESERVE £'000	TOTAL £'000	NON-CONTROLLING INTEREST £'000	TOTAL EQUITY £'000
Original Balance at 1.1.13		**8,413**	**53,012**	**(598)**	**46**	**19,389**	**–**	**1,050**	**81,312**	**224**	**81,536**
Effect of restatement due to change in accounting policy		–	–	–	–	(194)	–	–	**(194)**	–	**(194)**
Restated Balance at 1.1.13		**8,413**	**53,012**	**(598)**	**46**	**19,195**	**–**	**1,050**	**81,118**	**224**	**81,342**
Transactions with owners											
Issue of share		2,732	14,357	–	–	–	–	–	**17,089**	–	**17,089**
Charge for 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		–	–	–	–	(36,394)	–	–	**(36,394)**	–	**(36,394)**
Exchange differences		–	–	(364)	–	–	–	–	**(364)**	–	**(364)**
Total comprehensive Loss		**–**	**–**	**(364)**	**–**	**(36,394)**	**–**	**–**	**(36,758)**	**–**	**(36,758)**
Balance at 31.12.13		**11,145**	**67,369**	**(962)**	**107**	**(17,199)**	**–**	**1,050**	**61,510**	**142**	**61,652**
Transactions with owners											
Issue of share	21	83	467	–	–	–	–	–	**550**	–	**550**
Share issue costs		–	(82)	–	–	–	–	–	**(82)**	–	**(82)**
Charge for share options		–	–	–	39	–	–	–	**39**	–	**39**
Transfer to Other reserve	23	–	(45,000)	–	–	–	45,000	–	**–**	–	**–**
Non-controlling interest		–	–	–	–	–	–	–	**–**	141	**141**
Total transactions with owners		**83**	**(44,615)**	**–**	**39**	**–**	**45,000**	**–**	**507**	**141**	**648**
Loss for year including Minority Loss		–	–	–	–	(3,227)	–	–	**(3,227)**	–	**(3,227)**
Exchange differences		–	–	(2,249)	–	–	–	–	**(2,249)**	–	**(2,249)**
Total comprehensive loss for the year		**–**	**–**	**(2,249)**	**–**	**(3,227)**	**–**	**–**	**(5,476)**	**–**	**(5,476)**
Balance at 31.12.14		**11,228**	**22,754**	**(3,211)**	**146**	**(20,426)**	**45,000**	**1,050**	**56,541**	**283**	**56,824**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM £'000	SHARE OPTION RESERVE £'000	RETAINED EARNINGS £'000	OTHER RESERVE £'000	TOTAL £'000
Balance at 1.1.13		**8,413**	**53,012**	**46**	**1,879**	**–**	**63,350**
Transactions with owners							
Issue of share		2,732	14,357	–	–	–	**17,089**
Charge for share options		–	–	61	–	–	**61**
Non-controlling interest		–	–	–	–	–	**–**
Total transactions with owners		**2,732**	**14,357**	**61**	**–**	**–**	**17,150**
Loss for year		–	–	–	(10,365)	–	**(10,365)**
Total comprehensive loss		–	–	–	**(10,365)**	**–**	**(10,365)**
Balance at 31.12.13		**11,145**	**67,369**	**107**	**(8,486)**	**–**	**70,135**
Transactions with owners							
Issue of share	21	83	467	–	–	–	**550**
Issue costs		–	(82)	–	–	–	**(82)**
Charge for share options		–	–	39	–	–	**39**
Transfer to Other Reserve	23	–	(45,000)	–	–	45,000	**–**
Total transactions with owners		**83**	**(44,615)**	**39**	**–**	**45,000**	**507**
Profit for year		–	–	–	965	–	**965**
Total comprehensive profit		**–**	**–**	**–**	**965**	**–**	**965**
Balance at 31.12.14		**11,228**	**22,754**	**146**	**(7,521)**	**45,000**	**71,607**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 year ended 31 December 2014. The Directors have continued to adopt the going concern basis for the preparation of these financial statements, having received settlement from the Bolivian Government in 2014 allowing the repayment of the Birdsong loan in June 2014. During 2015 the Group continues to receive funds from Argentina in service of the loans to the Joint Venture, whilst also selling the assets of the Group in Peru.

The Group has agreed but not contracted for a bridging loan facility of $12 million that will be drawn down in the event that the arrangements for an alternative one year secured loan from a large organisation within the South American power industry is not signed within the time limits required by the company's creditors. It is expected that the Group will reach satisfactory agreement with this large organisation such that the proceeds of this loan will be used to meet current obligations and provide working capital for the Group. The Group expects to repay the loan from the proceeds of the sale of its Peruvian assets. On the basis of these loan facilities the Directors have assessed that the Group has sufficient working capital based on their review of cashflow forecasts for a period of at least 12 months from the signing of the financial statements.

Restatement of 2013 accounts

The 2013 financial results have been restated for the application of IFRS 11 Joint Arrangements. In previous years the group has accounted for interests in joint ventures under the proportionate consolidation approach. Under IFRS 11 the Group's interest needs to be included in the consolidated accounts by equity accounting. This change in accounting policy has had the effect of increasing the net assets of the Group by £3.3 million at 31 December 2013 and £0.2 million as at 1 January 2013 and also has reduced the loss by £3.3 million in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2013. The investment in the Joint Venture is held at nil as the Group is not recognising additional losses over and above that investment. More information on the effect of IFRS 11 can be seen in note 28.

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 (2014)	Financial instruments:	01/01/2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Standards and amendments to existing standards effective 1 January 2014

The following standards, amendments and interpretations became effective in 2014:

Standard/interpretation	Content	Applicable for financial years beginning on/after
Amendments to IAS 36*	Recoverable Amount Disclosures for	01/01/2014
Non-Financial Assets		
IFRS 10*	Consolidated Financial Statements	01/01/2014
IFRS 11	Joint Arrangements	01/01/2014
IFRS 12*	Disclosure of Interests in Other Entities	01/01/2014
IAS 27* (Revised)	Separate Financial Statements	
IAS 28* (Revised)	Investments in Associates and Joint Ventures	01/01/2014
Amendment to IFRS 10, IFRS 11 and IFRS 12*	Transition Guidance	01/01/2014
Amendment to IFRS 10*	Investment Entities	01/01/2014
Amendments to IAS 32*	Offsetting Financial Assets and Financial Liabilities	01/01/2014
IFRIC Interpretation 21*	Levies	01/01/2014

* The adoption of these Standards and interpretations has had no material impact on the financial statements of the Group other than for the disclosure of joint venture.

IFRS 9, 'Financial instruments: Classification and measurement'

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of consolidation

The Group financial statements consolidate the results of the Company, the equity accounting under IFRS 11 in the Argentina joint venture, the Group's 100 per cent. interest in the Chilean entity and the Peruvian assets held for sale.

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. Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification as subsidiaries or joint ventures of any of the Group's investees held during the period or comparative periods covered by these financial statements.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The Group reports its interests in joint venture using the equity method of accounting, except when the investment is classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill, if any is included within the carrying amount of the investment and is assessed annually for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as a profit or loss.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Unrealised gains on transactions between the Group and subsidiary 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 are dealt with by the acquisition method. This 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 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 joint venture, 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 despatch into the grid as required is recognised on a straight-line basis over the contractual period. During the year under review and the prior year, no revenues were derived from the sale of equipment purchased with a view to subsequent resale

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

Independent Power Corporation PLC a 100 per cent. subsidiary of Rurelec PLC undertakes engineering and development exercises for the Group and third parties. Income and expenses are recognised as they occur, however there are accrued income amounts which relate to success fees on completing the engineering and development of projects that are paid on financial close of the project. The amounts of accrued income are subjective and are determined by management dependent on the level of completion of the relevant project and the expected timing of financial close.

2.5 Dividends

Dividends, other than those from investments in associates and joint ventures, are recognised at the time the right to receive payment is established. No dividends were paid or received during the year (2013: 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 which is not depreciated 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. The Group recognises a cash-generating unit by its ability to independently earn income. The Group carries each cash-generating unit in an individual special purpose company so they are easily recognised.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2.9 Non-current Assets Held for Sale and Discontinued Operations

In general IFRS 5 outlines how to account for non-current assets held for sale such that assets (or disposal groups) held for sale are not depreciated, are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position.

The following conditions must be met for an asset (or 'disposal group') to be classified as held for sale: IFRS 5.6-8

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active program to locate a buyer is initiated
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

The assets need to be disposed of through sale. When the Group is committed to a sale involving loss of control of a subsidiary that qualifies for held-for-sale classification under IFRS 5 the Group classifies all of the assets and liabilities of that subsidiary as held for sale, even if the entity will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately on the face of the statement of financial position. The sum of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets (or disposal group) is presented as a single amount on the face of the statement of comprehensive income.

2.10 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.

2.11 Financial assets

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

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

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

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

2.12 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.

2.13 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.

2.14 Shareholders' equity

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

"Share capital" represents the nominal value of equity shares.
"Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
"Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.
"Share option reserve" represents the fair value of options granted and outstanding at the year-end.
"Retained earnings" represents retained profits.
"Other reserves" comprises the reduction of the share premium account.

2.15 Pensions

During the year under review, the Group did not operate or contribute to any pension schemes (2013: nil).

2.16 Segment reporting

In identifying its operating segments, management follows the Group's geographic locations and are reported in a manner consistent with the Chief Operating Decision Maker. The activities undertaken by segments are the generation of electricity in their country of incorporation within South America.

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

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

3 KEY ASSUMPTIONS AND ESTIMATES

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

a) Useful lives of depreciable assets – management review, with the assistance of external expert valuers, the useful lives of depreciable assets at each reporting date. This review includes consideration of the book value of plant under construction which at the year-end amounted to £3.7 million. Actual results, however, may vary due to changes in technology and industry practices.

b) Impairment – management review tangible and intangible assets at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. This review process includes making assumptions about future events, circumstances and operating results. The actual results may vary from those expected and could therefore cause significant adjustments to the carrying value of the Group's assets. Details of the assumptions underlying management's forecasts for the Group's main Cash Generating Unit ("CGU") are set out in note 15.

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

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

e) Management have assessed that we do not control the Argentine Joint Venture and therefore have treated the joint venture in accordance with IFRS 11 (see note 28). This assessment is based on the lack of power over the investee and due to the exposure to variable returns from its involvement with the investee.

f) Accrued Income – Management makes assessments as to the amounts of accrued income that is recognised in the Group's accounts. The amounts recognised are based on what is expected to be received in total and relate to success fees from projects developed by the Group. These amounts are then reviewed with adjustments for the level of completion of the project and the likelihood of reaching financial close when the amounts will become due. These are judgements made by management of the Group and the actual results may differ from these judgemental assessments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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. However even though the Argentine operation has been accounted for under the equity accounting method as a Joint Venture under IFRS 11 the segmental analysis is shown in this note 4 but then removed in consolidation adjustments to provide the results in accordance with IFRS 11. More details on the effect of this has been shown in note 28.

The following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2014 and 2013 for each geographic segment.

a) 12 months to 31.12.2014	ARGENTINA £'000	CHILE £'000	PERU £'000	UK £'000	BOLIVIA £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	8,611	–	–	423	–	(8,732)	**303**
Write off of accrued income	–	–	–	(3,219)	–	–	**(3,219)**
Costs of Sales	(5,579)	–	–	(231)	–	5,579	**(231)**
Gross profit/(loss)	**3,032**	**–**	**–**	**(3,027)**	**–**	**(3,153)**	**(3,147)**
Administrative expenses	(293)	(83)	(661)	(3,208)	–	413	**(3,832)**
Profit/(loss) from operations	**2,739**	**(83)**	**(661)**	**(6,235)**	**–**	**(2,740)**	**(6,979)**
Other (expense)/income	–	–	–	(574)	299	(117)	**(392)**
Foreign exchange (losses)/gains	(2,175)	51	(631)	2,760	–	2,175	**2,180**
Finance income	–	–	18	3,780	–	(1,230)	**2,568**
Finance expense	(674)	–	(742)	(918)	–	2,022	**(312)**
(Loss)/profit before tax	**(110)**	**(32)**	**(2,016)**	**(1,187)**	**299**	**110**	**(2,936)**
Tax expense	(105)	–	(8)	–	–	105	**(8)**
Loss for the year	**(215)**	**(32)**	**(2,024)**	**(1,187)**	**299**	**215**	**(2,944)**
							–
Total assets	11,455	6,458	18,528	78,626	–	(40,394)	**74,763**
Total liabilities	23,383	7,321	22,697	6,865	–	(42,327)	**17,939**
Capital expenditure	–	–	5,087	48	–	–	**5,135**
Depreciation	293	–	(2)	10	–	(293)	**12**

The impairment relating to the IPC goodwill recognised on consolidation is regarded as relating to the UK operating segment. This is due to the Chief Operating Decision Maker reviewing the results of IPC within the UK operating segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

b) 12 months to 31.12.2013 – restated	ARGENTINA £'000	CHILE £'000	PERU £'000	UK £'000	BOLIVIA £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	9,651	–	–	5,442	–	(9,651)	**5,442**
Cost of sales	(4,186)	–	–	(1,619)	–	4,186	**(1,619)**
Gross profit	**5,465**	**–**	**–**	**3,823**	**–**	**(5,465)**	**3,823**
Administrative expenses	(4,278)	(55)	(475)	(3,211)	–	4,278	**(3,741)**
Profit/(loss) from operations	**1,187**	**(55)**	**(475)**	**612**	**–**	**(1,187)**	**82**
Other expense	–	–	–	–	(38,314)	–	**(38,314)**
Other expense from share of JV	–	–	–	–	–	(319)	**(319)**
Foreign exchange losses	(3,761)	(55)	197	(504)	–	3,562	**(561)**
Finance income	–	–	186	3,857	(198)	(1,078)	**2,767**
Finance expense	(1,819)	(3)	(219)	(12,218)	–	14,239	**(20)**
Loss before tax	**(4,393)**	**(113)**	**(311)**	**(8,253)**	**(38,512)**	**15,217**	**(36,365)**
Tax credit/(expense)	218	–	(29)	–	–	(218)	**(29)**
Loss for the year	**(4,175)**	**(113)**	**(340)**	**(8,253)**	**(38,512)**	**14,999**	**(36,394)**
							–
Total assets	15,741	944	6,499	78,441	(1,729)	(9,220)	**90,675**
Total liabilities	22,169	1,701	6,869	6,199	–	(7,914)	**29,024**
Capital expenditure	221	1,786	5,934	16,195	–	32	**24,168**
Depreciation	435	–	4	5	–	(435)	**9**

5 EXCHANGE RATE SENSITIVITY ANALYSIS

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

	31.12.14	31.12.13
i) Closing rate		
AR$ (Argentine Peso) to £	13.2814	10.7073
US$ to £	1.5532	1.6488
CLP (Chilean Peso) to £	940.964	866
PEN (Peruvian Sol) to £	4.5744	4.55
ii) Average rate		
AR$ (Argentine Peso) to £	12.7777	8.6676
US$ to £	1.6445	1.5652
CLP (Chilean Peso) to £	940.528	863
PEN (Peruvian Sol) to £	4.6084	4.51

If the exchange rate of sterling at 31 December 2014 had been stronger or weaker by 10 per cent with all other variables held constant, shareholder equity at 31 December 2014 would have been £3.3 million (2013: £0.9 million, restated 2013 £0.2 million) lower or higher than reported.

If the average exchange rate of sterling during 2014 had been stronger or weaker by 10 per cent with all other variables held constant, the profit for the year would have been £0.1 million (2013: £0.4 million, restated 2013: £0.05 million) higher or lower than reported.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6 COST OF SALES

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000
Expenditure incurred in cost of sales is as follows:		
Cost of Equipment and ancillary costs	2	1,475
Other	229	144
	231	**1,619**

7 ADMINISTRATIVE EXPENSES

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000	YEAR ENDED 31.12.13 ORIGINALLY STATED £'000
Expenditure incurred in administrative expenses is as follows:			
Payroll and social security	1,754	1,324	3,370
Services, legal and professional	678	416	497
Office costs and general overheads	1,326	1,914	4,065
Audit services[1]	74	87	87
	3,832	**3,741**	**8,019**

1 Audit services include £74k paid to the auditors for the audit of the Company and the Group financial statements and £nil paid to the Company's auditors for non-audit professional services provided to the Company in connection with the review of overseas activities (2013 £75.5k). Fees paid to other auditors, in respect of the audit of joint venture companies, amounted to £35k (2013: £11.5k).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

8 EMPLOYEE COSTS

a) Group	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000	YEAR ENDED 31.12.13 ORIGINALLY STATED £'000
Aggregate remuneration of all employees and Directors, including social security costs	1,754	1,324	3,370

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

	NUMBER	NUMBER	NUMBER
Management	5	6	12
Operations	–	10	17
Development	18	4	7
Administration	22	14	24
Total	**45**	**34**	**60**

b) Company	£'000	£'000	£'000
Aggregate remuneration of all employees and Directors, including social security costs	62	409	409

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

	NUMBER	NUMBER	NUMBER
Management	5	6	6

c) Directors' remuneration, including social security costs

The total remuneration paid to the Directors was £717,000 (2013: £615,000). The total remuneration of the highest paid Director was £230,000 (2013: £230,000). Other emoluments paid were health insurance costs, there were no bonuses, pension costs or share based payments paid during the year (2013: nil)

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
	Base Salary/Fee Inc. Social Security	Other Emoluments	Total	Total
P. Earl	226	4	230	230
E. Shaw	174	3	177	160
A. Morris	209	3	212	88
M. Blanco	24	–	24	95
L. Coben	15	–	15	30
C Emson	29	–	29	6
B Rowbotham	30	-	30	6
Total	**707**	**10**	**717**	**615**

9 (a) OTHER EXPENSE

	YEAR ENDED 31.12.14 £'000	YEAR ENDED RESTATED 31.12.13 £'000	ORIGINALLY STATED YEAR ENDED 31.12.13 £'000
Foreign exchange Gains/(losses)[3]	2,180	(561)	(3,268)
Total	**2,180**	**(561)**	**(3,268)**

3 Foreign exchange Gains/(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 31.12.14 £'000	ORIGINALLY STATED YEAR ENDED 31.12.13 £'000
Loss on settlement of Claim – Bolivia[1]	(376)	(29,455)
Arbitration Costs/Cost Reduction[2]	259	(4,929)
Impairment charge on intangible in IPC[3]	(691)	–
Total	**(808)**	**(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 $31.5m or £19.1m which is made up of £17.5m compensation claim and interest of £1.6m. The carrying value of the claim, excluding interest and reimbursement of costs, as at 31 December 2012 was £47.0m and therefore the loss was £29.5m. The amount shown for 2014 of £376k loss was the adjustment of what was accrued in 2013 and paid in 2014.

2 The arbitration costs were not awarded to Rurelec and so £4.9m has been taken as a charge in 2013, in 2014 these costs were reduced by £259k in agreement with the suppliers.

3 Following goodwill impairment testing for IPC an impairment of £691k has been charged in the year, see note 15 for further details.

9 (c) OTHER EXPENSE

Birdsong Loan Expense	YEAR ENDED 31.12.14 £'000	ORIGINALLY STATED YEAR ENDED 31.12.13 £'000
Interest Payable on Birdsong Loan	–	(2,328)
Birdsong loan participation expense – CVR costs[1]	416	(1,299)
Accrued lender costs	–	(303)
Total	**416**	**(3,930)**

1 The Birdsong loan included a contingent value right which amounted to 15 per cent of the Bolivian claim plus interest. In 2014 there was a £416k write back of CVR costs these are included in other income.

2 The Birdsong lender charges for extending the loan past 31 December 2013 have been accrued in 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10 FINANCE INCOME & EXPENSE

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000	YEAR ENDED 31.12.13 ORIGINALLY STATED £'000
Inter-group interest received/receivable[1]	2,450	2,966	2,399
Interest accrued on Bolivian claim	–	(199)	(199)
Withholding Tax write back	117	–	–
Total interest income	**2,567**	**2,767**	**2,200**
Interest paid/payable on bank borrowings and loans[2]	(312)	(20)	(1,272)

[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 £27.6 million (2013: £26.9 million). Interest on inter-group loans has been charged at rates of between 8 per cent and 19 per cent.

[2] Interest paid/payable includes interest on bank borrowings and other loans in Peru and Argentina. The details of the amounts due under the loans are shown in note 26.

Sensitivity analysis arising from changes in borrowing costs is set out in note 26.

11 TAX EXPENSE

The relationship between the expected tax expense at basic rate of 21.50 per cent. (31 December 2013: 23.25 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000	YEAR ENDED 31.12.13 ORIGINALLY STATED £'000
Result for the year before tax	(2,936)	(36,365)	(39,384)
Standard rate of corporation tax in UK	21.50%	23.25%	23.25%
Expected tax credit	632	8,455	9,157
Adjustment for non-taxable expense	–	(8,166)	(8,166)
Group relief surrender by joint venture company	–	–	–
Adjustment for different basis of calculating overseas tax	–	–	(997)
Actual tax (expense)/credit	(8)	(29)	189
Comprising:			
Current tax (expense)/credit	(8)	(29)	136
Deferred tax/net credit	–	–	53
Total (expense)/credit	**(8)**	**(29)**	**189**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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 31.12.14	YEAR ENDED 31.12.13 RESTATED	YEAR ENDED 31.12.13 ORIGINALLY STATED
Average number of shares in issue	561,181,121	494,993,260	494,993,260
Effect of dilution – share options outstanding	19,525,000	19,525,000	19,525,000
Result for the year			
Loss attributable to equity holders of the parent	£(2.9m)	£(35.8m)	£(39.2m)
Basic loss per share	(0.52p)	(7.23p)	(7.92p)
Diluted loss per share	(0.52p)	(7.23p)	(7.92p)

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 profit for the year was £1.0 million (2013: loss £10.4 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

14 PROPERTY, PLANT AND EQUIPMENT

	LAND £'000	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group				
Cost at 1.1.13 – Restated	–	–	3,082	**3,082**
Exchange adjustments	–	–	546	**537**
Additions	72	16,195	7,901	**24,168**
Cost at 31.12.13 – Restated	**72**	**16,195**	**11,530**	**27,797**
Exchange adjustments	–	–	(1,184)	**(1,184)**
Transfer of Assets Held for Sale	–	–	(9,558)	**(9,558)**
Additions	–	60	5,075	**5,135**
Cost at 31.12.14	**72**	**16,255**	**5,863**	**17,055**
Depreciation at 1.1.13	–	–	–	**–**
Exchange adjustments	–	–	–	**–**
Charge for the year	–	9	–	**9**
Depreciation at 31.12.13	**–**	**9**	**–**	**9**
Exchange adjustments	–	–	–	–
Charge for the year	–	12	–	**12**
Transfer of Assets Held for Sale	–	–	–	**–**
Depreciation at 31.12.14	**–**	**21**	**–**	**21**
Net book value – 31.12.14	**72**	**16,234**	**5,853**	**22,169**
Net book value – 31.12.13	**72**	**16,186**	**11,530**	**27,788**

Operating property, plant and equipment located in Argentina is removed in accordance with IFRS 11. The Property, plant and equipment of £16.24 million mainly relates to two turbines valued at £16.20 million. Plant under construction comprises of plant in Chile (£5.8 million) and Peru (£67k). The plant at Canchayllo was completed in December 2014, and transferred to plant and equipment. It was commissioned in January 2015.

b) Company

The Company had no property, plant and equipment.

15 INTANGIBLE ASSETS

	GOODWILL £'000
At 1 January 2014	**1,792**
Additions	220
Impairment	(691)
At 31 December 2014	**1,321**
At 31 December 2013 RESTATED	**1,792**
At 1 January 2013 as originally stated	3,168
Effect of restatement due to change in accounting policy	(3,168)
At 1 January 2013 RESTATED	**Nil**
Fair value adjustment on Goodwill and intangibles	1,792
At 31 December 2013 RESTATED	**1,792**

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 100 per cent of IPC in June 2013 the acquisition of Central Illapa SA in March 2013 and the acquisition of SEA Energy SA in October 2014.

The Group tests goodwill 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. (2013 – 13 per cent.)

In the year ended 31 December 2014 management have concluded that there is uncertainty relating to certain elements of accrued income previously recognised in relation to operations conducted in Central Illapa. This has resulted in approximately £3.2 million of accrued revenue being written off in the year. This has led to management performing an impairment review on the IPC CGU as detailed below. This CGU predominately operates in South America and is focussed on the development of projects in the power generation industry there. The project in question was situated in Chile, which is one of the operating segments used to monitor business performance. The recoverable amount of the CGU has been based on the value in use of IPC. The discount rate used in the value in use calculation was 13 per cent.

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, whilst also including engineering fees and recharge of expenses. The costs and revenue 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 the need for an impairment of £691k, which is included in other expenses. An increase in the discount rate by 1 per cent. to 14 per cent. would increase the impairment by £167k. The brand value of IPC and its experience over 20 years in the South American market supports the remaining intangible assets shown within the Rurelec financial statements.

The amount of goodwill that has been included in the intangible asset is £1,101k in respect of IPC.

IPC has been active in 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 least at £1.1 million which ensure that the value of the Goodwill in IPC remains at £1,101k.

Full year Revenues for IPC were £431k (2013: £5,604k) and (Losses)/Profits were (£4,167k) (2013: £2,108k).

SEA Energy SA is a wholly owned subsidiary of Rurelec PLC with a small operating wind farm in Buenos Aires province in Argentina. The Company was purchased in October 2014 for £245k spread over two years. The company had net assets at the time of purchase of £51k, with revenues for the full year of 2014 of £5k. The intention of the purchase is to increase the size of the windfarm in Argentina from 250kW to 3MW as well as purchase and own a gas turbine that would operate on the site of the EdS plant in Comodoro Rivadavia in Chubut Province of Argentina. The goodwill on acquisition was £195k.

Central Illapa SA – is a wholly owned subsidiary of Rurelec PLC, the goodwill on acquisition was £25k.

16 TRADE AND OTHER RECEIVABLES

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Group – non-current			
Trade receivables	100	513	535
Amounts due from joint venture companies[1]	23,093	23,101	15,399
Other receivables and prepayments	19	34	875
	23,212	**23,648**	**16,809**

[1] Amounts due from joint venture companies represent the amounts lent by the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
b) Group – current			
Trade receivables	38	160	3,043
Other receivables and prepayments	9,562	14,431	6,788
	9,600	**14,591**	**9,831**

Other receivables and prepayments include £8.6 million RPFL loan Rurelec Plc Re: (EdS).

	31.12.14 £'000	31.12.13 ORIGINALLY STATED £'000
c) Company – non-current		
Amounts owed by subsidiary companies[1]	27,505	16,851
Amounts owed by joint venture companies[2]	23,094	25,436
	50,599	**42,287**

The amounts owed by subsidiary companies include:

1 Loans to subsidiaries in Chile (£6.6 million) and Peru (£11.1 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. The loans Peru are expected to be recovered once the assets have been sold, which management expect to occur during 2015. The loans to Chile are considered recoverable once the projects reach financial close and therefore no provision has been made against these loans.

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 twelve months. During the period the Group received $5.4 million from EdS in service of the amounts due. £8.6 million (2013 – £7.7 million) is secured by a first charge against the assets of EdS.

	31.12.14 £'000	31.12.13 ORIGINALLY STATED £'000
d) Company – current		
Other receivables and prepayments	38	34
	38	**34**

All trade and other receivables are unsecured 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

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Asset at 1 January 2014	**–**	**–**	**389**
Exchange translation	–	–	(101)
Credited to tax expense	–	–	53
Asset at 31 December 2014	**–**	**–**	**341**

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

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FOR THE YEAR ENDED 31 DECEMBER 2014

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
b) Liability at 1 January 2014	**–**	**–**	**568**
Exchange translation	–	–	(148)
Credited/(Debited) to tax expense	–	–	–
Liability at 31 December 2014	**–**	**–**	**420**

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

18 INVENTORIES

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Group – Inventories			
Spare parts and consumables	–	–	227

Spare parts and consumables are valued at cost.

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
b) Parent Company – Inventories			
Inventories	16,195	16,195	16,195

Inventories comprises of two Siemens 701DU Turbines acquired from IPSA Group plc in June 2013, these will be sold to Central Illapa SA for use in Chile during 2015.

19 COMPENSATION CLAIM

	31.12.14 £'000	31.12.13 £'000
Book value of claim	–	19,126

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 $142.3 million and the Arbitration proceedings were held in April 2013. The award amount was for $28.9 million plus interest from 1 May 2010 to the date when the award is paid. As at the 31 January the interest amounted to $6.6 million making the total amount due to Rurelec in settlement of the claim $35.5 million or £21.5 million. The Tribunal representing the Permanent Court of Arbitration decided not to award costs to either side. The costs of the Arbitration to Rurelec were £4.6 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 31 December 2013 being a loss of £29.5 million on the underlying assets and £5.1 million on the legal fees and accrued interest. .

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

20 CASH AND CASH EQUIVALENTS

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Group			
Cash and short-term bank deposits	283	3,730	3,750
b) Company			
Cash and short-term bank deposits	1	n/a	21

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.

21 SHARE CAPITAL

	31.12.14 £'000	31.12.13 £'000
In issue, called up and fully paid		
561,387,586 ordinary shares of 2p each (2013: 557,387,586)	11,228	11,145

Reconciliation of movement in share capital

	NUMBER	£'000
Balance at 1 January 2014	**557,236,492**	**11,145**
Allotment in January 2014	4,151,094	83
Balance at 31 December 2014	**561,387,586**	**11,228**

The allotment in January 2014 was at 13.25 pence per share. The difference between the total consideration arising from shares issued and the nominal value of the shares issued has been credited to the share premium account. Costs associated with allotments are debited to the share premium account.

22 SHARE OPTION RESERVE

	31.12.14 £'000	31.12.13 £'000
Balance at 1 January 2014	**107**	**46**
Change for the Year	39	61
Balance at 31 December 2014	**146**	**107**

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, 5,216,666 vested in 2014, 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 5,216,667 shares vest in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

	31.12.14 NUMBER OF SHARES	31.12.13 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 OTHER RESERVE

On 17 December 2014 The High Court approved the reduction in the share premium account of the company of £45,000,000 and the creation of a special reserve in the accounts of the Group. The Group had accumulated losses on its profit and loss account of £7,371,683. The existence of these losses prevents the Company from paying dividends to its shareholders out of future profits until these losses have been eliminated. The Board considered that the accumulated losses represented a permanent loss and given the size of the accumulated losses, there was in the opinion of the Board no reasonable prospect of the losses being eliminated in the short term. It was proposed that the permanent loss should be recognised by eliminating the deficit on the profit and loss account. This would be achieved by the reduction in the balance on the Share Premium Account of the Company.

The Company had built up a substantial Share Premium Account through the issue of shares for cash at values in excess of the nominal value of those shares. At the time of the High Court hearing, the balance standing to the credit of the share premium account was £67,835,921. A resolution was proposed and successfully passed at a General Meeting on 25 November 2014 to reduce the amount standing to the credit of the share premium account of the Company by £45,000,000 from £67,835,921 to £22,835,921.

The resolution was subsequently confirmed by the High Court in the terms proposed at the time by your Board, the effect of the Capital Reduction was to release part of the amount standing to the credit of the Share Premium Account of the Company so that £45,000,000 (i) may be used by the Company to eliminate the deficit on the profit and loss account and (ii) the balance credited to the distributable reserves of the Company to allow the Company to pay dividends in due course.

Share issue costs of £82,233 have been offset against the Share Premium account, which is now shown at £22,753,689.

The implementation of the Capital Reduction is subject to a number of criteria which are explained further below.

Capital Reduction – Share Premium Account

Share premium is treated as part of the capital of the Company and arises on the issue by the Company of shares at a premium to their nominal value. The premium element is credited to the Share Premium Account. The Company is generally precluded from the payment of any dividends or other distributions or the redemption or buy back of its issued shares in the absence of sufficient distributable reserves, and the Share Premium Account can be applied by the Company only for limited purposes.

In particular, the Share Premium Account is a non-distributable capital reserve and the Company's ability to use any amount credited to that reserve is limited by the Companies Act. However, with the confirmed approval of our shareholders by way of a special resolution and subsequent confirmation by the High Court, the Company has reduced our Company's share premium account and credited it to the profit and loss account.

To the extent that the release of such a sum from the Share Premium Account creates or increases a credit on the profit and loss account, that sum represents distributable reserves of the Company subject to the restrictions set out below.

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Capital Reduction – Procedure

In order to approve the Capital Reduction, the High Court was required to be satisfied that the interests of the Company's creditors will not be prejudiced by the Capital Reduction. The Company was not required to seek written consent to the Capital Reduction from its creditors. However, for the benefit of those of its creditors from whom consent is not required, the Company will not be capable of making a distribution to shareholders until any such outstanding obligations have been discharged, and the Company has given an undertaking to that effect to the High Court. At the date of the audit report there are some £3.4 million of creditors to be settled. The Board of Directors consider that these amounts will be settled in the short term and therefore the £45 million remains within a Special Reserve which is non-distributable until these settlements have occurred.

The Capital Reduction does not affect the number of Shares in issue, the nominal value per Share or the voting or dividend rights of any Shareholder.

24 TRADE AND OTHER PAYABLES

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Group – non-current			
	–	–	–
b) Group – current			
Trade payables	4,046	7,360	8,417
Accruals	377	691	466
	4,423	**8,051**	**8,883**
c) Company – current			
Trade payables	4,193	n/a	5,084
Accruals	788	n/a	61
	4,981	**n/a**	**5,145**

25 TAX LIABILITIES

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Group – non-current			
Tax due in UK	–	18	18

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
b) Group – current			
UK corporation tax	–	–	–
P.A.Y.E. in UK	28	38	29
VAT in UK	(14)	–	11
Tax due in Argentina	–	–	56
Other taxes due in Argentina principally VAT	–	–	343
P.A.Y.E in Peru	56	27	27
	70	**65**	**466**

This net liability for tax due in the UK is £14k relates to UK PAYE and VAT refund. A PAYE tax liability of £56k is also due in Peru.

26 BORROWINGS

	31.12.14 £'000	31.12.13 RESTATED £'000	31.12.13 ORIGINALLY STATED £'000
a) Group – non-current			
Loan from CAMMESA	–	–	877
Other loans	–	622	622
	–	**622**	**1,499**
b) Group – current			
Loan from CAMMESA	–	–	1,516
Other loans	3,164	20,268	23,067
	3,164	**20,268**	**24,583**
Group – total borrowings	**3,164**	**20,890**	**26,082**
The Group's borrowings are repayable as follows:			
Within 1 year	3,164	20,268	24,583
In more than 1 year, but less than 2 years	–	311	311
In more than 2 years, but less than 3 years	–	311	311
In more than 3 years	–	–	877
	3,164	**20,890**	**26,082**

Other loans of £3.2 million including accrued interest are made up of £2.9 million loans to Cascade Hydro Limited and Cascade Hydro Power S.A.C and a further loan of £250k to Rurelec Plc.

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 £15,000 lower or higher than reported.

Sensitivity analysis to changes in exchange rates:

Only $205,000 of these loans are denominated in US$. As a result, the liability to the Group's lenders will change as exchange rates change. 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 £12,000 (2013: £1.2 million).

The Group's Joint Venture borrowings are denominated in AR$ and US$ and are substantially related to specific electricity generating assets and therefore the effect on the net equity of the Group is limited.

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27 INVESTMENTS

	31.12.13 £'000
Cost at 1 January 2013	**18,998**
Additions during the year	
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**

	31.12.14 £'000
Cost at 1 January 2014	**16,743**
Additions during the year	
Investment in Termoelectrica del Norte SA – Disposal by Entity	(4,190)
Investment in Central Illapa SA – Disposal by Entity	(33)
Investment in Electricidad Andina – Disposal by Entity	(63)
Cost at 31 December 2014	**12,457**
Impairment Loss in IPC	(2,702)
Balance at 31 December 2014	**9,756**

The impairment loss relates to the write down of the accrued income in IPC triggered by the impairment review, which has resulted in the impairment loss in the year.

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

- 50 per cent. (2013: 50 per cent.) of the issued share capital of Patagonia Energy Limited ("PEL"), a company registered in the British Virgin Islands under registration number 620522. PEL owns 100 per cent. of the issued share capital of Energia del Sur S.A. ("EdS"), a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina.
- 100 per cent. (2013: 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.
- 100 per cent. (2013 – 100 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.
- 100 per cent. (2013 – 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.
- 100 per cent. (2013 -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.
- 100 per cent. (2013 – 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.
- 100 per cent. (2013 – 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 was written down to zero in 2013 because the assets were incorporated within the overall settlement with the Plurinational State of Bolivia with the nationalisation of the assets of Empresa Electrica Guaracachi SA.

NOTES TO THE FINANCIAL STATEMENTS

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- 100 per cent. (2013 – 100 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.

28 JOINT VENTURE

Under IFRS 11 the reporting of jointly controlled entities has changed such that the use of proportionate consolidation for arrangements classified as jointly controlled require the use of the equity method of accounting. The Group's only joint arrangement within the scope of IFRS 11 is its 50 per cent. investment in Patagonia Energy Limited ("PEL"), which directly owns Energia del Sur SA (EdS) in Argentina. This was previously accounted for using the proportionate consolidation method under IAS 31. Management has reviewed the classification of PEL in accordance with IFRS11 and has concluded that it is a joint venture and therefore we have accounted for our interest in the PEL joint venture using the equity accounting method.

IFRS11 has been applied retrospectively in accordance with the transitional provisions set out in IFRS11. Consequently the investment in PEL has been restated by aggregating the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated with effect from 1 January 2013. The group has assessed the carrying amount of the investment for impairment as at 31 December 2013 and 31 December 2014 and has concluded that no impairment loss is required. (See also note 29)

The effects on the statements of financial position at 31 December 2013 and 31 December 2014 show an increase in the net assets of the Group due to the fact that the Joint Venture was previously proportionately consolidated and so included its share of the losses in the joint venture whilst under the equity method it has not included losses in excess of the Group's interest in the joint venture as detailed in note 2.1.

The investment held by the group in the Argentine Joint Venture is held at £0.3 million at 1 January 2013 and at nil value at 31 December 2013 and 31 December 2014. Although negative net assets arise when combining the carrying amount of assets and liabilities of the joint venture management note that as this is caused by the amounts loaned to the joint venture by the group that therefore the group do not have an obligation in relation to those negative net assets and as such the investment is held at a nil value. At the end of the year accumulated losses in relation to the group's share of the results of the joint venture total £5,490k (2013, £3,320k).

The effects on the statements of financial position at 31 December 2013 and 31 December 2014 were:

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
Increase in investments accounted for using the equity method	Nil	Nil
Increase in:		
Rurelec Loans to EdS	4,487	5,739
Rurelec Loans to PEL	11,338	9,682
Decrease in:		
Property, plant and equipment	(9,065)	(11,370)
Intangible assets	(3,168)	(3,168)
Inventories	–	(227)
Trade and other receivables	(3,812)	(3,820)
Cash and cash equivalents	(569)	(20)
Deferred tax liabilities re Plant	339	79
Trade and other payables	2,245	832
Borrowings	1,933	4,315
Borrowings – non-current	2,032	877
Current tax liabilities	398	401
Change in net assets	**6,157**	**3,320**

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The effects on the statement of comprehensive income for the years ended 31 December 2013 and 31 December 2014:

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
Decrease in share of profit from equity accounted investments	Nil	(319)
Decrease in:		
Revenue	(8,611)	(9,651)
Changes in inventories		
Costs of material	1,118	4,186
Operating & maintenance expenses	4,461	3,750
Depreciation, amortisation and impairment of non-financial assets	293	528
Other interest expense and exchange losses	3,924	4,474
Tax expense	105	(218)
Current Year translation difference	880	570
Change in comprehensive loss for the year	**2,170**	**3,320**

The application of IFRS 11 did not have a material impact on the cash flows of the Group and on the earnings per share for the year ended 31 December 2014.

The following table sets out the effect oof restatement on Rurelec's investment in the joint venture:

	RESTATED AS AT 1.1.13 £'000
Investment in Joint Venture	
Rurelec Loans to EdS	(7,549)
Rurelec Loans to PEL	(8,845)
Assets	
Non-current assets	
Property, plant and equipment	15,405
Intangible assets	3,168
Trade and other receivables	935
Deferred tax assets	389
Current assets	
Inventories	306
Trade and other receivables	3,662
Cash and cash equivalents	79
Non-current liabilities	
Trade and other payables	(210)
Deferred tax liabilities	(568)
Borrowings	(1,301)
Current liabilities	
Trade and other payables	(2,830)
Current tax liabilities	(53)
Borrowings	(2,269)
Investment as 1.1.13	**319**

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The following table sets out the results of the joint venture operation in Argentina of which the Group has a 50 per cent. share.

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
Revenue	17,222	19,304
Expenses	(11,158)	(16,930)
Non-current assets	19,472	23,812
Current assets	8,815	6,206
Non-current liabilities[1]	(29,726)	(33,364)
Current liabilities[2]	(17,036)	(5,600)

1 Non-current liabilities includes £11.3 million (2013 – £15.4 million) of loans advanced by the Company (see note 16).
2 Current liabilities includes £4.5 million (2013: Nil) of loans advanced by the Company which have become current (see note 16).

29 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000	YEAR ENDED 31.12.13 £'000
a) Group			
Loss for the year before tax	**(2,936)**	**(35,726)**	**(39,384)**
Net finance income	(2,255)	(2,747)	928
Adjustments for: depreciation	12	9	444
Unrealised exchange gains	(2,180)	(494)	3,267
Movement in share option reserve	39	61	61
Impairment of goodwill	691	–	–
Deferred Consideration	–	3,025	–
Adjustment for loss in Bolivia	–	34,384	34,384
Movement in working capital:			
Change in inventories	–	–	267
Change in trade and other receivables	5,426	(6,208)	(6,467)
Change in trade and other payables	(3,687)	3,716	4,558
Cash used in operations	**(4,890)**	**(3,980)**	**(1,942)**

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FOR THE YEAR ENDED 31 DECEMBER 2014

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
b) Company		
Profit/(loss) for the year before tax	965	(10,364)
Net finance income	(3,380)	2,276
Adjustments for:		
Unrealised exchange (gains)/losses on loans	(2,057)	437
Movement in share option reserve	39	61
Write down of investments	2,703	–
Reclassification of investment to receivables	5,881	–
Adjustment for loss in Birdsong	–	10,689
Movement in working capital:		
Change in trade and other receivables	(8,384)	(1,762)
Change in trade and other payables	(164)	4,446
Cash used in operations	**(4,397)**	**5,783**

30 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:

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 RESTATED £'000	YEAR ENDED 31.12.13 £'000
Current – due within 1 year:			
Trade payables	4,557	8,117	8,883
Borrowings	3,262	20,268	25,049
Total due within 1 year:	**7,722**	**28,385**	**33,932**
Non-current – due in more than 1 year but less than 5 years			
Borrowings	0	622	1,499

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 26, the Group has £3.2 million of loans falling due within 12 months. The directors consider that the Group will be able to raise sufficient funds from the sale of assets and from other sources to repay the loans.

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

	YEAR ENDED 31.12.14 £'000	YEAR ENDED 31.12.13 £'000
Current – due within 1 year:		
Trade payables	4,557	8,117
Borrowings	3,164	20,268
Total due within 1 year:	**7,721**	**28,385**
Non-current – due in more than 1 year but less than 5 years		
Borrowings	Nil	622

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 2014	LOANS AND RECEIVABLES £'000	BORROWINGS AND PAYABLES AT AMORTISED COST £'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)	–	–
Total	**30,390**	**(34,965)**	**41,867**	**(5,144)**

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FOR THE YEAR ENDED 31 DECEMBER 2014

31 December 2013	LOANS AND RECEIVABLES £'000	BORROWINGS AND PAYABLES AT AMORTISED COST £'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)	–	–
Total	**26,295**	**(17,949)**	**45,061**	**(699)**

31 CAPITAL COMMITMENTS

The Group had outstanding capital commitments of £Nil (2013: £0.7 million) in respect of plant ordered but not delivered at the year-end.

32 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$5.6 million/£3.6 million (2013: US$6.3 million/£3.8 million). In the event that EdS wish to terminate the agreement before 2022, a default payment would become payable. The Group does not anticipate early termination and therefore no provision has been made in this regard.

33 RELATED PARTY TRANSACTIONS

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

a) Company

i) Paid salaries to key management amounting to £0.6 million (2013 £0.6 million)

ii) Paid, to its 100 per cent. subsidiary Independent Power Corporation PLC ("IPC") a) £0.1 million under a "Shared Service Agreement" b) Provided loans of £2.3 million. The loan balance outstanding at the year end was £1.4 million. P.R.S. Earl, A.J.S. Morris and E.R. Shaw are Directors of IPC.

iii) A.J.S. Morris purchased 50,000 shares for £3k on 16 June in an open market transaction. He made various loans to the Company during the year. At 31.12.2014 there was a balance of £17k due to him, this loan has been repaid after the year end.

iv) P.R.S. Earl purchased 100,000 shares for £6k on 16 June in an open market transaction.

v) E.R. Shaw purchased 50,000 shares for £3k on 16 June in an open market transaction. She made various loans to the Company during the year. At 31.12.2014 there was a balance of £11k due to her, this loan has been repaid after the year end.

vi) Charged interest on loans to its 100 per cent subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £918k. The loan balance outstanding at the year end was £8.6 million.

vii) Charged interest on loans to its 50 per cent. owned joint venture company, Patagonia Energy Ltd ("PEL") amounting to £2.0 million. The loan balances at the year end totalled £24.7 million. Interest on these loans has been accrued at 11.1 per cent.

viii) Received from its joint venture company Energia del Sur S.A. ("EdS") repayments totalling £3.4 million of support previously given to creditors of EdS. £0.4 million of credit support remains outstanding at the year end.

ix) a) Charged IPSA Group PLC ("IPSA") £60k under a "Shared Service Agreement". b) Repaid £125k of deferred consideration on the 2013 turbine purchase, £3.1 million remains outstanding at the year end. P.R.S. Earl and E.R. Shaw are Directors of IPSA.

x) Provided loans to its 100 per cent. subsidiary Cochrane Power Ltd of £125k. The total outstanding at the year end was £6.6 million.

xi) Provided loans to its 100 per cent. subsidiary Cascade Hydro Ltd ("CHL") of £2.8 million and charged CHL interest of £436k. The interest rate was 0.5 per cent. per month. The total outstanding at the year end was £9.5 million.

b) Group

i) A.J.S. Morris loaned CHL £50k and charged interest of £5.1k. The total outstanding at the year end was £55.1k.

ii) E. R. Shaw loaned CHL £94.4k and charged interest of £3.1k. The total outstanding at the year end was £97.5k.

iii) P.R.S. Earl was repaid £10k by IPC, the loan was made in 2013.

iv) RPFL accrued interest on amounts due from EdS of £0.4 million, the interest rate on the principal was 18.5 per cent., the effective interest rate (on principal and accrued interest) was 4.4 per cent. The total outstanding at the year end was £8.6 million.

34 ASSETS HELD FOR SALE

Assets held for sale relate to all legal entities within Peru except for Electricidad Andina. These business segments were reclassified to assets held for sale following the commitment of the Group's management on 16.09.2014 to restructure its Peruvian operations by means of sale. Two disposal groups have been identified, one of which comprises the Canchayllo run of the river plant with the rest of the assets included in the second group. At the end of the year the assets were being actively marketed and a sale is expected by the end of 2015.

	2014 £'000	2013 £'000
Cost:		
At 1 January	–	–
Transfer to assets held for sale	7,896	–
Carrying amount at 31 December	**7,896**	**–**

Assets classified as held for sale	2014 £'000
Property, plant and equipment	9,558
Inventories	55
Trade and other receivables	8,565
	18,178

Liabilities classified as held for sale	2014 £'000
Trade and other payables	10,158
Deferred tax liabilities	124
	10,282

NOTES TO THE FINANCIAL STATEMENTS

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35 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 successfully operated the 5.6MW Canchayllo run-of-river hydro plant in the Junin province of Peru some 250km East of Lima, whilst also developing the Colca 12MW run-of-river hydro plant in the same province as Canchayllo, which has a Peruvian Government backed power purchase agreement.

On the 15 May 2015 the Group entered into a replacement to sell the run-of-river hydro plant in Peru for £4.4 million.

The Group has entered into additional loan facilities during March and May 2015 amounting to £590,000.

The Group has agreed but not contracted for a bridging loan facility of $12 million that will be drawn down in the event that the arrangements for an alternative one year secured loan from a large organisation within the South American power industry is not signed within the time limits required by the company's creditors. It is expected that the Group will reach satisfactory agreement with this large organisation such that the proceeds of this loan will be used to meet current obligations. The Group expects to repay the loan from the proceeds of the sale of its Peruvian assets. The loan is the first stage of a potential cooperation with the Group.

The Chairman's statement and the Strategic Report with a review of operations contains further details.

COMPANY INFORMATION

Directors
C. Emson (Non-Executive Chairman)
B. Rowbotham (Non-Executive)
P. Galante (Non-Executive)
M. Blanco (Non-Executive)
P.R.S. Earl
A.J.S. Morris
E.R. Shaw

Secretary
S.A. Laker

Company number
4812855

Registered office and business address
17th Floor, Millbank Tower
21–24 Millbank
London
SW1P 4QP

Auditor
Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Bankers
Coutts & Co
440 Strand
London
WC2R 0QS

Solicitors
Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
Canary Wharf
London
E14 5DS

RURELEC PLC

17th Floor, Millbank Tower, 21-24 Millbank, London SW1P 4QP

Tel: +44 (0) 20 7793 5610
Fax: +44 (0) 20 7793 7654

Visit us online at
www.rurelec.com