RURELEC

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017. The annual report will be posted to shareholders on 1 June 2018.

Highlights

- Focus of the Company has been to continue reducing costs, to stabilise the Company, and to seek certain asset disposals.
- Operating loss more than halved to £3.7 million from £12.8 million.
- Loss before tax of £5.8 million (2016: £9.3 million).
- Further write downs of assets to values directors believe can be supported in current market conditions.
- Substantial reduction in ongoing borrowings, post Peru disposal, Group borrowings to £1.4 million (2016: £4.0 million).
- Total loss per share 1.04p (2016: 1.65p).
- Net Asset Value per share 4.5p (2016: 5.6p).
- No qualification of 2017 accounts (2016: qualification in respect of interest on JV loans).

The annual general meeting (the "AGM") of Rurelec PLC will be held at the offices of W.H. Ireland Group PLC at 24 Martin Lane, London, EC4R 0DR at 11.00 a.m. on 27 June 2018.

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

During 2017 the Group has continued to reduce costs, and pursue asset sales. The Group's interests in the hydro schemes in Peru were disposed of in December 2017, with completion occurring on 30 January 2018.

As in 2016, liquidity was a major issue for the Group during 2017. The major outages suffered in March/April and September/October at the Group's plant in Argentina put cash remittances back to the Group in the UK under severe pressure. Cash received has been utilised in settling legacy debts, some of which are many years old. Group current liabilities, excluding liabilities held for sale, at 31 December 2017 (£2.4 million) have more than halved since 31 December 2016 (£6.5 million).

The overall loss before tax for the year of £5.8 million (2016: £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. Losses also include £2.5 million of foreign exchange losses (2016: £1.2 million gain). Given the outages suffered at the Group's plant in Argentina, and the on-going requirement for the plant to operate well below capacity, liquidity remains a critical issue for the Group.

For further information please contact:

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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").

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NON-EXECUTIVE DIRECTOR'S STATEMENT

Brian Rowbotham

Dear Shareholder

It is my duty to present the results of Rurelec PLC ("Rurelec") for the financial year ended 31 December 2017, which has seen further stabilisation in the Company's financial situation. During the course of the year, the Company was offered an extension of its original bridging facility from Bridge Properties (Arena Central) Limited ("BPAC"). Since the year end these facilities have been further extended to the end of June 2019. The Group has repaid £0.3 million of principal and £0.1 million of interest of the total bridging facility of £1.6 million.

Outlook

After extensive marketing, the Group sold the remaining hydro portfolio in Peru, completion taking place on 30 January 2018. Given the continuing liquidity problems faced by the Group, the capacity to finance this portfolio was severely constrained. The sale has enabled the Group to cease any further payments to support this operation.

As you have been made aware, our joint venture Argentinian asset has suffered a number of problems during 2017. The plant is still operating at reduced output, with planned maintenance of the turbine being delayed due to CAMMESA (the organisation administering and regulating the Argentinian wholesale electricity market) not being able to provide agreed loan finance for the major maintenance due to it's own shortage of liquidity. The restoration of the Argentinian plant to full capacity is key in enabling the outstanding loans from the Group to the Argentinian plant to be repaid.

The Directors believe that economic reform in Argentina under the Macri administration has fostered an environment where foreign investment in utilities has become attractive, incentivised by strong pricing of power contracts and that the wholesale market demand for Argentinian produced electricity continues to grow as the economy develops.

As I reported last year that there had been a downturn in demand in Chile. It is the Directors belief that the market has seen a modest improvement during 2017, and as a result the Group is looking at opportunities to progress the Central Illapa project in Mejillones. Our liquidity position will be a major factor in deciding which path we will eventually pursue.

We expect to resolve our position in Chile within the near future. This will enable us to concentrate our efforts on resolving the difficulties faced by our Argentinian asset. The difficulties faced to date have been beyond our control. It is essential that the Argentinian plant is returned to normal operating output as soon as possible to enable the cash remittances to the UK to be put on a more secure footing.

Brian Rowbotham
Non-executive Director
31 May 2018

STRATEGIC REPORT

Strategy

The overall strategy for the Group remains in line with that adopted in 2016. The Board has continued to stabilise the financial position of the Group, which will enable as much value to be realised from the asset portfolio. That value will then be returned to shareholders.

Liquidity

The above strategy has been determined by the on-going financial position of the Group. From a position in late 2015, when the Group was close to insolvency, the financial position has improved markedly. The main borrowing of the Group remains the BPAC loan, which, after the year end, has been rescheduled for repayment on 30 June 2019. During 2017 £0.4 million, capital and interest, was repaid on the BPAC loan, in line with the board's strategy to prioritise the repayment of the most expensive top slice tranche of debt.

Cash receipts from our plant in Argentina in Comodoro Rivadavia started well at the beginning of the year. However, as announced, on 31 March 2017 the plant suffered damage as a result of severe weather conditions. As a result, the plant did not operate for the period until 23 May 2017, and cash receipts suffered accordingly. Normal operations resumed for a period, and cash remittances to the Group were reinstated. The situation again radically changed when, as announced on 8 September 2017, the plant had to be shut down entirely due to certain turbine blades within the steam generator being damaged.

A temporary modification of the steam turbine was carried out in October 2017, which enabled the plant to resume operation, albeit at a reduced output. This temporary fix was expected to remain in place until the planned maintenance of the steam turbine could be carried out this year. This led to a material loss in revenue generated from the plant, and again, this hit the cash remittances made to the Group by Energia del Sur S.A. ("EdS").

The result of the two material adverse interruptions suffered to the plant during 2017 led to a shortfall in cash receipts from Argentina compared to a forecast of £1.6 million. The cash position of the Group remains difficult, with the on-going uncertainty surrounding the timing of the planned maintenance due to the agreed loans to fund the maintenance programme from CAMMESA not being available due to CAMMESA's own liquidity problems. Alternative funding is actively being sought. Until the maintenance programme is carried out, the plant will have to continue running at well below capacity for safety reasons, and as a result cash generation to fund repayments of the Group loans to Argentina is severely restricted.

Financial results

The operating loss for the year of £3.7 million is an improvement on that incurred last year (2016: £12.8 million). Continuing strict control over administration expenses resulted in costs of £2.1 million, compared to 2016: £2.4 million. Write-downs in the carrying value of certain Group assets totalled £1.7 million (2016: £10.5 million) has led to a marked impact on the results when compared to last year. These write downs reflect the Board's view of the carrying value for the Group's assets in current market conditions. The overall loss before tax for the year was £5.8 million (2016: £9.3 million). This included foreign exchange losses of £2.5 million (2016: £1.2 million gain).

The Group concluded the sale of our Peruvian assets. The sale completed on 30 January 2018, the carrying value in these accounts reflects the sale and purchase agreement. The Group made a gain in the year of £0.2 million on these discontinued operations. The majority of the gain, £1.3 million, will be recognised in the accounts of the year ended 31 December 2018.

Unless there is a significant disposal of assets, the Group is dependent upon joint venture receipts from Argentina in order to comply with payment arrangements made 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 further significant 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 an operating loss of £3.7 million in the year (2016 £12.8 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 4.5 pence per share (2016 5.6 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. Growth in earnings per share is indicative of the Group's ability to identify and add value. The Group made a loss of 1.04 pence per share in the year (2016: loss of 1.65 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.

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 68.9 per cent. due to unplanned and forced outages (2016: 92.6 per cent.).

REVIEW OF FINANCIAL PERFORMANCE

Group Results

The Group loss after tax for the financial year under review is £5.8 million (2016: £9.3 million loss). The largest component was associated with foreign exchange losses of £2.5 million (2016 gain: £1.2 million). The impairment losses, totalling £1.7 million (2016: £10.5 million), were mainly £1.3 million (2016: nil) for Argentinian operations and £0.3 million (2016: £1.3 million) for Chilean operations, this excludes the foreign exchange loss on the 701 turbines of £0.9 million (2016: impairments and foreign exchange £6.4 million).

Group revenue was nil (2016: £0.1 million), Operating and Administrative expenses amounted to £2.1 million (2016: £2.4 million). Operating loss was £3.7 million (2016: £12.8 million loss). The loss before tax is £5.8 million (2016: £9.3 million loss). The basic loss per share is 1.04p (2016: 1.65p loss). In 2017, the total assets of £31.1 million (2016: £39.1 million) includes assets of £2.3 million (2016: £2.2 million), which are held for sale. Total equity stands at £25.2 million (2016: £31.4 million), or a Net Asset Value of 4.5 pence per share (2016: 5.6 pence per share).

The results for the operations in Argentina, Peru, and Chile are shown 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$ 92.1 million (2016: AR$ 111.0 million) on revenues of AR$ 372.2 million (2016: AR$ 380.9 million), whilst the gross operating profit was AR$ 370.1 million (2016: AR$ 333.5 million). The net profit for the year at EdS was AR$ 32.7 million (2016: profit AR$ 27.6 million) which included foreign exchange losses of AR$ 30.8 million (2016: AR$ 34.2 million).

As set out in note 24 the Directors have determined that the relationship with EdS is a joint venture and is therefore equity accounted.

Rurelec Chile

The development operations in Chile have expensed limited direct costs in the year of £211k (2016: £68k). Capitalised development costs are £ 0.2 million (2016: £0.4 million) on the Central Illapa project. In 2017 the Arica project/turbine was impaired by £0.3 million (2016: £1.0 million). The development costs associated with the Central Illapa project were not impaired in 2017 or 2016.

Cascade Hydro Power (Peru)

As previously mentioned the Peruvian subsidiaries and UK holding company, Cascade Hydro Limited, have been disposed of, the sale completed on 30 January 2018. The Group has no further funding commitments to these entities. In these accounts the assets and liabilities are recorded as held for sale.

REVIEW OF OPERATIONS

Argentina

Operations at the power plant were affected by the breakdowns in April/May 2017 and September/October 2017. Gross energy output was 18.7 per cent. lower at approximately 708 GWh (2016: 871 GWh), this was due to unplanned and forced outages. The average heat rate of the plant was 8.76 MMBTU/MWh (2016: 8.39). 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 50 per cent. share of its interest in Patagonia Energy Limited ("PEL") the BVI registered joint venture holding company of EdS, it's 100 per cent. owned Argentinian operating subsidiary:

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Revenue attributable to the Group	8,552	9,325
Expenses	(8,644)	(9,198)
Foreign Currency Exchange	(729)	(895)
Net Loss	(821)	(768)
Non-current Assets	5,068	5,482
Current Assets	2,594	4,853
Non-current Liabilities	(19,196)	(19,236)
Current Liabilities	(4,035)	(7,989)

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 £0.3 million (2016: £1.3 million) has been recorded in the year.

Central Illapa

The project, has continued to make some progress in development, whilst the company pursues various options.

The Group's carrying value for projects is 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 US$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 is unchanged from the prior report in that the fair value of the turbines as being US$12.0 million. Therefore, no impairment has been charged in the year (2016: US$13.0 million) and, after exchange rate differences a reduction in the asset value of £0.9 million has been charged in 2017 (2016: £6.4 million).

Peru

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 were approached during 2017. On 30 December 2017 a sale and purchase agreement was exchanged whereby all of the Group's interests in Peru were sold to Sloane Renewable Energy Limited, a company owned and controlled by Peter Earl, the former CEO of the Rurelec Group. The sale and purchase agreement was completed on 30 January 2018.

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, political risk, and uncertainties in the financial markets, and unexpected operational events.

a) Political risk – there exists significant political risks in areas where the Group operates. These include potential for unfriendly actions towards foreign investments and the possibility that domestic economic instability could lead to political unrest or vice versa. These are significant risks to Rurelec.

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 31 May, 2018 and was signed on its behalf by Simon Morris (Executive Director).

BOARD OF DIRECTORS

BRIAN ROWBOTHAM

Non-Executive Director

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

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

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. Andy 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 Pharmaceuticals (Holdings) Ltd, Benders Holdings Ltd and Bernstein Holdings Ltd. He established his own advisory & consultancy business in 2011 to specialise in and invest in business turn arounds & growth companies.

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

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 acquired assets in Argentina and commenced development of new power generation projects in Peru and Chile since 2012. The power generation projects in Peru were sold on 30 January 2018.

Results and dividends

The Group results for the year ended 31 December 2017 are set out in the Consolidated Statement of Total Comprehensive Income.

No dividend was paid during the year to 31 December 2017 (2016: nil).

Share capital

Details of the issued share capital are set out in Note 18.

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 2017 the Company reached payment agreements with and settled certain creditors resulting in an overall reduction in trade and other payables. Unless there is a significant 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 £2.6 million (2016: £2.4 million). These loans have not been repaid in accordance with their original payment schedules. Further details are set out in Note 22. After the sale of Cascade Hydro Limited completed on 30 January 2018 the Group was no longer responsible for these loans, see note 32 for further details.

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 and up to the date of signature of the financial statements as follows:

Brian Rowbotham – Non-Executive Director

Simon C. Morris – Executive Director

Andy H. Coveney – Executive Director

Directors' interests

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

	29.05.2018	31.12.2017	31.12.2016
Brian Rowbotham	450,000	450,000	450,000
Simon C. Morris	–	–	–
Andrew H. Coveney	–	–	–

Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. Appropriate directors' and officers' liability insurance cover is in place in respect of all the Directors.

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 29 May 2018, 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	20,511,059	3.65
Interactive Investor Services Nominees Limited	17,971,218	3.20

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 26.

Statement of 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.

Statement as to disclosure of information to auditor

As far as the Directors are aware they have each taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Our auditor's, Moore Stephens LLP, were appointed on 28 February 2018. Pursuant to Section 489 of the Companies Act of the Companies Act 2006, Moore Stephens LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Maria J. Bravo Quiterio
Company Secretary
31 May 2018

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2016 (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.

The 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 Remuneration 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 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 twenty-six (26) times throughout the year to discuss a formal schedule of business.

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 Executive Directors for the year were Simon Morris and Andrew Coveney, both form the management team. Short biographies of the Directors are given on page 7.

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 from 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 four (4) times to discuss appointment of new auditors, 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, Saffery Champness LLP resigned. The new auditors for the Company and its group of companies were appointed under the recommendation of the Audit Committee. Moore Stephens 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 Directors determine 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 7.

Nominations Committee

The Nominations 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.

Social Media Policy

The Company issued a new Social Media Policy in 2017 in compliance with its obligations under the AIM Rules. The Social Media Policy is intended to help staff make appropriate decisions about the use of social media. It outlines the standards required from all staff to observe when using social media on behalf of the Company and the actions to take in respect of breaches of the policy.

Share Dealing Code

The Company issued a new Share Dealing Code in 2016 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.

Maria J. Bravo Quiterio
Company Secretary
31 May 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

Our opinion

We have audited the consolidated financial statements for the year ended 31 December 2017 which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statements of changes in equity;
- the consolidated and company balance sheets;
- the consolidated and company cash flow statements; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRS as adopted by the European Union.

In our opinion, Rurelec plc's ("the Company" or "the Parent Company") consolidated financial statements ("the financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and, in respect of the Parent Company, as applied in accordance with the provisions of the Companies Act 2006;; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our assessment of key risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Going concern

The group continues to make a loss, with the only operational part of the business being its investment in a joint venture which has been loss making for a number of years with the investment fully written down. Whilst the group is in a net assets position, it is heavily reliant on repayment of the loans receivable from the joint venture.

How our audit addressed the Key Audit Matters

In this area our procedures included:

- Reviewing budget and cash flow forecasts for at least 12 months from the date of approval of the financial statements;
- Obtaining support for the management assumptions used in the forecast;
- Confirming the actual cash repayments of the loan to the JV for the few months post year end
- Reviewing board minutes during the year and post year end to indicate any other issues that may indicate inability of the group to continue as a going concern; and
- Reviewing the going concern assessment of Energía del Sur S.A.

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 Energía del Sur S.A. 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.

The financial statements do not include any adjustments that would result if the group were unsuccessful in this regard.

Key Audit Matter	How our audit addressed the Key Audit Matters
Valuation of assets **The group holds two Siemens 701dus turbines (stored in Italy)- these were purchased for $25m in June 2013 for use in the Central Illapa Project in Chile. Due to working capital constraints and market conditions, investment has been limited and the turbines have been heavily impaired. As the group continues to be loss making and with operational issues in the joint venture during the year, there is significant uncertainty in being able to realise the value through the future project, or through the sale of the turbines in the local market as the market continues to be depressed in the sector.**	In this area our procedures included: • Reviewing purchase and ownership documentation to confirm rights and obligations; • Physically verifying existence of the assets, their storage and condition; • Reviewing value in use calculations, assessing the accuracy of calculations and the reasonableness of assumptions; • Reviewing the valuation report prepared by an independent expert, confirming the expert's independence, assessing the conclusions reached and the competency and qualifications of the expert; • Reviewing evidence that the value of the assets is recoverable either through sale or through future project offers; and • Reviewing insurance documentation and storage/maintenance documentation to assess the risk of further impairment. The above procedures have been completed with no issues being identified.
Valuation of investment and recoverability of intercompany loans, including loans to joint venture **The repayment of these loans is dependent on the economic feasibility of the underlying projects within the group.**	In this area our procedures included: • Obtaining loan confirmations of the balance and any interest accrued; • Reviewing the going concern assessment of Energía del Sur S.A.; • Reviewing signed loan agreements with group companies and joint venture; and • Assessing recoverability of the loans through reviewing financial projections models and net asset positions of subsidiaries and the joint venture. The above procedures have been completed with no issues being identified.

Our application of materiality

We set certain thresholds for materiality. These help us to establish transactions and misstatements that are significant to the financial statements as a whole, to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually on balances and on the financial statements as a whole.

In establishing the audit strategy, it was determined that the level of uncorrected misstatements judged to be material for the financial statements and our audit overall would be £142,000, approximately 5% of loss before tax. This is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision making of users. For the Parent Company financial statements, this was judged to be £140,000.

We reported to the Audit Committee all potential adjustments in excess of £7,100 being 5% of the materiality for the financial statements as a whole.

An overview of the scope of our audit

The group operates through three trading subsidiary undertakings registered in the UK and one joint venture undertaking registered in the British Virgin Islands which were considered to be significant components for the purposes of the financial statements. The financial statements consolidate these entities together with a number of non-trading subsidiary undertakings. In establishing our overall approach to the group audit, we determined the type of work that needed to be performed in respect of each subsidiary. This consisted of us carrying out a full audit of all significant components of the group and specified procedures on the remaining components. For the audit work required on overseas entities we worked with component auditors. 100% of group net assets were covered by full scope audits.

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

We tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures, together with our detailed review of procedures performed by component auditors, gave us the evidence that we need for our opinion on the financial statements as a whole and, in particular, helped mitigate the risks of material misstatement mentioned above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our Report

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

Michael Simms,
Senior Statutory Auditor

For and on behalf of

Moore Stephens LLP,
Chartered Accountants
and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

31 May 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Continuing operations			
Revenue	4	–	95
Gross Profit		**–**	**95**
Administrative Expenses	6	(2,070)	(2,420)
Other Expense	8b	(1,651)	(10,500)
Operating Loss		**(3,721)**	**(12,825)**
Share of Joint Venture Profit/(Loss)	24	–	–
Foreign Exchange (Losses)/Gains	8a	(2,547)	1,243
Finance Income	9	862	2,683
Finance Expense	9	(419)	(355)
Loss before Tax		**(5,825)**	**(9,254)**
Tax Expense	10	–	(4)
Loss for the year attributable to owners of the Company		**(5,825)**	**(9,258)**
Earnings per Share – in pence	11		
Basic Loss per Share		(1.04)	(1.65)
Diluted Loss per Share		(1.04)	(1.65)

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Loss for the year	**(5,825)**	**(9,258)**
Other Comprehensive (Loss)/Income for the year:		
Items that will be subsequently Reclassified to Profit & Loss:		
Exchange Differences on translation of Foreign Operations	(386)	3,171
Total Other Comprehensive (Loss)/Income	**(386)**	**3,171**
Total Comprehensive Loss for year attributable to owners of the Company	**(6,211)**	**(6,087)**

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	31.12.17 £'000	31.12.16 £'000
Assets			
Non-current Assets			
Property, Plant and Equipment	13	9,699	11,176
Intangible Assets	14	–	29
Investment in Joint Venture	24	–	–
		9,699	**11,205**
Current Assets			
Trade and Other Receivables	15a	18,951	24,761
Cash and Cash Equivalents	17	163	960
Assets classified as held for sale	30	**2,265**	**2,207**
		21,379	**27,928**
Total Assets		**31,078**	**39,133**
Equity and Liabilities			
Shareholders' Equity			
Share Capital	18	11,228	11,228
Share Premium Account	19	22,754	22,754
Foreign Currency Reserve		572	958
Special Non-distributable Reserve	19	45,000	45,000
Accumulated Losses		(54,345)	(48,520)
Total Equity attributable to owners of the Company		**25,209**	**31,420**
Current Liabilities			
Trade and Other Payables	20a	899	2,434
Current Tax Liabilities	21	7	12
Borrowings	22	1,448	4,037
Liabilities classified as held for Sale	30	**3,515**	**1,230**
		5,869	**7,713**
Total Liabilities		**5,869**	**7,713**
Total Equity and Liabilities		**31,078**	**39,133**

The financial statements were approved by the Board of Directors on 31 May 2018 and were signed on its behalf by Simon Morris (Executive Director) and Brian Rowbotham (Non-executive Director).

Simon Morris

Brian Rowbotham

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017 COMPANY NUMBER 4812855

	NOTES	31.12.17 £'000	31.12.16 £'000
Assets			
Non-current Assets			
Investments	23	100	100
		100	100
Current Assets			
Inventories	16	8,895	9,755
Trade and Other Receivables	15b	20,892	27,989
Cash and Cash Equivalents	17	162	955
		29,949	**38,699**
Total assets		**30,049**	**38,799**
Equity and liabilities			
Shareholders' equity			
Share Capital	18	11,228	11,228
Share Premium Account	19	22,754	22,754
Special Non-distributable Reserve	19	45,000	45,000
Accumulated Losses		(50,989)	(43,921)
Total Equity		**27,993**	**35,061**
Current Liabilities			
Trade and Other Payables	20b	601	2,065
Current tax liabilities	21	7	12
Borrowings	22	1,448	1,661
		2,056	**3,738**
Total Equity and Liabilities		**30,049**	**38,799**

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 £7.1 million (2016: loss £2.8 million).

The financial statements were approved by the Board of Directors on 31 May 2018 and were signed on its behalf by Simon Morris (Executive Director) and Brian Rowbotham (Non-executive Director).

Simon Morris Brian Rowbotham

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Cash Flows from Operating Activities			
Cash used in Operations	25	(2,471)	(2,066)
Net Cash used in Operating Activities		**(2,471)**	**(2,066)**
Cash Flows from Investing Activities			
Loan Repayments from Joint Venture company		3,331	2,311
Settlement of Deferred Consideration		(1,257)	(321)
Net Cash generated from Investing Activities		**2,074**	**1,990**
Net Cash Outflow before Financing Activities		**(397)**	**(76)**
Cash Flows from Financing Activities			
Loan Drawdowns		–	1,500
Loan Principal Repayments	22	(320)	(830)
Loan Interest Repayments	22	(80)	(20)
Net Cash (Used in)/Generated from Financing Activities		**(400)**	**650**
(Decrease)/Increase in Cash and Cash Equivalents		**(797)**	**574**
Cash and Cash Equivalents at Start of Year		**960**	**386**
Cash and Cash Equivalents at End of Year		**163**	**960**

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Cash Flows from Operating Activities			
Cash Used in Operations	25	(3,164)	(1,718)
Net Cash Used in Operations		**(3,164)**	**(1,718)**
Cash Flows from Investing Activities			
Investment in and Loans to subsidiaries		(573)	(673)
Loan Repayment from subsidiary		3,344	2,311
Net Cash Generated from Investing Activities		**2,771**	**1,638**
Net Cash Outflow before Financing Activities		**(393)**	**(80)**
Cash Flows from Financing Activities			
Loan Drawdowns		–	1,500
Loan Principal Repayments	22	(320)	(830)
Loan Interest Repayments	22	(80)	(21)
Net Cash (Used in)/Generated from Financing Activities		**(400)**	**649**
(Decrease)/Increase in Cash and Cash Equivalents		(793)	569
Cash and Cash Equivalents at Start of Year		955	386
Cash and Cash Equivalents at End of Year		**162**	**955**

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	FOREIGN CURRENCY RESERVE £'000	ACCUMULATED LOSSES £'000	SPECIAL NON-DISTRIBUTABLE RESERVE £'000	**TOTAL £'000**
Balance at 01.01.16	**11,228**	**22,754**	**(2,212)**	**(39,262)**	**45,000**	37,508
Loss for year attributable to owners of the parent	–	–	–	(9,258)	–	**(9,258)**
Exchange Differences	–	–	3,171	–	–	**3,171**
Total Comprehensive Loss	**–**	**–**	**3,171**	**(9,258)**	**–**	(6,087)
Balance at 31.12.16	**11,228**	**22,754**	**958**	**(48,520)**	**45,000**	31,420
Loss for year attributable to owners of the parent	–	–	–	(5,825)	–	**(5,825)**
Exchange Differences	–	–	(386)	–	–	**(386)**
Total Comprehensive Loss	**–**	**–**	**(386)**	**(5,825)**	**–**	(6,211)
Balance at 31.12.17	**11,228**	**22,754**	**572**	**(54,345)**	**45,000**	25,209
Notes:	18	19			19	

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	ACCUMULATED LOSSES £'000	SPECIAL NON-DISTRIBUTABLE RESERVE £'000	**TOTAL £'000**
Balance at 1.1.16	**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**
Loss for the year	–	–	(7,068)	–	(7,068)
Total Comprehensive Loss	**–**	**–**	**(7,068)**	**–**	**(7,068)**
Balance at 31.12.17	**11,228**	**22,754**	**(50,989)**	**45,000**	**27,993**
Notes:	**18**	**19**		**19**	

The notes on pages 23 to 49 form an integral part of these Consolidated Financial Statements.

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 2017.

Basis of measurement

The functional currencies of the Group are Pounds sterling, Chilean Peso, Peruvian Nuevo Sol, Argentinian Peso and the United States Dollar. The presentation currency is Pounds sterling.

Going Concern

The Directors have continued to adopt the going concern basis for the preparation of these financial statements. During 2017 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 2017 and since the year end the Company has continued to make payments towards agreements with and settled certain creditors resulting in an overall reduction in creditors. Until there is a significant 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.

Since the year end the Company has further extended the repayment date on it's £1.2 million short term facility from Bridge (Arena) Properties Limited ("BPAC"). The repayment date is now 30 June 2019.

The Group's 100% subsidiary Cascade Hydro Ltd has outstanding third-party loans of £2.6 million (2016: £2.4 million). These loans have not been paid in accordance with their original payment schedules. Following the disposal of the Group's interests in Peru on 30 January 2018, through the sale of Cascade Hydro Limited, outstanding third-party loans totaling £2.9 million have been removed from the Group. Further details are set out in Note 23 and Note 32.

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

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 and 16 'Revenue from contracts with customers' and 'Leases'

The Directors have completed their assessment of the impact of the adoption of these standards and consider that there will be no material impact to future reporting, based on current conditions.

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 2017. 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 less impairment 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 'Foreign Exchange (Losses)/Gains'.

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. It is the Directors judgement that the average rate conversion is appropriate for 2017 and 2016 currency conversions, as they do not consider that there was hyperinflation in the countries where the Group operates. Argentina had the largest falls in 2017 with the average rate for 2017 being 8.5 per cent. lower than 2016, whilst the closing rate was 29.7 per cent. lower. This will be reviewed for 2018, especially with reference to economic conditions in Argentina which have deteriorated since the end of last year. 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 (2016: 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 as these 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 accounted for through other comprehensive income or charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity, or other comprehensive income.

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.
"Accumulated Losses" represents losses to date.
"Special Non-distributable reserves" comprises the reduction of the share premium account.

2.16 Pensions

During the year under review, the Group did commence contributions to the Nest Pensions scheme.

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 estimated 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, including intra group and Joint Venture loans, at each balance sheet date to determine whether there is in their judgement 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 14.

c) Management have assessed that the Company does not control the Argentine Joint Venture and therefore, as a result of this judgement have treated the joint venture in accordance with IAS 28 (see Note 24). This assessment is based on the lack of sole control over the investee and due to the exposure to variable returns from its involvement with the investee.

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 24 for more detail.

The following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2017 and 2016 for each geographic segment.

a) 12 months to 31.12.2017	CHILE £'000	PERU £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Administrative Expenses	(211)	(289)	(1,549)	(20)	**(2,070)**
Loss from Operations	**(211)**	**(289)**	**(1,549)**	**(20)**	**(2,070)**
Other Expense	(324)	–	–	(1,327)	**(1,651)**
Foreign Exchange (Losses)/Gains	(118)	698	(3,126)	(1)	**(2,547)**
Finance Income	–	–	1,386	(524)	**862**
Finance Expense	(524)	(233)	(188)	526	**(419)**
(Loss)/Profit before Tax from Operations	**(1,177)**	**176**	**(3,477)**	**(1,347)**	**(5,825)**
Tax Expense	–	–	–	–	**–**
Total (Loss)/Profit	**(1,177)**	**176**	**(3,477)**	**(1,347)**	**(5,825)**
Total Assets	2,215	2,265	30,049	(3,451)	**31,078**
Total Liabilities	11,421	3,515	2,056	(11,123)	**5,869**

b) 12 months to 31.12.2016	CHILE £'000	PERU £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Revenue	–	–	95	–	**95**
Gross Profit	**–**	**–**	**95**	**–**	**95**
Administrative Expenses	(130)	(683)	(1,644)	37	**(2,420)**
Loss from Continuing Operations	**(130)**	**(683)**	**(1,549)**	**37**	**(2,325)**
Other Expense	(7,745)	(2,714)	–	(41)	**(10,500)**
Foreign Exchange Gains/(Losses)	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 before Tax from Operations	**(8,073)**	**(6,065)**	**4,897**	**(13)**	**(9,254)**
Tax Expense	(4)	–	–	–	**(4)**
Total Loss	**(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	(9,740)	**7,713**
Depreciation	–	26	–	–	**26**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5 EXCHANGE RATE SENSITIVITY ANALYSIS

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

	YEAR ENDED 31.12.17	YEAR ENDED 31.12.16
i) Closing rate		
AR $ (Argentine Peso) to £	25.57	19.71
US $ to £	1.3491	1.2302
CLP (Chilean Peso) to £	829.0	795.4
PEN (Peruvian Sol) to £	4.36	4.07
ii) Average rate		
AR $ (Argentine Peso) to £	21.79	20.08
US $ to £	1.2974	1.3448
CLP (Chilean Peso) to £	836.4	902.1
PEN (Peruvian Sol) to £	4.19	4.48

If the exchange rate of sterling at 31 December 2017 had been stronger or weaker by 10 per cent. from the above. with all other variables held constant, shareholder equity at 31 December 2017 would have been £2.5 million (2016: £3.1 million) lower or higher than reported.

If the average exchange rate of sterling during 2017 had been stronger or weaker by 10% per cent. with all other variables held constant, the effect on total comprehensive income for the year would have been £0.6 million (2016: £0.6 million) higher or lower than reported.

6 ADMINISTRATIVE EXPENSES

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	960	1,090
Services, legal and professional	630	679
Office costs and general overheads	421	611
Audit services[1]	59	40
	2,070	**2,420**

[1] Audit services include £59k (2016: £40k) 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 £24.4k (2016: £21.5k). The auditors also provided tax advice for the Group in the year, the costs were £12.4k. (2016: £6.6k).

7 EMPLOYEE COSTS

a) Group	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Aggregate remuneration of all employees and Directors	902	1,009
Social security costs	47	68
Pension costs	11	13
Total	**960**	**1,090**

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

	YEAR ENDED 31.12.17	YEAR ENDED 31.12.16
Management	3	3
Development	2	2
Administration	6	6
Total	**11**	**11**

b) Company	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Aggregate remuneration of all employees and Directors	750	751
Social Security	38	51
Pension Costs	3	–
Total	**791**	**802**

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

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

c) Directors' remuneration, including social security costs
The total remuneration paid to the Directors and former Directors was £489k (2016: £400k). The total remuneration of the highest paid Director was £199k (2016: £226k). There were no health insurance costs, bonuses, pension costs or share based payments paid during the year (2016: Nil)

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
	Base Salary/Fee	Total	Total
E. Shaw	–	–	90
A. Morris	67	67	21
B Rowbotham	30	30	30
M Keegan	–	–	17
S Morris	193	193	226
A Coveney	199	199	16
Total	**489**	**489**	**400**

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 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 until June 2017, since then he has been on payroll.

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

8 (a) FOREIGN EXCHANGE

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Foreign exchange (Losses)/Gains	(2,547)	1,243
Total	**(2,547)**	**1,243**

(b) OTHER EXPENSE

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Realised loss on disposal		
Independent Power Corporation PLC – costs relating to 2015 disposal	–	41
Asset impairment		
Turbines for Central Illapa	–	6,440
Turbine for Arica Project	296	980
Impairment provisions		
Argentina	1,327	–
Peru	–	2,714
Chile development costs	–	325
Chile write off of goodwill re Central Illapa acquisition	28	–
Total	**1,651**	**10,500**

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	£9.8m
Exchange adjustment	£(0.9)m
Recoverable amount	£8.9m
Impairment in year	£–
Carrying value c/fwd	£8.9m

The prior year 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 £8.9 million (US$12.0 million) (2016: £9.8 million (US$12.0 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	£1.0m
Net liabilities held for sale c/fwd	£(1.3)m
Movement	£(2.3)m

After the year end the Company entered into an arrangement to dispose of Cascade Hydro Limited. The sale completed on 30 January 2018, proceeds were US$ 250k.

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	£1.0m
Foreign exchange revaluation	£(0.1)m
Impairment in year	£(0.3)m
Carrying value of Arica turbine c/fwd	£0.6m

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 above asset is included in Property, Plant and Equipment.

9 FINANCE INCOME & EXPENSE

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Joint Venture interest received/receivable[1]	862	2,673
Total interest income	**862**	**2,673**
Interest expense paid/payable on bank borrowings and loans[2]	(419)	(355)

1 Joint Venture interest arises on loans by the Company to its 50 per cent. owned joint venture companies (PEL and EdS). Interest on loans has been charged at rates of between 0 per cent. and 5.5 per cent. (2016: 11.1 per cent.) Interest is charged on impaired loan values (2016: 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 22.

Sensitivity analysis arising from changes in borrowing costs is set out in Note 22.

10 TAX EXPENSE

The relationship between the expected tax expense at basic rate of 19.25 per cent. (2016: 20 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Result for the year before tax	(5,825)	(9,254)
Standard rate of corporation tax in UK	19.25%	20.00%
Expected tax credit	(1,121)	(1,851)
Permanent differences	323	–
Unrecognised loss carried forward	798	1,855
Actual tax expense	**–**	**(4)**
Comprising:		
Current tax expense	–	(4)
Deferred tax / (net credit)	–	–
Total credit (expense)	**–**	**(4)**

A deferred tax asset for the year of £0.9 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 £1.0 million, based on cumulative tax losses of £5.8 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

11 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 31.12.17	YEAR ENDED 31.12.16
Average number of shares in issue	561,387,586	561,387,586
Result for the year		
Total Loss attributable to equity holders of the parent	£5.8m	£9.3m
Basic loss per share	1.04p	1.65p
Diluted loss per share	1.04p	1.65p

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

12 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 £7.2 million (2016: loss £2.8 million).

13 PROPERTY, PLANT AND EQUIPMENT

	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group			
Cost at 1.1.16	**16,195**	**3,091**	**19,286**
Exchange adjustments	**–**	(606)	**(606)**
Transfer of Assets Held for Sale			
Cost at 31.12.16	**16,195**	**2,485**	**18,680**
Exchange adjustments	(861)	(328)	**(1,189)**
Cost at 31.12.17	**15,334**	**2,157**	**17,491**
Accumulated Depreciation and Impairment at 1.1.16	**69**	–	**69**
Charge for the year	26	–	**26**
Charge for impairment for the year	6,440	969	**7,409**
Accumulated Impairment and Depreciation at 31.12.16	**6,535**	**969**	**7,504**
Exchange adjustments	–	87	87
Charge for the year	–	–	**–**
Charge for impairment for the year	–	296	**296**
Transfer of Assets Held for Sale	(95)	–	**(95)**
Accumulated Impairment and Depreciation at 31.12.17	**6,440**	**1,352**	**7,792**
Net book value – 31.12.17	**8,894**	**805**	**9,699**
Net book value – 31.12.16	**9,660**	**1,516**	**11,176**

The plant and equipment of £8.9 million relates to two Siemens turbines, stored in Venice for use in Central Illapa purchased for US$25.0 million, at the year-end deferred consideration of £0.3 million (2016: £1.5 million) remains outstanding. The turbines are held as inventory in the Company. Please see note 8b for details of impairments charged in the year.

Plant under construction comprises of a turbine plant in Chile £0.6 million and Central Illapa development costs of £0.2 million.

b) Company

The Company had no property, plant and equipment.

As set out in note 22 the Company has outstanding loans from BPAC. Security on these loans include a pledge over all assets of the Group.

14 INTANGIBLE ASSETS

	GOODWILL £'000
At 1 January 2017	**29**
Impairment	(29)
At 31 December 2017	**–**
At 1 January 2016	**23**
Addition	6
At 31 December 2016	**29**

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. (2016 - 13 per cent.).

Central Illapa SA is a wholly owned indirect subsidiary of Rurelec, the goodwill on acquisition was £23k. During the year an impairment review was conducted, the Directors consider that the asset should be fully impaired. The charge of £29k (2016: nil) is included in Other Expense.

15 TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
a) Group – current		
Trade Receivables	–	119
Amounts due from joint venture companies[1]	18,532	24,345
Tax receivable - VAT	37	46
Other Receivables and Prepayments	382	251
	18,951	**24,761**

[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 5.5 per cent. (2016: 11.1 per cent.) and 0 per cent. per annum.

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
b) Company – current		
Loans to Joint Ventures[2]	17,044	17,551
Loans to Subsidiaries[1]	3,772	10,343
Other receivables and prepayments	76	95
	20,892	**27,989**

The amounts owed by subsidiary companies include:

[1] Loans to subsidiaries in Chile £9.2 million and Rurelec Project Finance Limited £3.0 million are repayable on demand. These loans have been impaired to £0.8 million in Chile. The loans to Chile and Rurelec Project Finance limited bear zero per cent interest rates. During the year the Group received US$4.3 million (2016: US$3.0 million) from EdS in service of the amounts due to Rurelec Project Finance Limited of £3.1 million (2016: £6.8 million).

[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.

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 22 the Company has outstanding loans from BPAC. Security on these loans includes a pledge over all assets of the Group.

16 INVENTORIES

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Company – Inventories		
Inventories	8,895	9,755

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 prior year, see note 8b. Storage and insurance costs for the Turbines in the year totalled £117k (2016: £183k).

As set out in note 22 the Company has outstanding loans from BPAC. Security on these loans includes a pledge over all the assets of the Group.

17 CASH AND CASH EQUIVALENTS

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
a) Group		
Cash and short-term bank deposits	163	960
b) Company		
Cash and short-term bank deposits	162	955

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 22 the Company has outstanding loans from BPAC. Security on these loans includes a pledge over all the assets of the Group.

18 SHARE CAPITAL

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
In issue, called up and fully paid		
561,387,586 ordinary shares of 2p each (2016: 561,387,586)	11,228	11,228

Ordinary shares have no redemption rights and are entitled to full rights to dividends and excess capital on winding up.

19 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 after certain creditors are repaid £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. Until the creditors are repaid the balance is to be held in a Special Non-distributable Reserve. The balance of unpaid creditors in these accounts is £254k (2016: £1.5 million).

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 a Special Non-distributable reserve pending the settlement of certain creditors (please see above). Once these creditors are settled the Special Non-distributable reserve will be credited to the profit and loss account.

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

Capital Reduction – Procedure

In order to approve the Capital Reduction, the High Court was required to be satisfied that the interests of the Company's creditors will not be prejudiced by the Capital Reduction. The Company was not required to seek written consent to the Capital Reduction from its creditors. However, for the benefit of those of its creditors from whom consent is not required, the Company will not be capable of making a distribution to shareholders until any such outstanding obligations have been discharged, and the Company has given an undertaking to that effect to the High Court. At the date of the audit report there are some £ 0.3 million (2016: £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.

20 TRADE AND OTHER PAYABLES

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
a) Group – current		
Trade payables	815	2,434
Accruals	84	–
	899	**2,434**
b) Company – current		
Trade payables	517	2,065
Accruals	84	–
	601	**2,065**

During the year, the directors agreed formal settlement terms with IPSA, repayments of £1,256k were made during the year. The balance at the year end was £254k (2016: £1,510k).

21 TAX LIABILITIES

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Group/Company – current		
P.A.Y.E.	7	12
	7	**12**

22 BORROWINGS

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Group – Current		
Other Loans	1,448	4,037
	1,448	**4,037**
Group –Total Borrowings	**1,448**	**4,037**
The Group's borrowings are repayable as follows:		
Within 1 year	1,448	4,037
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	–	–
	1,448	**4,037**
Company – Current		
Other Loans	1,448	1,661
	1,448	1,661
Company –Total Borrowings	**1,448**	**1,661**
The Group's borrowings are repayable as follows:		
Within 1 year	1,448	1,661
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	–	–
	1,448	**1,661**

Group

Other loans of £1.4 million (2016: £4.0 million) including accrued interest are made up of £ nil (2016: £2.3 million) from Technology Finance Ltd, these loans were past their due dates in prior years. The Group entered into an SPA on 30 December 2017 whereby Cascade Hydro Ltd, the borrower from Technology Finance Ltd was sold to Sloane Renewable Energy Ltd. These loans formed part of the sale and consequently have been transferred to Liabilities Held for Sale.

£1.4 million (2016: £1.7 million) from BPAC, this loan is secured by a pledge against the Group's assets. At the year end the loan repayment was due on 30 June 2018. Since the year end the loan has been further extended and is now due on 30 June 2019, or upon any significant asset sales.

Company

Other loans of £1.4 million (2016: £1.7 million) including accrued interest are from BPAC. This loan is secured by a pledge against the Group's assets. At the year end the loan repayment was due on 30 June 2018. Since the year end the loan has been further extended and is now due on 30 June 2019, or upon any significant asset sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Net Debt Reconciliation

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
a) Group		
Balance at start of year	**4,037**	**3,054**
Non-Cash flow transactions	–	
Transfer to liabilities held for sale	(2,608)	–
Interest charge	419	355
Cash flow transactions	–	–
Loan drawdowns	–	1,500
Interest paid	(80)	(20)
Principal repayment	(320)	(830)
Settlement discounts	–	(22)
Balance at end of year	**1,448**	**4,037**
b) Company		
Balance at start of year	1,661	910
Non-Cash flow transactions		
Interest charge	187	123
Cash flow transactions		
Loan drawdowns	–	1,500
Interest paid	(80)	(20)
Principal repayment	(320)	(830)
Settlement discounts	–	(22)
Balance at end of year	**1,448**	**1,661**

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 losses would have had a nominal impact on earnings.

Sensitivity analysis to changes in exchange rates:

Only US $510k (2016: US $480k) 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 £38k (2016: £20k).

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.

23 INVESTMENTS

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

	YEAR ENDED 31.12.17 £'000
Cost at 1 January 2017	**100**
Additions during the year	–
Balance at 31 December 2017	**100**

At the year end the Company held the following investments:

Direct investments:

1. 50 per cent. (2016: 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. Nil per cent. (2016: 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. There was a voluntary strike off in 2017.

3. 100 per cent. (2016: 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 99.9 per cent. of Empresa de Generacion Electrica Colca, S.A.C., both being companies registered in Peru. On 30 December 2017 the Company entered into an SPA to dispose of CHL, and it's subsidiaries, the sale completed on 30 January 2018, please see note 30 for further details.

4. 100 per cent. (2016: 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. (2016: 100 per cent.) of the issued share capital of Rurelec Project Finance Limited a company registered in England and Wales under registration number 7523554.

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FOR THE YEAR ENDED 31 DECEMBER 2017

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%
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%
Cascade Hydro Power SAC*****	Av. Canaval y Moreyra 452 Pisos 15 - 17 Lima 27 Peru	99.99%

NAME	TRADING ADDRESS/REGISTERED ADDRESS	INTEREST HELD
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	99.99%
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 24
**Held via Rurelec Project Finance 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.

24 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 owns100 per cent. 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 it has been accounted for 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 2017 the joint venture made a loss. Total loss position at the year-end was £36.7 million (2016: £38.3 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 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Revenue	17,104	18,650
Expenses	(18,746)	(20,184)
Non-current Assets	10,136	10,963
Current Assets	5,188	9,705
Non-current Liabilities	(39,831)	(38,471)
Current Liabilities	(8,070)	(15,978)

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

25 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
a) Group		
Loss for the year before tax	**(5,825)**	**(9,254)**
Net Finance Income	(1,096)	(2,328)
Adjustments for: Depreciation	-	26
Unrealised exchange losses/(gains)	2,570	(1,241)
Write down of loans	1,329	2,662
Write down of Turbine	296	6,440
Impairment/(increase) of Goodwill	29	(6)
Movement in Working Capital:		
Change in Trade and Other Receivables	103	1,094
Change in Trade and Other Payables	123	541
Cash Used in Operations	**(2,471)**	**(2,066)**

	YEAR ENDED 31.12.17 £'000	YEAR ENDED RESTATED 31.12.16 £'000
b) Company		
Loss for the year before tax	**(7,068)**	**(2,775)**
Net Finance Income	(1,198)	(4,023)
Adjustments for:		
Unrealised exchange losses/(gains) on loans	3,138	(4,137)
Write down of investments	–	2,662
Write down of loans	3,580	–
Stock write down	–	6,440
Movement in working capital:		
Change in trade and other receivables	(148)	481
Change in trade and other payables	(1,468)	(366)
Cash used in operations	**(3,164)**	**(1,718)**

26 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 had 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 22, the Group has £1.4 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 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Current – due within 1 year:		
Trade payables	899	2,434
Tax liabilities	7	12
Borrowings	1,448	4,037
Total due within 1 year:	**2,354**	**6,483**

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 2017	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	19,412	–	18,952	–
Cash and Cash Equivalents	162	–	163	–
Trade and Other Payables < 1 year	–	(609)	–	(906)
Borrowings < 1 year	–	(1,448)	–	(1,448)
Total	**19,574**	**(2,057)**	**19,115**	**(2,354)**

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	27,989	–	24,761	–
Cash and Cash Equivalents	955	–	960	–
Trade and Other Payables < 1 year	–	(2,077)	–	(2,446)
Borrowings < 1 year	–	(1,661)	–	(4,037)
Total	**28,944**	**(3,738)**	**25,721**	**(6,483)**

27 CAPITAL COMMITMENTS

The Group had outstanding capital commitments of £Nil (2016: Nil) in respect of plant ordered but not delivered at the year-end.

28 OPERATING LEASE COMMITMENTS

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

Office Equipment

	2017 £'000	2016 £'000
Up to 1 year	–	50
More than 1 year less than 5 years	–	59
	–	**109**

During the year the office equipment leases were 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 £22k (2016: £26k).
Office premises relates to the Company's offices.

29 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, who are considered Key Management Personnel which amounted to £0.4 million (2016: £0.4 million).

ii) Received from its former 100 per cent. subsidiary Independent Power Corporation PLC ("IPC") a credit note of £20k relating to the prior period.

	2017 £'000s	2016 £'000s
Sales	–	40
Purchases	(20)	125
Y/E debtor	–	–
Y/E creditor	–	160

iii) Charged negative interest on loans to its 100% subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £0.4 million (2016: £1.4 million). The loan balance outstanding at the year-end was £3.0 million (2016: £6.7 million). In 2015 an impairment of £6.8 million was made, this was reversed in 2016.

	2017 £'000s	2016 £'000s
Y/E debtor	2,965	6,693
Interest charged	(432)	1,367

iv) Charged interest on loans to its 50% owned joint venture company, Patagonia Energy Ltd ("PEL") amounting to £ 0.9 million (2016: £2.8 million). Received loan repayments of £ nil (2016: £1.2 million). The Directors have assessed the recoverability of the loans and consider that it is prudent to recognise an impairment of £1.3 million in the year (2016: nil). After impairment reviews the loan balances at the year-end totalled £15.6 million (2016: £17.6 million). Interest on these loans has been accrued at 5.5% (2016: 11.1%). The total outstanding before impairment is £34.5 million (2016: £38.3 million).

	2017 £'000s	2016 £'000s
Y/E debtor	15,666	17,551
Repayment	–	1,238
Interest charged	862	2,820

v) Received from its joint venture company Energia del Sur S.A. ("EdS") repayments totalling £nil (2016: £nil) of support previously given to creditors of EdS. £0.5 million (2016: £0.5 million) of credit support remains outstanding at the year end.

vi) Repaid £1.3 million (2016: £0.1 million) of deferred consideration on the 2013 turbine purchase, £0.3 million (2016: £1.5 million) remains outstanding at the year end. P.R.S. Earl and S Laker were Directors of IPSA during part of 2017.

	2017 £'000s	2016 £'000s
Sales	–	55
Purchases	–	–
Y/E debtor	–	–
Y/E creditor	254	1,510

vii) Provided loans and charged interest of 0.5% per month to its 100 per cent. subsidiary Cochrane Power Ltd of £0.2 million (2016: £0.2 million). The total outstanding at the year-end was £9.2 million (2016: £8.5 million). These loans have been impaired to £0.8 million (2016: £2.4 million).

	2017 £'000s	2016 £'000s
Y/E debtor	805	2,374
Further loans made	196	174
Interest charged	522	482

viii) Provided loans to its 100 per cent. subsidiary Cascade Hydro Ltd ("CHL") of £0.4 million (2016: £0.5 million) and charged CHL interest of £nil (2016: £0.6 million). The interest rate was 0.5 per cent. per month. The total outstanding at the year-end was £11.5 million. These loans have been impaired to £nil (2016: £1.3 million). The sale of CHL completed on 30 January 2018 for US$250k.

	2017 £'000s	2016 £'000s
Y/E debtor	–	1,276
Further loans made	386	547
Interest charged	–	606

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b) Group

RPFL received £3.3 million (2016: £1.2 million) in repayments from EdS 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 (2016: zero). The total outstanding at the year-end was £3.1 million (2016: £6.8 million).

30 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 comprised the Canchayllo run of the river plant, sold in July 2015, with the rest of the project companies included in the second group. Since the year end the project companies along with their UK holding company Cascade Hydro Limited have been disposed of. The transaction completed on 30 January 2018, the consideration was US$250k.

Assets Classified as Held for Sale	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Trade and Other Receivables	2,265	2,207
	2,265	**2,207**

Liabilities Classified as Held for Sale	YEAR ENDED 31.12.17 £'000	YEAR ENDED 31.12.16 £'000
Trade and Other Payables	3,515	1,230
	3,515	**1,230**

31 CONTROL

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

32 POST BALANCE SHEET DATE EVENTS

Since the year end:

- Completed the sale of Cascade Hydro Limited ("CHL") and it's subsidiaries on 30 January 2018. Total consideration was US$250k (£185k). The proforma Consolidated Statement of Financial Position below shows the effect of the transaction, once completed:

	31.12.17 £'000	CHL SALE £'000	PROFORMA 31.12.17 £'000
Assets			
Non-current Assets			
Property, Plant and Equipment	9,699	–	9,699
Intangible Assets	–	–	–
Investment in Joint Venture	–	–	–
	9,699	**–**	**9,699**
Current Assets			
Trade and Other Receivables	18,951	–	18,951
Cash and Cash Equivalents	163	–	163
Assets classified as held for sale	2,265	(2,265)	–
	21,379	(2,265)	**19,114**
Total Assets	**31,078**	**(2,265)**	**28,813**
Equity and Liabilities			
Shareholders' Equity			
Share Capital	11,228	–	11,228
Share Premium Account	22,754	–	22,754
Foreign Currency Reserve	572	–	572
Special Non-distributable Reserve	45,000	–	45,000
Accumulated Losses	(54,345)	1,250	(53,095)
Total Equity attributable to owners of the Company	**25,209**	**1,250**	**26,459**
Current Liabilities			
Trade and Other Payables	899	–	899
Current Tax Liabilities	7	–	7
Borrowings	1,448	–	1,448
Liabilities classified as held for Sale	3,515	(3,515)	–
	5,869	**(3,515)**	**2,354**
Total Liabilities	**5,869**	**(3,515)**	**2,354**
Total Equity and Liabilities	**31,078**	**(2,265)**	**28,813**

- In April 2018 the Company further extended its working capital facility arrangement with BPAC with the principal amount of £1.2 million. The repayment date is now 30 June 2019.

- As previously announced the plant owned by Energia del Sur S.A., in which Rurelec has a 50% interest, suffered mechanical damage due to a failure of some turbine blades in September. The plant recommenced generation in October, but at a reduced level of output. At the time of this report it is not yet clear when full output can be achieved.

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

COMPANY INFORMATION

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

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M Bravo

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