RURELEC

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Stock code: RUR

RURELEC

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 share of an 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 project in Chile.

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HIGHLIGHTS

Rurelec PLC (AIM: RUR), the electricity utility focused on ownership and operation of power generation plants in Latin America, announces its audited results for the year ended 31 December 2016. The annual report will be posted to shareholders on 28 June 2017.

Highlights

- Focus of the Company has been to continue reducing costs, to stabilise the Company, and to seek certain asset disposals
- Overall loss before tax from continuing operations £9.3 million (2015: £20.0 million)
- Further write downs of assets to values directors believe can be supported in market conditions
- Repayment of a Radix loan plus interest of £621k in February 2016
- Group borrowings of £4.0 million (2015: £3.1 million)
- Loss per share 1.65p (2015: 3.57p)
- Net Asset Value per share 5.6p (2015: 6.7p)
- Qualification in respect of potential accrued interest of Joint Venture partner loans

Commenting on the results Simon Morris, Rurelec's Executive Director, said:

"During 2016 the Company has actively pursued the sale of certain Group assets. This has been carried out against a background of continued cost reductions and cash flow constraints. To date no asset disposals have been achieved. Certain Group assets are currently being marketed.

For most of 2016 liquidity remained an issue, but eased towards the end of the year when cash remittances from the Group's operations in Argentina resumed. This enabled the Company to settle a number of long standing creditor positions. However, liquidity remains an issue for the Group given the recent outage suffered by the operations in Argentina.

The overall loss before tax for the year of £9.3 million reflects further 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. Liquidity remains a critical issue for the Group.

For further information please contact:

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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 share of an 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.

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 2016, which has seen further stabilisation in the Company's financial situation through additional cost cutting. During the course of the year, the Company was offered an extension of its original bridging facility from Bridge Properties (Arena Central) Limited ("BPAC") and entered into an additional small facility from the same lender under the original security, which has provided additional support against the threats that could arise in the event that receipts from Argentina are not as forecast at any time due to operational reasons. Since the year end these facilities have been further extended to the end of June 2018.

Outlook

The Company is well placed in its joint venture of its Argentine asset in a country which is making rapid progress in improving its energy systems to contribute to economic development, sustainability and energy security and where demand continues to grow at around 6% per annum. During the year, CAMMESA, the market administrator, issued tenders for 1.9 GW of new thermal capacity and also launched the RenovAr project to procure 1 GW of renewables as part of Argentina's programme to ensure that at least twenty per cent. of its generation capacity will be provided from renewables by 2025. Energia del Sur S.A. ("EdS") has ready potential to increase its site capacity through an expansion project which is under continuous review and demand in the Chubut region would support the initiative.

By contrast, there has been a downturn in demand in Chile, due to a slowdown in the mining sector and saturation of the transmission system in the north from new renewable projects. Without improvement to the transmission system, and an upturn in demand, it was not, in 2016, opportune to progress the Central Illapa project in Mejillones although all consents to construct the project are now in place. Recently there have been signs that new investment in the mining sector is beginning to pick up and an increase in demand for copper in particular could reverse the recent decline. As a result, we are currently looking at ways in which the project can be further progressed.

During the year, the Company worked towards a sale of the remaining hydro portfolio in Peru for which the prospective purchaser paid for exclusivity for part of the period but the sale unfortunately failed to close and the assets are once again held for sale. As a result, the Company's planned disposals of assets to repay its borrowings are behind schedule.

Nevertheless, the plant in Argentina continues to perform well and represents an attractive asset in a country where investment in the power sector is buoyant. If the intended disposal of non-core assets is achieved in the near future, the Company remains poised to lever off its position as an incumbent generator in a market which continues to expand.

Brian Rowbotham
Non-executive Director
28 June 2017

STRATEGIC REPORT

Strategy

The strategy for the Group continues to be determined by its financial position, the reasons for which are set out in more detail below. The Group will dispose of assets, in particular the hydro portfolio in Peru. The level of ongoing development work continues to be severely restricted due to the Group's financial position. On completion of certain asset sales, the Group can return to a stable financial footing. The Board will then decide whether certain unfinished development work, such as the Central Illapa project in Chile, can be completed. Cost control will remain a key element of the Group's strategy.

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

The liquidity issues facing the Group in early 2016, and the reasons behind them, were fully set out in last year's Strategic Report.

During 2016, BPAC provided new facilities to the Group of £1.6 million, of which £1.52 million has been drawn down. These funds were used to repay the short-term facility and interest thereon from Radix Investments UK Limited of £621,000, and to meet on-going working capital requirements. The BPAC loan was rescheduled on 8 June 2017 for repayment on 30 June 2018.

During the first 8 months of 2016 the cash receipts from our plant in Argentina in Comodoro Rivadavia were severely restricted. In September 2016 the Group started to receive more regular payments from Argentina in respect of the Group's outstanding loans to EdS. This enabled the Company to settle a number of long outstanding creditors. In particular, the Company was able to agree a debt restructuring involving both Ethos Energy Italia S.p.A. and IPSA Group PLC ("IPSA") during February 2017 in respect of outstanding monies in relation to the two Siemens 701DU turbines stored in Italy. The balance of this debt under the restructuring continues to be paid by the Company.

On 31 March 2017, as announced, EdS's plant in Argentina, in which the group has a 50% interest, suffered damage as a result of severe weather conditions, resulting in the plant ceasing to operate for the period until 23 May 2017. This outage caused a short- term reduction in remittances from EdS whilst they re-assessed their financial position. However, the cumulative 2017 receipts at the time of the outage were running ahead of 2016 and following EdS's assessment of their cash position since the plant has recommenced generation they expect full year 2017 remittances to be greater than 2016. Notwithstanding this, and in order to strengthen its position the Board is seeking alternative sources of finance to bridge any potential funding gap, none of which have been secured yet.

Management team

Following the significant changes in the Board during 2015, Brian Rowbotham (non-executive) and I have remained in office throughout 2016. The Board was further strengthened by the appointment of Andy Coveney on 16 November 2016 as finance director. The appointment of Andy has been a very welcome addition to the Board.

I would like to again thank Brian for his continued support through what has been another difficult year for your Company.

Financial results

The operating loss for the year of £12.8 million is an improvement on that incurred last year (2015: £21.9 million). Strict control over administration expenses of £2.4 million (2015: £4.4 million) has given rise to a 45% reduction in this category. Further significant write-downs in the carrying value of certain Group assets totalling £10.5 million (2015: £17.6 million) has led to a marked impact on the results. These write downs reflect the Board's view of the carrying values for the Group's assets in current market conditions. The overall loss before tax for the year was £9.3 million (2015: £20.0 million).

The Group continues to actively market our Peruvian assets for sale. 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 joint venture receipts from Argentina in order to comply with payment arrangements made since the year-end with its creditors. There exists uncertainty as to the timing and the quantum of the receipts from its joint venture in Argentina and for this reason the Directors are, in the meantime, pursuing alternative sources of working capital until disposal receipts are assured, none of which have been secured yet.

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 non-trading items such as negative goodwill. The exclusion of these non-operating items provides an indication of the performance of the underlying businesses. The Group made a loss of £12.8 million in the year (2015 £21.9 million loss).

STRATEGIC REPORT

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 5.6 pence per share (2015 6.7 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 1.65 pence per share in the year (2015: loss of 3.57 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 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 92.6 per cent. due to unplanned and forced outages and a schedule maintenance outage (2015: 94.4 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 £9.3 million (2015: £20.0 million loss). Most of the losses were associated with impairments and loss on disposals of £10.5 million (2015: £17.6 million). The impairment losses were £nil (2015: £13.3 million) for Argentina operations, £1.3 million (2015: £2.3 million), for Chilean operations, excluding the 701 turbine write-down of £6.4 million (2015: nil), £41k (2015: £1.7 million) from the disposal of Independent Power Corporation and £2.7 million (2015: £0.2 million) for Peruvian operations.

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

Group revenue was £0.1 million (2015: £0.2 million), Cost of Sales was £nil (2015: £22k) Operating and Administrative expenses amounted to £2.4 million (2015: £4.4 million). Operating loss was £12.8 million (2015: £21.9 million loss). The loss before tax is £9.3 million (2015: £20.0 million loss). The basic loss per share is 1.65p (2015: 3.57p loss). In 2016, the total assets of £39.1 million (2015: £44.1 million) includes assets of £ 2.2 million (2015: £3.6 million), which are held for sale. Total equity stands at £31.4 million (2015: £37.5 million), or a Net Asset Value 5.6 pence per share (2015: 6.7 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% of EdS's activities the net operating profit for the year was AR$ 111.0 million (2015: AR$ 67.5 million) on revenues of AR$ 375.3 million (2015: AR$ 261.6 million), whilst the gross operating profit was AR$ 333.5 million (2015: AR$ 100.7 million). The net profit for the year in EdS was AR$ 27.6 million (2015: loss AR$ 49.6 million) which included foreign exchange losses of AR$ 34.2 million (2015: AR$ 85.0 million).

As set out in note 26 the Directors have determined that the Group is a joint venture operation and is therefore equity accounted.

Rurelec Chile

The development operations in Chile have expensed limited direct costs in the year of £68k (2015: £139k). Capitalised development costs have accumulated to £ 0.4 million (2015: £1.1 million, including Arica) on the Central Illapa project. In 2016 the Arica project was impaired by £0.3 million (2015: £2.3 million). The development costs associated with the Central Illapa project were not impaired in 2016 or 2015.

Cascade Hydro Power (Peru)

Rurelec has, after IFRS impairments, outstanding loans of £1.3 million (2015: £1.1 million) to the Cascade group at the period end. The other assets of the Cascade group include £2.4 million (2015: £2.1 million) of bonds held by the Ministry of Minerals and Energy in connection with the Colca project.

REVIEW OF OPERATIONS

Argentina

Operations at the power plant continue to allow EdS to show a good availability record. Gross energy output was 3.8 per cent. lower at approximately 871 GWh (2015: 905 GWh), this was due to unplanned and forced outages and scheduled maintenance. The average heat rate of the plant was 8.39 MMBTU/MWh (2015: 8.37). 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 31.12.16 £'000	Year ended 31.12.15 £'000
Revenue attributable to the Group	9,325	8,908
Expenses	(9,198)	(9,109)
Foreign Currency Ex change	(895)	(2,930)
Net loss	(768)	(3,131)
Non-current assets	5,482	7,772
Current assets	4,853	4,236
Non-current liabilities	(19,236)	(15,757)
Current liabilities	(7,989)	(9,339)

Chile

Arica

Following the reassessment of the project the Board is considering deploying the Frame 6B turbine acquired for the project elsewhere. 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 of the future sale of the turbine and the recoverability of the land cost an impairment charge of £1.3 million (2015: £2.3 million) has been recorded in the year.

Central Illapa

The project has continued to make some progress in development.

The Group carrying value for projects are assessed for possible impairments. In light of current local market conditions, in order for the project to be attractive to joint venture partners, the capital value of the 701 Siemens Turbines going into the project has been assessed at $12.0 million. The Directors also obtained an independent valuation produced by a competent person. The report stated that the price in the turbine market has fallen due to an increase in stock levels resulting in the fair value of the turbines being $12.0 million. This represents an impairment of $13.0 million and, after exchange rate differences an impairment of £6.4 million has been charged in 2016 (2015: nil).

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 reduced 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. 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. Exclusive negotiations for the sale of Colca, Chilcay and Huisicancha project companies commenced in late 2015 and continued into 2017. Unfortunately, the prospective buyer pulled out just prior to expected signing. Other alternative prospective purchasers are currently in negotiation. However, at this stage there can be no guarantee that the sales will close. If a sale is completed, then it is expected that net proceeds from the release of the performance bonds will be available to Rurelec.

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, are 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 – there exists significant political risks in areas where 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.

e) Liquidity – The Group needs to be in a position to meet its short-term cash requirements. Please see Going Concern in the Directors Report and note 1b for further details.

The Strategic Report was approved by the Board of Directors on 28 June, 2017 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.

ANDY COVENEY

Finance Director– appointed 16 November 2016

Member of the institute of Chartered Accountants, qualified as Chartered Accountant in 1990. After obtaining a degree in Geology from the University of Durham he joined Deloitte Haskins & Sells, later moving into Corporate Finance advisory work with Coopers & Lybrand. Left the profession in 1993, embarking on a career as finance director/managing director of several manufacturing & distribution businesses, specialising in turn-arounds, cash flow management & profit improvement, including CP Pharmacuticals (Holdings) Ltd, Benders Holdings Ltd & Bernstien Holdings Ltd. He established his own advisory & consultancy business in 2011 to specialise in & invest in business turn arounds & growth companies.

DIRECTOR'S REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2016.

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 (disposed of in 2010) 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, 2016 are set out in the Consolidated Statement of Total Comprehensive Income.

No dividend was paid during the year to 31 December, 2016 (2015: nil).

Share capital

Details of the issued share capital are set out in Note 19.

Going concern

The Company has been in negotiations for prospective sales of Group assets. There exists uncertainty as to the timing of the sales of assets as well as the quantum of the corresponding proceeds.

During 2016 and since the year end the Company has reached payment agreements with and settled certain creditors resulting in an overall reduction in trade and other payables. Until there is a disposal of assets, the Group is reliant on repayments of loans from its joint venture Argentine operations. However, the quantum and timing of such receipts may be subject to variation and are not guaranteed as there is no formal agreement in place. Whilst anticipated loan repayments from the joint venture are expected to be sufficient to meet the working capital requirements for the Group, the Directors are considering raising additional facilities to increase headroom.

The Group's 100% subsidiary Cascade Hydro Ltd has outstanding third party loans of £2.4 million (2015: £2.2 million). These loans have not been repaid in accordance with their original payment schedules. Further details are set out in Note 24.

On the basis that the Group receives the joint venture remittances referred to above 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:

Brian Rowbotham – Non-Executive Director

Simon Morris – Executive Director

Andy Coveney – Executive Director (appointed 16 November 2016)

Directors' interests

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

	23.06.2017	**31.12.2016**	**31.12.2015**
Brian Rowbotham	450,000	450,000	450,000

Significant shareholdings in the Company

In addition to the shareholdings shown above, the Company is aware of the following interests of 3 per cent or more in the issued ordinary share capital of the Company notifiable at 23 June 2017, 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 28.

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 Saffery Champness LLP.

On behalf of the Board

Susan Laker
Company Secretary
28 June, 2017

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Policy Statement

The Board is committed to applying high standards of corporate governance and integrity to all our activities. As the Company is listed on the AIM Market of London Stock Exchange PLC, it is not required to comply with all aspects of the UK Corporate Governance Code 2014 (the "Code"). The Group does not comply with the Code. However, the Board has been briefed on the Code and is accountable to the Company's shareholders for good corporate governance and therefore seeks to draw on those aspects of the Code that are considered to be relevant to the Group.

Board of Directors

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 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 items, disposals, annual budgets and financing matters.

The Board appoints its members and those of its principal committees following the recommendations of the Nominations and Remunerations Committees. The Board regularly reviews the identification, evaluation and management of the principal risks faced by the Group and the effectiveness of the Board's internal controls. The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that the accounting policies, in particular in relation to income recognition are appropriate. Financial results with comparison to budget and forecast results are reported to the Board on a regular basis, together with commercial reports on operational issues. Significant variances from budget or strategy are discussed at Board meetings and actions set in place to address them.

The Board comprises one Non-Executive Director and two Executive Directors: the Chief Executive Officer and the Finance Director. All Directors are involved in significant decisions.

Board and committee meetings are scheduled in line with the financial calendar of the Group. The timing of meetings ensures that the latest operational detail is available and that appropriate time and focus can be given to matters under consideration. The Board met 18 times throughout the year to discuss a formal schedule of business.

Roles of Non-Executive Director and CEO

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Group's business so as to ensure that no one person has unrestricted powers of decision.

The Non-Executive Director is responsible for leadership of the Board ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure that they are delivered upon.

Composition of and Appointments to the Board

The Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new directors to the Board, there should be a formal, rigorous and transparent process.

The Board comprises one Non-Executive Director, Brian Rowbotham who is regarded by the Board as independent in character and judgement and two Executive Directors. The sole Executive Director and Chief Executive Officer for most of the year was Simon Morris. On 16 November 2016, Andrew Coveney was appointed as Finance Director to strengthen leadership in financial management and reporting. Simon Morris and Andrew Coveney form the management team. Short biographies of the Directors are given on page 6.

The Board is satisfied with the balance between executive and non-executive directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executive and non-executive directors.

Each member of the Board brings different experience to the Board and the Board Committees. The Board is satisfied that there is sufficient diversity in the Board structure to bring a balance of skills, experience, independence and knowledge to the Group. It is noted that the non-executive director holds shares in the Company but the Board consider that this does not impact his independence.

The Code requires that the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and Directors. The Board reviews its composition annually to ensure there is adequate diversity to allow for its proper functioning and that the Board works effectively as a unit.

When a new appointment is made to the Board, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition.

Re-election

Under the Code, the Directors should offer themselves for re-election at regular intervals. Additionally, under the Company's Articles of Association, at least one third of the directors who are subject to retirement by rotation are required to retire and may be proposed for re-election at each annual general meeting ("AGM"). New directors who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

Internal Controls

The Board takes responsibility for establishing and maintaining reliable systems of control in all areas of operation. These systems of control, especially financial control, can only provide reasonable but not absolute assurance against material misstatement or loss.

The key matters relating to the systems of internal control are set out below:

- the Company operates a comprehensive system for reporting financial and non-financial information to the Board including review of strategy and financial budgets.
- financial performance is reviewed against budget, forecast and other performance indicators with action dictated according to each meeting.
- sufficient resource is focused to maintain and develop internal control procedures and information systems especially in financial management.

The Board considers that there have been no substantial weaknesses in internal financial controls that have resulted in any material losses, contingencies or uncertainties that have to be disclosed in the accounts.

Information and Development

The Code requires that the Board should be supplied in a timely fashion with information in a form and of a quality appropriate to enable it to discharge its duties.

Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by external advisors, the Finance Director and legal counsel. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

Investor Relations

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, The Directors hold meetings with institutional shareholders to discuss and review the Group's activities and objectives. Communication with private shareholders is largely through the Annual General Meeting ("AGM"), where participation is encouraged and where the Board is available to answer questions.

The AGM is used to communicate with institutional and private investors with whom dialogue is encouraged. Directors also undertake consultation with major shareholders from time to time. Feedback is reported to the Board so that all Directors develop an understanding of the views of major shareholders. Trading updates and press releases are issued as appropriate and are available on the Company's website, where up to date information is maintained on the investor section at www.rurelec.com.

Every shareholder has access to a full annual report each year end and an interim report at the half year end. Care is taken to ensure that any price sensitive information is released to all shareholders at the same time in accordance with London Stock Exchange requirements.

AIM Rules Compliance Report

Rurelec is quoted on AIM, London Stock Exchange's market for small cap companies. Rurelec complies with the AIM Rules, in particular AIM Rule 31 which requires the following:

- to have in place sufficient procedures, resources and controls to enable compliance with the AIM Rules;
- to seek advice form the Nominated Adviser ("Nomad") regarding its compliance with the AIM Rules whenever appropriate and to take that advice into account;
- to provide the Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nomads, including any proposed changes to the Board and to provide draft RNS notifications in advance;
- to ensure that each of the Directors accepts full responsibility collectively and individually for compliance with the AIM Rules;
- to ensure that each Director discloses without delay all information which the Company needs to disclose in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

Audit Committee

The Audit Committee comprises Brian Rowbotham as Chairman of the Committee and Simon Morris. Mr Rowbotham and Mr Morris are Chartered 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 three times to discuss previous auditors partner extension, review the draft half year and annual financial statements.

The Audit Committee considered the appointment of new auditors for the Company after the current auditors, Grant Thornton was coming to the end of an eleven year tenure and also since the current senior auditor, Chris Smith, had been in place for six years, an additional year to the maximum of five years of representation. A tender for new auditors for the Company and its group of companies was carried out and under the recommendation of the Audit Committee, Saffery Champness LLP was appointed as external auditor of Rurelec PLC and its group of companies.

Remuneration Committee

The Remuneration Committee comprises Brian Rowbotham who reviews the remuneration policy for the Executive Directors 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 8.

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2016

Nomination Committee

The Nomination Committee presently comprises Brian Rowbotham. The Committee is responsible for monitoring the composition of the Board and makes recommendations to the Board on all new Board appointments and succession planning. The Board has not used external consultants in the appointment of Directors. All Directors are subject to re-election by shareholders in accordance with the Company's Articles of Association.

Health, Safety and Environmental Protection Policy

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

Share Dealing Code

The Company has issued a new Share Dealing Code in compliance with its obligations under the Market Abuse Regulations which covers dealings by Persons Discharging Managerial Responsibilities ("PDMRs") and certain employees of the Company and its subsidiaries. The Share Dealing Code restricts dealings in shares during designated closed periods and at any time when in possession of unpublished price sensitive information.

Compliance Statement

The Board recognises that the Company is not obliged to and does not comply with the Code. The board constantly monitors its compliance and opportunities to improve.

Susan Laker
Company Secretary
28 June 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

Independent auditors' report to the members

We have audited the financial statements of Rurelec Plc for the year ended 31 December 2016 set out on pages 15 to 48. 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for Qualified Opinion

The Annual Report discloses the Group's share of assets and liabilities of Patagonia Energy Limited, in which it holds a 50% interest. Included within the joint venture's liabilities of £54.5m, as disclosed in Note 26, is US$6.31m payable to Basic Energy Limited, the joint venture partner. No accrued interest has been reflected in these financial statements and we were unable to obtain sufficient audit evidence in respect of potential accrued interest. The Group did not have appropriate evidence that no accrued interest was payable and Basic Energy Limited have not confirmed the total accrued interest that is owed to them.

Opinion on financial statements

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

- the financial statements give a true and fair view of the state of affairs of the group and the parent company as at 31 December 2016 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 qualified, we considered the adequacy of disclosures made on Page 23 of the financial statements concerning the going concern status of the Company. In order to meet trade payables and borrowings falling due within one year, the Company is dependent on the continuing receipt of loan repayments from Energia del Sur SA. There is no formal agreement in place for the repayment of the loan resulting in a material uncertainty that casts doubt on the Company's ability to continue as a going concern.

Emphasis of matter – Realisation of assets

In forming our opinion on the financial statements, which is qualified, we considered the adequacy of disclosures made in Note 9b and 16b to the financial statements concerning loans to Group undertakings and inventories.

The realisation of amounts due from Group undertakings of £10.34m included within the Company Statement of Financial Position are dependent on the realisation of assets held in those Group undertakings which is uncertain.

The realisation of inventories of £9.7m included within the Company Statement of Financial Position is dependent on achieving either the sale of these assets or the successful development of the Illapa project, which are uncertain.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Jamie Cassell
(Senior Statutory Auditor)

For and on behalf of

Saffery Champness LLP
Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London
EC4V 4BE

28 June 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Revenue	4	95	179
Cost of Sales	6	–	(22)
Gross Profit		**95**	**157**
Administrative Expenses	7	(2,420)	(4,435)
Other Expense	9B	(10,500)	(17,572)
Operating Loss		**(12,825)**	**(21,850)**
Share of Joint Venture Profit/(Loss)	26	–	–
Foreign Exchange Gains/(Losses)	9a	1,243	(106)
Finance Income	10	2,683	2,385
Finance Expense	10	(355)	(458)
Loss before Tax		**(9,254)**	**(20,029)**
Tax Expense	11	(4)	(3)
Loss for the year attributable to owners of the Company		**(9,258)**	**(20,032)**
Earnings per Share	12		
Basic Loss per Share		(1.65)	(3.57)
Diluted Loss per Share		(1.65)	(3.57)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Loss for the year		**(9,258)**	**(20,032)**
Other Comprehensive Income/(Loss) for the year:			
Items that will be subsequently Reclassified to Profit & Loss:			
Exchange Differences on translation of Foreign Operations		3,171	999
Total Other Comprehensive Income/(Loss)		**3,171**	**999**
Total Comprehensive Loss for year attributable to owners of the Company		**(6,087)**	**(19,033)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Assets			
Non-current Assets			
Property, Plant and Equipment	14	11,176	19,217
Intangible Assets	15	29	23
Investment in Joint Venture	26	–	–
		11,205	**19,240**
Current Assets			
Trade and Other Receivables	16a	24,761	20,866
Cash and Cash Equivalents	18	960	386
		25,721	**21,252**
Assets classified as held for sale	32	**2,207**	**3,644**
Total Assets		**39,133**	**44,136**
Equity and Liabilities			
Shareholders' Equity			
Share Capital	19	11,228	11,228
Share Premium Account	21	22,754	22,754
Foreign Currency Reserve		958	(2,212)
Share Option Reserve	20	–	–
Other Reserves		–	–
Special Non-distributable Reserve	21	45,000	45,000
Retained Earnings		(48,520)	(39,262)
Total Equity attributable to owners of the Company		31,420	37,508
Non-controlling interests		–	–
Total Equity		31,420	37,508
Current Liabilities			
Trade and Other Payables	22a	2,434	2,856
Current Tax Liabilities	23	12	–
Borrowings	24	4,037	3,054
		6,483	**5,910**
Liabilities classified as held for Sale	32	**1,230**	**718**
Total Liabilities		**7,713**	**6,628**
Total Equity and Liabilities		**39,133**	**44,136**

The financial statements were approved by the Board of Directors on 28 June 2017 and were signed on its behalf by Andy Coveney (Executive Director) and Brian Rowbotham (Non-executive Director).

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016 COMPANY NUMBER 4812855

	NOTES	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Assets			
Non-current Assets			
Investments	25	100	100
		100	100
Current Assets			
Inventories	17	9,755	16,195
Trade and Other Receivables	16b	27,989	24,657
Cash and Cash Equivalents	18	955	386
		38,699	**41,238**
Total assets		**38,799**	**41,338**
Equity and liabilities			
Shareholders' equity			
Share Capital	19	11,228	11,228
Share Premium Account	21	22,754	22,754
Share Option Reserve	20	–	–
Other Reserves	21	45,000	45,000
Retained Earnings		(43,921)	(41,146)
Total Equity		**35,061**	**37,836**
Current Liabilities			
Trade and Other Payables	22b	2,065	2,592
Current tax liabilities	23	12	–
Borrowings		1,661	910
		3,738	**3,502**
Total Equity and Liabilities		**38,799**	**41,338**

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £2.8 million (2015: £33.8 million).

The financial statements were approved by the Board of Directors on 28 June, 2017 and were signed on its behalf by Andy Coveney (Executive Director) and Brian Rowbotham (Non-executive Director).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Cash Flows from Operating Activities			
Cash used in Operations	27	(2,066)	(5,545)
Taxation Paid		–	(3)
Net Cash used in Operating Activities		**(2,066)**	**(5,548)**
Cash Flows from Investing Activities			
Proceeds from Sale of subsidiary		–	4,358
Loan Repayments from Joint Venture company		2,311	2,417
Net Cash generated from Investing Activities		**2,311**	**6,775**
Net Cash Inflow before Financing Activities		**245**	**1,227**
Cash Flows from Financing Activities			
Settlement of Deferred Consideration		(321)	(1,237)
Loan Drawdowns		1,500	1,861
Loan Principal Repayments		(830)	(1,707)
Loan Interest Repayments		(20)	(41)
Net Cash Generated from/(Used in) Financing Activities		**329**	**(1,124)**
Increase in Cash and Cash Equivalents		**574**	**103**
Cash and Cash Equivalents at start of year		386	283
Cash and Cash Equivalents at end of year		**960**	**386**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Cash Flows from Operating Activities			
Cash Used in Operations	27	(1,333)	(4,070)
Net Cash Used in Operations		**(1,333)**	**(4,070)**
Cash Flows from Investing Activities			
Investment in and Loans to subsidiaries		(673)	(1,511)
Loan Repayment from subsidiary		2,311	5,407
Net Cash Generated from Investing Activities		**1,638**	**3,896**
Net Cash Inflow/(Outflow) before Financing Activities		**305**	**(174)**
Cash Flows from Financing Activities			
Loan Drawdowns		1,500	1,861
Loan Principal Repayments		(830)	(1,261)
Loan Interest Repayments		(20)	(41)
Net Cash Generated from Financing Activities		**650**	**559**
Increase in Cash and Cash Equivalents		569	385
Cash and Cash Equivalents at start of year		386	1
Cash and Cash Equivalents at end of year		**955**	**386**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	FOREIGN CURRENCY RESERVE £'000	SHARE OPTION RESERVE £'000	RETAINED EARNINGS £'000	SPECIAL NON–DISTRIB–UTABLE RESERVE £'000	OTHER RESERVE £'000	TOTAL £'000	NON–CONTROLLING INTEREST £'000	**TOTAL EQUITY £'000**
Balance at 1.1.15	**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	**–**	**–**	**999**	**–**	**(20,032)**	**–**	**–**	**(19,033)**	**–**	**(19,033)**
Balance at 31.12.15	**11,228**	**22,754**	**(2,212)**	**–**	**(39,262)**	**45,000**	**–**	**37,508**	**–**	**37,508**
Total Transactions with Owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loss for year attributable to owners of the parent	–	–	–	–	(9,258)	–	–	(9,258)	–	(9,258)
Exchange Differences	–	–	3,171	–	–	–	–	3,171	–	3,171
Total Comprehensive Loss	**–**	**–**	**3,171**	**–**	**(9,258)**	**–**	**–**	**(6,087)**	**–**	**(6,087)**
Balance at 31.12.16	**11,228**	**22,754**	**958**	**–**	**(48,520)**	**45,000**	**–**	**31,420**	**–**	**31,420**
Notes:	**19**	**21**		**20**		**21**				

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	SHARE OPTION RESERVE £'000	RETAINED EARNINGS £'000	SPECIAL NON–DISTRIB–UTABLE RESERVE £'000	**TOTAL £'000**
Balance at 1.1.15	**11,228**	**22,754**	**146**	**(7,521)**	**45,000**	**71,607**
Transactions with owners						
Cancel charge for share options	–	–	(146)	146	–	**–**
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**
Loss for the year	–	–	–	(2,775)	–	**(2,775)**
Total Comprehensive Loss	**–**	**–**	**–**	**(2,775)**	**–**	**(2,775)**
Balance at 31.12.16	**11,228**	**22,754**	**–**	**(43,921)**	**45,000**	**35,061**
Notes:	**19**	**21**	**20**		**21**	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 2016.

Going Concern

The Directors have continued to adopt the going concern basis for the preparation of these financial statements. During 2016 the Group continued to receive funds from its joint venture in Argentina, EdS, in service of the loans to the joint venture and a wholly owned subsidiary Rurelec Project Finance Ltd.

The Company has been in negotiations for the prospective sales of Group assets. There exists uncertainty as to the timing of the sales of assets as well as the quantum of the corresponding proceeds.

During 2016 and since the year end the Company has reached payment agreements with and settled certain creditors resulting in an overall reduction in creditors. Until there is a disposal of assets, the Group is reliant on repayments of loans from its joint venture. However, the quantum and timing of such receipts are subject to variation and are not guaranteed. Whilst anticipated loan repayments from the joint venture are expected to be sufficient to meet the working capital requirements for the Group, the directors are considering raising additional facilities to increase headroom.

The Group's 100% subsidiary Cascade Hydro Ltd has outstanding third party loans of £2.4 million (2015: £2.2 million). These loans have not been paid in accordance with their original payment schedules. Further details are set out in Note 24.

On the basis that the Group receives these joint venture remittances 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

The Directors consider that no revisions to IFRS standards implemented in the year have had any significant effect on these statements.

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

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 9 (2014)	Financial instruments:	01/01/2018
IFRS 15	Revenue from contracts with customers	01/01/2018
IFRS 16	Leases	01/01/2019
Revisions to IAS 7	Statement of cash flows	01/01/2017

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 & IAS 7 'Revenue from contracts with customers', 'Leases' and 'Statement of cash flows'

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 consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. 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.

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

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement (IFRS 11).

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 investment 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. Amounts reported in the financial statements of subsidiary and joint venture entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

2.2 Goodwill

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

2.3 Foreign currency translation

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

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

In the consolidated financial statements, all separate financial statements of subsidiaries and joint ventures, 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.

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 (2015: 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 Operations

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

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

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

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

2.10 Taxation

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

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

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

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

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

2.11 Financial assets

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

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

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

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

2.12 Financial liabilities

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

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

Bank and other loans are raised for support of short-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 Operating leases

Leases where substantially all the risks and rewards of ownership remain with the lessor are accounted for as operating leases and are accounted for on a straight-line basis over the term of the lease and charged to the income statement.

2.14 Inventories

Inventories in the Company comprise turbines and associated spare parts and similar items for use in the Group's plant and equipment. Inventories are carried at the lower of cost and net realisable value.

2.15 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 account" 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.
"Special Non-distributable reserves" comprises the reduction of the share premium account.
"Other Reserves" represent plant revaluation reserves.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2.16 Pensions

During the year under review, the Group did not operate or contribute to any pension schemes (2015: Nil).

2.17 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) Management have assessed that we do not control the Argentine Joint Venture and therefore have treated the joint venture in accordance with IAs 28 (see Note 26). This assessment is based on the lack of joint control over the investee and due to the exposure to variable returns from its involvement with the investee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

4. SEGMENT ANALYSIS

Management currently identifies the Group's four geographic operating segments; Argentina, Chile, Peru and the head office in the UK, as operating segments as further described in the accounting policy note. These operating segments are monitored and strategic decisions are made on the basis of segment operating results. The Groups joint venture operations in Argentina have been excluded, see note 26 for more detail.

The following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2016 and 2015 for each geographic segment.

a) 12 months to 31.12.2016	CHILE £'000	PERU £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	–	–	95	–	**95**
Cost of Sales	–	–	–	–	**–**
Gross Profit/(Loss)	**–**	**–**	**95**	**–**	**95**
Administrative Expenses	(130)	(683)	(1,644)	37	**(2,420)**
Profit/(Loss) from Operations	**(130)**	**(683)**	**(1,549)**	**37**	**(2,325)**
Other (Expense)/Income	(7,745)	(2,714)	–	(41)	**(10,500)**
Foreign Exchange (Losses)/Gains	374	(1,847)	2,718	(2)	**1,243**
Finance Income	–	–	3,845	(1,162)	**2,683**
Finance Expense	(572)	(820)	(117)	1,154	**(355)**
(Loss)/Profit before Tax	**(8,073)**	**(6,065)**	**4,897**	**(13)**	**(9,254)**
Tax Expense	(4)	–	–	–	**(4)**
(Loss)/Profit for the year	**(8,077)**	**(6,065)**	**4,897**	**(13)**	**(9,258)**
Total Assets	2,193	2,207	38,799	(4,066)	**39,133**
Total Liabilities	10,096	(3,619)	3,738	(2,502)	**7,713**
Depreciation	–	26	–	–	**26**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

b) 12 months to 31.12.2015	CHILE £'000	PERU £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	–	–	179	–	**179**
Cost of Sales	–	–	(22)	–	**(22)**
Gross Profit/(Loss)	**–**	**–**	**157**	**–**	**157**
Administrative Expenses	(139)	(1,760)	(2,573)	37	**(4,435)**
Profit/(Loss) from Operations	**(139)**	**(1,760)**	**(2,416)**	**37**	**(4,278)**
Other (Expense)/Income	(2,345)	(245)	(1,669)	(13,313)	**(17,572)**
Foreign Exchange (Losses)/Gains	(165)	(1,828)	1,887	–	**(106)**
Finance Income	(802)	(508)	3,695	–	**2,385**
Finance Expense	–	(361)	(88)	(9)	**(458)**
(Loss)/Profit before Tax	**(3,451)**	**(4,702)**	**1,409**	**(13,285)**	**(20,029)**
Tax Expense	–	(3)	–	–	**(3)**
(Loss)/Profit for the year	**(3,451)**	**(4,705)**	**1,409**	**(13,285)**	**(20,032)**
Total Assets	6,688	3,644	41,338	(7,534)	**44,136**
Total Liabilities	6,510	718	3,502	(4,102)	**6,628**
Capital Expenditure	–	–	–	–	**–**
Depreciation	–	45	3	–	**48**

5 EXCHANGE RATE SENSITIVITY ANALYSIS

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

	YEAR ENDED 31.12.16	YEAR ENDED 31.12.15
i) Closing rate		
AR $ (Argentine Peso) to £	19.71	19.25
US $ to £	1.2302	1.4824
CLP (Chilean Peso) to £	795.4	1,048.2
PEN (Peruvian Sol) to £	3.38	4.96
ii) Average rate		
AR $ (Argentine Peso) to £	20.08	14.38
US $ to £	1.3448	1.5256
CLP (Chilean Peso) to £	902.1	1,005.2
PEN (Peruvian Sol) to £	3.38	4.82

If the exchange rate of sterling at 31 December 2016 had been stronger or weaker by 10 per cent. from the above. with all other variables held constant, shareholder equity at 31 December 2016 would have been £0.1 million (2015: £2.5 million) lower or higher than reported.

If the average exchange rate of sterling during 2016 had been stronger or weaker by 10 per cent. with all other variables held constant, the profit for the year would have been £0.1 million (2015: £0.2 million) higher or lower than reported.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

6 COST OF SALES

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Expenditure incurred in cost of sales is as follows:		
Other	–	22
	–	**22**

7 ADMINISTRATIVE EXPENSES

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	1,090	1,728
Services, legal and professional	679	1,095
Office costs and general overheads	611	1,539
Audit services[1]	40	73
	2,420	**4,435**

1 Audit services include £40.0k (2015: £72.5k) paid to the auditors for the audit of the Company and the Group financial statements. . Fees paid to other auditors, in respect of the audit of joint venture companies, amounted to £21.5k (2015: £13.4k). The auditors also provided tax advice for the Group in the year, the costs were £6.6k.

8 EMPLOYEE COSTS

a) Group	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Aggregate remuneration of all employees and Directors, including social security costs	1,090	1,728

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

	NUMBER	NUMBER
Management	4	4
Development	4	16
Administration	6	11
Total	**14**	**31**

b) Company	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Aggregate remuneration of all employees and Directors, including social security costs	802	1,405

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

	NUMBER	NUMBER
Management	2	4
Administration	5	5
Total	**7**	**9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

c) Directors' remuneration, including social security costs

The total remuneration paid to the Directors was £400k (2015: £859k). The total remuneration of the highest paid Director was £226k (2015: £235k). Other emoluments paid in 2015 were health insurance costs £10k, there were no bonuses, pension costs or share based payments paid during the year (2015: Nil)

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
	Base Salary/Fee	Total	Total
P. Earl	–	–	235
E. Shaw	90	90	183
A. Morris	21	21	169
M. Blanco	–	–	30
C Emson	–	–	25
B Rowbotham	30	30	30
P Galante	–	–	7
M Keegan	17	17	84
S Morris	226	226	96
A Coveney	16	16	–
Total	**400**	**400**	**859**

E. Shaw resigned 14 July 2015, she received payments in 2016 according to her contract. These payments ceased in July 2016.

A. Morris resigned 14 July 2015, he received payments in 2016 for consultancy services under a service agreement contract with Setley Consultants Ltd.

B. Rowbotham provided services under a service agreement contract with Mountbeach Associates Ltd.

M. Keegan resigned 14 December 2015, he received payments in 2016 according to a service contract with Ashton Agricultural & General Ltd. These payments ceased in January 2016.

S. Morris provided services under a service agreement contract with S.C.Morris Ltd.

A Coveney provided services under a service agreement contract with Coveney Associates Consulting Ltd.

9 (a) OTHER EXPENSE

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Foreign exchange gains/(losses)	1,243	(106)
Total	**1,243**	**(106)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(b) OTHER EXPENSE

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Realised loss on disposal		
IPC	41	1,669
Asset impairment		
Turbines for Central Illapa	6,440	–
Impairment provisions		
Argentina	–	13,313
Peru	2,714	245
Chile (Arica Project)	1,305	2,345
Total	**10,500**	**17,572**

During the year the directors tested all major assets for indication of impairment the results of these were:

TURBINES FOR CENTRAL ILLAPA (CHILE):

Carrying Value b/fwd	£16.2m
Recoverable amount	£9.8m
Impairment in year	£6.4m
Carrying value c/fwd	£9.8m

The impairment resulted from the deterioration of market conditions in Chile for the generation market. The carrying value of the turbines is based on the higher of fair value less costs to sell and value in use. The Directors obtained an independent valuation to determine an achievable market valuation, less costs to sell. As a result, the Directors determined a recoverable amount of £9.8 million ($12 million). The realisation of the asset is dependent on a successful future sale or successful development of the Illapa Project, both of which are uncertain.

The Illapa turbines are included within Property, Plant and Equipment.

HELD FOR SALE ASSET (PERU)

Net assets held for sale b/fwd	£2.9m
Net assets held for sale c/fwd	£1.0m
Movement	£1.9m
represented by:	
Increase in impairment provision	£2.7m
add back:	
loss in year in Peru	£0.6m
Foreign exchange revaluation	£0.2m
Movement	£1.9m

The impairment was determined by expected net proceeds from asset sales. At present the assets are being marketed, however there is currently no guarantee of a sale. The value is determined by historic offers. The carrying value is assessed as fair value less costs to sell. The principal assets are the development rights in respect of three Hydro projects in Peru, one with a performance bond of $3 million.

These assets are presented as a Held for Sale asset on the Statement of Financial Position.

TURBINE – ARICA (CHILE)

Carrying value of Arica turbine b/fwd	£2.0m
Foreign exchange revaluation	£0.3m
Impairment in year	£1.3m
Carrying value of Arica turbine b/fwd	£1.0m

The impairment was determined by the diminution of expected net realisable proceeds from sale of the turbine. The carrying value is assessed as fair value less costs to sell, based on historic offers and an independent valuation report. The asset is included in Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10 FINANCE INCOME & EXPENSE

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Inter-group interest received/receivable[1]	2,676	2,376
Bank interest	7	9
Total interest income	**2,683**	**2,385**
Interest expense paid/payable on bank borrowings and loans[2]	(355)	(458)

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 0 per cent. and 11.1 per cent. Interest is charged on gross loan values.

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 24.

Sensitivity analysis arising from changes in borrowing costs is set out in Note 24.

11 TAX EXPENSE

The relationship between the expected tax expense at basic rate of 20 per cent. (2015: 20 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Result for the year before tax	(9,254)	(20,029)
Standard rate of corporation tax in UK	20.00%	20.00%
Expected tax credit	(1,851)	(4,006)
Permanent differences	–	(3)
Unrecognised loss carried forward	1,851	4,006
Actual tax expense	**(4)**	**(3)**
Comprising:		
Current tax expense	(4)	(3)
Deferred tax/(net credit)	–	–
Total credit (expense)	**(4)**	**(3)**

A deferred tax asset credit for the year £1.9 million is not recognised as an asset due to the uncertainty and unknown timing of its realisation against future profits. The estimated accumulated unrecognised deferred tax asset is £1.9 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 31.12.16	YEAR ENDED 31.12.15
Average number of shares in issue	561,387,586	561,387,586
Result for the year		
Loss attributable to equity holders of the parent	£(9.3)m	£(20.0)m
Basic loss per share	(1.65p)	(3.57p)
Diluted loss per share	(1.65p)	(3.57p)

There is no difference between the Basic and Diluted loss per share.

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 £2.8 million (2015: loss £33.8 million).

14 PROPERTY, PLANT AND EQUIPMENT

	LAND £'000	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group				
Cost at 1.1.15	**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**
Exchange adjustments	–	–	(606)	**(606)**
Transfer of Assets Held for Sale	–	–	–	**–**
Impairments		(6,440)	(969)	**(7,409)**
Cost at 31.12.16		**9,755**	**1,516**	**11,271**
Accumulated Depreciation at 1.1.15	–	21	–	**21**
Exchange adjustments	–	–	–	**–**
Charge for the year	–	48	–	**48**
Accumulated Depreciation at 31.12.15	**–**	**69**	**–**	**69**
Exchange adjustments	–	–	–	–
Charge for the year	–	26	–	**26**
Transfer of Assets Held for Sale	–	–	–	**–**
Accumulated Depreciation at 31.12.16	**–**	**95**	**–**	**95**
Net book value – 31.12.16	**–**	**9,660**	**1,516**	**11,176**
Net book value – 31.12.15	**–**	**16,126**	**3,091**	**19,217**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Property, plant and equipment of £9.8 million relates to two Siemens turbines, stored in Venice for use in Central Illapa purchased for $25.0 million, at the year-end deferred consideration of £1.5 million remains outstanding. Post year end £1.0 million has been repaid. Please see note 9b for details of impairment charged in the year. The turbines are held as inventory in the Company.

Plant under construction comprises of a turbine plant in Chile £1.0 million and Central Illapa development costs of £0.5 million.

b) Company

The Company had no property, plant and equipment.

As set out in note 24 the Company has outstanding loans from BPAC. Security on these loans include a pledge over all assets of the Group.

15 INTANGIBLE ASSETS

	GOODWILL £'000
At 1 January 2016	**23**
Revaluation	6
At 31 December 2016	**29**
At 1 January 2015	1,321
Disposal of IPC	(1,298)
At 31 December 2015	**23**

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. (2015 – 13 per cent.).

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

16 TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
a) Group – current		
Trade receivables	119	607
Amounts due from joint venture companies[1]	24,345	20,103
Other receivables and prepayments	297	156
	24,761	**20,866**

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 11.1 per cent. and 0 per cent. per annum.

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
b) Company – current		
Loans to Joint Ventures[2]	17,551	20,103
Loans to Subsidiaries[1]	10,343	4,149
Other receivables and prepayments	95	405
	27,989	**24,657**

The amounts owed by subsidiary companies include:

[1] Loans to subsidiaries in Chile £8.5 million and Peru £12.9 million are repayable on demand. These loans have been impaired to £2.4 million in Chile and by £1.3 million in Peru. The loans to Chile and Peru bear zero per cent. interest rates. The loans to Peru are expected to be recovered once the assets have been sold, which management expect to occur during 2017.

[2] The amounts owed by joint venture companies are interest bearing at rates of between 0 per cent. and 11 per cent. and are repayable on demand. During the year the Group received US $3.0 million from EdS in service of the amounts due of £6.8 million (2015: £6.7 million).

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.

As set out in note 24 the Company has outstanding loans from BPAC. Security on these loans includes a pledge over all assets of the Group.

17 INVENTORIES

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Company – Inventories		
Inventories	9,755	16,195

Inventories comprises of two Siemens 701DU Turbines acquired from IPSA in June 2013. Further details of which are set out in note 14. An impairment was recognised in the year, see note 9b. No expense has been recognised in the income statement in respect of inventories other than impairment (2015: nil).

As set out in note 24 the Company has outstanding loans from BPAC. Security on these loans includes a pledge over all the assets of the Group.

18 CASH AND CASH EQUIVALENTS

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
a) Group		
Cash and short-term bank deposits	960	386
b) Company		
Cash and short-term bank deposits	955	386

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.

As set out in note 24 the Company has outstanding loans from BPAC. Security on these loans includes a pledge over all the assets of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

19 SHARE CAPITAL

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
In issue, called up and fully paid		
561,387,586 ordinary shares of 2p each (2015: 561,387,586)	11,228	11,228

20 SHARE OPTION RESERVE

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Balance at 1 January 2016	**–**	**146**
Change for the Year		–
Cancellation of share option scheme	–	(146)
Balance at 31 December 2016	**–**	**–**

21 SPECIAL NON-DISTRIBUTABLE 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 £ 1.5 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 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
a) Group – current		
Trade payables	2,434	2,856
Accruals	–	–
	2,434	**2,856**
b) Company – current		
Trade payables	2,065	2,592
Accruals		–
	2,065	**2,592**

After the year end, the directors agreed formal settlement terms with IPSA. The directors note that IPSA reported the amount owed by Rurelec as £1.5 million in the accounts for the year ended 30 September 2016. On this basis, the directors have deemed it appropriate to recognise £1.5 million as owing to IPSA at the year-end.

23 TAX LIABILITIES

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Group/Company – current		
P.A.Y.E.	12	–
VAT	–	–
	12	**–**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

24 BORROWINGS

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Group – Current		
Other Loans	4,037	3,054
	4,037	**3,054**
Group –Total Borrowings	**4,037**	**3,054**
The Group's borrowings are repayable as follows:		
Within 1 year	4,037	3,054
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	–	–
	4,037	**3,054**
Company – Current		
Other Loans	1,661	910
	1,661	910
Company –Total Borrowings	**1,661**	**910**
The Group's borrowings are repayable as follows:		
Within 1 year	1,661	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	–	–
	1,661	**910**

Group

Other loans of £4.0 million (2015: £3.1 million) including accrued interest are made up of £2.3 million (2015: £2.2 million) from Technology Finance Ltd, these loans were past their due dates in prior years. The defaults have not been remedied nor the terms renegotiated by the date of this report. The Directors consider that the existence of this liability does not implicate on the going concern status of the Group as the parent company has not guaranteed the debts of its Peruvian subsidiaries.

£1.7 million (2015: £nil) from BPAC this loan is secured by a pledge against the Group's assets, the loan becomes due on 30 June 2018 or upon any significant asset sales. £nil Radix Investments UK Ltd (2015: £611k) and Grange Capital Ltd £nil (2015: £225k).

Company

Other loans of £1.7 million (2015: nil) including accrued interest are from BPAC this loan is secured by a pledge against the Group's assets, the loan becomes due on 30 June 2018 or upon any significant asset sales (2015: £611k Radix Investments UK Ltd, £225k Grange Capital Ltd and £75k Technology Finance Ltd).

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 $480k (2015: 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 £20k (2015: £5k).

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 31.12.15 £'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**

	YEAR ENDED 31.12.16 £'000
Cost at 1 January 2016	**100**
Additions during the year:	–
Balance at 31 December 2016	**100**

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

Direct investments:

1. 50 per cent. (2015: 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 EdS, a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina.

2. 100 per cent. (2015: 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.

3. 100 per cent. (2015: 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 97 per cent. of Empresa de Generacion Electrica Colca, S.A.C., both being companies registered in Peru.

4. 100 per cent. (2015: 100 per cent.) of the issued share capital of Cochrane Power Limited, a company registered in England and Wales under registration number 8220905. Cochrane Power Limited owned at the year-end, through intermediate holding companies, 100 per cent. interest in Central Illapa, S.A. and 100 per cent. interest in Termoelectrica del Norte, S.A., both being companies registered in Chile.

5. 100 per cent. (2015: 100 per cent.) of the issued share capital of Rurelec Project Finance Limited a company registered in England and Wales under registration number 7523554.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Indirect investments:

NAME	TRADING ADDRESS/REGISTERED ADDRESS	INTEREST HELD
Energia del Sur SA*	Arroyo 880, Piso 2 C1007AAB Ciudad Autonoma de Buenos Aires Argentina	50%
Electrica del Sur SA*	Arroyo 880, Piso 2 C1007AAB Ciudad Autonoma de Buenos Aires Argentina	50%
SEA Energy SA**	Arroyo 880, Piso 2 C1007AAB Ciudad Autonoma de Buenos Aires Argentina	100%
Bolivia Integrated Energy Limited***	C/O Nerine Trust Company Limited Nerine House PO Box 434 St George's Place St Peter Port Guernsey Channel Islands GY1 3ZG	100%
Rurelec Chile SpA****	C/O Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago de Chile Santiago Chile	100%
Rurelec Chile Limitata****	C/O Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago de Chile Santiago Chile	99.99%
Termoelectrica del Norte SA****	C/O Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago de Chile Santiago Chile	100%
Central Illapa SA****	C/O Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago de Chile Santiago Chile	100%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

NAME	TRADING ADDRESS/REGISTERED ADDRESS	INTEREST HELD
Cascade Hydro Power SAC*****	Av. Canaval y Moreyra 452 Pisos 15 – 17 Lima 27 Peru	99.99%
CHP Construcciones SAC*****	Av. Canaval y Moreyra 452 Pisos 15 – 17 Lima 27 Peru	99.99%
Electricidad Andina SA*****	Av. Canaval y Moreyra 452 Pisos 15 – 17 Lima 27 Peru	99.99%
Empresa de Generacion Electrica Huasicancha SAC*****	Av. Canaval y Moreyra 452 Pisos 15 – 17 Lima 27 Peru	99.99%
Empresa de Generacion Electrica Colca SAC*****	Av. Canaval y Moreyra 452 Pisos 15 – 17 Lima 27 Peru	97%
Empresa de Generacion Electrica Chilcay SAC*****	Av. Canaval y Moreyra 452 Pisos 15 – 17 Lima 27 Peru	99.99%

*Held via Patagonia Energy Limited and equity accounted as a joint venture, see Note 26
**Held via Rurelec Project Finance Limited
***Held via Birdsong Overseas Limited
****Held via Cochrane Power Limited
*****Held via Cascade Hydro Limited

The results of all of the above directly and indirectly held subsidiaries have been included in the consolidated group accounts except where joint ventures are equity accounted as indicated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 owns 100% of EdS in Argentina. Management has reviewed the classification of PEL in accordance with IFRS 11 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 as set out in IAS 28.

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 has not recognised its share of losses in the joint venture. During 2016 the joint venture made a loss. Total loss position at the year-end was £38.3 million (2015: £29.8 million).

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

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Revenue	18,650	17,815
Expenses	(20,184)	(24,075)
Non-current Assets	10,963	15,544
Current Assets	9,705	8,471
Non-current Liabilities	(38,471)	(31,514)
Current Liabilities	(15,978)	(18,678)

Revenue is derived from one principal customer, which the directors consider is of a high quality.

27 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
a) Group		
Loss for the year before tax	**(9,254)**	**(20,029)**
Net Finance Income	(2,328)	(1,927)
Adjustments for: Depreciation	26	48
Unrealised Exchange Gains	(1,243)	106
Write down of loans	2,662	15,903
Loss on disposal	–	1,669
Write down of Turbine	6,440	–
Impairment of Goodwill	(6)	–
Movement in Working Capital:		
Change in Trade and Other Receivables	1,096	(1,366)
Change in Trade and Other Payables	541	51
Cash Used in Operations	**(2,066)**	**(5,545)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
b) Company		
(Loss)/Profit for the year Before Tax	**(2,775)**	**(33,771)**
Net Finance Income	(3,737)	(3,482)
Adjustments for:		
Unrealised exchange (gains) on loans	(4,137)	(1,819)
Movement in share option reserve		–
Write down of investments	2,662	8,357
Write down of loans	–	26,684
Loss on disposal	–	1,669
Stock write down	6,440	–
Movement in working capital:		
Change in trade and other receivables	581	1,062
Change in trade and other payables	(367)	(2,770)
Cash used in operations	**(1,333)**	**(4,070)**

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 income statement 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 this currency.

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 no such analysis has been undertaken.

As set out in Note 24, the Group has £4.0 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 discharge the loans.

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

	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Current – due within 1 year:		
Trade payables	2,434	2,856
Tax liabilities	12	4,493
Borrowings	4,037	3,054
Total due within 1 year:	**6,483**	**5,910**
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 2016	COMPANY LOANS AND RECEIVABLES £'000	COMPANY 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	27,989	–	24,761	–
Cash and Cash Equivalents	955	–	960	–
Trade and Other Payables > 1 year	–	–	–	–
Trade and Other Payables < 1 year	–	(2,077)	–	(2,446)
Borrowings > 1 year	–	–	–	–
Borrowings < 1 year	–	(1,661)	–	(4,037)
Total	**28,084**	**(3,738)**	**25,721**	**(6,483)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

31 December 2015	COMPANY LOANS AND RECEIVABLES £'000	COMPANY 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	–	20,866	–
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)**	**21,251**	**(5,910)**

29 CAPITAL COMMITMENTS

The Group had outstanding capital commitments of £Nil (2015: Nil) in respect of plant ordered but not delivered at the year-end.

30 FINANCIAL LEASE COMMITMENTS

At the year end the Group had the following outstanding lease commitments:

Office equipment

	2016 £'000	2015 £'000
Up to 1 year	50	50
More than 1 year less than 5 years	59	107
	109	**157**

Since the year-end the office equipment leases have been novated to Independent Power Corporation PLC, the Group has no responsibility for the assets covered or liability for future repayments.

Office premises

Less than one year £25,522 (2015: £nil).

Office premises relates to the Companies office.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 directors and amounting to £0.4 million (2015: £0.9 million)

ii) Paid, to its former 100 per cent. subsidiary Independent Power Corporation PLC ("IPC") £0.1 million under a Consultancy Agreement. (2015: £0.1 million under a "Shared Service Agreement").

	2016 £'000	2015 £'000
Sales	40	85
Purchases	125	125
Y/E debtor	–	–
Y/E creditor	160	146

iii) Charged interest on loans to its 100% subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £1.4 million (2015: £528k). The loan balance outstanding at the year-end was £6.7 million (2015: £6.8 million). In 2015 an impairment of £6.8 million was made this was reversed in 2016.

	2016 £'000	2015 £'000
Y/E debtor	6,693	–
Y/E creditor	1,367	528

iv) Charged interest on loans to its 50% owned joint venture company, Patagonia Energy Ltd ("PEL") amounting to £2.8 million (2015: £2.2 million). Received loan repayments of £1.2 million The loan balances at the year-end totalled £17.5 million (2015: £20.1 million). Interest on these loans has been accrued at 11.1%. The total outstanding before impairment is £38.3 million (2015: £26.0 million). These loans have been impaired to £17.5 million.

	2016 £'000	2015 £'000
Y/E debtor	17,551	20,100
Repayment	1,238	–
Interest charged	2,820	2,200

v) Received from its joint venture company Energia del Sur S.A. ("EdS") repayments totalling £nil (2015: £nil) of support previously given to creditors of EdS. £0.5 million (2015: £0.7 million) of credit support remains outstanding at the year end.

vi) a) Charged IPSA Group PLC ("IPSA") £55k (2015: £93k) under a "Shared Service Agreement". b) Repaid £0.1 million of deferred consideration on the 2013 turbine purchase, £1.5 million remains outstanding at the year end. P.R.S. Earl and S Laker are Directors of IPSA.

	2016 £'000	2015 £'000
Sales	55	93
Purchases	–	–
Y/E debtor	–	118
Y/E creditor	1,510	1,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

vii) Provided loans and charged interest of 0.5% per month to its 100 per cent. subsidiary Cochrane Power Ltd of £0.7 million (2015: £1.2 million). The total outstanding at the year-end was £8.5 million (2015: £7.8 million). These loans have been impaired to £2.4 million.

	2016 £'000	2015 £'000
Y/E debtor	2,374	3,022
Further loans made	174	399
Interest charged	482	801

viii) Provided loans to its 100 per cent. subsidiary Cascade Hydro Ltd ("CHL") of £0.5 million (2015: net receipt £1.0 million) and charged CHL interest of £0.6 million (2015: £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 £1.3 million.

	2016 £'000	2015 £'000
Y/E debtor	1,276	1,127
Further loans made	547	1,000
Interest charged	606	560

b) Group

i) Former director A.J.S. Morris loaned CHL £50k in prior years and was repaid £50k in the prior year. The total outstanding at the year-end was £12.1k.

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

iii) RPFL received £1.2 million (2015: £2.4 million) in repayments from and accrued interest on amounts due from EdS of £nil (2015: £0.2 million), the interest rate on the principal was 18.5 per cent. The interest rate on accrued interest was zero, the effective interest rate (on principal and accrued interest) was zero (2015: 0.1 per cent.). The total outstanding at the year-end was £6.8 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 September 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 2017.

Assets Classified as Held for Sale	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Trade and Other Receivables	2,207	3,644
	2,207	**3,644**

Liabilities Classified as Held for Sale	YEAR ENDED 31.12.16 £'000	YEAR ENDED 31.12.15 £'000
Trade and Other Payables	1,230	718
	1,230	**718**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

33 CONTROL

The Directors consider that the controlling party is Sterling Trust Limited on the basis of their 53% shareholding in the Company.

34 POST BALANCE SHEET DATE EVENTS

Since the year end:

- In June 2017 the Company further extended its working capital facility arrangement with BPAC in the amount of £1.6 million. The repayment date is now 30 June 2018.
- On 31 March the plant owned by Energia del Sur S.A., in which Rurelec has a 50% interest, suffered damage from severe weather. The plant recommenced production on 22 May. The outage is not expected to have a material impact on total 2017 remittances to Rurelec.

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

Perivan Financial Print 245461

COMPANY INFORMATION

Directors
S.C. Morris (Executive)
A.H. Coveney (Executive)
B. Rowbotham (Non-Executive)

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