RURELEC

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Stock code: RUR

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 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 business is centred on our operational plant in Argentina whilst also seeking to sell the remainder of the small hydro portfolio in Peru and to complete the development of our larger project in Chile.

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www.rurelec.com

NON-EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholder

It is my duty to present the results of Rurelec PLC ("Rurelec") for the financial year ended 31 December 2015, which once again was a difficult year whilst the Company sought to sell its small hydro portfolio in Peru. The first plant, Canchayllo, was sold in May 2015 and it is expected that the remaining development will be sold in the coming months.

During the year a cost reduction exercise was implemented to preserve the more viable assets in Argentina and Chile. The separation from the Group of The Independent Power Corporation PLC in June last year removed over £500,000 per annum of overheads from the Group.

Outlook

The prime focus of the board is to stabilise the financial position of the Group. Following the setback of the compensation award from Bolivia in June 2014 a re-evaluation and revised risk assessment of the portfolio of small hydros in Peru concluded that it was too complex to develop for the modest returns it was likely to yield against the significant risks involved and subsequently the decision was taken to disinvest in hydros in Peru resulting in further losses for the Group.

Reforms following the change of government in Argentina are only now starting to emerge but hope remains that this market is set to improve and encourage new investment as the Central Bank controls that have overshadowed the last few years have made it impossible for our joint venture to repatriate any interest payments on Rurelec's loans that enabled the construction of the CCGT at Energía del Sur in Comodoro Rivadavia, Patagonia. President Mauricio Macri who came to office in December 2015 has adopted investment friendly policies focussed on infrastructure development. Rurelec's significant investment in Argentina over the past decade has resulted in a flagship project at Energia del Sur, which is a thermal plant believed to be one of the most reliable in Argentina. It operates under an enhanced value U.S dollar denominated contract with some four years still remaining before renegotiation of contracts, as well as generating to the spot market, which is Argentine Peso based.

The Company has fortunately been able to secure two bridging facilities for a total of £1,200,000 from Bridge Properties (Arena Central) Limited against security of a debenture over the Company's assets. The board's intention is that the facilities will be repaid from asset sales. Pending the outcome of potential asset sales, it is hoped to take further decisions on an appropriate structure for the board going forward. Simon Morris has carried a heavy burden of responsibility since his appointment in July last year following the departure of the former executive board members and then subsequently of Mark Keegan.

Providing that the Group manages to retain value from its core assets, the focus is to ensure that the Company is able to settle its creditors before determining future direction to allow shareholders to benefit from the existing asset base. Following the necessary disposals currently under negotiation, a leaner company unburdened with debt will be better placed to negotiate with partners to determine the future.

We remain focused on delivering this objective.

Brian Rowbotham
Non-executive Director
15 July, 2016

STRATEGIC REPORT

Strategy

The current strategy for the Group has been determined by its financial position, the reasons for which are set out in more detail below. The Group will dispose of certain assets, in particular the hydro portfolio in Peru. The level of ongoing development work has been severely restricted due to the Group's financial position. On completion of certain asset sales, the Group can return to a stable financial footing, and creditors in Rurelec, who have been very patient can be paid. The Board will then decide whether certain unfinished development work, such as the Central Illapa project in Chile, can be completed. Throughout this period, all costs will be kept to a minimum.

The overall strategy is to stabilise the financial position of the Group, to enable the Board to realise as much value for the asset portfolio (including further development work where appropriate), and return that value to shareholders.

Liquidity

When I joined the Board in July 2015, I was assured that the cash position of the Group was stable, and that further funding was to be made available. The Canchayllo hydro plant in Peru had recently been sold, and the proceeds had been utilised to pay down certain creditors. A new funding facility of US $7.5 million was under discussion from a third party lender.

The new funding facility did not materialise, and the Group was then in a position where a creditor backlog existed, and free cash flows within the Group were not able to service ongoing administration costs. As a result, the Board proposed an Open Offer to shareholders, which, had it proceeded, would have raised enough liquidity to settle all outstanding creditors in Rurelec and provide working capital for the Group going forward. A short-term facility of £600,000 was negotiated with Radix Investments UK Limited ("Radix") to enable the Group to put the Open Offer to shareholders.

At the General Meeting held on 30 November 2015, the Open Offer was rejected by shareholders. Prior to the General Meeting, Rurelec's major shareholder, Sterling Trust Limited, entered into Administration on 19 October 2015. The ongoing funding of the Group was now a critical issue.

On 17 February 2016, a facility of £850,000 was agreed with Bridge Properties (Arena Central) Limited ("BPAC") (which was extended by a further facility of £350,000 on 13 April 2016). I was a director of BPAC at the time (I subsequently resigned from BPAC on 7 June 2016). A large part of the new facility was utilised to repay the Radix loan. Despite this new facility, the cash position of the Group remains critical. Although our plant in Argentina in Comodoro Rivadavia continues to operate profitably, it has been very difficult to repatriate cash to the UK to repay loans due to pressures on the working capital cycle in Argentina.

It is clear to me that the Group has not been adequately funded for some considerable time, not just the last 12 months. You will all be aware of the significant setbacks the Group suffered on the compensation award from Bolivia in June 2014. Since that period, the Group has relied on short-term finance arrangements to enable it to continue to trade. This included taking on short-term borrowings at interest rates of 12 per cent. to fund the development of the hydro portfolio in Peru. The funding was wholly inappropriate as development finance, and much of this funding remains outstanding today. Many creditors in Rurelec have outstanding balances stretching back over a year. The poor cash position of the Group is a legacy of inappropriate funding entered into in previous years, and decisions to carry on certain developments without the necessary funding in place.

Management team

The last year has seen very significant change in the management team. None of the executive directors in office in January 2015 remained on the Board following the Annual General Meeting on 14 July 2015. I was appointed on 19 July 2015, along with Mark Keegan, as executive directors. Mr Keegan resigned from office on 14 December 2015 following the rejection of the Open Offer.

Of the non-executive directors, only Brian Rowbotham remains. Colin Emson, who was non-executive Chairman of both Rurelec and Sterling Trust Limited, resigned on 13 October 2015. Pablo Galante was not re-elected at the AGM and Marcelo Blanco also resigned during the year.

Only Brian Rowbotham and I remain on the Board. I would like to thank Brian for his continued support through what has been an extremely difficult time for your Company.

Financial results

Although the operating loss for the year of £21.9 million is higher than that incurred last year (2014: £7.4 million), the overall loss before tax for the year of £20.0 million is significantly worse than that reported for last year (2014: £2.9 million). The overall loss reflects significant write downs on a number of the Group's assets to values that the directors believe can be supported in current market conditions and given the overall financial position of the Group.

Since the year end, the Group has been in advanced negotiations for the sale of certain assets. At the time of this report there can be no guarantee that these sales will conclude.

Until there is a disposal of assets the Group is dependent upon the continued forbearance of its creditors. There exists a material uncertainty as to the timing and the quantum of these receipts. The Directors are, in the meantime, pursuing alternative sources of working capital until disposal receipts are assured, none of which have been secured yet. Additionally some cash has been repatriated from our joint venture operation in Argentina, however this has been materially below forecast figures for the first six months of this year.

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 loss excludes all non-operating costs, such as financing and tax expenses as well as one-off items and nontrading 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 of £21.9 million in the year (2014 £7.4 million loss).

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 6.8 pence per share (2014 10.1 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 of 3.57 pence per share in the year (2014 loss of 0.52 pence per share) 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 reduced capacity in the year by selling the 5.3 MW Canchayllo run-of-river hydro plant but continues to own three turbines ready for deployment in projects, although it is expected that local opposition to the Arica project in Chile is likely to lead to the turbine being deployed elsewhere.

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 94.4 per cent due to a schedule maintenance outage (2014: 96.0 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 £20.0 million (2014: £2.9 million loss). Most of the losses or £17.6 million were associated with impairments and loss on disposals. The impairment losses were £13.3 million for Argentina operations, £2.3 million for Chilean operations, £1.7 million from the disposal of Independent Power Corporation and £0.2 million for Peruvian operations.

The results for the operations in Argentina, Peru, Chile and for IPC before disposal are shown below.

Group revenue was £0.2 million (2014: £0.3 million), there was no write off of accrued income (2104: £3.1 million. Cost of Sales were £22k (2014: £231k) Operating and Administrative expenses amounted to £4.4 million (2014: £3.8 million). Operating loss was £21.9 million (2014: £7.4 million loss). The loss before tax is £20.0 million (2014: £2.9 million loss). The basic loss per share is 3.57p (2014: 0.52p loss). In 2015, the total assets of £ 44.1 million (2014: £74.8 million) includes assets of £ 3.6 million (2014: £18.2 million), which are held for sale. Total equity stands at £ 37.5 million (2014: £56.8 million), or 6.8 pence per share (2014: 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 net operating profit for the year was AR$ 67.5 million (2014: AR$ 80.7 million) on revenues of AR$ 261.6 million (2014: AR$ 231.0 million), whilst the gross operating profit was AR$ 100.7 million (2014: AR$ 104.3 million). The net loss for the year in EdS to AR$ 49.6 million (2014: profit AR$ 0.6 million) was due to foreign exchange losses of AR$ 85.0 million (2014: AR$ 45.2 million).

It should be noted that the results of EdS are not 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 26 to the accounts and in the Review of Operations.

The Independent Power Corporation PLC ("IPC")

IPC, which was part of the Group until its sale on 18 June 2015, made a total loss for the period to its disposal of £ 0.5 million (2014: £4.2 million loss). Additionally there was a loss on disposal of £1.7 million (2014: write down of goodwill arising on consolidation of £691k).

Rurelec Chile

The development operations in Chile have expensed limited direct costs in the year of £139k (2014: £82k). Capitalised development costs have accumulated to £ 1.1 million (2014: £0.9 million) on both the Central Illapa and Arica projects. In 2015 the Arica project was impaired by £2.3m (2014: £0). The Central Illapa project was not impaired in 2015 or 2014.

Cascade Hydro Power

In Peru, the Canchayllo run-of-river hydro plant was sold on 14th May 2015 for a total sum of US $6.8 million of which US $0.3 million was due to a minority shareholder and the payment to the Group of US $6.5 million was received from the purchaser on 20 July 2015. Additionally there remains an outstanding amount due from the purchaser of US $1.0 million. The bank loans from the Corporacion Interamericana de Inversion ("IIC") relating to the construction of the plant were assigned to the purchaser.

Rurelec has outstanding loans of £1.1 million (2014: £9.5 million) to the Cascade group at the period end. The other assets of the Cascade group include £2.1 million (2014: £3.2 million) of bonds held by the Ministry of Minerals and Energy in connection with development projects. The development project bonds for the Huasicancha and Chilcay projects have been forfeited due to the inability of the Cascade group to continue to meet the development hurdles to maintain these projects in good standing.

REVIEW OF OPERATIONS

Argentina

Operations at the power plant continue to allow EdS to show a good availability record. Gross energy output was 5.6 per cent. lower at approximately 905 GWh (2014: 958 GWh), due to a scheduled maintenance outage in November and December. The average heat rate of the plant was 8.37 MMBTU/MWh (2014: 8.33). The average heat rate for the plant includes fuel consumption on both the gas turbines and auxiliary firing of the steam turbine.

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 31.12.15 £'000	**Year ended 31.12.14 £'000**
Revenue attributable to the Group	9,099	8,611
Expenses	(6,765)	(5,579)
Foreign Currency Exchange	(2,956)	(1,674)
Net (Loss) Profit	(1,725)	42
Non-current Assets	5,284	7,848
Current Assets	2,902	4,312
Non-current Liabilities	(1,658)	(3,076)
Current Liabilities	(7,212)	(8,207)

Chile

Arica

Very disappointing local opposition has been raised against the Arica project and the board is seriously considering deploying the turbine acquired for the project elsewhere. Although the Company believes that the project is needed in the region, the risk of trying to deliver the project and the funds put at risk in doing so do not merit continuing. Funding for the project is unavailable in these circumstances and efforts to sell the project with planning consent have failed. An application has therefore been made to the state asset bureau for a refund of the purchase price for the land and a buyer is to be sought for the turbine unless it can be redeployed. Given the uncertainty for the future of the project in impairment charge of £2.3 million has been recorded in the year.

Central Illapa

The project has continued to make some progress in development. In April 2016, the project received environmental consent for the re-routing of the transmission line that will connect the plant to the main grid. This has enabled further discussion to take place with the potential joint venture partners who have been identified and expressed interest and when a joint venture partnership has been concluded, this will allow the project to move to financial close.

Peru

The 5.3 MW Canchayllo plant was sold in May 2015 to Energías Renovables de los Andes, S.A., a subsidiary of Union Group of Uruguay. The Group has retained a presence in Lima to maintain the development rights and manage the sale of the 12.05 MW Colca project in the province of Huancayo on the Junin River for which performance bonds have been lodged and negotiations have commenced with a prospective purchaser. If the purchaser completes the purchase this will enable the proceeds from the release of bonds back to Rurelec. Bonds in respect of the other two development projects Chilcay and Huasicancha have been forfeited because of the decision of the board not to pursue marginal projects.

The large Santa Rita 255 MW project rights are retained by Cascade Hydro Power SAC but contrary to expectation, to date no tender for large hydro PPA's has been announced. When this occurs, there would be an opportunity to work with or sell the project rights to a strong partner active in the large scale hydro sector.

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.

b) Financial markets – Whilst project finance may be available in the markets in which the Group operates, the Group's 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 15 July, 2016 and was signed on its behalf by Simon Morris (Executive Director).

BOARD OF DIRECTORS

BRIAN ROWBOTHAM

Non-Executive Director – appointed 16 October 2013

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 Hichens, Harrison & Co plc after its acquisition by Religare in 2008. Brian is a Fellow of the Institute of Chartered Accountants in England and Wales

SIMON MORRIS

Executive Director – appointed 19 July 2015

Fellow of the Institute of Chartered Accountants in England and Wales, qualified as a Chartered Accountant in 1980. After obtaining a degree in Business Studies, spent his career with Grant Thornton and became a partner in 1988. He specialised in corporate finance and corporate recovery, principally restructuring work. He was appointed Chief Operating Officer of Grant Thornton UK in 2008, retiring in late 2011. Since then he has acted as a business consultant. He is also an accredited mediator.

DIRECTOR'S REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2015.

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.

Since the Company's admission to AIM in August 2004, the Company has acquired interests in power generation operations in Bolivia and Argentina and, since 2012, has commenced development of assets in Peru and Chile.

Results and dividends

The Group results for the year ended 31 December, 2015 are set out in the Consolidated Statement of Total Comprehensive Income.

No dividend was paid during the year to 31 December, 2015 (2014: nil).

Share capital

Details of the issued share capital are set out in Note 20.

Going concern

Since the year end, the Company has been in advanced negotiations for prospective sales of Group assets in two separate jurisdictions in South America. At the time of this report there can be no guarantee that these sales will conclude. There exists uncertainty as to the timing of the sales of these assets as well as the quantum of the corresponding proceeds. The Company expects to make announcements as necessary regarding the progress of these sales in the near future.

Until there is a disposal of assets, the Company is dependent on the continued forbearance of its creditors as it will require additional funds within the next twelve months. The Directors are pursuing alternative sources of working capital until disposal receipts are assured, none of these have been assured yet. These conditions indicate the existence of a material uncertainty that may cast significant doubt over the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. On the basis that the Group receives these disposal proceeds or the alternative sources of working capital, the Directors have assessed that the Group would have 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.

Directors

The following Directors served during the year:

Colin Emson – Chairman and Non-Executive Director (resigned 13 October 2015)

Peter Earl – Chief Executive (resigned 19 June 2015)

Andrew Morris – Group Finance Director (resigned 14 July 2015)

Elizabeth Shaw – Executive Director Project Finance (resigned 14 July 2015)

Marcelo Blanco – Non-Executive Director (resigned 31 October 2015)

Brian Rowbotham – Non-Executive Director

Pablo Galante – Non-Executive Director (appointed 9 April 2015 – resigned 14 July 2015)

Simon Morris – Executive Director (appointed 19 July 2015)

Mark Keegan – Executive Director (appointed 19 July 2015 – resigned 14 December 2015)

Directors' interests

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

	14.07.2016	31.12.2015	31.12.2014
A.J.S. Morris	n/a	n/a	737,700
P.R.S. Earl	n/a	n/a	7,000,000
E.R. Shaw	n/a	n/a	325,000
Brian Rowbotham	450,000	450,000	450,000
Pablo Galante	n/a	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 14 July 2016, 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.

DIRECTOR'S REPORT

Directors' responsibilities

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

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

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

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

The Directors confirm that:

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

Pursuant to Section 489 of the Companies Act of the Companies Act 2006, the auditors are Grant Thornton UK LLP.

On behalf of the Board

Susan Laker
Company Secretary
15 July, 2016

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2015

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 draw on those aspects of the Code that are relevant to the Group. We do not 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

Subject to the Articles of Association, UK legislation and any directions given by special resolution, the business of the Group is managed by the Board. The Board currently comprises two members made up of a Non-Executive Director, and an Executive Director. The Board is responsible for providing leadership to the management of the Group, determining strategy and ensuring that agreed strategy is implemented 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 28 times during 2015. All Directors have access to the advice of the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with and that discussions and decisions are appropriately minuted. External advice is also available to the Directors at the Group's expense if they consider it necessary.

The Non-Executive Director is Brian Rowbotham who is regarded by the Board as independent in character and judgement.

The Executive Director is Simon Morris. 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, and Simon Morris. Mr Rowbotham and Mr. Morris are both accountants and 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.

The current year is the sixth year that Christopher Smith, the audit partner of the Group's external auditors, Grant Thornton UK LLP, has been in post as Senior Statutory Auditor. In normal course there would have been a rotation of Senior Statutory Auditor after five years' service. The Audit Committee felt, however, that, given the changes occurred in the Company's management and board of directors during the year, it was important to maintain continuity of Senior Statutory Auditor for a further year. The Audit Committee is satisfied that this extension does not in any way prejudice the objectivity and independence of the Senior Statutory Auditor. The Audit Committee is due to conduct a full review of the effectiveness of the external audit process following the completion of the year-end process and will consider the appointment or the reappointment of the Senior Statutory Auditor in light of its findings.

Remuneration Committee

The Remuneration Committee comprises Brian Rowbotham who reviews the remuneration policy for the Executive Director and for key management personnel. The Executive Director determines the remuneration arrangements for the Non-Executive Director. No Director may participate in decisions regarding his or her own remuneration. Details of the Directors' remuneration can be found in Note 8c.

Appointment of Directors

The Nomination Committee presently comprises Brian Rowbotham. 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

FOR THE YEAR ENDED 31 DECEMBER 2015

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.

AIM Rule Compliance

Rurelec PLC is quoted on AIM and, as a result, the Group has complied with the AIM Rules, in particular AIM Rule 31 which requires the following:

- ensure that there are sufficient systems, procedures and controls in place to enable compliance with the AIM Rules.
- seek advice from the Nominated Advisor ("NOMAD") regarding compliance with the AIM Rules whenever necessary and take that advice into consideration.
- provide the NOMAD with any information which it reasonably requests in order for the NOMAD to fulfil its responsibilities under the AIM Rules for Nominated Advisors including any proposed changes to the Board and provision of draft RNS notifications in advance.
- ensure that each Director accepts full responsibility, collectively and individually for compliance with the AIM Rules.
- ensure that each Director discloses without delay all information which the Group should disclose to comply with the AIM Rules, in particular AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could be reasonably ascertained by the Director.

Statement of Non-Compliance

The Board recognises that the Company does not comply with the Code. The Committees of the Board (Audit, Nomination and Remuneration Committees) are not compliant with the Code: Simon Morris, who is an Executive Director sits on the Audit Committee and the Remuneration and Nomination Committees which do not have sufficient members to comply with the Code requirements.

Susan Laker
Company Secretary
15 July, 2016

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 2015 which comprise the group income statement, the group statement of comprehensive income, the group and parent company statements financial position, the group and parent company statements of cash flow, the group 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 8 and 9, 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 2015 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1b to the financial statements concerning the Group's ability to continue as a going concern.

As explained in note 1b, since the year end the company has been in advanced negotiations for prospective sales of Group assets in two separate jurisdictions in South America. At the time of this report there can be no guarantee that these sales will conclude. Until there is a disposal of the group's assets, the group is dependent on the continued forbearance of its creditors as it will require additional funds within the next twelve months. There exists a material uncertainty as to the timing and quantum of these receipts. The Directors are pursuing alternative sources of working capital until disposal receipts are assured, none of which have been assured.

These conditions, along with the other matters explained in note 1b to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt over the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

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
Date: 15 July 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Revenue	4	179	303
Write off of Accrued Income	15	–	(3,219)
Cost of Sales	6	(22)	(231)
Gross Profit		**157**	**(3,147)**
Administrative Expenses	7	(4,435)	(3,832)
Other Expense	9,b,c&d	(17,572)	(392)
Operating Loss		**(21,850)**	**(7,371)**
Share of Joint Venture Profit/(Loss)	26	–	–
Foreign Exchange (Losses)/Gains	9a	(106)	2,180
Finance Income	10	2,385	2,567
Finance Expense	10	(458)	(312)
Loss before Tax		**(20,029)**	**(2,936)**
Tax Expense	11	(3)	(8)
Loss for the year attributable to owner of the Company		**(20,032)**	**(2,944)**
Earnings per Share	12		
Basic Loss per Share		(3.57)	(0.52)
Diluted Loss per Share		(3.57)	(0.52)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Loss for the year		**(20,032)**	**(2,944)**
Other Comprehensive Income/(Loss) for the year:			
Items that will be subsequently Reclassified to Profit & Loss:			
Exchange Differences on translation of Foreign Operations		999	(2,249)
Total Other Comprehensive Income/(Loss)		**999**	**(2,249)**
Total Comprehensive Loss for year attributable to owners of the Company		**(19,033)**	**(5,193)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015 COMPANY NUMBER 4812855

	NOTES	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Assets			
Non-current assets			
Property, Plant and Equipment	14	19,217	22,169
Intangible Assets	15	23	1,321
Trade and Other Receivables	16a	–	23,212
Investment in Joint Venture	26	–	–
		19,240	**46,702**
Current Assets			
Trade and Other Receivables	16b	20,866	9,600
Cash and Cash Equivalents	18	386	283
Assets classified as held for Sale	32	**3,644**	**18,178**
Total Assets		**44,136**	**74,763**
Equity and Liabilities			
Shareholders' Equity			
Share Capital	19	11,228	11,228
Share Premium Account		22,754	22,754
Foreign Currency Reserve		(2,212)	(3,211)
Share Option Reserve	20	–	146
Other Reserves		–	1,050
Special Non-distributable Reserve	21	45,000	45,000
Retained Earnings		(39,262)	(20,426)
Total Equity attributable to shareholders of Rurelec PLC		**37,508**	**56,541**
Non-controlling interests		–	283
Total Equity		**37,508**	**56,824**
Current Liabilities			
Trade and Other Payables	22a	2,856	4,423
Current Tax Liabilities	23	–	70
Borrowings	24	3,054	3,164
		5,910	**7,657**
Liabilities classified as held for Sale	18	**718**	**10,282**
Total Liabilities		**6,628**	**17,939**
Total Equity and Liabilities		**44,136**	**74,763**

The financial statements were approved by the Board of Directors on 15 July, 2016 and were signed on its behalf by Simon Morris (Executive Director) and Brian Rowbotham (Non-executive Director).

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Assets			
Non-current assets			
Investments	25	100	9,755
Trade and Other Receivables	16c	–	50,599
		100	**60,354**
Current Assets			
Inventories	18b	16,195	16,195
Trade and Other Receivables	16d	24,657	38
Cash and Cash Equivalents	18	386	1
		41,238	**16,234**
Total assets		**41,338**	**76,588**
Equity and liabilities			
Shareholders' equity			
Share Capital	19	11,228	11,228
Share Premium Account	21	22,754	22,754
Share Option Reserve	20	–	146
Other Reserves	21	45,000	45,000
Retained Earnings		(41,146)	(7,521)
Total Equity		**37,836**	**71,607**
Current Liabilities			
Trade and Other Payables	22b	2,592	4,981
Loans		910	–
		3,502	**4,981**
Total Equity and Liabilities		**41,338**	**76,588**

The financial statements were approved by the Board of Directors on 15 July, 2016 and were signed on its behalf by Simon Morris (Executive Directors) and Brian Rowbotham (Non-executive Director).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Cash Flows from Operating Activities			
Cash used in Operations	27	(5,545)	(4,890)
Interest Paid		–	(312)
Taxation Paid		(3)	(8)
Net Cash used in Operating Activities		**(5,548)**	**(5,210)**
Cash Flows from Investing Activities			
Proceeds from Sale of subsidiary		4,358	–
Sale/(Purchase) of Plant and Equipment		–	(5,135)
Settlement for Expropriated Assets		–	18,863
Repayments from Joint Venture company		2,417	3,381
Net Cash generated from/(Used in) Investing Activities		**6,775**	**17,109**
Net Cash Inflow/(Outflow) before Financing Activities		**1,227**	**11,899**
Cash Flows from Financing Activities			
Issue of Shares (Net of Costs)		–	468
Deferred Consideration		(1,237)	(125)
Loan Drawdowns		1,861	3,170
Loan Principal Repayments		(1,707)	(18,859)
Loan Interest Repayments		(41)	–
Net Cash (Used in)/Generated from Financing Activities		**(1,124)**	**(15,346)**
Decrease in Cash and Cash Equivalents		**103**	**(3,447)**
Cash and Cash Equivalents at start of year		283	3,730
Cash and Cash Equivalents at end of year		**386**	**283**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Cash Flows from Operating Activities			
Cash (Used in)/Generated from Operations	27	(4,070)	(4,397)
Net Cash (Used in)/Generated from Operations		**(4,070)**	**(4,397)**
Cash Flows from Investing Activities			
Investment in and Loans to subsidiaries and joint venture company		(1,511)	(2,919)
Loan Repayments by joint venture company		–	3,382
Loan Repayment from subsidiary		5,407	3,323
Net Cash Generated from/(Used in) Investing Activities		**3,896**	**3,786**
Net Cash Outflow before Financing Activities		**(174)**	**(611)**
Cash Flows from Financing Activities			
Issue of Shares (Net of Costs)		–	468
Loan Drawdowns		1,861	278
Loan Principal Repayments		(1,261)	(155)
Loan Interest Repayments		(41)	–
Net Cash Generated from Financing Activities		**559**	**591**
Increase/(Decrease) in Cash and Cash Equivalents		385	(20)
Cash and Cash Equivalents at start of year		1	21
Cash and Cash Equivalents at end of year		**386**	**1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	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**
Balance at 1.1.14		**11,145**	**67,369**	**(962)**	**107**	**(17,199)**	**–**	**1,050**	**61,510**	**142**	**61,652**
Issue of Share		83	467	–	–	–	–	–	550	–	**550**
Share Issue Costs		–	(82)	–	–	–	–	–	(82)	–	**(82)**
Charge for Share Options		–	–	–	39	–	–	–	39	–	**39**
Transfer to Other Reserve		–	(45,000)	–	–	–	45,000	–	–	–	**–**
Non-controlling Interest Transfer to Assets for Sale		–	–	–	–	–	–	–	–	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		**–**	**–**	**(2,249)**	**146**	**(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**
Non-controlling Interest Transfer to Assets for Sale		–	–	–	–	–	–	–	–	(283)	**(283)**
Share option/Plant Reserve		–	–	–	(146)	1,196	–	(1,050)	–	–	**–**
Total Transactions with Owners		**–**	**–**	**–**	**(146)**	**1,196**	**–**	**(1,050)**	**–**	**(283)**	**(283)**
Loss for year including Minority Loss		–	–	–	–	(20,032)	–	–	(20,032)	–	**(20,032)**
Exchange Differences		–	–	999	–	–	–	–	999	–	**999**
Total Comprehensive Loss		**0**	**0**	**999**	**0**	**(20,032)**	**0**	**0**	**19,033**	**0**	**(19,033)**
Balance at 31.12.15		**11,228**	**22,754**	**(2,212)**	**0**	**(39,262)**	**45,000**	**0**	**37,508**	**0**	**37,508**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM £'000	SHARE OPTION RESERVE £'000	RETAINED EARNINGS £'000	OTHER RESERVE £'000	**TOTAL £'000**
Balance at 1.1.14		**11,145**	**67,369**	**107**	**(8,486)**	**0**	**70,135**
Transactions with owners							
Issue of Share		83	467	–	–	–	**550**
Issue Costs		–	(82)	–	–	–	**(82)**
Charge for Share Options		–	–	39	–	–	**39**
Transfer to Other Reserve		–	(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**
Transactions with owners							
Issue of share		–	–	–	–	–	**–**
Issue costs		–	–	–	–	–	**–**
Cancel charge for share options		–	–	(146)	146	–	**–**
Transfer to Other Reserve		–	–	–	–	–	**–**
Total transactions with owners		**–**	**–**	**(146)**	**146**	**–**	**–**
Loss for the year		–	–	–	(33,771)	–	**(33,771)**
Total Comprehensive Loss		**–**	**–**	**–**	**(33,771)**	**–**	**(33,771)**
Balance at 31.12.15		**11,228**	**22,754**	**–**	**(41,146)**	**45,000**	**37,836**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015. The Directors have continued to adopt the going concern basis for the preparation of these financial statements. During 2015 the Group continued to receive funds from Argentina in service of the loans to the joint venture, whilst also selling the Canchayllo development in Peru.

Since the year end, the Company has been in advanced negotiations for prospective sales of Group assets in two separate jurisdictions in South America. At the time of this report there can be no guarantee that these sales will conclude. There exists uncertainty as to the timing of the sales of these assets as well as the quantum of the corresponding proceeds. The Company expects to make announcements as necessary regarding the progress of these sales in the near future.

Until there is a disposal of assets, the Company is dependent on the continued forbearance of its creditors as it will require additional funds within the next twelve months. The Directors are pursuing alternative sources of working capital until disposal receipts are assured, none of these have been assured yet. These conditions indicate the existence of a material uncertainty that may cast significant doubt over the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. On the basis that the Group receives these disposal proceeds or the alternative sources of working capital, the Directors have assessed that the Group would have 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.

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
IFRS 15	Revenue from contracts with customers	01/01/2018
IFRS 16	Leases	01/01/2019

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.

IFRS 15 & 16 'Revenue from contracts with customers' & 'Leases'

The Directors have not completed their assessment of the impact of the adoption of these standards.

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 2015. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 at the beginning of the year was disposed of as at 18 June 2015.

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 (2014: 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:

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.

2.9 Non-current Assets Held for Sale and Discontinued Operation.

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.

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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.
"Plant reserve" in prior year related to the revaluation of Argentine assets.

2.15 Pensions

During the year under review, the Group did not operate or contribute to any pension schemes (2014: 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. 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 27). 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.

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FOR THE YEAR ENDED 31 DECEMBER 2015

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 27.

The following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2015 and 2014 for each geographic segment.

a) 12 months to 31.12.2015	ARGENTINA £'000	CHILE £'000	PERU £'000	UK £'000	BOLIVIA £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	9,099	–	–	179	–	(9,099)	**179**
Cost of sales	(6,080)	–	–	(22)	–	6,080	**(22)**
Gross profit/(loss)	**3,019**	**–**	**–**	**157**	**–**	**(3,019)**	**157**
Administrative expenses	(684)	(139)	(1,760)	(2,573)	–	721	**(4,435)**
Profit/(loss) from operations	**2,335**	**(139)**	**(1,760)**	**(2,416)**	**–**	**(2,298)**	**(4,278)**
Other (expense)/income	(13,313)	(2,345)	(245)	(1,669)	–	–	**(17,572)**
Foreign exchange (losses)/gains	(2,956)	(165)	(1,828)	1,887	–	2,956	**(106)**
Finance income	–	(802)	(508)	3,695	–	–	**2,385**
Finance expense	(701)	–	(361)	(88)	–	692	**(458)**
(Loss)/profit before tax	**(14,635)**	**(3,451)**	**(4,702)**	**1,409**	**–**	**1,350**	**(20,029)**
Tax expense	(403)	–	(3)	–	–	403	**(3)**
(Loss)/profit for the year	**(15,038)**	**(3,451)**	**(4,705)**	**1,409**	**–**	**1,753**	**(20,032)**
Total assets	16,372	6,688	3,644	41,338	–	(23,906)	**44,136**
Total liabilities	17,740	6,510	718	3,502	–	(21,842)	**6,628**
Capital expenditure	–	–	–	–	–	–	**–**
Depreciation	261	–	45	3	–	(261)	**48**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

b) 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	–	(8,731)	**303**
Write off of accrued income	–	–	–	(3,219)	–	–	**(3,219)**
Cost of sales	(5,579)	–	–	(231)	–	5,579	**(231)**
Gross profit/(loss)	**3,032**	**–**	**–**	**(3,027)**	**–**	**(3,152)**	**(3,147)**
Administrative expenses	(293)	(83)	(661)	(3,208)	–	413	**(3,832)**
Profit/(loss) from operations	**2,739**	**(83)**	**(661)**	**(6,235)**	**–**	**(2,739)**	**(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	11,545	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.

5 EXCHANGE RATE SENSITIVITY ANALYSIS

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

	YEAR ENDED 31.12.15	YEAR ENDED 31.12.14
i) Closing rate		
AR $ (Argentine Peso) to £	19.2522	13.2814
US $ to £	1.4824	1.5532
CLP (Chilean Peso) to £	1,048.2000	940.964
PEN (Peruvian Sol) to £	4.9637	4.5744
ii) Average rate		
AR $ (Argentine Peso) to £	14.3764	12.7777
US $ to £	1.5256	1.6445
CLP (Chilean Peso) to £	1,005.1725	940.528
PEN (Peruvian Sol) to £	4.8183	4.6084

If the exchange rate of sterling at 31 December 2015 had been stronger or weaker by 10 per cent. with all other variables held constant, shareholder equity at 31 December 2015 would have been £2.5 million (2014: £3.3 million) lower or higher than reported.

If the average exchange rate of sterling during 2015 had been stronger or weaker by 10 per cent. with all other variables held constant, the profit for the year would have been £0.2 million (2014: £0.1 million) higher or lower than reported.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6 COST OF SALES

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Expenditure incurred in cost of sales is as follows:		
Cost of Equipment and ancillary costs	–	2
Other	22	229
	22	**231**

7 ADMINISTRATIVE EXPENSES

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	1,728	1,754
Services, legal and professional	1,082	678
Office costs and general overheads	1,539	1,326
Audit services[1]	86	74
	4,435	**3,832**

[1] Audit services include £72.5k (2104: £74.0k) 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. Fees paid to other auditors, in respect of the audit of joint venture companies, amounted to £13.4k (2014: £35k).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

8 EMPLOYEE COSTS

a) Group	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'00.
Aggregate remuneration of all employees and Directors, including social security costs	1,728	1,754

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

	NUMBER	NUMBER
Management	4	5
Development	16	18
Administration	11	22
Total	**31**	**45**

b) Company	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Aggregate remuneration of all employees and Directors, including social security costs	1,405	62

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

	NUMBER	NUMBER
Management	4	5
Administration	5	0
Total	**9**	**5**

In the prior year the majority of costs & staff were included in IPC rather than Rurelec entity.

c) Directors' remuneration, including social security costs

The total remuneration paid to the Directors was £939k (2014: £717k). The total remuneration of the highest paid Director was £267k (2014: £230k). Other emoluments paid were health insurance costs, there were no bonuses, pension costs or share based payments paid during the year (2014: Nil)

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
	Base Salary/Fee Inc. Social Security	Other Emoluments	Total	Total
P. Earl	263	4	267	230
E. Shaw	205	3	208	177
A. Morris	189	3	192	212
M. Blanco	30	–	30	24
L. Coben	–	–	–	15
C Emson	25	–	25	29
B Rowbotham	30	–	30	30
P Galante	7	–	7	–
M Keegan	84	–	84	–
S Morris	96	–	96	–
Total	**929**	**10**	**939**	**717**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

9 (a) OTHER EXPENSE

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Foreign exchange (losses)/gains	(106)	2,180
Total	**(106)**	**2,180**

(b) OTHER EXPENSE

Loss on Bolivia settlement	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Loss on settlement of Claim – Bolivia[1]	–	(376)
Arbitration Costs/Cost Reduction[2]	–	259
Impairment charge on intangible in IPC[3]	–	(691)
Total	**–**	**(808)**

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 $31.5 million or £19.1 million which is made up of £17.5 million compensation claim and interest of £1.6 million. The carrying value of the claim, excluding interest and reimbursement of costs, as at 31 December 2012 was £47.0 million and therefore the loss was £29.5 million. 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 £4.9 million has been taken as a charge in 2013, in 2014 these costs were reduced by £259k in agreement with the suppliers.

3 Following disposal goodwill in IPC has been written off in 2014 impairment testing for IPC resulted in an impairment of £691k, see Note 15 for further details.

(c) OTHER EXPENSE

Birdsong Loan Expense	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Birdsong loan participation expense – CVR costs[1]	–	416
Total	**–**	**416**

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.

(d) OTHER EXPENSE

	YEAR ENDED 31.12.15 £'000
Realised loss on disposal	
IPC	1,669
Impairment provisions	
Argentina	13,313
Peru	245
Chile (Africa Project)	2,345
Total interest income	**17,572**

10 FINANCE INCOME & EXPENSE

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Inter-group interest received/receivable[1]	2,376	2,450
Withholding Tax write back	–	117
Bank interest	9	–
Total interest income	**2,385**	**2,567**
Interest expense paid/payable on bank borrowings and loans[2]	(458)	(312)

[1] Inter-group interest arises on loans by the Company to its 50 per cent. owned joint venture companies (PEL and EdS). 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. The details of the amounts due under the loans are shown in Note 25.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

11 TAX EXPENSE

The relationship between the expected tax expense at basic rate of 20 per cent. (2014: 21.50 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'00.
Result for the year before tax	(20,029)	(2,936)
Standard rate of corporation tax in UK	20.00%	21.50%
Expected tax credit	(4,006)	(632)
Permanent differences	(3)	(8)
Unrecognised loss carried forward	4,006	632
Actual tax expense	**(3)**	**(8)**
Comprising:		
Current tax expense	(3)	(8)
Deferred tax/(net credit)	–	–
Total credit (expense)	**(3)**	**(8)**

The expected tax credit for the year £4.0 million is not recognised as an asset due to the uncertainty and unknown timing of its realisation against future profits. The accumulated unrecognised deferred tax asset is £7.8 million.

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 31.12.15	YEAR ENDED 31.12.14
Average number of shares in issue	561,387,586	561,181,121
Effect of dilution – share options outstanding	–	–
Result for the year		
Loss attributable to equity holders of the parent	£(20.0)m	£(2.9)m
Basic loss per share	(3.57p)	(0.52p)
Diluted loss per share	(3.57p)	(0.52p)

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

13 HOLDING COMPANY'S RESULT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the holding company's income statement is not shown separately in the financial statements. The loss for the year was £33.8 million due to impairments for loans to Argentine joint venture in the year of £13.3 million, impairments re operations in Peru of £7.6 million, impairments re Termonor project in Chile of £2.3 million (2014: profit £1.0 million) and the loss on disposal of IPC £1.7 million. There are also Impairment provisions for the investment in Argentina £8.2 million and impairment provisions for loans to Chile £2.5 million.

14 PROPERTY, PLANT AND EQUIPMENT

	LAND £'000	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group				
Cost at 1.1.14	**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**	**22,190**
Exchange adjustments	–	–	(1,408)	**(1,408)**
Transfer of Assets Held for Sale	–	–	–	**–**
Impairments	(72)	(60)	(1,364)	**(1,496)**
Cost at 31.12.15	**–**	**16,195**	**3,091**	**19,286**
Accumulated Depreciation at 1.1.14	–	9	–	**9**
Exchange adjustments	–	–	–	**0**
Charge for the year	–	12	–	**12**
Accumulated Depreciation at 31.12.14	**–**	**21**	**–**	**21**
Exchange adjustments	–	–	–	–
Charge for the year	–	48	–	**48**
Transfer of Assets Held for Sale	–	–	–	**–**
Accumulated Depreciation at 31.12.15	**–**	**69**	**–**	**69**
Net book value – 31.12.15	**–**	**16,126**	**3,091**	**19,217**
Net book value – 31.12.14	**72**	**16,234**	**5,853**	**22,169**

The Property, plant and equipment of £16.2 million mainly relates to two turbines valued at £16.2 million. Plant under construction comprises of plant in Chile £3.1 million and Peru. 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 2015	**1,321**
Disposal of IPC	(1,298)
At 31 December 2015	**23**
At 1 January 2014	1,792
Additions	220
Impairment	(691)
At 31 December 2014	**1,321**

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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. (2014 – 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.

Central Illapa SA is a wholly owned subsidiary of Rurelec PLC, the goodwill on acquisition was £23k.

16 TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
a) Group – non-current		
Trade receivables	–	100
Amounts due from joint venture companies[1]	–	23,093
Other receivables and prepayments	–	19
	–	**23,212**

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

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
b) Group – current		
Trade receivables	607	38
Other receivables and prepayments	20,259	9,562
	20,866	**9,600**

Other receivables and prepayments include £20.1 million due from PEL and EdS.

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
c) Company – Non-current		
Amounts owed by subsidiary companies	–	27,505
Amounts owed by joint venture companies	–	23,094
	–	**50,599**

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
d) Company – current		
Loans to Joint Ventures[2]	20,103	–
Loans to Subsidiaries[1]	4,149	–
Other receivables and prepayments	405	38
	24,657	**38**

The amounts owed by subsidiary companies include:

[1] Loans to subsidiaries in Chile £7.8 million and Peru £8.5 million are repayable on demand. At a group level, these loans have been impaired to £3.0 million in Chile and by £1.1 million in Peru. 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 2016.

[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. During the period the Group received US $3.7 million from EdS in service of the amounts due £6.7 million (2014: £8.6 million) is secured by a first charge against the assets of EdS.

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 INVENTORIES

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Company – Inventories		
Inventories	16,195	16,195

Inventories comprises of two Siemens 701DU Turbines acquired from IPSA Group plc in June 2013.

18 CASH AND CASH EQUIVALENTS

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
a) Group		
Cash and short-term bank deposits	386	283
b) Company		
Cash and short-term bank deposits	386	1

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

19 SHARE CAPITAL

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
In issue, called up and fully paid		
561,387,586 ordinary shares of 2p each (2014: 561,387,586)	11,228	11,228

20 SHARE OPTION RESERVE

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Balance at 1 January 2015	**146**	**107**
Change for the Year	–	39
Cancellation of share option scheme	(146)	–
Balance at 31 December 2015	**–**	**146**

21 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.

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 £1.2 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.

22 TRADE AND OTHER PAYABLES

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
a) Group – current		
Trade payables	2,856	4,046
Accruals	–	377
	2,856	**4,423**
b) Company – current		
Trade payables	2,592	4,193
Accruals	–	788
	2,592	**4,981**

23 TAX LIABILITIES

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Group – current		
P.A.Y.E.	–	84
VAT	–	(14)
	–	**70**

24 BORROWINGS

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Group – Current		
Other Loans	3,054	3,164
	3,054	**3,164**
Group – Total Borrowings	**3,054**	**3,164**
The Group's borrowings are repayable as follows:		
Within 1 year	3,054	3,164
In more than 1 year, but less than 2 years	–	–
In more than 2 years, but less than 3 years	–	–
In more than 3 years	–	–
	3,054	**3,164**
Company – Current		
Other Loans	910	–
	910	–
Company – Total Borrowings	**910**	**–**
The Group's borrowings are repayable as follows:		
Within 1 year	910	–
In more than 1 year, but less than 2 years	–	–
In more than 2 years, but less than 3 years	–	–
In more than 3 years	–	–
	910	**–**

Group

Other loans of £3.1 million including accrued interest are made up of £2.2 million from Technology Finance Ltd £0.6 million loans from Radix Investments (UK) Ltd repaid after the year end and £0.3 million due to Grange Capital Ltd of which £0.1 million has been repaid after the year end.

Company

Other loans of £0.9 million including accrued interest are made up of £0.6 million loans from Radix Investments (UK) Ltd repaid after the year end and £0.3 million due to Grange Capital Ltd of which £0.1 million has been repaid after the year end.

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 had a nominal impact on earnings.

Sensitivity analysis to changes in exchange rates:

Only US $375k of these loans are denominated in US $. These are included in liabilities held for sale. 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 £5k (2014: £12k).

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.

25 INVESTMENTS

	YEAR ENDED 31.12.14 £'000
Cost at 1 January 2014	**16,743**
Additions during the year	
Investment in Termoelectrica del Norte S.A. – Disposal by Entity	(4,190)
Investment in Central Illapa S.A. – Disposal by Entity	(33)
Investment in Electricidad Andina S.A. – Disposal by Entity	(63)
Cost at 31 December 2014	**12,457**
Impairment Loss in IPC	(2,702)
Balance at 31 December 2014	**9,755**

	YEAR ENDED 31.12.15 £'000
Cost at 1 January 2015	**9,755**
Additions during the year	
Impairment in Cascade Hydro Limited	(179)
Impairment in Patagonia Energy Ltd	(8,178)
Disposal of IPC	(1,298)
Balance at 31 December 2015	**100**

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

1. 50 per cent. (2014: 50 per cent.) of the issued share capital of Patagonia Energy Limited ("PEL"), a company registered in the British Virgin Islands under registration number 620522. PEL owns 100 per cent. of the issued share capital of Energia del Sur S.A. ("EdS"), a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina.

2. 100 per cent. (2014: 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..

3. 100 per cent. (2014: 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 Colca, S.A.C., both being companies registered in Peru. During 2013, Rurelec acquired the remaining 30 per cent. minority stake in CHL by way of an exchange of shares. The minority shareholders received 1,737,116 new Rurelec shares for their holdings in CHL, issued at a price of 12.5 pence per share, an aggregate consideration of £217,139.

4. 100 per cent. (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

26 JOINT VENTURE

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. 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.

The Group does not participate in losses of the joint venture. In prior years the losses had exceeded the investment in the joint venture and therefore the Group does not recognise its share of losses in the joint venture.

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 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Revenue	18,198	17,222
Expenses	(13,529)	(11,158)
Foreign Currency Exchange	(5,912)	(3,348)
Net/(loss) profit	**(3,450)**	**42**
Rurelec share of net/(loss) profit	(1,725)	21
Total assets	16,372	24,322
Total liabilities	(17,740)	(22,567)

27 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
a) Group		
Loss for the year before tax	**(20,029)**	**(2,936)**
Net finance income	(1,927)	(2,255)
Adjustments for: depreciation	48	12
Unrealised exchange gains	106	(2,180)
Movement in share option reserve	–	39
Write down of loans	15,903	–
Loss on disposal	1,669	–
Impairment of goodwill	–	691
Deferred consideration	–	–
Movement in working capital:		
Change in trade and other receivables	(1,366)	5,426
Change in trade and other payables	51	(3,687)
Cash used in operations	**(5,545)**	**(4,890)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
b) Company		
(Loss)/profit for the year before tax	**(33,771)**	**965**
Net finance income	(3,482)	(3,380)
Adjustments for:		
Unrealised exchange (gains) on loans	(1,819)	(2,057)
Movement in share option reserve	–	39
Write down of investments	8,357	2,703
Write down of loans	26,684	–
Loss on disposal	1,669	–
Reclassification of investment to receivables	–	5,881
Movement in working capital:		
Change in trade and other receivables	1,062	(8,384)
Change in trade and other payables	(2,770)	(164)
Cash used in operations	**(4,070)**	**(4,397)**

28 FINANCIAL RISK MANAGEMENT

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

a) Foreign currency risk

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

b) Interest rate risk

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

c) Capital management policies and liquidity risk

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

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

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

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

As set out in Note 25, the Group has £3.1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Current – due within 1 year:		
Trade payables	2,856	4,493
Borrowings	3,054	3,164
Total due within 1 year:	**5,910**	**7,657**
Non-current – due in more than 1 year but less than 5 years		
Borrowings	Nil	Nil

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 2015	PARENT LOANS AND RECEIVABLES £'000	PARENT BORROWINGS AND PAYABLES AT AMORTISED COST £'000	GROUP LOANS AND RECEIVABLES £'000	GROUP BORROWINGS AND PAYABLES AT AMORTISED COST £'000
Trade and Other Receivables > 1 year	–	–	–	–
Trade and Other Receivables < 1 year	24,657	–	20,835	–
Cash and Cash Equivalents	386	–	386	–
Trade and Other Payables > 1 year	–	–	–	–
Trade and Other Payables < 1 year	–	(2,592)	–	(2,856)
Borrowings > 1 year	–	–	–	–
Borrowings < 1 year	–	(910)	–	(3,054)
Total	**25,043**	**(3,502)**	**21,221**	**(5,910)**

31 December 2014	PARENT LOANS AND RECEIVABLES £'000	PARENT BORROWINGS AND PAYABLES AT AMORTISED COST £'000	GROUP LOANS AND RECEIVABLES £'000	GROUP 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)**

29 CAPITAL COMMITMENTS

The Group had outstanding capital commitments of £Nil (2014: Nil) in respect of plant ordered but not delivered at the year-end.

30 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 $5.1 million/£3.4 million (2014: US $5.6 million/£3.6 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.

31 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 £0.9 million (2014: £0.6 million).

ii) Paid, to its former 100 per cent. subsidiary Independent Power Corporation PLC ("IPC") £0.1 million under a "Shared Service Agreement".

iii) Charged interest on loans to its 100 per cent. subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £528k. The loan balance outstanding at the year end was £6.9 million.

iv) Charged interest on loans to its 50 per cent. owned joint venture company, Patagonia Energy Ltd ("PEL") amounting to £2.2 million. The loan balances at the year end totalled £20.1 million. Interest on these loans has been accrued at between 8 and 18.5 per cent..

v) Received from its joint venture company Energia del Sur S.A. ("EdS") repayments totalling £0.0 million of support previously given to creditors of EdS. £0.7 million of credit support remains outstanding at the year end.

vi) a) Charged IPSA Group PLC ("IPSA") £60k under a "Shared Service Agreement". b) Repaid £1.2 million of deferred consideration on the 2013 turbine purchase, £1.3 million remains outstanding at the year end. P.R.S. Earl and E.R. Shaw were Directors of IPSA.

vii) Provided loans and charged interest of 0.5 per cent. per month to its 100 per cent. subsidiary Cochrane Power Ltd of £1.2 million. The total outstanding at the year end was £7.8 million. These loans have been impaired to £3.0 million.

viii) Received and provided loans to its 100 per cent. subsidiary Cascade Hydro Ltd ("CHL") of net receipt £1.0 million and charged CHL interest of £560k. The interest rate was 0.5 per cent. per month. The total outstanding at the year end was £8.5 million. These loans have been impaired to £1.1 million.

b) Group

i) A.J.S. Morris loaned CHL £50k in prior years and was repaid £50k in current year and charged interest of £4.4k. The total outstanding at the year end was £9.5k.

ii) E. R. Shaw loaned CHL £94.4k in prior years and was repaid £83.2k and charged interest of £8.1k. The total outstanding at the year end was £11.2k.

iii) RPFL received £2.4 million in repayments from and accrued interest on amounts due from EdS of £0.2 million, the interest rate on the principal was 18.5 per cent., the effective interest rate (on principal and accrued interest) was 0.1 per cent. The total outstanding at the year end was £6.7 million.

32 ASSETS HELD FOR SALE

Assets held for sale relate to three project companies within Peru. 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 were identified, one of which comprises the Canchayllo run of the river plant, sold in July 2015, with the rest of the project companies 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 2016.

Assets Classified as Held for Sale	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Property, Plant and Equipment	–	9,558
Inventories	–	55
Trade and Other Receivables	3,644	8,565
	3,644	**18,178**

Liabilities Classified as Held for Sale	YEAR ENDED 31.12.15 £'000	YEAR ENDED 31.12.14 £'000
Trade and Other Payables	718	10,158
Deferred Tax Liabilities	–	124
	718	**10,282**

33 POST BALANCE SHEET DATE EVENTS

Since the year end, on February 17 the Company entered into a working capital facility arrangement with Bridge Properties (Arena Central) Ltd in the amount of £850k. This amount was used to pay the Radix Investments (UK) Ltd loans. This facility was increased on April 13 by £350k to £1.2 million.

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

COMPANY INFORMATION

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B. Rowbotham (Non-Executive)

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S.A. Laker

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