RURELEC

2019

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Stock code: RUR

RURELEC

CONTENTS

Rurelec PLC ("Rurelec") is an owner, developer and operator of power generation capacity internationally.

Rurelec's main business consists of the ownership, operation and development of power generation facilities on national and regional grids, selling wholesale electricity as a generator on commercial terms, through capacity payments and/or power purchase agreements ("PPAs").

Rurelec's current business is centred on Rurelec's share of an operational plant in Argentina whilst also seeking to complete the development of its project in Chile or sell its interests in that project.

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 2019. The year was characterised by a further move towards financial stability, a key goal of the Board of directors of Rurelec. Loan repayments from our joint venture Argentinian asset, Energia del Sur SA ("EdS"), has enabled the Group to settle all of the secured debt owed during 2019. The Bridge Properties (Arena Central) Limited ("BPAC") loan was fully repaid on 20 December 2019. As a result, the security held over the assets of the Group by BPAC under its debenture was released.

Your Board wishes to thank the directors of BPAC for the loan, who provided financial stability at an important time for the Group.

Group current liabilities at 31 December 2019 stood at £0.5 million, which compares with the position at 31 December 2018 of £2.0 million.

Outlook

Argentina

Following the extensive maintenance programme carried out at the end of 2018 and early 2019 the joint venture Argentinian company ("EdS") has performed well.

The improvement in performance of the Argentinian plant enabled the outstanding loan from Rurelec Project Finance Limited ("RPFL") to be fully repaid during the period. Anticipating this, the Rurelec Board prioritised the achievement of an improvement in the working relationship with our joint venture partner in Patagonia Energy Limited ("PEL"), the holding company of the Argentinian asset, as future cash remittances from EdS would need to flow up through PEL. In November 2019, Rurelec signed a new agreement with the joint venture partner in PEL that, amongst other issues, sets out how future cash receipts in PEL will be allocated between the joint venture partners. This agreement represents a major step forward in our working relationship with the joint venture partner.

Of course, the new agreement does not determine the rate of cash remittances from EdS. Despite the plant performing well, the economic situation in Argentina remains in crisis. An annual to April 2020 inflation rate was 45.6 per cent.[1]. The value of the Argentinian peso against the US Dollar declined by nearly 60 per cent. during 2019. This inevitably has led to the new Argentinian government to tighten Exchange controls. The Argentinian Central Bank ("BCRA") exchange controls on US Dollars have a direct effect on the cash remittances by EdS to PEL, the latter not being resident in Argentina. The cost of transferring money out of Argentina has increased dramatically since February 2020. In Q2 2020 the loss suffered on transferring US Dollars out of Argentina rose to over 40 per cent. of the underlying face value.

In addition, earlier in 2020, the Argentinian Government announced a policy change whereby energy spot prices will no longer be linked to US Dollars but to Argentinian Pesos. This again will increase the foreign exchange risk.

The above policy change will not affect the revenue derived from EdS's Resolution 220 Power Purchase Agreement ("PPA"), which will remain linked to the US Dollar. However, this PPA expires in September this year, and will be superseded by a new tariff or, at worst, the output will be sold on the energy spot market. The discussions are expected to commence shortly on what rate will be put in place in September 2020, but the situation as of now remains uncertain. The local management team in Argentina are heading the negotiations, with support and input from the Rurelec Board. This includes a review of the operating cost base of the plant.

The COVID-19 pandemic was confirmed to have spread to Argentina on 3 March 2020. On March 12, the Argentinian Government suspended for 30 days all international flights, and on March 15 this was extended to a cancellation of internal flights. On 19 March, Argentina entered a nation-wide lockdown. The Argentinian government responded with a 700 billion pesos (US $11.1 billion) stimulus package.

On 8 May, the national lockdown entered its fourth phase such that with the exception of the Greater Buenos Aires urban area, there was a reopening of factories and business.

Because of the emergence of the COVID-19 pandemic, the major maintenance work on one of the gas turbines scheduled for Q1 2020 was postponed.

Argentina's Government, viewing EdS's output as an essential service, issued instructions whereby the power plant should operate with the smallest number of people possible, covering operational shifts and preventive cleaning work with specific teams. All but essential staff have been working remotely and not been coming to the plant unless there is an equipment-related problem to address at the plant. A wide range of preventative measure were implemented to protect and safeguard staff. According to information published by the Argentinian Health Ministry and Argentinian press articles[2], at 20 May 2020 the total number of COVID19 cases in Argentina were 8,809 with 373 COVID-19 related deaths. Chubut province, where the EdS power plant is located, has had 4 confirmed cases and no deaths. Clearly there is no guarantee that the apparent initial success in mitigating the effect of COVID 19 will continue going forwards in Argentina but as at 20 May 2020 the COVID-19 pandemic had had relatively little impact on the ability of EdS to continue in operation. Furthermore, the importance of EdS in the generation of electricity in the Chubut province means that its output will be allocated a high priority by CAMMESA.

[1] INDEC (Instituto Nacional de Estadística y Censos de la Argentina) (Argentinas's National Statistics and Census Office) Technical report, Vol.4, Number 86https://www.indec.gob.ar/uploads/informesdeprensa/ipc_05_20E0A67444B5.pdf

[2] https://www.infobae.com/sociedad/2020/05/17/coronavirus-en-la-argentina-se-confirmaron-263-nuevos-contagios-y-10-personas-murieron-en-ultimas-24-horas/ https://www.argentina.gob.ar/coronavirus/informe-diario/mayo2020

NON-EXECUTIVE DIRECTOR'S STATEMENT

Chile and the Group's two 701DU Siemens turbines

The Group's Central Illapa project ("Mejillones") remains consented, and a key extension to the project timetable was granted by the Chilean Government earlier this year. A dialogue continues with potential third parties who may be interested in either purchasing the project outright or entering into a joint venture arrangement. The two 701DU turbines, which are stored in Italy, could be used in the project (the turbines are consented for the project), or be sold on the open market.

Summary

The year 2019 has seen a marked improvement in the Group's liquidity position. The improvements in the performance of the Argentinian asset, and the relationship with our joint venture partner, have been encouraging. However, the effect of the current poor state of the Argentinian economy, and the uncertainty around the renegotiation of the Resolution 220 PPA later this year do cast a shadow over future performance.

Despite this uncertainty, the Board is proceeding with a Capital Reconstruction of Rurelec PLC. This will enable the proceeds of any future asset realisations to be distributed to shareholders. This remains the central plank to the Board's strategy.

Brian Rowbotham
Non-executive Director
29 May 2020

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 value to be realised from the asset portfolio. That value will then be returned to shareholders. In order to make it possible the Directors are proceeding with a capital reconstruction of the Company as referred to in Non-Executive Director's Statement.

Liquidity

The above strategy has been determined by the on-going financial position of the Group and since 2015, the financial position has gradually improved. The new main borrowing of the Group taken out in 2016, had been the secured BPAC loan. As anticipated in last year's strategic report, this was repaid in the year, thereby saving interest payments which in 2018 had amounted to £0.4 million and enabling the associated debenture to be released. Significant progress was made in the Group becoming debt-free. Current liabilities have fallen from £2.0 million to £0.5 million.

The EdS plant operated at reduced output between September 2017 and January 2019 following the September 2017 turbine blade failure event. During this period output and capacity payment revenue of the steam turbine was restricted to 20 MW compared to the usual 43.7 MW and this reduced EdS monthly income by at least US $650k per month.

The steam turbine was successfully restored to full output in January 2019 following the major maintenance that took place between October 2018 and January 2019 at a total cost of US $6 million, primarily funded by loans from CAMMESA. During that maintenance programme, the steam turbine was completely overhauled, the rotor and missing turbine blades were replaced, the steam turbine generator was overhauled and one of the gas turbines also underwent a rotor replacement and overhaul.

The material loss of revenue of EdS (and consequent intermittent debt repayments to Rurelec) in 2018 resulted in depleted cash reserves for EdS and Rurelec at the start of 2019.

However during 2019, a resumption in normal operations and cash generation at EdS enabled it to remit secured debt repayments of £1.1million (2018: £2.0 million) to RPFL, unsecured debt repayments of £0.6 million (2018: £nil) to Rurelec and £0.6 million (2018: £nil) to Patagonia Energy Limited ("PEL"). Of this amount, Rurelec received £0.5 million of debt repayments from PEL under the terms of the November 2019 Umbrella Agreement regulating the division of debt repayments to be made by PEL to its two joint venture ("JV") partners. Thus, the total cash remittances by EdS to the Group and PEL described above amount to £2.2 million which compares to total debt repayments by EdS of £2.0 million in 2018. In addition, EdS ended the year with cash reserves of £1.7 million (2018: £0.5 million).

Since EdS has now repaid all debts owed directly to the Rurelec group companies, Rurelec liquidity is driven by the flow of receipts from PEL. PEL's liquidity is in turn determined by the ability of EdS to purchase US Dollars to repay the debts it owes to PEL or to pay dividends to PEL. In September 2019 in an attempt to stabilise markets as it faced a deepening economic crisis, the Argentinian government imposed exchange rate controls as a result of which the timing and quantum of payments from EdS to PEL is heavily affected by the duration of exchange controls that firstly restrict the ability of EdS to transmit funds to PEL and secondly increase the money conversion cost of achieving those transfers. Another effect of the economic crisis is shortages of funds by CAMMESA resulting in delays being experienced by EdS and other electricity generators in Argentina in receiving payments from CAMMESA.

Liquidity is also affected by the increased foreign exchange risk for the Group resulting from the policy change announcement by the Argentinian Government in response to the economic crisis that revenue deriving from the electricity generated by EdS from its gas turbines and sold on the energy spot market will no longer be linked to the US Dollar but to the Argentinian Peso.

The ability to forecast liquidity has been improved by Rurelec's signing of the November 2019 Umbrella Agreement and Revised Shareholders Agreement with the JV partner in the Argentinian operations. Further details were included in the announcement on 19 November 2019. This has improved the clarity of how the cash proceeds of the JV will be split between the parties given Rurelec has greater outstanding debts owed to it by PEL than its JV partner. In December 2019, the first debt repayment of £0.5 million was duly received by Rurelec from the JV in part payment of the PEL Amended and Restated Loan Notes.

EdS's existing Resolution 220/2007 Power Purchase Agreement ("PPA"), which has governed the remuneration of capacity and generation payments on the steam turbine since October 2010 is due to expire in September 2020, affecting the liquidity of EdS from December 2020. The level of the replacement tariff will have a significant effect on EdS's cashflow generation from 2021 onwards. Although there is no certainty of what will happen, it is the Board's belief (based on informal information gathered by the local management team in Argentina) that the revised pricing structure will be lower than current contract levels.

COVID 19 – The impact of COVID-19 on the Group's source of cash, EdS, has been assessed, Group cash flows have been prepared under two scenarios:

i) that cash will be normally received under current conditions and local management's expectations, and

ii) that other than cash currently in transit, no further cash will be received in the next twelve months, also known as a 'reverse stress test'.

Post year end to date the Group have received from its JV £1,129k with £774k in transit.

The Directors have performed stress testing of Rurelec's cashflow as described below in the Going Concern section of this report, following which it has been concluded that any impact of the COVID-19 pandemic will have little adverse effect on the Directors' view on going concern of the Group. However the effects of the COVID-19 pandemic in Argentina are less clear in the future and the Directors cannot rule out liquidity issues impacting on the Group in future periods if the Argentinian government loses control of the disease to the extent where it does have a material impact on the operations of EdS or demands for electricity.

STRATEGIC REPORT

Financial results

The operating loss for the year of £3.1 million for 2019 does not represent a significant change compared to the £2.9 million operating loss for 2018. This is explained in more detail in Notes 8 and 9 to the accounts. Included in the loss are non-cash write-downs in the carrying value of Group assets of £1.4 million (2018: £2.7 million) coupled with administration expenses which fell from £1.5 million in 2018 to £1.2 million in 2019.

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 £4.4 million (2018: £0.6 million). This was significantly affected by a £3.0 million swing in foreign exchange gains/losses from a £1.7 million gain in 2018 to a £1.3 million loss in 2019.

As a consequence of the improved cash generation the Group was able to settle the outstanding £1.2m repayment of BPAC secured debt principle during the period.

Unless there is a significant disposal of assets, in the long term, the Group is dependent upon debt repayments from Argentina via PEL. There still exists some uncertainty as to the timing and the quantum of those receipts given exchange rate controls and other austerity measures imposed by the Argentinian Secretariat of Energy and CAMMESA in response to the Argentinian economic crisis. However, given that at the date of these accounts the Group was largely debt free, the Directors are able to focus on using the Argentinian receipts to fund the reduced administrative costs of running Rurelec and on generating sufficient headroom to be able to start distributing funds to shareholders.

At the date of the signing of the Financial Statements, having considered the cash forecasts from the Argentinian operation the Directors believe, bearing in mind the reduced outgoings of the Group, there is currently sufficient headroom in existing working capital facilities to avoid the need to seek further sources of working capital.

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 cashflow, operating profitability, net asset value and earnings per share.

i) Cash Flows

The Group is heavily focused on optimising cashflow generation. It regularly monitors actual and forecast Net Cashflows used in Operating Activities, Net Cashflows Generated by Investing Activities (predominantly the repayment of loans from PEL) and Net Cash Used in Financing Activities (although those will in the foreseeable future be minimal as the Group has become debt-free). After repaying £1.2 million of outstanding debt to BPAC in the period, the Net decrease in Cash and Cash Equivalents in the year was £214k (2018: increase £188k).

ii) 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 £3.1 million in the year (2018 £2.9 million loss).

iii) 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 3.7 pence per share (2018: 4.4 pence per share).

iv) 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 0.79 pence per share in the year (2018: loss of 0.11 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. EdS in which the Group has a 50 per cent. interest has an installed nominal capacity output of 138 MW. No additional capacity was added in the period. The group continues to own three turbines ready for deployment in projects or onward sales. Two of these have a nominal capacity of 125 MW, the other 38 MW.

ii) Operating efficiency

Operating efficiency is the average operating efficiency of the generating plant owned by Group companies. It can be improved through the installation of more thermally efficient turbines, refurbishment activities or through conversion to combined cycle operation. With the return to full production in January 2019, the annual heat rate fell to 8.53 BTU/kWh (2018: 9.78 BTU/kWh).

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 increased to 89.0 per cent. (2018: 64.4 per cent.). 2018 was affected by operating at reduced output following the September 2017 steam turbine blade failure and 2018 major maintenance.

REVIEW OF FINANCIAL PERFORMANCE

Group Results

The Group loss after tax for the financial year under review is £4.4 million (2018: £0.6 million loss). This included foreign exchange losses of £1.3 million (2018: £1.7 million gain). The impairments/(impairment reversals) are detailed below:

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Impairments/(Impairment reversals)		
Impairment of turbine for Arica Project	–	236
Loans to Joint Venture Companies (see note 22)	235	2,429
Reversal of impairment of investment in SEA SA	(188)	–
Impairment of turbines for Central Illapa	1,982	–
Total	**2,029**	**2,665**

Group revenue was nil (2018: nil), Operating and Administrative expenses amounted to £1.2 million (2018: £1.5 million). Operating loss was £3.1 million (2018: £2.9 million loss). The loss before tax is £4.4 million (2018: £0.6 million loss). The basic loss per share is 0.79p (2018: 0.11p loss). Total assets are £21.0 million (2018: £26.8 million). Total equity stands at £20.5 million (2018: £24.8 million), or a Net Asset Value of 3.7 pence per share (2018: 4.4 pence per share).

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

Energia del Sur S.A. Results

After the application of Argentine GAAP accounting treatments to recognise the effects of hyperinflation, at the operating level the plant in Comodoro Rivadavia and therefore based on 100 per cent. of EdS's activities the net operating profit for the year was AR$ 702.7 million (2018: AR$ 158.3 million) on revenues of AR$ 1,350.8 million (2018: AR$ 672.3 million), the net pre-tax profit for the year at EdS was AR$ 224.8 million (2018: loss AR$ 20.4 million) which included foreign exchange losses of AR$ 166.4 million (2018: AR$ 172.7 million).

As set out in note 22 the Directors have determined that the relationship with EdS is a joint venture and is therefore equity accounted.

Rurelec Chile

The development of our 100 per cent. owned investments in Chile have expensed limited direct costs in the year of £98k (2018: £167k). Capitalised development costs are £ 0.1 million (2018: £0.2 million) on the Central Illapa project. In 2019 the Arica project/turbine was impaired by £nil (2018: £0.2 million), see note 8 (b) for further details of impairment expense. The development costs associated with the Central Illapa project were not impaired in 2019 or 2018.

REVIEW OF OPERATIONS

Argentina

In January 2019, the combined cycle power plant resumed output at normal operational levels following its restart after the shutdown of the plant during the major maintenance of the steam turbine that had commenced in October 2018. Although the combined cycle recovered its nominal power after major maintenance, 125 MW, transmission network restrictions limited its dispatch, so the gross energy generated for the year 2019, 598 GWh was approximately equal to that corresponding to the year 2018, 602 MWh. 2018 output had been constrained by operating at reduced capacity following the September 2017 breakdown. The average heat rate of the plant was 8.53 MMBTU/kWh (2018: 9.78 MMBTU/kWh). 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, its 100 per cent. owned Argentinian operating subsidiary. This illustrates a substantial turnaround in the operation's financial performance in 2019:

Group share of Joint Venture results and net assets	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Results	8,715	8,710
Revenue	11,295	8,715
Operating Expenses – excluding foreign exchange losses	(6,082)	(5,575)
Foreign exchange losses	(1,391)	(2,225)
EBITDA	**3,822**	**914**
Depreciation	(1,198)	(1,065)
EBIT	**2,624**	**(151)**
Intragroup interest - 2019 credit re write back of prior year charge	2,570	(1,573)
Third party interest payable	(1,406)	(195)
Profit/(Loss) before tax	**3,787**	**(1,918)**
Tax	(1,079)	(430)
Profit/(Loss) after tax	**2,709**	**(2,348)**
Summary of Statement of Financial Position		
Non-current assets	15,889	14,327
Cash	1,713	514
Current trade and other receivables	4,907	2,009
Non-current liabilities	(25,785)	(26,548)
Current liabilities	(4,881)	(3,714)
Net assets/(liabilities)	**(8,157)**	**(13,412)**

Chile

Arica

Following the reassessment of the project the Board is considering deploying the Frame 6B turbine acquired for the project elsewhere. A buyer is to be sought for the turbine.

Central Illapa

The project has continued to make some progress in development. It has maintained the necessary environmental consents granted for the project and an application was made for the extension of the construction period for the project from Ministerio de Bienes Nacionales, the Chilean Ministry of National Assets whilst the company pursues various options. The application for the extension of the construction period was duly approved in January 2020 given there are a limited and diminishing number of unbuilt gas thermal plants which have a consented site in Chile (and the Directors believe these are needed to provide electricity in the periods where sustainable sources cannot operate effectively).

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 $9.4 million (2018:US $12.0 million). The Directors also obtained an independent valuation produced by a competent person. Bearing in mind the limited market for these turbines, based on valuation advice the Directors have decided to impair the carrying value of these turbines by $2.6 million (2018 – nil impairment). After exchange rate movements these assets are duly recorded at a value of £7.7 million (2018: £10.0 million).

Future developments have been considered in the non-executive's Director's statement.

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, the imposition of new tariffs and/or taxes and/or government cash shortages resulting in slow payment for electricity generated. There is also the possibility that domestic economic instability could lead to political unrest or vice versa. These are significant risks to Rurelec which are inherent in operating in such territories

b) Financial markets – Should, after careful assessment, the Group wish to develop its project, 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.

REVIEW OF OPERATIONS

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, at times of economic crisis (such as existing in Argentina in late 2019 and to date), exchange controls restrictions have been imposed and may be further tightened. These may have a significant impact on the Group's ability to repatriate funds to the parent company, and introduce an additional cost of achieving that repatriation. 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.

f) Economic, market and business operations risk resulting from pandemics, particularly COVID-19 pandemic -

In March 2020, the World Health Organisation declared the spread of COVID-19 to be a pandemic. The rapid spread of the virus and consequent global emergency containment measures resulted in business closures, travel shutdowns and restrictions that have severely curtailed economic activity. If the COVID-19 pandemic is prolonged there are negative impacts for the UK, Argentinian and Chilean economies where the Group operates. The demand for electricity will experience some decline from the reduced industrial and commercial activity, but background demand will still exist. Of greater risk is the effect on already fragile economies such as that of Argentina and what measures may be put in place by their governments to fund the social and industrial support necessary to prevent massive social hardship.

To date, there has not been a significant impact on operations. London head office operations of Rurelec have continued remotely without disruption. All current Head Office records were digitised before the UK lockdown to allow for remote access and work has continued from employee's homes. In Argentina, the early adoption of measures to control the spread of the virus by the Government, coupled with the relative isolation of the city of Comodoro Rivadavia in central Patagonia where EdS is located and measures taken by EdS management to minimise disruption have mitigated any major adverse effect on EdS operations to date. The EdS plant is operating with reduced on-site manpower, including restricted on-site access for non-essential personnel. As at 20 May 2020 there have been no notified cases of COVID-19 with any EdS employees at the plant and as referred to above there are only 4 confirmed cases of COVID-19 in the whole of Chubut province (an area of some 225,000 sq km) and no deaths. The EdS plant has not experienced any shutdowns, no emergency tariffs have been introduced by the Government, and there has been no significant disruption to its supply chains to date. The EdS operation has continued to generate cash broadly in line with expectations.

However, the ultimate duration, spread and effect of the COVID-19 pandemic and any subsequent pandemics remain uncertain. Despite widespread global stimulus packages and efforts to control and eradicate the virus, this could eventually have permanent adverse effects on the growth of those economies, the demand for electricity, the ability to operate and the ability to obtain spare parts and engineering expertise in the event of maintenance or equipment breakdowns. There are no guarantees that if the virus did spread further in Argentina there would not be significant disruption and this could extend to an inability to get funds out of the country to fund debt repayments owed to the Group.

The Group has mitigated the exposure to such risks by holding sufficient cash to cover outgoings for at least the next 12 months after the signing of the financial statements. This is discussed further in the Going Concern section of the Directors Report below.

g) COVID 19 – The impact of COVID-19 on the Group's source of cash, EdS, has been assessed, Group cash flows have been prepared under two scenarios:

   i) that cash will be normally received under current conditions and local management's expectations, and

   ii) that other than cash currently in transit, no further cash will be received in the next twelve months, also known as a 'reverse stress test'.

Post year end, to date, the Group has received, in line with modelled expectations, repayments from PEL of £1,129k with £744k in transit. COVID-19 has had no impact on these remittances. In the unlikely scenario that no further cash should be received, the board consider that the Group has sufficient resources to continue as a going concern for one year after the date of this report, without further receipts.

DIRECTORS' SECTION 172 STATEMENT

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Board of Directors of Rurelec Plc acknowledge that they have a statutory duty under s172 (1) (a-f) of the Act to promote the success of the Company for the benefit of the members as a whole considering broader stakeholder interests, and notably having regard to:

a) the likely consequence of any decision in the long term;
b) the interests of employees;
c) the need to foster business relationships with suppliers, customers and others;
d) the impact of operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the Company

We report below on how in the year ended 31 December 2019 the Board's strategies, actions and key decision making took place observing these duties with the objective of delivering positive outcomes for the Company, its shareholders and its wider stakeholders the most relevant of which have been identified as including creditors, employees of the Company and of interests in foreign JV operations and those impacted by its operations in the wider community.

a) Regarding the likely consequences of long-term decision making, those decisions were made with clear strategic focus on the need to return value to shareholders and the need to continue to build financial strength. That strategy drove cash conservation and cost cutting decisions so that the business could withstand financial stress. The success of this strategy has been borne out by the Board prepared stress-tests in May 2020 in response to the potential business uncertainties resulting from the COVID-19 pandemic which showed the business had adequate working capital for the 12 months from signing these Accounts even if there were to be a cessation of cash receipts for that period.

   With the resilience of Rurelec in mind the Directors invested much time and effort into achieving an improvement in relations with its JV partner in Patagonia Energy Limited, owner of the Argentinian operations. That culminated in the decision to formalise that improved relationship by signing the November 2019 Umbrella Agreement, Revised Shareholder Agreement and Amended Loan Notes. Inter alia by waiving accrued interest (which had been fully provided), the subsequent alignment of interests paved the way for both JV parties to maximise the cashflow of the Argentinian operations and to maximise the submission of cash from EdS to the JV.

b) Our employees are fundamental to the delivery of our strategy. The Board has prioritised fair remuneration and pension arrangements for those employees and undertakes regular communication updates in an open environment. Decisions taken to maximise the resilience of the business, preserving cash and minimising risk, are taken after prioritising the continued employment of those employee roles that have been instrumental to the turnaround of the business. Rurelec's Directors have been instrumental in using impending retirements and encouraging part-time working to lower the future costs of its Argentinian operations and it has not at 22 May 2020 been necessary to make any redundancies in response to COVID-19.

c) Regarding the need to foster business relationships with suppliers, customers and others, Rurelec has for some time been keen to repay arrears to trade creditors who have supported the business over a significant timescale and to repay its key secured creditor, BPAC. The decision in December 2019 to repay BPAC in full has honoured that obligation and the debenture held by BPAC has been released accordingly. The Company has been freed from the interest burden that was being paid on that loan, thereby benefitting other stakeholders. These decisions pave the way towards Rurelec becoming debt free and to realising the Board's stated objective of returning value to shareholders.

d) Regarding the impact of operations on the community and the environment, Rurelec take a close interest in the operations in Argentina and were instrumental in the decision to perform major maintenance programmes on a gas turbine and on the steam turbine in 2019. This decision involved significant investment and was taken in the knowledge that inter alia the maintenance should extend the longevity of the turbines and provide safe, and environmentally compliant generation of electricity. At the operations level, EDS has assumed sustainable development of its activity and in the region. Its Environmental Policy is adapted to the nature, environment, scale and environmental impact of the activities and services of the plant. It has implemented an Environmental Management System that has been certified by Bureau Veritas. This system has procedures, instructions, and records in accordance with the requirements of ISO 14.001: 2004, whose compliance is verified through periodic, external and internal audits that contribute to the continuous improvement of EDS process.

e) Regarding the desirability of Rurelec maintaining a reputation for high standards of business conduct, the Board of Directors' intention is to behave responsibly and ensure that the business operates in a responsible manner within the high standards of business conduct and good governance. Regular communication amongst the Board and employees and effective, formally recorded Board Meetings ensure such standards are maintained. Where appropriate, independent legal advice is obtained to support the decision making process.

f) Regarding the need to act fairly as between members of the Company, all shareholders are welcome to express their views at the Annual General Meeting. In December 2019, the Company took the decision to apply to shareholders and the law courts for a capital reconstruction in 2020. This is recommended by the Board as it will permit the Company to make distributions to shareholders when the Company has adequate working capital headroom and will reward those shareholders for their long support. This will be to the benefit of all shareholder members.

The Strategic Report was approved by the Board of Directors on 29 May 2020 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 Hitchens, Harrison & Co plc after its acquisition by Religare in 2008. Brian is a Fellow of the Institute of Chartered Accountants in England and Wales. He holds a number of other board positions.

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, in 1991 then specialising in Corporate Finance advisory work. In 1993, Andy embarked on a 15-year spell as FD/MD of several financial and operational turnarounds in the manufacturing and distribution sectors, starting with the acquisition and subsequent turnaround of CP Pharmaceuticals Limited, a loss-making division of Fisons plc before it was sold to Wockhardt Group a decade later. Subsequent roles included Benders Holdings Limited and Bernstein Group Holdings Limited before returning to the advisory world. Founded Coveney Associates Consulting in 2010 providing FD advice, turnaround services and cashflow management advice to a portfolio of businesses.

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019.

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. The power generation projects in Peru were sold on 30 January 2018.

Results and dividends

The Group results for the year ended 31 December 2019 are set out in the Consolidated Statement of Total Comprehensive Income.

No dividend was paid during the year to 31 December 2019 (2018: nil).

Share capital

Details of the issued share capital are set out in Note 16.

Going concern

In previous years accounts, the Directors have reported that because of uncertainty over the timing of receipts, they have had to pursue alternative sources of working capital. However, as at the date of this report and in the light of the known and unknown effects of the COVID 19 pandemic, the Directors considered it appropriate to assess the future cash flows in two circumstances; one prepared in current conditions and expectations and another utilising existing resources only, otherwise known as a 'reverse stress test'. Having considered the cash forecasts both for expected receipts and without further receipts, from the Argentinian operation the Directors believe there is sufficient headroom in existing working capital facilities to avoid the need to seek further sources of working capital.

During the year, the Company has been in negotiations for prospective sales of Group assets. There exists uncertainty as to if and when these sales complete, in addition to the timing of the sales of assets as well as the quantum of the corresponding proceeds. In particular, certain negotiations regarding prospective asset sales have been put on hold pending an improvement in the economic environment following the COVID-19 pandemic.

Despite the relatively low impact of the COVID-19 pandemic on the Group's operations to date, the Board acknowledges that the duration and impact of the COVID-19 pandemic on economic activity, on global and regional markets, on government actions and on the ability for operations to operate smoothly is uncertain. In such circumstances, the Group's cashflow, liquidity and financial position could be adversely affected in the near and long term.

However the Directors do not believe the pandemic will have a significant impact on the going concern position of the Group considering the Group has been able to build up sufficient cash headroom from remittances from Argentina in Q4 2019 and Q1 2020. Future cash flows have been assessed in two circumstances; one prepared with current conditions and expectations and another unlikely worst case scenario utilising existing cash and cash-in-transit resources only, assuming no further receipts from the Argentinian operations, otherwise known as a 'reverse stress test'. Having considered these stress tests, the Directors believe there is sufficient headroom in existing working capital facilities in either scenario to avoid the need to seek further sources of working capital for the foreseeable future.

In November 2019, the signing of the Umbrella Agreement and Revised Shareholder Agreement with the JV partner has significantly improved the clarity of how the available cash balances of the JV will be split between the parties. In December 2019, the first debt repayment of £0.5 million was duly received from the JV in part payment of the Amended and Restated Loan Notes. The quantum and timing of such receipts may still be subject to variation (particularly as a result of Argentine exchange rate controls) and are not guaranteed or secured. Loan repayments received to date from the joint venture are expected to be sufficient to meet the working capital requirements for the Group for a period of at least 12 months from the signing of the financial statements.

In conclusion, the Directors have assessed that the Group has sufficient working capital based on their review of cashflow forecasts for a period of at least 12 months from the signing of the financial statements.

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 number of shares in the Company were on the reference dates as stated below:

	02.05.2020	31.12.2019	31.12.2018
Brian Rowbotham	450,000	450,000	450,000
Simon C. Morris	–	–	–
Andrew H. Coveney	–	–	–

Brian Rowbotham's holding represents 0.8 per cent. of the number of shares in issue.

DIRECTORS' REPORT

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 28 May 2020, 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
Mr & Mrs Scott	17,808,000	3.172

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 24.

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 Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

In February 2019, Moore Stephens LLP merged with BDO LLP. As part of this process Moore Stephens LLP resigned and BDO LLP were engaged.

Pursuant to Section 489 of the Companies Act 2006, BDO 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
29 May 2020

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

Statement from the Board of Directors

Rurelec PLC applies the QCA Corporate Governance Code (the “QCA Code”) published in April 2018 and this Corporate Governance report for the year ended 31 December 2019 is based upon the Code.

The principal means of communicating our application of the QCA Code are this Annual Report (pages 13-16) and our Corporate Governance section on our website (www.rurelec.com).

This report sets out the Group’s application of the Code, by the Board, and where appropriate, cross reference to other sections of the Annual Report.

Where our practices depart from the expectations of the Code, the Board has given an explanation as to why, at this time, it is appropriate for the Group to depart from the Code.

The QCA Code is constructed around ten broad principles and a set of disclosures which notes appropriate arrangements for growing companies and requires companies who have adopted the QCA Code to provide an explanation about how they are meeting those principles through the prescribed disclosures. In the paragraphs below, the Board explains how it has applied them.

The Board of Directors
Rurelec PLC

Principle 1. Establish a strategy and business model which promotes long-term value for shareholders.

The Board is committed to strengthening the Group’s underlying financial position before seeking opportunities to consolidate or expand its business. The Board sets out to deliver long-term value to shareholders in the following ways:

- Stabilising the Group’s position by reducing cash outflows;
- Reducing the Company’s vulnerability to fluctuations in the timing of debt repayments receivable from subsidiaries and joint ventures;
- Working with joint venture partners to ensure that debts from those entities are repaid to the fullest extent possible;
- Paying off debts and creditor arrears to restore the business to financial stability;
- Using that financial stability to permit an orderly realisation of assets and investments in a timescale that allows maximisation of the proceeds of such sales;
- Where asset realisations are not possible in the short term due to market conditions, preserving the value of those assets and/or maximising the cashflow generated by those assets;
- Undertaking development of projects only where to do so involves low risk and where appropriate funding for the project has already been secured.

The execution of this strategy presents key challenges in the maximisation of returns on assets given market conditions. Those challenges are addressed by ensuring that the Company is stable enough to be able to avoid having to offload such assets when to do so would minimise value, instead choosing to seek opportunities to maximise the long term returns that will optimise value for shareholders.

The business model as to how the Company plans to make money for its investors revolves around maximising the long term collection of debts owed in connection with the Joint Venture formed to develop the EdS business in Argentina, and the maximisation of dividend payments after those debts are repaid, whilst repaying Rurelec’s own creditors and continually assessing the value and saleability of its assets with a view to developing and/or realising those assets in such a way as to maximise the returns to all shareholders.

Principle 2. Seek to understand and meet shareholder needs and expectations.

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Group's website.

The Board regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.

The resolutions put to a vote at past AGMs can be found in www.rurelec.com/investors/circulars

The Board seeks to engage with all shareholders as and when relevant information needs to be disclosed. The Board is cognisant or is aware of the fact that different shareholders may have different priorities regarding when those shareholders wish to realise their shareholdings and are mindful of the need to consider the interests of shareholders as a whole in this regard.

Shareholders can communicate with the Company through the email address in its website. The Board is responsible for reviewing all communications received from members and determining the most appropriate response.

Principle 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The contraction of the Group and the focus on stabilisation of the financial position of the Company and Group has led to frequent communication at Board level within the Company and regular communication with suppliers/funders to maintain their confidence in the business model and strategy being pursued by the Board. The long-term success of the Group relies on maintaining open communication and good relationships with its stakeholders.

Communication also extends to the Board receiving regular updates and feedback within the small London-based workforce within the Company and there are also regular communications

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

with the Executive Directors of the Group's joint venture partner in the British Virgin Islands. The Group's main trading asset is the joint venture operation in Argentina. This operation is run by a full-time local management team that maintains good relations with all key stakeholders to the business in Argentina, and which provides a close point of contact for the Board's overseas operations.

The Executive directors travel regularly to Argentina to meet its existing key stakeholders.

Principle 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Given past changes in the Company's financial position, the current Board consider risk management to be of paramount importance and this has driven its strategy of pursuing financial stability rather than risky expansion in order that shareholder value can be maximised through an orderly realisation of the Group's assets. The risk position of the Group is considered on a very regular basis by the Board given the cash constraints that the Group has had to work within. The feedback on its strategy of pursuing a low-risk approach is received clearly in terms of reductions in cash outflow as measured by weekly reviews of cash forecasting models, and in terms of reduced exposure to fluctuations in cash inflow.

Although the Company does not undertake specific risk assessments, the Board as a whole undertakes regular reviews of the principal risks and uncertainties facing the Group as reported in the Strategic Report. The Company is in the process of implementing a risk register which will be under the Audit Committee to be compliant with the QCA Code.

Principle 5. Maintain the Board as a well-functioning, balanced team led by the chair.

Due to the size of the company, the Board believes that it can collectively, and competency execute a clear leadership function without the appointment of a Chairman.

The Board takes collective responsibility for the quality of, and approach to corporate governance by the Company, governance and the systems and procedures by which the Company is directed and controlled. A prescribed set of rules does not itself determine good governance or stewardship of a company and, in fulfilling their responsibilities, the Directors believe that they govern the Company in the best interests of the shareholders, whilst having due regard to the interests of other 'stakeholders' in the Group including, in particular, customers, employees and creditors.

The Board is responsible for running the Company, including all major business and financial risks and taking strategic decisions.

The Directors communicate at least weekly on significant matters, in particular on matters affecting cashflow and on matters concerning the joint venture in Argentina.

Brian Rowbotham is considered to be independent since his appointment in October 2013. The board has evaluated the independence requirements of the QCA Code and considers that Brian Rowbotham continues to be independent.

The number of times the Board met during the year to 31 December 2019 was 18. All directors were present at all the Board meetings.

The three principal standing committees of the Board are the Audit, Nominations and Remuneration Committees.

Audit Committee

The Audit Committee comprises Brian Rowbotham and Simon Morris and is chaired by Brian Rowbotham. The Company's Auditors are normally in attendance. The Company is not compliant with its terms of reference or the requirements under the QCA Code. This is because Brian Rowbotham is the only independent Non-Executive Director. Instead the Audit Committee is comprised of the Board's Non-Executive Director and an Executive Director.

The Audit Committee has an oversight of the group as a whole. It monitors the integrity of the financial statements of the Company, including its annual and interim reports relating to the Company's financial performance. Last year the Audit Committee reviewed the content of the Annual Report and Accounts and the Interims.

It made recommendations to the board in relation to the external auditor and approved their remuneration and terms of engagement and scope of audit.

The Company does not issue an Audit Committee Report.

Remuneration and Nominations Committees

Currently only Brian Rowbotham is a member of these committees and therefore the Company is not compliant with its terms of reference or the requirements under the QCA Code, which requires that at least two independent Non-Executive Directors should sit on them.

The executive directors are part time directors of the Company although all directors are expected to commit sufficient time to the Company in addition to attending the Board meetings.

The Board minutes and papers are circulated to directors in good time and ahead of the relevant Board meeting.

The Board has established audit, remuneration and nominations committees which meet regularly. Details of the Audit, Remuneration and Nominations Committees:

Director	Role at 31 December 2019	Date of (re-) appointment	Board Committee
Brian Rowbotham	Senior Independent Non-Executive	27.06.2018	N R A
Simon C. Morris	Executive Director	20.07.2017	– – A
Andrew H. Coveney	Executive Director	20.06.2019	– – –

N = Nomination Committee
R = Remuneration Committee
A = Audit Committee

The Audit Committee met 2 times during the year to 31 December 2019. All the committee members were present at the meetings.

Due to the size of the Company the Board does not comply with the principle that the Board should at least have two independent directors and therefore its committees' membership is also not compliant with their terms of reference. Given the current level of transactions within the Company, the Board considers that adequate resources are available at Board level. The Company does not issue a Nomination or Remuneration Committee Report.

Principle 6. Ensure that between them, the directors have the necessary up to date experience, skills and capabilities.

The Company has three directors, Brian Rowbotham, Senior Independent Non-Executive Director, Simon Morris, Executive Director and Andrew Coveney, Executive Director. Biographical details of the Directors can be obtained in www.rurelec.com/about-us/board-of-directors-and-senior-management.

As the financial position of the Group evolved, so have the skills required of its directors. The current directors have been chosen for their skills in maintaining, preserving and realising shareholder value by pursuing financial stability rather than by pursuing the aggressive expansion of the past. The two Executive Directors have a wealth of experience of dealing with the consequence of deterioration in the financial positions of businesses and in implementing the change necessary to restore such businesses back to stability. Those skills have been honed within financial and restructuring backgrounds. It is important that the directors are seen to be professional, reliable, trustworthy and represent a safe pair of hands. All three directors are Chartered Accountants and have a variety of experience gained through long careers as directors in industry and commerce, and/or at partner level in professional firms. This experience has involved regular and frequent acquisition of enhanced skills in response to a series of challenges and situations encountered in different businesses and industries to supplement the updating of skills obtained through the membership of professional organisations.

The Board understands the challenges in regard to gender diversity and understands that more can be done to improve the gender balance as part of the composition of the Board.

The directors keep their skills up to date by attending regular professional briefings.

The directors receive briefings covering regulations that are relevant to their role as directors of an AIM-quoted Company from our Nominated Adviser ("Nomad") and lawyers. For example, the Board has consulted the Company's lawyers and Nomad on various disclosures and Market Abuse Regulation issues, amongst other corporate governance issues.

The Board is grateful for the regular, thorough and diligent input of a qualified professional Company Secretary who inputs into and is central to everything that goes on in the Company. As such the Company Secretary provides frequent advice to the Board. On legal matters, the Company Secretary is ably supported by external part-time counsel and the Company's solicitors. The Independent Non-Executive Director provides guidance and support on relevant matters on a regular basis.

Principle 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Board evaluates its own performance on a monthly basis and also regularly considers any feedback from external parties as and when that feedback is received.

Board performance is evaluated in the light of its own strategic objectives and tactical plans, in particular in relation to cash management and other financial forecasts. Any Board appointments are considered closely in relation to the ability of the proposed Director to make an active contribution to delivering value to shareholders though the achievement of the strategies and plans balanced against the cost of such an appointment.

The Company has not previously engaged any external evaluation for the performance of the Board members or external advisors for succession planning. Candidates to the Board have been proposed by the Board members based on their skills and experience and the requirements of the Company at the time of the appointment.

There are currently no formal evaluations of the Board.

Principle 8. Promote a corporate culture that is based on ethical values and behaviours.

The Group's corporate culture is based on creating an atmosphere of trust, openness, communication and professionalism. Due to the size of the Company, the Board is in very close contact with its employees and is able to engender professional development through teamwork in its day to day and strategic activities.

The Company currently has 6 employees (including the directors). The Board seeks to ensure that all of its employees are aware of its ethical values communicating on a personal basis with its employees and encourages the adoption of these values through the appraisal and recruitment process.

Principle 9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.

In addition to the high level of explanation of the application of the QCA Code set out in the corporate governance statement:

- The Board of Directors (the Board) is responsible for approving Company policy and strategy. The Board meets regularly throughout the year. To enable the Board to perform its duties, each director has access to advice from the Company Secretary and independent professionals at the Company's expense.
- The Board comprises of 2 Executive Directors and 1 Non-Executive Director.
- Biographical details of the Board of Directors can be obtained in www.rurelec.com/about-us/board-ofdirectors-and-senior-management.
- All matters are reserved for the Board although the Board has chosen to delegate some of them to the Audit, Remuneration and Nominations Committees which will issue advice to the

Board on those matters. Some of the matters reserved for the Board include:

- o Reviewing, approving and guiding group strategy, annual budgets and business plans; setting performance objectives; monitoring and implementing corporate performance; and overseeing major capital expenditures and disposals;
- o Monitoring the effectiveness of the Company's governance arrangements and practices, making changes as needed to ensure the Company's governance framework complies with current best practices in accordance with the size of the Company;
- o Monitoring and managing potential conflicts of interest that may arise with Board members, shareholders and external advisors;
- o Overseeing the process of external disclosure and communications.

- The Board is also responsible for all other matters which are considered to be of importance to the Group as a whole because of their strategic, financial or reputational implications or consequences.
- The Board has established audit, remuneration and nominations committees which meet regularly. Details of these committees are set out in Principle 5 above.
- 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.
- There are no plans to change the current governance framework.

Principle 10. Communicate how the Company is governed and is performing by maintaining a dialogue.

Disclosure of the outcomes of all votes are in www.rurelec.com/investors/proxy-results

Historical annual reports and other governance-related material, including notices of all general meetings over the last five years can be obtained in www.rurelec.com/investors/circulars

Further disclosure required under QCA Principle 10 can be found in Principles 5 and 9 above.

Maria J. Bravo Quiterio
Company Secretary
29 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

Opinion

We have audited the financial statements of Rurelec Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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. We are independent of the Group and the Parent 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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	How our audit addressed the Key Audit Matters
Valuation of assets (Note 12) *Accounting policy 2.8* **The Group holds two Siemens 701 turbines which have been partially impaired. At the year end the directors obtained independent valuations to confirm that the assets were not overstated in the financial statements and to calculate the carrying value.** **Management's assessment of the valuations contain significant estimation and judgement. Given the subjectivity involved, the carrying value of property, plant and equipment is considered to represent a key audit matter.**	In this area our procedures included: • Verifying the existence of the assets, their storage and condition; • Reviewing the valuation report prepared by an independent expert, confirming the expert's independence, assessing the conclusions reached and the underlying assumptions used and the competency and qualifications of the expert; • Reviewing evidence, including independent valuations, that the value of the assets is recoverable through sale; and • Reviewing insurance documentation and storage/maintenance documentation to assess the risk of further impairment. **Key Observations** Our work did not indicate that management's assessment of the valuations was not appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

Key Audit Matter	How our audit addressed the Key Audit Matters
Going Concern (Note 1) *Accounting policy 1b.* **The Group continues to make a loss, with the only operational part of the business being its investment in a joint venture, Energía del Sur S.A, which is now starting to make profits and repay its loans to Rurelec.** **Management's assessment of going concern contains a number of key assumptions, including the effects of COVID-19 on the Group, that require significant estimation and judgement. Given the subjectivity involved, going concern is considered to represent a key audit matter.**	• 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 to the Group of the loan to the joint venture for the months post year end • Reviewing board minutes during the year and post year end for evidence of any issues that may impact on the ability of the group to continue as a going concern • Reviewing the going concern assessment of the joint venture Energía del Sur S.A • Reviewing the impacts COVID-19 has had on Energía del Sur S.A the Group and the Company. • Reviewing stress tests on the Group based on receiving no additional repayments from Energía del Sur S.A • Confirmation of the repayment of the BPAC loan during the year. **Key Observations** Our observations in respect of going concern are set out in the Conclusions related to going concern section of our audit report.
Valuation of investment and recoverability of intercompany loans, including loans to joint venture (Note 13 & 21) *Accounting policy 2.11)* **The repayment of these loans and the recoverability of the investment is dependent on the economic feasibility of the underlying projects within the Group. The recoverability of these loans is judgemental and hence there is a risk that the loans are overstated. The loans to the joint venture and the intercompany loans due to the Parent Company were reviewed by the directors and it was deemed that no impairment was required based on the cash flow models in respect of the joint venture.** **Management's assessment of the valuation of investments and inter-company loans contain a number of key assumptions that require significant estimation and judgement. Given the subjectivity involved, the carrying value of investments and recoverability of loans is considered to represent a key audit matter.**	In this area our procedures included: • Obtaining loan confirmations of balances and any interest accrued; • Reviewing the going concern assessment of Energía del Sur S.A.; and • Assessing recoverability of the loans and investment through auditing financial projections models, including all the inputs and assumptions and net asset positions of subsidiaries and the joint venture. **Key Observations** Our work did not indicate that management's assessment of the valuation of investments and the recoverability of intercompany loans was not appropriate.

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.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

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 materiality would be

£615,000 (2018: £744,000), which is 3 per cent. of net assets, due to the Group's activities of investing in power assets. 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. Performance materiality for the group was calculated at 60 per cent. of overall materiality, being £369,000 (2018: £521,000). For the Parent Company financial statements, materiality was calculated to be £520,000 (2018: £520,000) using a net asset basis.

For the component entities materiality was set in the range of £199,000 to £3,000 (2018: £278,000 to £6,000).

We agreed to report to the Audit Committee all potential adjustments in excess of £30,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group operates through two 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 audit as well as 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 component. This consisted of us carrying out a full audit of all significant components of the group and specific procedures on the remaining components. For the audit work required on joint venture we worked with non BDO component auditors. We provided them with group instructions and directed the component materiality and procedures that needed to be undertaken. 100 per cent. of group net assets were covered by full scope audits. We reviewed the work programmes that were provided at planning and took part in planning meetings and closing meetings to discuss the results.

We directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements, and 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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 our 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 this 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 Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 12, 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 and the Parent Company'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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RURELEC PLC

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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Laura Pingree
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

31 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	YEAR ENDED 31.12.19 £'000	YEAR ENDED 31.12.18 £'000
Revenue	4	–	–
Gross Profit		–	–
Administrative Expenses	6	(1,168)	(1,510)
Other Income	8b	130	1,250
Impairment Charges	8b	(2,029)	(2,665)
Operating Loss		**(3,067)**	**(2,925)**
Share of Joint Venture Profit/(Loss)	21, 22	–	–
Foreign Exchange (Losses)/Gains	8a	(1,287)	1,724
Finance Income	9	6	756
Finance Expense	9	(70)	(177)
Loss before Tax		**(4,418)**	**(622)**
Tax Expense	10	–	–
Loss for the year attributable to owners of the Company		**(4,418)**	**(622)**
Earnings per Share – in pence	11		
Basic Loss per Share		**(0.79)**	**(0.11)**
Diluted Loss per Share		**(0.79)**	**(0.11)**

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	YEAR ENDED 31.12.19 £'000	YEAR ENDED 31.12.18 £'000
Loss for the year	**(4,418)**	**(622)**
Other Comprehensive (Loss)/Income for the year:		
Items that will be subsequently Reclassified to Profit & Loss:		
Exchange Differences on translation of Foreign Operations	136	215
Total Other Comprehensive Income	**136**	**215**
Loss for the year attributable to owners of the Company	**(4,282)**	**(407)**

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	31.12.19 £'000	31.12.18 £'000
Assets			
Non-current Assets			
Property, Plant and Equipment	12	7,685	10,038
Investment in Joint Venture	21, 22	3,474	–
Trade and Other Receivables	13a	**6,423**	**–**
		17,582	**10,038**
Current Assets			
Trade and Other Receivables	13b	3,272	16,394
Cash and Cash Equivalents	15	137	351
		3,409	**16,745**
Total Assets		**20,991**	**26,783**
Equity and Liabilities			
Shareholders' Equity			
Share Capital	16	11,228	11,228
Share Premium Account	17	22,754	22,754
Foreign Currency Reserve		923	787
Special Non-distributable Reserve	17	45,000	45,000
Accumulated Losses		(59,385)	(54,967)
Total Equity attributable to owners of the Company		**20,520**	**24,802**
Current Liabilities			
Trade and Other Payables	18a	465	774
Current Tax Liabilities	19	6	7
Borrowings	20	–	1,200
Total Liabilities		**471**	**1,981**
Total Equity and Liabilities		**20,991**	**26,783**

The financial statements were approved by the Board of Directors on 29 May 2020 and were signed on its behalf by Brian Rowbotham, Non-executive Director, and Andrew Coveney, Executive Director.

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

COMPANY NUMBER 4812855

	NOTES	31.12.19 £'000	31.12.18 £'000
Assets			
Non-current Assets			
Investment in Joint Venture	21, 22	3,474	–
Trade and Other Receivables	13	6,423	–
		9,897	–
Current Assets			
Inventories	14	7,167	9,456
Trade and Other Receivables	13a	3,593	16,613
Cash and Cash Equivalents	15	137	350
		10,897	26,419
Total Assets		**20,794**	**26,419**
Equity and Liabilities			
Shareholders' Equity			
Share Capital	16	11,228	11,228
Share Premium Account	17	22,754	22,754
Special Non-distributable Reserve	17	45,000	45,000
Accumulated Losses		(58,747)	(54,239)
Total Equity		**20,235**	**24,743**
Current Liabilities			
Trade and Other Payables	18b	554	469
Current Tax Liabilities	19	5	7
Borrowings	20	–	1,200
		559	**1,676**
Total Equity and Liabilities		**20,794**	**26,419**

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 £4.5 million (2018: loss £3.2 million).

The financial statements were approved by the Board of Directors on 29 May 2020 and were signed on its behalf by Brian Rowbotham, Non-executive Director, and Andrew Coveney, Executive Director.

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	YEAR ENDED 31.12.19 £'000	YEAR ENDED 31.12.18 £'000
Cash Flows from Operating Activities			
Cash used in Operations	23	(1,260)	(1,341)
Net Cash used in Operating Activities		**(1,260)**	**(1,341)**
Cash Flows from Investing Activities			
Proceeds from Sale of Subsidiary		60	132
Loan Repayments from Joint Venture Company		2,246	2,029
Settlement of Deferred Consideration		–	(232)
Net Cash generated from Investing Activities		**2,306**	**1,929**
Net Cash Inflow before Financing Activities		**1,046**	**588**
Cash Flows from Financing Activities			
Loan Principal Repayments	20	(1,200)	–
Loan Interest Repayments	20	(60)	(400)
Net Cash used in Financing Activities		**(1,260)**	**(400)**
(Decrease)/Increase in Cash and Cash Equivalents		**(214)**	**188**
Cash and Cash Equivalents at the Start of the year		351	163
Cash and Cash Equivalents at the End of the year		**137**	**351**

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	YEAR ENDED 31.12.19 £'000	YEAR ENDED 31.12.18 £'000
Cash Flows from Operating Activities			
Cash used in Operations	23	(1,161)	(1,230)
Net Cash used in Operating Activities		**(1,161)**	**(1,230)**
Cash Flows from Investing Activities			
Proceeds from Sale of Subsidiary		60	132
Investment in and Loans to Subsidiaries		(98)	(112)
Loan repayments from Subsidiaries		1,235	2,031
Loan Repayments from Joint Venture Company		1,011	–
Settlement of Deferred Consideration		**–**	**(232)**
Net Cash generated from Investing Activities		**2,208**	**1,818**
Net Cash Inflow before Financing Activities		**1,047**	**588**
Cash Flows from Financing Activities			
Loan Principal Repayments	20	(1,200)	–
Loan Interest Repayments	20	(60)	(400)
Net Cash used in Financing Activities		**(1,260)**	**(400)**
(Decrease)/Increase in Cash and Cash Equivalents		**(213)**	**188**
Cash and Cash Equivalents at the Start of the year		350	162
Cash and Cash Equivalents at the End of the year		**137**	**350**

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	FOREIGN CURRENCY RESERVE £'000	ACCUMULATED LOSSES £'000	SPECIAL NON-DISTRIBUTABLE RESERVE £'000	TOTAL £'000
Balance at 01.01.2018	**11,228**	**22,754**	**572**	**(54,345)**	**45,000**	**25,209**
Loss for the year attributable to owners of the parent	–	–	–	(622)	–	**(622)**
Exchange Differences	–	–	215	–	–	215
Total Comprehensive Loss	**–**	**–**	**215**	**(622)**	**–**	**(407)**
Balance at 31.12.2018	**11,228**	**22,754**	**787**	**(54,967)**	**45,000**	**24,802**
Loss for the year attributable to owners of the parent	–	–	–	(4,418)	–	(4,418)
Exchange Differences	–	–	136	–	–	136
Total Comprehensive Loss	**–**	**–**	**136**	**(4,418)**	**–**	**(4,282)**
Balance at 31.12.2019	**11,228**	**22,754**	**923**	**(59,385)**	**45,000**	**20,520**
Notes:	**16**	**17**			**17**	

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	ACCUMULATED LOSSES £'000	SPECIAL NON– DISTRIBUTABLE RESERVE £'000	**TOTAL £'000**
Balance at 01.01.2018	**11,228**	**22,754**	**(50,989)**	**45,000**	**27,993**
Loss for the year	–	–	(3,250)	–	(3,250)
Total Comprehensive Loss	**–**	**–**	**(3,250)**	**–**	**(3,250)**
Balance at 31.12.2018	**11,228**	**22,754**	**(54,239)**	**45,000**	**24,743**
Loss for the year	–	–	(4,508)	–	(4,508)
Total Comprehensive Loss	**–**	**–**	**(4,508)**	**–**	**(4,508)**
Balance at 31.12.2019	**11,228**	**22,754**	**(58,747)**	**45,000**	**20,235**
Notes:	**16**	**17**		**17**	

The notes on pages 29 to 52 form an integral part of these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

Basis of measurement

The presentational currency of the Group is Pounds Sterling. The functional currencies of Group entities are Pounds Sterling, Argentinian Pesos, Chilean Pesos and United States Dollars.

Going Concern

In previous year's accounts, the Directors have reported that because of uncertainty over the timing of receipts, they have had to pursue alternative sources of working capital. However, as at the date of this report and in the light of the known and unknown effects of the COVID 19 pandemic, the Directors considered it appropriate to assess the future cash flows in two circumstances; one prepared in current conditions and expectations and another unlikely worst case scenario utilising existing cash and cash-in-transit resources only, assuming no further receipts from Argentinian operations, otherwise known as a 'reverse stress test' Having considered these stress tests, the Directors believe there is sufficient headroom in existing working capital facilities to avoid the need to seek further sources of working capital for the foreseeable future, which is considered to be 12 months from the date of signing of these financial statements under either scenario.

During the year, the Company has been in negotiations for prospective sales of Group assets. There exists uncertainty as to if and when these sales complete, in addition to the timing of the sales of assets as well as the quantum of the corresponding proceeds. In particular, certain negotiations regarding prospective asset sales have been put on hold pending an improvement in the economic environment following the COVID-19 pandemic.

Despite the relatively low impact of the COVID-19 pandemic on the Group's operations to date, the Board acknowledges that the duration and impact of the COVID-19 pandemic on economic activity, on global and regional markets, on government actions and on the ability for operations to operate smoothly is uncertain. In such circumstances, the Group's cashflow, liquidity and financial position could be adversely affected in the near and long term.

The Directors do not believe the pandemic will have a significant impact on the going concern position of the Group considering the Group has been able to build up sufficient cash headroom from remittances from Argentina in Q4 2019 and Q1 2020.

In November 2019, the signing of the Umbrella Agreement and Revised Shareholder Agreement with the JV partner has significantly improved the clarity of how the available cash balances of the JV will be split between the parties. In December 2019, the first debt repayment of £0.5 million was duly received from the JV in part payment of the Amended and Restated Loan Notes.

The quantum and timing of such receipts may still be subject to variation (particularly as a result of Argentine exchange rate controls) and are not guaranteed or secured. Loan repayments received to date from the joint venture are expected to be sufficient to meet the working capital requirements for the Group.

In conclusion, 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.

Effects of changes in accounting policies

The Group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact the two standards have are given below. Other new and amended standards and interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with the option to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor, also, there is no impact as a lessee.

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

IFRIC 23 Accounting for uncertain income tax treatments

Effective 1 January 2019. The Board does not consider that the implementation of IFRIC 23 has any material impact on the Group's tax treatment. The Board have engaged tax advisors to review the Group's tax situation on an ongoing basis.

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 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

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

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

A joint 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 Equity Accounted Joint Ventures

The Group reports its interests in joint ventures using the equity method of accounting, except when the investment is classified as held for sale. Whilst the Group does not directly have revenues, its JV operating plant at EdS does. Revenues are derived from electricity exported to the Argentinian grid. CAMMESA records the level of exports, raising the required documentation, on a monthly basis. This is agreed with EdS, the receivables then become due for payment after 60 days.

2.3 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.

2.4 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. 2019 marks the second year of inflation accounting adjustments in Argentina. It is the Directors' judgement that the Argentine GAAP hyperinflation adjustments to the accounts of the Group's Joint Venture operations in Argentina give an approximate fair value of these operations. There are no material differences arising from Argentine GAAP inflationary accounting and IAS 29.

Non-monetary assets are valued at historic rates.

2.5 Expense recognition

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.

2.6 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 (2018: nil).

2.7 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.

2.8 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.

2.9 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 of disposal 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.

2.10 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, held at amortised cost.

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. These are assets held on a 'hold to collect' basis. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Receivables are measured initially at fair value and subsequently remeasured to test for impairment, the carrying value is less provision for impairment. Any impairment is recognised in the income statement.

The portion of loans due from the Joint Venture which are expected to be received in 2020 are shown as current assets, repayments commenced in 2019. The remainder are expected in 2021 to 2027, these are shown as non-current assets.

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.

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 Short term leases

The Group have adopted IFRS 16 from 1 January 2019 however the Group have not entered into any material operating leases.

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

Under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pension scheme and contribute towards it. This is called 'automatic enrolment'. Rurelec staging date was 1 October 2017. Rurelec chose to set up its auto enrolment contribution plan pension scheme with NEST which ensures access to suitable, low-charge pension provision to meet the new duty to enrol all eligible workers into a workplace pension automatically.

Rurelec also offers a Salary Sacrifice Scheme within NEST by which employees sacrifice part of their salary in exchange for the company to make an employer contribution on their behalf to the pension scheme and also to contribute their national insurance savings on the amount sacrificed by the employee.

During the year under review, the Company continued its contributions to the contribution plan NEST Pension 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 development of generation assets and 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 statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made and will seldom equal the estimated results. The areas which management 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:

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 8b.

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 Group's joint venture operations in Argentina have been excluded, see note 22 for more detail.

The following tables provide an analysis of the operating results, total assets and liabilities, in 2019 and 2018 for each geographic segment.

a) 12 months to 31.12.2019	CHILE £'000	PERU £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Administrative Expenses	(112)	–	(1,056)	–	**(1,168)**
Loss from Operations	**(112)**	**–**	**(1,056)**	**–**	**(1,168)**
Other Income	–	–	130	–	**130**
Other Expense	–	–	(2,029)	–	**(2,029)**
Foreign Exchange (Losses)/Gains	(216)	–	(1,071)	–	**(1,287)**
Finance Income	–	–	609	(603)	**6**
Finance Expense	(613)	–	(60)	603	**(70)**
(Loss)/Profit before Tax from Operations	**(941)**	**–**	**(3,477)**	**–**	**(4,418)**
Tax Expense	–	–	–	–	**–**
Total (Loss)/Profit	**(941)**	**–**	**(3,477)**	**–**	**(4,418)**
Total Assets	1,264 –		21,316	(1,589)	**20,991**
Total Liabilities	12,428	–	420	(12,377)	**471**

b) 12 months to 31.12.2018	CHILE £'000	PERU £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Administrative Expenses	(120)	–	(1,407)	17	**(1,510)**
Loss from Operations	**(120)**	**–**	**(1,407)**	**17**	**(1,510)**
Other Income	–	1,250	–	–	**1,250**
Other Expense	(236)	–	–	(2,429)	**(2,665)**
Foreign Exchange (Losses)/Gains	(10)	–	1,734	–	**1,724**
Finance Income	–	–	568	188	**756**
Finance Expense	(568)	–	(177)	568	**(177)**
(Loss)/Profit before Tax from Operations	**(934)**	**1,250**	**718**	**(1,656)**	**(622)**
Tax Expense	–	–	–	–	**–**
Total (Loss)/Profit	**(934)**	**1,250**	**718**	**(1,656)**	**(622)**
Total Assets	1,922	–	26,419	(1,558)	**26,783**
Total Liabilities	12,289	–	1,676	(11,984)	**1,981**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. EXCHANGE RATE SENSITIVITY ANALYSIS

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

	YEAR ENDED 31.12.2019	YEAR ENDED 31.12.2018
i) Closing rate		
US $ to £	1.3116	1.2690
CLP (Chilean Peso) to £	977.2	879.8
ii) Average rate		
US $ to £	1.2764	1.3306
CLP (Chilean Peso) to £	905.9	853.0

If the exchange rate of sterling at 31 December 2019 had been stronger or weaker by 10 per cent. from the above, with all other variables held constant, shareholder equity at 31 December 2019 would have been £2.0 million (2018: £2.5 million) lower or higher than reported.

If the average exchange rate of sterling during 2019 had been stronger or weaker by 10 per cent. with all other variables held constant, the effect on the loss for the year would have been £0.1 million (2018: £0.1 million) higher or lower than reported.

If the average exchange rate of sterling during 2019 had been stronger or weaker by 10 per cent. with all other variables held constant, the effect on the total other comprehensive loss for the year would have been £0.02 million (2018: £0.02 million) higher or lower than reported.

6. ADMINISTRATIVE EXPENSES

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and Social Security	550	632
Services, Legal and Professional	311	484
Office Costs and General Overheads	239	328
Audit Costs[1]	68	66
Total	**1,168**	**1,510**

[1] Audit services include £58k (2018: £54k) paid to the auditors for the audit of the Company and Group's financial statements. £10k (2018: £10k) for the audit of the Group's subsidiaries. Fees paid to other auditors, in respect of the audit of joint venture companies, amounted to £16.8k (2018: £17.6k). The group auditors also provided taxation services for the Group in the year, the costs were £11.4k. (2018: £13.0k).

7. EMPLOYEE COSTS

a) Group	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Aggregate remuneration of all employees and Directors	517	592
Social Security Costs	20	28
Pension Costs	13	12
Total	**550**	**632**

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

	YEAR ENDED 31.12.2019	YEAR ENDED 31.12.2018
Management	3	3
Administration and development	4	5
Total	**7**	**8**

b) Company	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Aggregate remuneration of all employees and Directors	499	572
Social Security Costs	17	28
Pension Costs	13	11
Total	**529**	**611**

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

	YEAR ENDED 31.12.2019	YEAR ENDED 31.12.2018
Management	3	3
Administration and development	3	4
Total	**6**	**7**

c) Directors' remuneration

The total remuneration paid to the Directors was £314k (2018: £322k). The total remuneration of the highest paid Director was £186k (2018: £201k). There were no health insurance costs, bonuses, pension costs or share based payments paid during the year (2018: Nil).

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
	Base Salary/Fee	Total	Total
B Rowbotham	30	30	30
S Morris	98	98	91
A Coveney	186	186	201
Total	**314**	**314**	**322**

B Rowbotham has been on payroll in 2018 and 2019.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. (a) FOREIGN EXCHANGE

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Foreign Exchange (Losses)/Gains	(1,287)	1,724
Total	**(1,287)**	**1,724**

Foreign currency based assets are translated at the relevant year end rates. The majority of foreign exchanges (losses)/gains were incurred on the 701 turbines, 2019 carrying value US$9.4 million (2018: US$12.0 million) resulted in £0.3 million 2019 loss and JV receivables 2019 carrying value US$16.9 million (2018 US$20.3 million) resulted in 2019 losses of £0.7 million.

(b) OTHER INCOME/IMPAIRMENT CHARGES/(REVERSALS)

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Other Income		
Realised gain on disposal – Cascade Hydro Ltd	–	1,250
Agency Fees on RPFL's loan to EdS	107	–
Director's fees due from EdS	23	–
Total	**130**	**1,250**

Impairment Charges/(Reversals)		
Impairment of turbine for Arica Project	-	236
Loans to Joint Venture Companies (see note 22)	235	2,429
Reversal of prior year impairment of investment in SEA	(188)	-
Impairment of turbines for Central Illapa	1,982	-
Total	**2,029**	**2,665**

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

LOANS TO JOINT VENTURE COMPANIES:

Carrying Value 1.1.19	£16.0m
Exchange adjustment	£(0.8)m
Repayments	£(2.1m)
Impairment in year	£(0.2m)
Amount recognised as investment (note 21)	£(3.5m)
Recoverable amount/Carrying Value 31.12.19	£9.4m

The carrying value of the loans is based on the replacement Amended Loan Notes, gross value at 31 December 2019 of £12.9 million. These notes bear zero interest and have a long stop maturity of 31 December 2039. Carrying values have been determined by discounting the predicted future repayments at a rate of 9 per cent. pa, it is anticipated that the notes will be fully repaid in 2027. The notes are held in the Statement of Financial Position at their discounted value.

TURBINES FOR CENTRAL ILLAPA (CHILE):

Carrying value of turbine 1.1.19	£9.5m
Exchange adjustment	£(0.3)m
Impairment in year	£(2.0)m
Carrying value of turbine 31.12.19	£7.2m

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 £7.2 million (US $9.4 million) (2018: £9.5 million (US $12.0 million)). The realisation of the asset is dependent on a successful future sale or successful development of the Central Illapa Project, both of which are uncertain.

The Illapa turbines are included within Property, Plant and Equipment in the Group and in the Company, they are included in Inventories.

HELD FOR SALE ASSET (PERU)

Prior Year – Net assets held for sale 1.1.18	£1.3m
Prior Year – Disposal 30.1.18	£(1.3)m

During 2017 the Company entered into an arrangement to dispose of Cascade Hydro Limited. The sale completed on 30 January 2018, proceeds were £197k (US $250k), of which £137k (US $175k) were received in 2018. The balance, £60k (US $75k), was received in 2019. Interest of £6k on late payment was also received in 2019, see note 9.

TURBINE – ARICA (CHILE)

Carrying value of Arica turbine 1.1.19	£0.4m
Foreign exchange revaluation	£nil
Impairment in year	£nil
Carrying value of Arica turbine 31.12.19	£0.4m

The impairment in 2018 was determined by the diminution of expected net realisable proceeds from the 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

Finance Income	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Joint Venture Interest Received/Receivable[1]	–	756
Other Interest Received	6	–
	6	756

Finance Expense		
Interest Expense Paid/Payable on bank borrowings and loans[2]	60	400
Other interest payable	10	–
	70	400

1 In 2018 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.

2 Interest paid/payable includes interest on the BPAC loan in accordance with the terms of the payment plan following a settlement agreement, the final payment was made in December 2019. The details of the amounts due under the loans are shown in Note 20.

Sensitivity analysis arising from changes in borrowing costs is set out in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. TAX EXPENSE

The relationship between the expected tax expense at basic rate of 19 per cent. (2018: 19 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Result for the year before tax	(4,418)	(622)
Standard rate of Corporation Tax in UK	19%	19%
Expected Tax Credit	(839)	(118)
Tax effect not deductible in determining taxable profits	(49)	345
Unrecognised Loss carried forward	888	204
Actual Tax Expense	**–**	**–**
Comprising:		
Current Tax Expense	–	–
Deferred Tax/(Net Credit)	–	–
Total Credit (Expense)	**–**	**–**

A deferred tax asset for the year of £0.9 million (2018: £0.2 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 £2.2 million (2018: £0.7 million), based on cumulative tax losses of £12.8 million (2018: £8.4 million). As at the Balance Sheet date of 31 December 2019, the enacted corporation tax rate to apply from 1 April 2020 was 17 per cent. On 17 March 2020, the change to 17 per cent. was reversed, such that the 19 per cent. was substantively enacted to continue to apply from 1 April 2020.

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 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
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	£4.4m	£0.6m
Basic Loss per share	0.79p	0.11p
Diluted Loss per share	0.79p	0.11p

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

12. PROPERTY, PLANT AND EQUIPMENT

	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group			
Cost at 01.01.2018	**15,334**	**2,157**	**17,491**
Exchange Adjustments	**55**	55	**110**
Cost at 31.12.2018	**15,389**	**2,212**	**17,601**
Exchange Adjustments	(500)	(71)	(571)
Cost at 31.12.2019	**14,889**	**2,141**	**17,030**
Accumulated Depreciation and Impairment at 01.01.2018	**6,440**	**1,352**	**7,792**
Exchange Adjustments	(507)	42	(465)
Charge for the year	–	–	**–**
Charge for impairment for the year	–	236	236
Accumulated Depreciation and Impairment at 31.12.2018	**5,933**	**1,630**	**7,563**
Exchange Adjustments	(193)	(7)	**(200)**
Charge for the year	–	–	**–**
Charge for impairment for the year	1,982	–	**1,982**
Accumulated Depreciation and Impairment at 31.12.2019	**7,722**	**1,623**	**9,345**
Net Book Value – 31.12.2019	**7,167**	**518**	**7,685**
Net Book Value – 31.12.2018	**9,456**	**582**	**10,038**

The plant and equipment of £7.2 million (2018: £9.5 million) relates to two Siemens turbines, stored in Venice for use in the Central Illapa project purchased for US $25.0 million, at the year-end deferred consideration of £nil million (2018: £0.1 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 £0.4 million (2018: £0.4 million) and Central Illapa development costs of £0.1 million (2018: £0.2 million).

b) Company – The Company had no property, plant and equipment.

13. TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
a) Company – current		
Amounts due from Joint Venture Companies[1]	6,423	–
b) Company – current	13	37
Amounts due from Joint Venture Companies[1]	3,005	14,879
Tax Receivable – VAT	10	13
Loans to subsidiaries[2]	514	1,577
Other Receivables and Prepayments	64	144
	3,593	**16,613**

The amounts owed by subsidiary companies include:

1 Amounts due from joint venture companies represent the amounts lent by the Company, net of impairments, to PEL. Interest on these amounts has been accrued at rates of nil per cent. (2018: 5.5 per cent.). These loans were replaced in the year with Amended Loan Notes, as previously announced on 19 November 2019. These notes bear zero interest. Carrying values have been determined by discounting the predicted future repayments at a rate of 9 per cent. pa, it is anticipated that the notes will be fully repaid in 2027, please see note 8b for details. In the prior year the loans were due on demand and were shown as current assets. The first repayment was received in December 2019, two repayments have been received in 2020, the board expects that further repayments will be received in the remainder of the year.

2 Loans to subsidiaries in Cochrane Power Limited £10.6 million, repayable on demand. These loans have been impaired to £0.5 million in Cochrane Power Limited, the UK holding company for assets in Chile. The loans to Chile bear nil per cent. interest.

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.

14. INVENTORIES

Company – Inventories	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Inventories	7,167	9,456

Inventories comprises of two Siemens 701DU turbines acquired from IPSA in June 2013. Further details of which are set out in note 12. Storage and insurance costs for the turbines in the year totalled £111k (2018: £100k).

15. CASH AND CASH EQUIVALENTS

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
a) Group – current		
Cash and short-term bank deposits	137	351
b) Company – current		
Cash and short-term bank deposits	137	350

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.

16. SHARE CAPITAL

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
In issue, authorised, called up and fully paid		
561,387,586 ordinary shares of 2p each (2018: 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.

17. 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 the 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 £nil (2018: £88k).

Share Premium account, after the deduction of £45,000,000 is £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 the share premium account and credited it to a Special Non-distributable reserve pending the settlement of certain creditors (please see above) and a Board resolution. As these creditors are settled the Special Non-distributable reserve will be credited to the profit and loss account during 2020, see note 28 Post Balance Sheet Events.

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, in 2014 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.

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.

18. TRADE AND OTHER PAYABLES

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
a) Group – current		
Trade Payables	251	677
Accruals	214	97
	465	**774**
b) Company – current		
Trade Payables	203	372
Group borrowings	236	–
Accruals	114	97
	553	**469**

19. TAX LIABILITIES

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Group/Company – Current		
Other tax and social security	6	7
	6	**7**

20. BORROWINGS

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Group/Company – Current		
Other Loans	–	1,200
	–	**1,200**
Group/Company – Total Borrowings	**–**	**1,200**
The Group's borrowings are repayable as follows:		
Within 1 year	–	1,200
	–	**1,200**

Group and Company

During the year the loan was repaid in full. The final repayment was made on 27 December 2019.

Net Debt Reconciliation

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
a) Group		
Balance at the start of the year	**1,200**	**1,448**
Non-Cash Flow Transactions		
Interest charge	60	152
Cash Flow Transactions		
Interest Paid	(60)	(400)
Principal Repayment	(1,200)	–
Balance at the end of the year	**–**	**1,200**
b) Company		
Balance at the start of the year	**1,200**	**1,448**
Non-Cash Flow Transactions		
Interest charge	60	152
Cash Flow Transactions		
Interest Paid	(60)	(400)
Principal Repayment	(1,200)	–
Balance at the end of the year	**–**	**1,200**

21. INVESTMENTS

	PEL £'000	CASCADE £'000	TOTAL £'000
Cost at 01.01.2018	**8,178**	**100**	**8,278**
Disposal	–	(100)	**(100)**
Cost at 31.12.2018	**8,178**	**–**	**8,178**
Additional resulting from new loan note	3,474	–	**3,474**
Cost at 31.12.2019	**11,652**	**–**	**11,652**
Accumulated Impairment at 01.01.2018	**(8,178)**	**–**	**(8,178)**
Accumulated Impairment at 31.12.2018	**(8,178)**	**–**	**(8,178)**
Accumulated Impairment at 31.12.2019	**(8,178)**	**–**	**(8,178)**
Carrying Value at 31.12.2019	**3,474**	**–**	**3,474**
Carrying Value at 31.12.2018	**–**	**–**	**–**

The amendment of the loan note receivable agreement to the JV (£12.9 million) is on a fixed term, but carries no interest. Because of this, under IFRS 9, a market rate of interest (9 per cent.) was used to fair value the loan. The difference been the £12.9 million, and the fair value adjustment amount of £3.5 million has been treated as an investment, with the £9.4 million remaining in receivables.

At the year end the Company held the following investments:

Direct investments:

1. 50 per cent. (2018: 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.

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FOR THE YEAR ENDED 31 DECEMBER 2019

2. 100 per cent. (2018: 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.

3. 100 per cent. (2018: 100 per cent.) of the issued share capital of Rurelec Project Finance Limited a company registered in England and Wales under registration number 7523554.

Indirect investments:

NAME	TRADING ADDRESS/REGISTERED ADDRESS	INTEREST HELD
Energia del Sur, S.A.*	Arroyo 880, Piso 2 C10007AAB Ciudad Autónoma de Buenos Aires Argentina	50%
Electrica del Sur, S.A.*	Arroyo 880, Piso 2 C10007AAB Ciudad Autónoma de Buenos Aires Argentina	50%
SEA Energy, S.A.**	Arroyo 880, Piso 2 C10007AAB Ciudad Autónoma de Buenos Aires Argentina	100%
Rurelec Chile SpA***	c/o Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago Chile	100%
Rurelec Chile Limitada***	c/o Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago Chile	100%
Termoelectrica del Norte, S.A.***	c/o Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago Chile	100%
Central Illapa, S.A.***	c/o Guerrero Olivos Av Vitacura 2939 Piso 8 Las Condes Santiago Chile	100%

*Held via Patagonia Energy Limited and equity accounted as a joint venture, see Note 22
**Held via Rurelec Project Finance Limited
***Held via Cochrane Power 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.

22. JOINT VENTURE

The Group's only joint arrangement within the scope of IFRS 11 is its 50 per cent. investment in Patagonia Energy Limited ("PEL"), which owns 100 per cent. of EdS, its operating asset 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.

As previously announced output in 2018 and early 2019 was affected by major maintenance work on the steam turbine and the knock-on effects from the 2017 turbine blade failure. These issues were fully resolved in January 2019 and since then plant availability continues to be within expectations, 2019 average 89.0 per cent. (2018: 64.4 per cent.).

The Group does not participate in the current year profits of the joint venture, as they are exceeded by previous losses. 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 2018 the joint venture made a loss. Total loss position at the year-end was £40.2 million (2018: £45.6 million).

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

Group share of Joint Venture results and net assets	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Results		
Revenue	11,295	8,715
Operating Expenses - excluding foreign exchange losses	(6,082)	(5,575)
Foreign exchange losses	(1,391)	(2,225)
EBITDA	**3,822**	**914**
Depreciation	(1,198)	(1,065)
EBIT	**2,624**	**(151)**
Intragroup interest - 2019 credit re write back of prior year charge	2,570	(1,573)
Third party interest payable	(1,406)	(195)
Profit/(Loss) before tax	**3,787**	**(1,918)**
Tax	(1,079)	(430)
Profit/(Loss) after tax	**2,709**	**(2,348)**
Summary of Statement of Financial Position		
Non-current assets	15,889	14,327
Cash	1,713	514
Current trade and other receivables	4,907	2,009
Non-current liabilities	(25,785)	(26,548)
Current liabilities	(4,881)	(3,714)
Net assets/(liabilities)	**(8,157)**	**(13,412)**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
a) Group		
Loss for the year before tax	**(4,418)**	**(622)**
Net Finance Expense	64	(579)
Adjustments for:		
Unrealised exchange (gains)/losses	1,287	(1,724)
Write down of loans	235	2,429
Gain on disposal	–	(1,250)
Write down of Turbine for Arica	–	236
Write down of investment in SEA Energy (reversal)	(188)	–
Write down of Turbines for Illapa	1,982	–
Movement in Working Capital:		
Change in Trade and Other Receivables	88	12
Change in Trade and Other Payables	(308)	157
Cash Used in Operations	**(1,260)**	**(1,341)**

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
b) Company		
Loss for the year before tax	**(4,510)**	**(3,250)**
Net Finance Income	(566)	(1,147)
Adjustments for:		
Unrealised exchange (gains)/losses	1,070	(1,741)
Loss on disposal		1,398
Write down of loans	1,003	2,249
Write down of 701 turbines	1,982	–
Movement in working capital:		
Change in Trade and Other Receivables	(62)	785
Change in Trade and Other Payables	(78)	476
Cash Used in Operations	**(1,161)**	**(1,230)**

24. 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. 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. As a result of recent inflation, Argentine GAAP measures for hyperinflation have come into force. The EdS financials included in this report have been prepared with these measures. The Directors are of the view that these accounts require no further adjustment.

The Group also had exposure to the US Dollar 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.

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

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
a) Group		
Current – due within 1 year:		
Trade Payables	251	681
Accruals	214	93
Tax Liabilities	6	7
Borrowings	–	1,200
Total due within 1 year:	**471**	**1,981**

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
b) Company		
Current – due within 1 year:		
Trade Payables	203	376
Accruals	115	93
Intra Group borrowing	236	–
Tax Liabilities	5	7
Borrowings	–	1,200
Total due within 1 year:	**559**	**1,676**

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.

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 2019	COMPANY FINANCIAL ASSETS AT AMORTISED COST £'000	COMPANY BORROWINGS AND PAYABLES AT AMORTISED COST £'000	GROUP FINANCIAL ASSETS AT AMORTISED COST £'000	GROUP BORROWINGS AND PAYABLES AT AMORTISED COST £'000
Trade and Other Receivables > 1 year	6,423	–	6,423	–
Trade and Other Receivables < 1 year	3,005	–	3,005	–
Cash and Cash Equivalents	137	–	137	–
Trade and Other Payables < 1 year	–	(438)	–	(259)
Borrowings < 1 year	–	–	–	–
Total	**9,565**	**(438)**	**9,565**	**(259)**

31 DECEMBER 2018	COMPANY FINANCIAL ASSETS AT AMORTISED COST £'000	COMPANY BORROWINGS AND PAYABLES AT AMORTISED COST £'000	GROUP FINANCIAL ASSETS AT AMORTISED COST £'000	GROUP BORROWINGS AND PAYABLES AT AMORTISED COST £'000
Trade and Other Receivables < 1 year	16,551	–	16,332	–
Cash and Cash Equivalents	350	–	351	–
Trade and Other Payables < 1 year	–	(376)	–	(681)
Borrowings < 1 year	–	(1,200)	–	(1,200)
Total	**16,901**	**(1,576)**	**16,683**	**(1,881)**

25. SHORT TERM LEASE COMMITMENTS

Office premises

Low value, less than one year £22k (2018: £26k).

Office premises relates to the Company's offices.

26. RELATED PARTY TRANSACTIONS

a) Company

i) Paid salaries to directors, who are considered Key Management Personnel which amounted to £0.3 million (2018: £0.3 million).

	YEAR ENDED 31.12.2019 £'000 BASE SALARY/FEE	YEAR ENDED 31.12.2019 £'000 TOTAL	YEAR ENDED 31.12.2018 £'000 TOTAL
B Rowbotham	30	30	30
S Morris	98	98	91
A Coveney	186	186	201
Total	**314**	**314**	**322**

B Rowbotham provided services under a service agreement contract with Mountbeach Associates Ltd until June 2017, since then he has been on payroll.
S Morris provided services under a service agreement contract with SC Morris Ltd.
A Coveney provided services under a service agreement contract with Coveney Associates Consulting Ltd.

ii) Charged interest on loans to its 100 per cent. subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £23k (2018: negative interest of £0.1 million). The loan balance outstanding at the year-end due to RPFL was £0.2 million (2018: due to Rurelec £1.0 million).

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Year-end Debtor	–	1,008
Year-end Creditor	236	–
Interest credited/(charged)	23	(81)

iii) Charged interest on loans to its 50 per cent. owned joint venture company, Patagonia Energy Ltd ("PEL") amounting to £nil (2018: £0.8 million). Received loan repayments of £488k (2018: £ nil). The Directors have assessed the recoverability of the loans and consider that it is appropriate to recognise an adjustment to the carrying value of £3.5 million at the recognition of the Amended Loan Notes issued at value at £13.4 million (US$ 17.6 million) as a result of their zero interest rate. Additionally, an impairment of £0.2 million was recognised during the year (2018: £2.5 million). After impairment reviews and expected credit losses the loan balances at the year-end totalled £9.9 million (2018: £14.8 million). Interest on these loans has been accrued at an effective rate of nil per cent (2018: 5.5 per cent). The total outstanding before impairment is £32.3 million (2018: £39.3 million).

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Y/E Debtor	9,915	14,794
Repayment	487	–
Interest charged	–	840

iv) Received from its joint venture company Energia del Sur S.A. ("EdS") repayments totalling £0.5 million (2018: £nil) of a loan previously given in support of a creditor of EdS. This loan was fully repaid during the year (2018: £0.5 million).

v) Provided loans and charged interest of 0.5 per cent. per month to its 100 per cent. subsidiary Cochrane Power Ltd. New loans in the year totalled £0.1 million (2018: £0.1 million). The total outstanding at the year-end was £10.6 million (2018: £9.9 million). These loans have been impaired to £0.5 million (2018: £0.6 million).

	YEAR ENDED 31.12.2019 £'000	YEAR ENDED 31.12.2018 £'000
Y/E Debtor	514	582
Further loans made	98	112
Interest charged	603	568

b) Group

RPFL received from EdS full repayment of its loan during the year totalling £1.1 million (2018: £2.0 million). The interest rate on accrued interest was zero, the effective interest rate (on principal and accrued interest) was nil (2018: nil). The total outstanding at the year-end was £nil (2018: £1.1 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

27. CONTROL

The Directors consider that the ultimate controlling party is Sterling Trust Limited on the basis of their 53.9 per cent. shareholding in the Company.

28. POST BALANCE SHEET DATE EVENTS

The COVID-19 pandemic spread globally in Quarter 1 2020. Widespread measures have been implemented globally by governments to control the virus and to support economies in the markets where the Group operates. However, it is uncertain whether those measures will be successful in the long-term eradication of the virus or in achieving recovery in those economies and over what timescale. The magnitude and duration of the disruption and decline in business in the markets in which Rurelec operates is currently uncertain.

The Argentinian Government imposed a tight lockdown on 13 March 2020. Argentina's Government, viewing EdS's output as an essential service, issued instructions whereby the power plant should operate with the smallest number of people possible, covering operational shifts and preventive cleaning work with specific teams. All but essential staff have been working remotely and not been coming to the plant unless there is an equipment-related problem to address at the plant. A wide range of preventative measure were implemented to protect and safeguard staff. Information published by the Argentinian Health Ministry and Argentinian press articles , at 18 May 2020 the total number of COVID-19 cases in Argentina were 8,068 cases with 373 COVID-19 related deaths. Chubut province, where the EdS power plant is located, has had four recorded cases according to EdS Management and zero deaths. Clearly there is no guarantee that the apparent initial success in mitigating the effect of COVID-19 will continue going forwards in Argentina but as at 18 May 2020 the COVID-19 pandemic had had relatively little impact on the ability of EdS to continue in operation. Furthermore, the importance of EdS in the generation of electricity in the Chubut province means that its output will be allocated a high priority by CAMMESA.

Notwithstanding the above, it is not considered possible to estimate the long-term financial impact of COVID-19 on the Argentinian economy at the present time, nor to anticipate the economic and fiscal measures that the Argentinian Government will impose. The pandemic is considered a non-adjusting balance sheet event. As previously stated, the Board consider that the Group has sufficient cash resources already in place to satisfy Going Concern requirements.

At a Board Meeting held on 21 May 2020 a resolution was passed approving the transfer of the £45 million Special Reserve to Retained Losses.

[3] https://www.infobae.com/sociedad/2020/05/17/coronavirus-en-la-argentina-se-confirmaron-263-nuevos-contagios-y-10-personas-murieron-en-ultimas-24-horas/
https://www.argentina.gob.ar/coronavirus/informe-diario/mayo2020

COMPANY INFORMATION

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A.H. Coveney (Executive)
B. Rowbotham (Non-Executive)

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