

RURELEC
2020

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBRE 2020

Stock code: RUR

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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

Dear Shareholder

In common with many other listed companies, the Annual Report and Accounts are published and will be filed, later than usual this year following delays associated with the audit process, caused by COVID-19. The Company received confirmation that this extended timetable is permitted pursuant to the relevant amendments to the Companies Act 2006 (and the requirements of Companies House).

The year ended 31 December 2020 was characterised by a consolidation of the financial position of the business, minimising risk and cash outflows in the face of uncertainty regarding the future cash generation of our joint venture Argentinian asset, Energia del Sur SA ("EdS"). This uncertainty is being driven by problems in the Argentinian economy, exacerbated by COVID-19 related hardship. In particular the Argentinian government did not immediately announce a new tariff to replace the Resolution 220 tariff which had been responsible for economic returns from EdS in recent years when operating normally. Instead, all generation was remunerated at the spot tariff from September 2020 and an improvement in that tariff was delayed until May 2021 when a 29% increase was announced.

Loan repayments from EdS enabled the Group to settle its secured creditor 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. The Group is now debt-free, an important step towards financial stability which is a key goal of the Board. However, unless EdS is able in the future to generate surplus cash in the face of highly adverse political and economic conditions in Argentina, in the longer-term cash generation by the Group will become more reliant on other asset disposals in order ensure viability and ultimately to be in a position to make returns to shareholders and that is therefore an area of renewed focus for the Company.

Post year end, as announced on 9 September 2021 the Group disposed of its Frame 6B gas turbine generating set and certain associated ancillary equipment for US\$1.0 million, and accordingly a non-refundable deposit of £73k/US\$100k was received the balance of £649k/US\$900k is expected to be received on completion, expected to be no later than 30 November 2021. After settlement of local Chilean costs and other expenses connected with the sale, the Group expects to receive net US\$ 940k from this sale. This will significantly reduce reliance on cash flows from EdS.

Group current liabilities at 31 December 2020 stood at £0.4 million, which compares with the position at 31 December 2019 of £0.5 million.

Outlook

Argentina

Following the extensive maintenance programme completed in early 2019 EdS has performed well from an operational standpoint, albeit offtake has been reduced by the growth in sustainable energy sources in Patagonia.

The Rurelec Board continued to prioritise the importance of maintaining a constructive and co-operative working relationship with our joint venture partner in Patagonia Energy Limited ("PEL"), the holding company of the Argentinian asset, as all future cash remittances from EdS need to flow up through PEL given all direct debts owed from EdS to the Group were repaid in 2020. That relationship has improved since November 2019 since the signing of an 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 transformed the relationship resulting in £2.3 million of cash being received by Rurelec from PEL between 19 November 2019 and 31 December 2020..

However, the generation of surplus cash by EdS and rate of cash remittances from EdS to PEL continued to be hit by other external factors. Despite the plant continuing to perform well, the economic situation in Argentina remains in crisis and this has been amplified by the impact of the COVID-19 pandemic on an already weak economy. Argentinian cost inflation continued to soar, affecting staff costs in particular. The economy has shown little sign of improvement since a change of government in October 2019 and businesses in the power generation industry have reported difficulty in operating under current tariffs.

The Argentine annual inflation rate was over 50% in July 2021¹. The value of the Argentinian peso against the US Dollar plummeted by nearly 46% in 2020 and at the end of July 2021 had declined further by 15%. The Exchange controls implemented by the new government remained punitive to foreign investors - the Argentinian Central Bank

¹ INDEC (Instituto Nacional de Estadística y Censos de la Argentina) (Argentinian National Statistics and Census Office) Technical report, Vol. 5, No. 25 https://www.indec.gov.ar/uploads/informesdeprensa/ipc_07_212AB2FD3F4F.pdf

("BCRA") exchange controls 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 and since then the loss suffered on transferring Argentine Pesos to US dollars has amounted to approximately 43% of the underlying face value.

In addition, early in 2020, the Argentinian Government announced a policy change whereby energy spot prices would no longer be linked to US Dollars but to Argentinian Pesos. Under the Resolution 220 tariff, by which EdS was remunerated for the power output of its steam turbine operating in combined cycle, the steam turbine revenue was US dollar based; this has increased the foreign exchange risk.

The anticipated expiry of the Resolution 220 tariff in September 2020 has been a source of great uncertainty for a number of years. The Argentinian government did not immediately announce a replacement tariff. Instead, remuneration levels fell significantly to spot-market rates governed by the existing Resolution SE 31/2020 tariff ("Resolution 31").

Despite negotiations at the highest possible level with the Argentinian Government, its Secretariat of Energy and also with CAMMESA, output from the Steam Turbine was remunerated at Resolution 31 spot rates between September 2020 and February 2021.

On 12 February 2021 CAMMESA agreed to a 12 month suspension of interest and repayments for two maintenance loans to EdS and a constant Utilization Factor, which is used to calculate capacity equal to 70% of nominal output from 1st February 2021.

On 19 May 2021, Resolution SE 440/2021 ("Resolution 440") was announced introducing the following changes to the existing Resolution 31 tariff:

- Spot generation tariffs increased by additional payments of 29% on average.
- This increase is to be retroactively applied from February 2021 (though payment of these sums is delayed – see below).
- There was a cancellation of the Update Clause (Art 2. SE Resolution 31/2020) for the increase in rates based on the Consumer Price Index "CPI" and the Internal Wholesale Price Index "IPIM"

Under this change, steam and gas turbine capacity and offtake revenue are all remunerated under the same Resolution 440 tariff. Previously just gas turbine offtake was remunerated under the Resolution 31 spot tariff. Despite the increases in Resolution 440, the income generated under this new tariff will be significantly lower than under Resolution 220.

The Directors anticipate that EdS's revenue will be significantly adversely impacted by this change and accordingly negotiations continue with the Government and CAMMESA to be awarded an improved tariff that reflects the high cost of operating in the Comodoro Rivadavia region. The adverse overall impact of the tariff changes may be mitigated by the ongoing negotiations with the Argentinian Secretariat of Energy, albeit there is no certainty when these negotiations will be concluded or what their impact will be. Until then, EdS's revenue and cash generation will continue to be affected, which in turn will influence the timing and amounts of any cash payments from EdS to PEL and ultimately to Rurelec.

Amidst this economic pressure, CAMMESA has also continued to delay payments due to power generators for the power they have generated – for example at the time of writing this report, the additional payments due under the Resolution 440 PPA have been delayed with the majority of the payment only being received in August 2021. This has added further adverse pressure on EdS' cash generation.

In response to anticipated reductions in revenue, directed by the Board of Rurelec and its JV partners, EdS management pursued a cost saving programme which culminated in the retirement of EdS's Chief Executive Officer in December 2020 and the move to part-time working of two senior staff at the operations Head Office in La Plata outside Buenos Aires. The achievement of labour cost reduction in this consensual way became essential as the Argentine government introduced Emergency labour laws in reaction to COVID-19. These laws effectively doubled the compensation legally payable in the event of redundancy in Argentina².

The COVID-19 pandemic was confirmed to have spread to Argentina on 3 March 2020. On 19 March 2020, Argentina entered a mandatory nation-wide lockdown. Restrictions were extended several times until 8 November 2020. During the second wave, another nationwide lockdown took place between 22 and 31 May 2021.

² Art. 3 Decreto de necesidad y urgencia 34/2019, valid until 31.12.2021.
<https://www.argentina.gob.ar/justicia/derechofacil/leysimple/despido>

Argentina's Government determined that EdS' power generation was an essential service, and instructed that the power plant should operate with minimum staffing, covering operational shifts and specialist preventive cleaning work. All but essential personnel 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 measures were implemented to protect and safeguard staff. Overall, these measures were successful in minimising the adverse impact of COVID-19 on EdS's ability to continue in operation.

However, the major maintenance work on one of the gas turbines scheduled for Q1 2020 has had to be postponed beyond 31 December 2021, though this is not in the meantime expected to have a significantly detrimental effect on operations. Maintenance works are determined by the number of hours a turbine operates, lower output and careful management of the hours each turbine runs has allowed the postponement of the previously planned Q1 2020 maintenance, whilst still complying with output levels agreed with CAMMESA.

Chile and the Group's two 701DU Siemens turbines

The Group's Central Illapa project ("Mejillones") remains consented, and licence fees have been paid to maintain that consent. 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. The Directors are pursuing both options in line with the strategy to return value to shareholders in the shortest possible timeframe.

Summary

Although 2020 was a year of consolidation with some small improvements in the Group's liquidity position, the effect of the current poor state of the Argentinian economy, and the uncertainty around the ability of EdS to generate excess cash unless a further improved PPA is awarded, continue to cast a shadow over future performance.

Against a background of political uncertainty, at the date of this report, it remains uncertain to what extent, if any, EdS will be granted further improvements over and above the general increase in spot rates awarded with effect from February 2021. If there is no further improvement in the price EdS receives for the power it generates, it will have severe consequences for the ability of EdS to generate surplus cash. In case there are no such improvements EdS management has implemented a cost cutting programme and further cost reductions are planned to ensure immediate viability of the plant.

Paul Shackleton
Non-executive Director
15 September 2021

STRATEGIC REPORT

Strategy

The overall strategy for the Group remains the continued stabilisation of the financial position of the Group, with the intention of enabling value to be realised from the asset portfolio and ultimately returned to shareholders. In order to make this possible the Directors succeeded in carrying out a capital reconstruction of the Company at the 2020 AGM.

Liquidity

This strategy has been determined by the on-going financial position of the Group. The main borrowing of the Group was the 2016 secured BPAC loan, which was repaid in 2019 enabling the associated debenture to be released. The Group has thus become debt-free. Current liabilities have fallen steadily from £2.0 million at 31 December 2018 to £0.5 million at 31 December 2019 and £0.4 million at 31 December 2020 with all significant arrears to creditors being satisfied.

The EdS plant, had significant operational problems resulting in severely reduced output in 2017 through to January 2019. The plant then underwent a major \$6 million maintenance programme primarily funded by loans from CAMMESA between October 2018 and January 2019. 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 major outages of the plant resulted in depleted cash reserves for EdS and Rurelec at the start of 2019. These cash reserves recovered during 2019 and in 2020 up until the last Resolution 220 receipts in November 2020, as normal operations resumed despite demand for the power generated by EdS being scaled back owing to the commissioning of wind farms in the Comodoro Rivadavia area of Patagonia in which came online in September 2019. At 31 December 2020, EdS had £2.8 million of cash reserves (2019 £3.4 million).

During 2020, continued normal operations and cash generation at EdS enabled it to remit unsecured debt repayments of £2.3 million/\$3.0 million (2019: £0.6 million/\$0.8 million) to Patagonia Energy Limited ("PEL"). Of this amount, Rurelec received £1.8 million (2019: £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.

In 2020 all Group receipts were made from EdS via PEL under the terms of the November 2019 Umbrella Agreement between the JV parties whereas in 2019 the Group had received £1.7 million directly from EdS in repayment of secured and unsecured debts as well as £0.5 million of receipts via PEL. The total cash remittances by PEL in 2020 were £1.8 million (2019: £2.2 million).

Since EdS has now repaid all debts owed directly to the Rurelec group companies, Rurelec's 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. In 2021 the money conversion cost has reached approximately 43%. Another adverse effect of the economic crisis has been a deterioration in collections from debtors by CAMMESA resulting in delays being experienced by EdS and other electricity generators in Argentina in receiving payments from CAMMESA. Both these factors, combined with the low spot prices combine to generate adverse and uncertain conditions surrounding the Group's liquidity.

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 steam turbine and sold on the energy spot market will no longer be linked to the US Dollar but to the Argentinian Peso.

The Resolution 220/2007 Power Purchase Agreement ("PPA"), which governed the remuneration of capacity and generation payments on the steam turbine since October 2010 expired in September 2020, affecting the liquidity of EdS from December 2020. The level of the replacement Resolution SE 440/2021 tariff ("Resolution 440") tariff which came into effect from 1 February 2021 will have a significant effect on EdS's cashflow generation from 2021 onwards as those levels are significantly below those of Resolution 220. EdS' management remains hopeful that an additional tariff increase will be awarded to EdS owing to the cost of producing electricity in the Comodoro Rivadavia area and because EdS is strategically important to the supply of electricity to its surrounding area.

Post year end to date the Group has received £347k from PEL.

The Directors have performed a review of Rurelec's cashflow, as described below in the Going Concern section of this report, following which it has been concluded that any ongoing impact of the COVID-19 pandemic to date has had little adverse effect on the Directors' view on going concern of the Group for the next 12 months after the signing of this report. 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 Argentina loses control of the disease to the extent where it has a material impact on the operations of EdS or demands for electricity. This could lead to a position where EdS, on its own, would not be in a position to fund Rurelec ongoing expenses.

Financial results

The operating loss for the year of £2.9 million for 2020 represents a decrease in losses compared to the £3.1 million operating loss for 2019. This is explained in more detail in Notes 8 and 9 to the accounts. Included in the loss is an impairment in the carrying value of Group assets of £1.8 million (2019: £2.0 million) coupled with administration expenses which fell from £1.2 million in 2019 to £1.1 million in 2020.

The impairment is dominated by a reduction in the forecast net present value of the future cash generation of EdS which is used to support the value of the loan repayments receivable from PEL. This reduction in forecast cash generation is the result of revised assessments of the unfavourable cash generation resulting from tariffs to be imposed in replacement of Resolution 220. They reflect the Board's view of the carrying value for the Group's assets in current market conditions.

The overall loss before tax for the year was £5.3 million (2019: £4.4 million). This was after a net finance expense of £2.0 million, due to slower projected PEL loan note repayments increasing the expected credit losses. There was a £0.8 million reduction in foreign exchange gains/losses from a £1.3 million loss in 2019 to a £0.5 million loss in 2020.

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.

At the date of the signing of the Financial Statements, having considered the cash forecasts from the Argentinian operation and the received deposit and expected receipts from the sale of the Frame 6B gas turbine generating set and certain associated ancillary equipment in Chile, 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. However these receipts are not guaranteed, If neither source of funds generates cash there exists a material uncertainty over the ability of the Company to finance its ongoing activities,

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). The Net increase in Cash and Cash Equivalents in the year was £531k (2019: decrease £214k), a favourable swing of £745k.

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 £2.9 million in the year (2019 £3.1 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 2.7 pence per share (2019: 3.7 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 0.95 pence per share in the year (2019: loss of 0.79 pence 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% 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. The annual heat rate was 8.46 MMBTU/KWh (2019: 8.53 MMBTU/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 was 91.7 per cent. (2019: 89.0 per cent.).

Review of Financial Performance

Group Results

The Group loss after tax for the financial year under review is £5.3 million (2019: £4.4 million loss). This included net impairments of £1,8 million (2019: £2.0 million), net expected credit losses of £2.0 million and foreign exchange losses of £0.5 million (2019: £1.3 million losses). The impairments/(impairment reversals)/Net Expected Credit Losses are detailed below:

	Year Ended 31.12.2020	Year Ended 31.12.2019
	£'000	£'000
Impairments/(Impairment reversals)/Net Expected Credit Losses		
Investment in JV Companies	1,826	-
Loans to JV Companies (see note 22)	-	235
Net Expected Credit Losses	1,964	-
Reversal of impairment of investment in SEA SA	-	(188)
Impairment of turbines for Central Illapa	-	1,982
Total	3,790	2,029

Group revenue was £nil (2019: £nil), Operating and Administrative expenses amounted to £1.1 million (2019: £1.2 million). Operating loss was £2.9 million (2019: £3.1 million loss). The loss before tax is £5.3 million (2019: £4.4 million loss). The basic loss per share is 0.95p (2019: 0.79p loss). Total assets are £15.4 million (2019: £21.0 million). Total equity stands at £15.1 million (2019: £20.5 million), or a Net Asset Value of 2.7 pence per share (2019: 3.7 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, based on 100% of EdS's activities, the net operating profit for the year was £7,8 million/AR\$ 722.9 million (2019: £11,8 million/AR\$ 702.7 million) on revenues of £16,7 million/AR\$ 1,540.2 million (2019: £22,6 million/AR\$ 1,350.8 million), the net pre-tax profit for the year at EdS was £1,9 million/AR\$ 174.8 million (2019: profit £3,8 million/AR\$ 224.8 million) which included foreign exchange losses of £2.6 million/AR\$ 239.1 million (2019: £2.8 million/AR\$ 166.4 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% owned investments in Chile has expensed limited direct costs in the year of £164k (2019: £98k). Capitalised development costs are £0.1 million (2019: £0.1 million) on the Central Illapa project. In 2020 the Arica turbine was assessed for impairment, it was determined that no impairment had occurred (2019: £nil). The development costs associated with the Central Illapa project were not impaired in 2020 or 2019. As announced, post year end the Frame 6B gas turbine generating set and certain associated ancillary equipment was sold for US\$ 1.0 million. This was announced on 9 September 2021, a non-refundable deposit of £73k/US\$100k was received,. It is expected that the balance of US\$ 0.9 million will be received by 30 November 2021.

Review of Operations

Argentina

In 2020 the combined cycle power plant continued to benefit from the Major Maintenance programme that was undertaken from October 2018 to January 2019. The combined cycle plant maintained its nominal output of 125 MW and there were no major operational problems or unplanned outages. However, there were transmission network restrictions associated with the growth in power generated by wind farms in the Comodoro Rivadavia area which came online in September 2019 and increased output in the following months which limited the plant's dispatch such that in times of reduced demand from the network, to conserve operating cost EdS plant management have been running only one of the two available gas turbines. Hence the gross energy generated for the year 2020 of 522 GWh was below that of 2019: 598 GWh. The average heat rate of the plant in 2020 was 8.46 MMBTU/KWh (2019:8.53 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:

Group share of Joint Venture results and net assets	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Results		
Revenue	8,357	11,295
Operating Expenses - excluding foreign exchange losses	(4,464)	(6,082)
Foreign exchange losses	(1,288)	(1,391)
EBITDA	2,605	3,822
Depreciation	(1,043)	(1,198)
EBIT	1,562	2,624
Intragroup interest - credit re write back of prior year charge	2,578	2,570
Third party interest payable	(634)	(1,406)
Profit before tax	3,506	3,787
Tax	(829)	(1,079)
Profit after tax	2,677	2,709
Summary of Statement of Financial Position		
Non-current assets	10,407	15,889
Cash	1,418	1,713
Current trade and other receivables	1,196	4,907
Non-current liabilities	(18,681)	(25,785)
Current liabilities	(2,060)	(4,881)
Net assets/(liabilities)	(7,720)	(8,157)

Chile

Arica

Following the reassessment of the project the Board has been considering deploying the Frame 6B turbine acquired for the project elsewhere. As separately announced on 9 September 2021 a sale of the turbine has been agreed for US\$ 1.0 million approximately £ 0.72 million. A 10% non-refundable deposit of £73k/US\$100k was received on 9 September 2021 the balance is due on completion, expected 30 November 2021.

Central Illapa

The necessary environmental consents granted for the project were maintained and an application which had been made in 2019 for the extension of the construction period from Ministerio de Bienes Nacionales, the Chilean Ministry of National Assets was duly approved in January 2020.

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 (2019:US \$9.4 million). The Directors also obtained an independent valuation produced by a competent person. Based on valuation advice the Directors have decided not to further impair the carrying value of these turbines (2019: £2.0 million/\$2.6 million impairment). After exchange rate movements these assets are duly recorded at a value of £6.9 million (2019: £7.2 million).

Future developments have been considered in the non-executive 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, uncertainties in the financial markets, and unexpected operational events.

- a) Political risk – there are significant political risks in the areas where the Group operates. These include potential for unfriendly actions towards foreign investments and towards the domestic utilities sector generally, the imposition of new tariffs and/or taxes and/or government cash shortages resulting in slow payment for electricity generated. That political risk also extends to labour laws which can result in significant employment-related cost inflation and punitive employment compensation legislation which can make it difficult and uneconomic to carry out staff restructuring programmes. 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 assets, project finance may be unavailable 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.
- c) Exposure to foreign currency – The Group's activities are in South America and therefore results will be affected by exchange rate movements and local inflation rates. Furthermore, at times of economic crisis (such as in Argentina since late 2019), exchange control 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 is committed to maintaining the equipment in a manner appropriate to the foreseeable demands on that plant to reduce the breakdown risk 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 the 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 and political and economic decision making. The prolonged nature of the COVID-19 pandemic has had a severe negative impact on the UK, Argentinian and Chilean economies where the Group operates. The demand for electricity has experienced some decline from the reduced industrial and commercial activity, but background demand has been maintained. The greater risk has been the effect of the pandemic on already fragile economies such as that of Argentina and measures such as emergency labour laws and restrictions on profit returns from utility companies generally have been implemented to prevent social hardship with the expectation that business meets the burden of that implementation.

To date, the pandemic did not have a significant impact on operations. London head office operations of Rurelec were able to continue remotely without disruption. All current Head Office records were digitised before the UK lockdown to allow for remote access and work has continued from employees' homes. In Argentina, the spread of the virus did affect the EdS workforce but measures taken by EdS's management minimised disruption (such as operating with reduced on-site manpower for non-essential personnel) and this has mitigated any major adverse effect on EdS's operations to date. The EdS plant has not experienced shutdowns and has continued to generate cash broadly in line with expectations.

However, the ultimate duration 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 there will not be yet

further disruption and this could extend to an inability to transfer funds out of the country for debt repayments owed to the Group. Group cash flows have been prepared under the scenario that cash will be normally received under current conditions and local management's expectations.

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 2020 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, thereby avoiding the near-insolvency event experience by the Company in the past. That strategy drove cash conservation and cost cutting decisions so that the business could withstand financial stress. The Company was able to withstand those stresses in 2020.

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.
- 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 in full all secured creditors. The Company has been freed from the interest burden that was being paid on past loans, thereby benefitting other stakeholders. Rurelec is now essentially debt-free and, as operating circumstances allow, the Board's stated objective of returning value to shareholders can be realised.
- d) Regarding the impact of operations on the community and the environment, Rurelec takes a close interest in the operations in Argentina and was 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.

- e) Regarding the desirability of Rurelec maintaining a reputation for high standards of business conduct, the Board of Directors' intention is ensure that the business operates and behaves in a responsible manner with high standards of business conduct and 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 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 reconstruction was duly approved in 2020 to facilitate the distribution of future returns to shareholders should cash reserves grow to the extent of permitting this.

The Strategic Report was approved by the Board of Directors on 15 September 2021 and was signed on its behalf by:

Andrew Coveney (Executive Director)

BOARD OF DIRECTORS

BOARD OF DIRECTORS

BRIAN ROWBOTHAM

Non-Executive Director

Brian was 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. During the period he held a number of other board positions.

Brian resigned on 13 April 2021.

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.

Simon resigned on 17 August 2021.

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. Founded Coveney Associates Consulting in 2010 providing FD advice, turnaround services and cashflow management advice to a portfolio of businesses.

PAUL SHACKLETON

Non-Executive Director

Paul is the Senior Independent Non-Executive Director and Chairman of the Audit Committee. He is a corporate finance adviser at Arden Partners PLC. After university, he spent six years as an officer in the British Army. In 1996 he joined UBS limited where he worked with small caps covering Mergers and Acquisitions and Equity capital markets for listed and AIM traded companies. He subsequently joined Singer & Friedlander Limited where he was a founder member of the team which undertook a MBO to form Bridgewell Limited. Since then, he has continued to specialise in small companies; his experience also includes being an adviser to Rurelec between 2006 and 2017.

Paul was appointed on 26 July 2021.

DIRECTORS' REPORT

The Directors submit their annual report together with the audited financial statements for the year ended 31 December 2020.

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 Bolivia 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 2020 are set out in the Consolidated Statement of Total Comprehensive Income.

No dividend was paid during the year to 31 December 2020 (2019: nil).

Share capital

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

Going concern

The directors have prepared budgets and forecasts for a period of at least 12 months from the date of signing of the financial statements to assess the Group and Company's ability to continue as a going concern.

On the basis that the Group receives the joint venture remittances referred to below, or the proceeds from the sale of the Frame 6B turbine (referred to below), the Directors have assessed that at the date of signing of the financial statements, the Group and Company would have sufficient working capital for a period of at least 12 months from the signing of the financial statements, without the need to seek further sources of working capital and have therefore prepared the financial statements on a going concern basis.

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 cash proceeds of the JV will be split between the parties. To date debt repayments of £2.3 million has been 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 already received, at the date of this report, along with projected rest of year repayments from the joint venture are expected to be sufficient to meet the working capital requirements for the Group.

The sale of the Frame 6B turbine was announced on 9 September 2021 for \$1.0 million. At the time of signing of the financial statements, \$100k has been received, the balance is due on completion, expected to be before 30 November 2021.

Without either the remittances from its joint venture or funds to be received from the sale of its Frame 6B Turbine there is uncertainty on the availability of funds to cover the Group's forecast expenditure during the going concern period.

There exists uncertainty as to the timing of other asset sales, as certain negotiations regarding prospective asset sales continue to be on hold pending an improvement in the economic environment following the COVID-19 pandemic. Unless there is a significant disposal of assets, the Group remains reliant on either the repayments of loans from its joint venture Argentine operations or the proceeds from the sale of the Frame 6B turbine.

Whilst it is the expectation of the Directors that forecast remittances from the joint venture will be received along with the proceeds from the sale of the Frame 6B turbine, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Group and Company were unable to continue its operations

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. Resigned on 13 April 2021.

Simon C. Morris – Executive Director. Resigned on 17 August 2021.

Andy H. Coveney – Executive Director

Paul Shackleton was appointed as Non-Executive Director on 26 July 2021. He will stand for election at the 2021 Annual General Meeting.

Directors' interests

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

	14.09.2021	31.12.2020	31.12.2019
Brian Rowbotham – resigned 13 April 2021	-	450,000	450,000
Simon C. Morris – resigned 17 August 2021	-	-	-
Andrew H. Coveney	-	-	-
Paul Shackleton	-	-	-

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 14 September 2021, 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.

Impact Assessments

United Kingdom's Exit from the European Union (Brexit)

The UK left the European Union ("EU") at 11.00 pm on 31 January 2020. The Transition period that was put in place – during which the UK was still subject to EU rules – ended on 31 December 2020. The rules governing the new relationship between the EU and UK took effect on 1 January 2021. The new Trade and Cooperation Agreement and other agreements were reached between the UK and the EU on 24 December 2020 and were signed during the Transition period. They are in the process of being ratified.

The Group has very limited transactions with EU members and those are limited to the provision of services. Rurelec entity and the Group has only one supplier of services based in the EU. Therefore, Brexit does not have a material impact on the Company.

CORONAVIRUS PANDEMIC (COVID-19)

The COVID-19 pandemic spread globally in the first Quarter of 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 the Group operates is currently uncertain.

The Argentinian Government imposed a tight lockdown on 19 March 2020. Argentina's Government, viewing EdS's output as an essential service, issued instructions whereby the power plant should operate with the minimum staff, covering operational shifts and preventive cleaning work with specific teams. All but essential personnel 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 measures were implemented to protect and safeguard staff. To date the COVID-19 pandemic has had relatively little impact on the ability of EdS to continue in operation.

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 Group's Head Office in London and the EdS head office in Buenos Aires have operated on a remote basis and the EdS plant in Argentina has implemented procedures and protocols to allow safe working practices as near to normal. Notwithstanding the above, it is not considered possible to estimate the long-term financial impact of COVID-19 on the Argentinian economy, nor what measures that government will impose in response.

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 and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for reporting year ended 31 December 2020. 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

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
15 September 2021

CORPORATE GOVERNANCE REPORT

for the year ended 31 December 2020

Introduction

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 2020 is based upon the Code.

The principal means of communicating our application of the QCA Code are this Annual Report (pages 18-22) and our Corporate Governance section on our website (www.rurelec.com).

This report sets out the Group's application of the Code, including where appropriate, cross reference to other sections of the Annual Report.

Where our practices depart from the expectations of the Code, an explanation is given 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, Rurelec PLC explains how it has applied them.

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. 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 JVs;
- Working with joint venture partners to ensure that debts from those entities are repaid to the fullest extent possible;
- 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;

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 JV formed to develop the EdS business in Argentina, 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. Covid-19 lockdown restrictions, and related social distancing requirements impeded the ability of shareholders to communicate with the Board members in person at shareholder meetings during 2020. The Board looks forward to resuming in person meetings with shareholders in the post pandemic environment and will also be exploring other methods of shareholder engagement.

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 recognises that shareholders may have different time horizons for their shareholdings and is 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 business has led to frequent communication at Board level 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 in the Company and there are also regular communications with the 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.

When permitted, the Executive Directors travel regularly to Argentina and they meet key stakeholders in person. This year due to COVID-19 restrictions such visits to Argentina have not taken place.

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

Given past changes in the Company's financial position, the Board considers risk management to be of paramount importance and this has driven its strategy of pursuing financial stability rather than 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 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 views of the principal risks and uncertainties facing the Group as reported in page 10 of the Strategic Report. The Company is in the process of implementing a risk register which should be under the Audit Committee reporting 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 competently 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 was considered to be independent since his appointment in October 2013 until his resignation in April 2021. The board evaluated the independence requirements of the QCA Code and considered that Brian Rowbotham was independent during the period. Paul Shackleton was appointed in July 2021 and is considered to be independent by the board.

The number of times the Board met during the year to 31 December 2020 was 15. All serving directors were present at all the Board meetings.

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

Audit, Remuneration and Nominations Committees

In accordance with the terms of reference for these committees and under the QCA Code, these committees should be made up only of Independent Non-Executive Directors. As Paul Shackleton is the Company's only Independent Non-Executive Director, matters normally reserved for these committees are currently considered by the whole board. The business of the board committees will resume when further appropriate appointments are made to the board.

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 for the period:

Director	Date of Appointment	Date of Resignation	Role at 31 December 2020	Date of (re-) appointment	Board Committee		
Brian Rowbotham	16.10.2013	13.04.2021	Senior Independent Non-Executive	27.06.2018	N	R	A
Simon C. Morris	19.07.2015	17.08.2021	Executive Director	30.06.2020	-	-	A
Andrew H. Coveney	16.11.2016	-	Executive Director	27.06.2019	-	-	-
Paul R.A. Shackleton	26.07.2021	-	-	-	N	R	A

N = Nomination Committee

R = Remuneration Committee

A = Audit Committee

The Audit Committee met 3 times during the year to 31 December 2020. All the committee members were present at the meetings.

Due to the size of the Company, the Board has not and does not comply with the principle that the Board and Audit Committee should at least have two independent directors. Given the current level of transactions within the Company, the Board considers that adequate resources are available at Board level, although a further executive director is currently being sought.

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

The Company has two directors, Paul Shackleton, Senior Independent Non-Executive Director and Andrew Coveney, Executive Director. Biographical details of the Directors can be obtained in www.rurelec.com/about-us/biographies

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 Executive Directors serving during the period, 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.

The directors keep their skills up to date by attending regular professional briefings From the Nominated Adviser and lawyers covering regulations that are relevant to their role as directors of an AIM-quoted Company.

The Board is grateful for the regular, thorough and diligent input of a qualified professional Company Secretary. As such the Company Secretary provides frequent advice to the Board. On legal matters, the Company Secretary is supported by 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 through 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 all employees and is able to engender an ethical, professional and effective environment in its day to day and strategic activities.

The Company has currently 5 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 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 currently comprises an Executive Director and a Non-Executive Director, a further Executive Director is being sought.
- Biographical details of the Board of Directors can be obtained in www.rurelec.com/about-us/board-of-directors-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:
 - 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;
 - 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;
 - Monitoring and managing potential conflicts of interest that may arise with Board members, shareholders and external advisers;
 - 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 strategic, financial or reputational implications or consequences.
- The Board has established audit, remuneration and nominations committees however owing to the size of the board at the current time, all matters are dealt with by the board. 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.
- The role of the Chair, which is currently undertaken by the Independent Non-Executive Director includes:
 - to take the chair at general meetings and Board meetings;
 - providing leadership to the Board;
 - ensuring proper information for the Board;
 - planning and conducting Board meetings effectively;
 - getting all directors involved in the Board's work;
 - ensuring the Board focuses on its key tasks
 - determination of the order of the agenda;
 - ensuring that the Board receives accurate, timely and clear information;
 - keeping track of the contribution of individual directors and ensuring that they are all involved in discussions and decision-making;
 - to ensure effective communication with shareholders and, where appropriate, the stakeholders.

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

15 September 2021

Independent auditor's report to the members of Rurelec Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Rurelec Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements concerning the Group and the Parent Company's ability to continue as a going concern. The Group continues to make a loss, with the only operational part of the business being its investment in a joint venture, which is now starting to make profits and repay its loans to Rurelec. To continue as a going concern, the Group is reliant on either further remittances from its joint venture or funds to be received from the sale of its Frame 6B Turbine which was announced on the 9 September 2021 (as detailed in note 28 in the financial statements). Without either of these there is a shortfall in the availability of funds to cover the Group's forecast expenditure during the going concern period. These matters, along with the other the other matters explained in Note 1, indicate the existence of a material uncertainty which may cast significant doubt over the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We consider this area to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Reviewing budget and cash flow forecasts for at least 12 months from the date of approval of the financial statements
- Obtaining support for the Directors' assumptions used in the forecast and assessing clerical accuracy

- Reviewing stress tests on the forecasts based on receiving no further loan repayments from Energía del Sur S.A or receipts under the Equipment Sale Agreement of the Frame 6B Turbine. Under each of the stress test scenarios, the Group has sufficient cash during the going concern period, but in the event of both situations occurring there is a cash shortfall in the going concern period.
- Confirming the actual cash repayments of the loan from the joint venture for the months post year end
- Reviewing board minutes during the year and post year end to indicate any other issues that may indicate inability of the Group to continue as a going concern
- Reviewing the Equipment Sale Agreement of the Frame 6B Turbine, announced on 9 September 2021 to confirm sale value, validity and any conditions precedent
- Reviewing the going concern assessment of Energía del Sur S.A by review of forecasts
- Reviewing the impacts COVID-19 has had on Energía del Sur S.A, the Group and the Company. There was deemed to be limited impact of COVID-19 due to the nature of the Group's operations

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	<i>100% (2019: 100%) of Group loss before tax 100% (2019: 100%) of Group total assets</i>		
Key audit matters		2020	2019
	Valuation of turbine assets	✓	✓
	Going Concern	✓	✓
	Valuation of investments and recoverability of intercompany loan, including loans to joint venture	✓	✓
Materiality	<i>Group financial statements as a whole £451,000 (2019:£615,000) based on 3% (2019: 3%) of Net Assets</i>		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through the parent company, a subsidiary undertaking registered in the UK and a 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 the UK significant components of the Group and utilising non-BDO component auditors for the audit of the joint venture and specific procedures on the remaining components.

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.

The Group audit team was actively involved in the direction of the audits and specific audit procedures performed by the component auditors along with the consideration of findings and determination of conclusions drawn. As part of our audit strategy, we issued group audit engagement instructions and directed the component materiality. We discussed the instructions with component auditors. We took part in planning and closing meetings with component auditors to discuss the results.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of turbine assets (Note 12) Accounting policy 2.8</p>	<p><i>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 assess the carrying value.</i></p> <p><i>Management's assessment of the valuations contain significant estimation and judgement. Given the subjectivity involved, the carrying value of turbine assets are considered to represent a key audit matter.</i></p> <p>In this area our procedures included:</p> <ul style="list-style-type: none"> • 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 the independent valuations to ensure that the value of the assets is recoverable through sale; • Reviewing insurance documentation and storage/maintenance documentation to assess the risk of further impairment; and • Reviewing the signed sale agreement for the Frame 6B turbine, including the sales price, which was higher than carrying value at year end. <p>Key Observations</p> <p>Our work did not indicate that financial statement valuations of the turbine assets were not appropriate</p>
<p>Valuation of investment and recoverability of intercompany loans, including loans to joint venture (Note 13 & 21) Accounting policy 2.11</p>	<p>The repayment of these loans and the recoverability of the investment is dependent on the economic feasibility of the underlying operations within the Group. The recoverability of these loans is judgemental and hence there is a risk that the loans are overstated.</p> <p>The investment value of the joint venture, 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 an impairment was required to the joint venture investment balance and an expected credit loss was applied to the loan receivable from the joint venture based on the cash flow models in respect of the joint venture</p> <p>Management's assessment of the valuation of investments and inter-</p> <p>In this area our procedures included:</p> <ul style="list-style-type: none"> • 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 review of the inputs, assumptions and outputs of the financial projections model, and net asset positions of subsidiaries and the joint venture. <p>Key Observations</p> <p>Our work did not indicate that management's assessment of the valuation of investments and the recoverability of intercompany loans was not appropriate.</p>

	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.	
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

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 as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 £	2019 £	2020 £	2019 £
Materiality	451,000	615,000	442,000	520,000
Basis for determining materiality	3% of Net assets		3% of Net assets	
Rationale for the benchmark applied	Group's activities of investing in power assets are focussed on the realisation of asset sales making the net assets basis most appropriate.		Group's activities of investing in power assets are focussed on the realisation of asset sales making the net assets basis most appropriate	
Performance materiality	270,000	369,000	265,000	312,000
Basis for determining performance materiality	60% of materiality based on consideration of factors including the level of historical errors and nature of activities.			

Component materiality

Component materiality ranged from £208,000 to £3,000. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £9,000 (2019:£30,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<p>Strategic report and Directors' report</p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>In the light of the knowledge and understanding of the Group and 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.</p>
<p>Matters on which we are required to report by exception</p>	<p>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:</p> <ul style="list-style-type: none"> • 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, 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.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to UK Employment Legislation, Companies Act 2006, Health and Safety Law, HMRC tax regulations and Argentinian legal compliance.

- We considered compliance with these laws and regulations through discussions with management, the company secretary and component auditors. Our procedures also included reviewing minutes from board meetings and inspecting invoices for legal fees incurred in the period.
- We assessed the susceptibility of the Group's financial statements to material misstatements, including how fraud might occur. We evaluated management's controls designed to prevent and detect irregularities.
- We performed a review of the Group's year end adjusting entries and journals throughout the year and investigated any that appeared unusual as to nature or amount. In addition we identified and tested journals with unusual account combinations, unusual posting dates and unusual descriptions.
- We identified areas at risk of management bias, particularly cashflow models to support loan valuations, and reviewed key estimates and judgements applied by Management in the financial statements to assess their appropriateness (as mentioned in the Key Audit Matters Section above).
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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

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 2020

	Notes	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Revenue	4	-	-
Gross Profit		-	-
Administrative Expenses	6	(1,110)	(1,168)
Other Income	8b	22	130
Impairment Charges	8b	(1,826)	(2,029)
Operating Loss		(2,914)	(3,067)
Share of Joint Venture Profit/(Loss)	21,22	-	-
Foreign Exchange (Losses)	8a	(456)	(1,287)
Finance Income	9	819	6
Finance Expense	9	(2,783)	(70)
Loss before Tax		(5,334)	(4,418)
Tax Expense	10	-	-
Loss for the year attributable to owners of the Company		(5,334)	(4,418)
<hr/>			
Earnings per Share – in pence	11		
Basic Loss per Share		(0.95)	(0.79)
Diluted Loss per Share		(0.95)	(0.79)

The Notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Loss for the year	(5,334)	(4,418)
Other Comprehensive (Loss)/Income for the year:		
Items that will be subsequently Reclassified to Profit & Loss:		
Exchange Differences on Translation of Foreign Operations	(130)	136
Total Other Comprehensive Income	(130)	136
Loss for the year attributable to owners of the Company	(5,464)	(4,282)

The Notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	31.12.2020 £'000	31.12.2019 £'000
Assets			
Non-current Assets			
Property, Plant and Equipment	12	7,371	7,685
Investment in Joint Venture	21,22	1,648	3,474
Trade and Other Receivables	13a	4,586	6,423
		13,605	17,582
Current Assets			
Trade and Other Receivables	13b	1,142	3,272
Cash and Cash Equivalents	15	668	137
		1,810	3,409
Total Assets		15,415	20,991
Equity and Liabilities			
Shareholders' Equity			
Share Capital	16	5,614	11,228
Share Premium Account	17	-	22,754
Foreign Currency Reserve		793	923
Special Non-distributable Reserve	17	-	45,000
Retained Earnings/Losses		8,648	(59,385)
Total Equity attributable to owners of the Company		15,055	20,520
Current Liabilities			
Trade and Other Payables	18a	353	465
Current Tax Liabilities	19	7	6
Borrowings	20	-	-
Total Liabilities		360	471
Total Equity and Liabilities		15,415	20,991

The financial statements were approved by the Board of Directors on 15 September 2021 and were signed on its behalf by Andrew Coveney and Paul Shackleton.

Andrew Coveney

Paul Shackleton

The notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF FINANCIAL POSITION**COMPANY NUMBER: 4812855**

At 31 December 2020

	Notes	31.12.2020	31.12.2019
		£'000	£'000
Assets			
Non-current Assets			
Investment in Joint Venture	21,22	1,648	3,474
Trade and Other Receivables	13	4,586	6,423
		6,234	9,897
Current Assets			
Inventories	14	6,923	7,167
Trade and Other Receivables	13a	1,397	3,593
Cash and Cash Equivalents	15	667	137
		8,987	10,897
Total Assets		15,221	20,794
Equity and Liabilities			
Shareholders' Equity			
Share Capital	16	5,614	11,228
Share Premium Account	17	-	22,754
Special Non-distributable Reserve	17	-	45,000
Retained Earnings/Losses		9,153	(58,747)
Total Equity		14,767	20,235
Current Liabilities			
Trade and Other Payables	18b	447	554
Current Tax Liabilities	19	7	5
Borrowings	20	-	-
		454	559
Total Equity and Liabilities		15,221	20,794

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 £5.5 million (2019: loss £4.5 million).

The financial statements were approved by the Board of Directors on 15 September 2021 and were signed on its behalf by Andrew Coveney and Paul Shackleton.

 Andrew Coveney

 Paul Shackleton

The notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Cash Flows from Operating Activities			
Cash used in Operations	23	(1,273)	(1,260)
Net Cash used in Operating Activities		(1,273)	(1,260)
Cash Flows from Investing Activities			
Proceeds from Sale of Subsidiary		-	60
Loan Repayments from Joint Venture Company		1,804	2,246
Net Cash generated from Investing Activities		1,804	2,306
Net Cash Inflow before Financing Activities		531	1,046
Cash Flows from Financing Activities			
Loan Principal Repayments	20	-	(1,200)
Loan Interest Repayments	20	-	(60)
Net Cash used in Financing Activities		-	(1,260)
Increase/(Decrease) in Cash and Cash Equivalents		531	(214)
Cash and Cash Equivalents at the Start of the year		137	351
Cash and Cash Equivalents at the End of the year		668	137

The notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Cash Flows from Operating Activities			
Cash used in Operations	23	(1,110)	(1,161)
Net Cash used in Operating Activities		(1,110)	(1,161)
Cash Flows from Investing Activities			
Proceeds from Sale of Subsidiary		-	60
Investment in and Loans to Subsidiaries		(164)	(98)
Loan repayments from Subsidiaries		-	1,235
Loan Repayments from Joint Venture Company		1,804	1,011
Net Cash generated from Investing Activities		1,640	2,208
Net Cash Inflow before Financing Activities		530	1,047
Cash Flows from Financing Activities			
Loan Principal Repayments	20	-	(1,200)
Loan Interest Repayments	20	-	(60)
Net Cash used in Financing Activities		-	(1,260)
Increase/(Decrease) in Cash and Cash Equivalents		530	(213)
Cash and Cash Equivalents at the Start of the year		137	350
Cash and Cash Equivalents at the End of the year		667	137

The notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share Capital	Share Premium	Foreign Currency Reserve	Retained Losses/Earni ngs	Special Non- distributable Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01.01.2019	11,228	22,754	787	(54,968)	45,000	24,801
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	(59,386)	45,000	20,519
Transactions with owners						
Transfer of Special non-distributable reserve	-	-	-	45,000	(45,000)	-
Capital reduction – Share Premium	-	(22,754)	-	22,754	-	-
Capital reduction – Share Capital	(5,614)	-	-	5,614	-	-
Total transactions with owners	(5,614)	(22,754)	-	73,368	(45,000)	-
Loss for the year attributable to owners of the parent	-	-	-	(5,334)	-	(5,334)
Exchange Differences	-	-	(130)	-	-	(130)
Total Comprehensive Loss	-	-	(130)	(5,334)	-	(5,464)
Balance at 31.12.2020	5,614	-	793	8,648	-	15,055
Notes:	16	17			17	

The notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share Capital	Share Premium	Accumulated Losses	Special Non- distributable Reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 01.01.2019	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
Transactions with owners					
Transfer of Special non-distributable reserve	-	-	45,000	(45,000)	-
Capital reduction – Share Premium	-	(22,754)	22,754	-	-
Capital reduction – Share Capital	(5,614)	-	5,614	-	-
Total transactions with owners	(5,614)	(22,754)	73,368	(45,000)	-
Loss for the year	-	-	(5,468)	-	(5,468)
Total Comprehensive Loss	-	-	(5,468)	-	(5,468)
Balance at 31.12.2020	5,614	-	9,153	-	14,767
Notes:	16	17		17	

The notes on pages 37 to 61 form an integral part of these Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for reporting year ended 31 December 2020.

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

The directors have prepared budgets and forecasts for a period of at least 12 months from the date of signing of the financial statements to assess the Group and Company's ability to continue as a going concern.

On the basis that the Group receives the joint venture remittances referred to below, or the proceeds from the sale of the Frame 6B turbine (referred to below), the Directors have assessed that at the date of signing of the financial statements, the Group and Company would have sufficient working capital for a period of at least 12 months from the signing of the financial statements, without the need to seek further sources of working capital and have therefore prepared the financial statements on a going concern basis.

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 cash proceeds of the JV will be split between the parties. To date debt repayments of £2.3 million has been 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 already received, at the date of this report, along with projected rest of year repayments from the joint venture are expected to be sufficient to meet the working capital requirements for the Group.

The sale of the Frame 6B turbine was announced on 9 September 2021 for \$1.0 million. At the time of signing of the financial statements, \$100k has been received, the balance is due on completion, expected to be before 30 November 2021.

Without either the remittances from its joint venture or funds to be received from the sale of its Frame 6B Turbine there is uncertainty on the availability of funds to cover the Group's forecast expenditure during the going concern period.

There exists uncertainty as to the timing of other asset sales, as certain negotiations regarding prospective asset sales continue to be on hold pending an improvement in the economic environment following the COVID-19 pandemic. Unless there is a significant disposal of assets, the Group remains reliant on either the repayments of loans from its joint venture Argentine operations or the proceeds from the sale of the Frame 6B turbine.

Whilst it is the expectation of the Directors that forecast remittances from the joint venture will be received along with the proceeds from the sale of the Frame 6B turbine, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Group and Company were unable to continue its operations.

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.

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 2020. 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 (IFRS11). 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. 2020 marks the fourth 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 (2019: 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 2021 are shown as current assets. The remainder are expected in 2022 to 2034, 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

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 are no impacts as a lessee.

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.

"Retained Losses/Earnings" represents losses/earnings 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's 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 2020 and 2019 for each geographic segment.

a) 12 months to 31.12.2020

	Chile	UK	Consolidation Adjustments	Total
	£'000	£'000	£'000	£'000
Administrative Expenses	(97)	(1,013)	-	(1,110)
Loss from Operations	(97)	(1,013)	-	(1,110)
Other Income	-	22	-	22
Other Expense	-	(1,826)	-	(1,826)
Foreign Exchange Gains/(Losses)	8	(464)	-	(456)
Finance Income	-	1,472	(653)	819
Finance Expense	(653)	(2,783)	653	(2,783)
Loss before Tax from Operations	(742)	(4,592)	-	(5,334)
Tax Expense	-	-	-	-
Total Loss	(742)	(4,592)	-	(5,334)
Total Assets	1,282	15,221	(1,088)	15,415
Total Liabilities	13,296	569	(13,505)	360

b) 12 months to 31.12.2019

	Chile	UK	Consolidation Adjustments	Total
	£'000	£'000	£'000	£'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

5. EXCHANGE RATE SENSITIVITY ANALYSIS

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

	Year Ended	Year Ended
	31.12.2020	31.12.2019
i) Closing rate		
US \$ to £	1.3578	1.3116
CLP (Chilean Peso) to £	965.3	977.2
ii) Average rate		
US \$ to £	1.2872	1.2764
CLP (Chilean Peso) to £	1,018.5	905.9

If the exchange rate of sterling at 31 December 2020 had been stronger or weaker by 10 per cent. from the above, with all other variables held constant, shareholder equity at 31 December 2020 would have been £1.4 million (2019: £2.0 million) lower or higher than reported.

If the average exchange rate of sterling during 2020 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 £1.4 million (2019: £0.1 million) higher or lower than reported.

If the average exchange rate of sterling during 2020 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 £1.5 million (2019: £0.02 million) higher or lower than reported.

6. ADMINISTRATIVE EXPENSES

	Year Ended	Year Ended
	31.12.2020	31.12.2019
	£'000	£'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and Social Security	522	550
Services, Legal and Professional	258	311
Office Costs and General Overheads	236	239
Audit Costs ¹	94	68
Total	1,110	1,168

¹Audit services include £67k (2019: £58k) paid to the auditors for the audit of the Company and Group's financial statements. £10k (2019: £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 £13.2k (2019: £16.8k). The group auditors also provided taxation services for the Group in the year, the costs were £17.1k (2019 £11.4k).

7. EMPLOYEE COSTS

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
a) Group		
Aggregate remuneration of all employees and Directors	490	517
Social Security Costs	20	20
Pension Costs	12	13
Total	522	550

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

	Year Ended 31.12.2020	Year Ended 31.12.2019
Management	3	3
Administration and development	4	4
Total	7	7

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
b) Company		
Aggregate remuneration of all employees and Directors	474	499
Social Security Costs	18	17
Pension Costs	13	13
Total	505	529

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

	Year Ended 31.12.2020	Year Ended 31.12.2019
Management	3	3
Administration and development	3	3
Total	6	6

c) Directors' remuneration

The total remuneration paid to the Directors was £280k (2019: £314k). The total remuneration of the highest paid Director was £168k (2019: £186k). There were no health insurance costs, bonuses, pension costs or share based payments paid during the year (2019: Nil).

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
	Base Salary/Fee	Total	Total
B Rowbotham	30	30	30
S Morris	82	82	98
A Coveney	168	168	186
Total	280	280	314

B Rowbotham has been on payroll in 2019 and 2020.

S Morris provided services under a service agreement contract with SC Morris Ltd and received £22.5k via payroll.

A Coveney provided services under a service agreement contract with Coveney Associates Consulting Ltd and received £22.5k via payroll.

8. a) FOREIGN EXCHANGE

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Foreign Exchange (Losses)	(456)	(1,287)
Total	(456)	(1,287)

Foreign currency-based assets are translated at the relevant year end rates. The majority of foreign exchanges losses were incurred on the 701 turbines, 2020 carrying value US\$9.4 million (2019: US\$9.4 million) resulted in £0.2 million loss in 2020 (2019: loss £0.3 million) and net JV receivables in 2019 had a carrying value US\$9.5 million (2019: US\$12.4 million) which resulted in losses of £0.1 million (2019: losses of £0.7 million).

b) OTHER INCOME/IMPAIRMENT CHARGES/(REVERSALS)

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Other Income		
Agency Fees on RPFL's loan to EdS	-	107
Director's fees due from EdS	22	23
Total	22	130

Impairment Charges/(Reversals)

Loans to Joint Venture Companies (see note 22)	-	235
Impairment on investment in Joint Venture	1,826	-
Reversal of prior year impairment of investment in SEA	-	(188)
Impairment of turbines for Central Illapa	-	1,982
Total	1,826	2,029

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 1.1.20	£9.4m
Exchange adjustment	£(0.2)m
Repayments	£(1.8m)
Reversal of 2019 Expected Credit Losses	£0.8m
2020 Expected Credit Losses	£(2.8)m
Carrying Value 31.12.20	£5.4m
Amount recognised as investment (note 21)	£1.6m
Amount recognised as receivable (note 13)	£5.4m

The carrying value of the loans is based on the replacement Amended Loan Notes, gross value at 31 December 2020 of £10.7 million (2019: £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% pa, it is anticipated that the notes will be fully repaid in 2034 (2019: 2027). Assessment of discount rate sensitivity, were the discount rate to be 10% higher or lower than the expected credit losses would be +/- £0.3 million. The notes are held in the Statement of Financial Position at their discounted value.

TURBINES FOR CENTRAL ILLAPA (CHILE):

	£'(000)
Carrying value of turbine 1.1.20	£7,167
Exchange adjustment	£(244)
Impairment in year	£nil
Carrying value of turbine 31.12.20	£6,923

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 £6.9 million (US \$9.4 million) (2019: £7.2 million (US \$9.4 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.

TURBINE – ARICA (CHILE)

	£'(000)
Carrying value of Arica turbine 1.1.20	£386
Foreign exchange revaluation	£(18)
Impairment in year	£ -
Carrying value of Arica turbine 31.12.20	£368

The carrying value is assessed as fair value less costs to sell, based on historic offers and an independent valuation report. The above asset is included in Property, Plant and Equipment.

9. FINANCE INCOME & EXPENSE

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Finance Income		
Reversal of 2019 Expected Credit Losses	819	-
Other Interest Received	-	6
	819	6
Finance Expense		
Charge for 2020 Expected Credit Losses	2,783	-
Interest Expense Paid/Payable on bank borrowings and loans ¹	-	60
Other interest payable	-	10
	2,783	70

¹ Expected credit losses are charged as the Amended Loan Notes repayments are projected to received of a longer period of time, with final repayment in 2034 (2019: 2027)

¹In the prior year interest paid/payable included 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.

10. TAX EXPENSE

The relationship between the expected tax expense at basic rate of 19 per cent. (2019: 19 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Result for the year before tax	(5,334)	(4,418)
Standard rate of Corporation Tax in UK	19%	19%
Expected Tax Credit	(1,013)	(839)
Tax effect not deductible in determining taxable profits	350	(49)
Unrecognised Loss carried forward	663	888
Actual Tax Expense	-	-
Comprising:		
Current Tax Expense	-	-
Deferred Tax/(Net Credit)	-	-
Total Credit (Expense)	-	-

A deferred tax asset for the year of £0.7 million (2019: £0.9 million) is not recognised as an asset due to the uncertainty and unknown timing of its realisation against future profits. The estimated accumulated unrecognised deferred tax asset is £3.1 million (2019: £2.2 million), based on cumulative tax losses of £16.2 million (2019: £12.8 million).

11. EARNING 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 31.12.2020	Year Ended 31.12.2019
Average number of shares in issue	561,387,586	561,387,586
Result for the year		
Total Loss attributable to equity holders of the parent	£5.3m	£4.4m
Basic Loss per share	0.95p	0.79p
Diluted Loss per share	0.95p	0.79p

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 01.01.2019	15,389	2,212	17,601
Exchange Adjustments	(500)	(71)	(571)
Cost at 31.12.2019	14,889	2,141	17,030

Exchange Adjustments	(774)	(111)	(885)
Cost at 31.12.2020	14,115	2,030	16,145
Accumulated Depreciation and Impairment at 01.01.2019	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
Exchange Adjustments	(530)	(41)	(571)
Charge for the year	-	-	-
Charge for impairment for the year	-	-	-
Accumulated Depreciation and Impairment at 31.12.2020	7,192	1,582	8,774
Net Book Value – 31.12.2020	6,923	448	7,371
Net Book Value – 31.12.2019	7,167	518	7,685

The plant and equipment of £6.9 million (2019: £7.2 million) relates to two Siemens turbines, stored in Venice for use in the Central Illapa project purchased for US \$25.0 million. The turbines are held as inventory in the Company.

Plant under construction comprises a turbine plant in Chile £0.4 million (2019: £0.4 million) and Central Illapa development costs of £0.1 million (2019: £0.1 million). The turbine disposal was announced on 9 September 2021, see note 28 Post Balance Sheet Events.

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

13. TRADE AND OTHER RECEIVABLES

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
a) Group - non-current		
Amounts due from Joint Venture Companies ¹	4,586	6,423
b) Group – current		
Amounts due from Joint Venture Companies ¹	843	3,005
Tax Receivable – VAT	4	10
Other Receivables and Prepayments	295	257
	1,142	3,272
	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
a) Company - non-current		
Amounts due from Joint Venture Companies ¹	4,586	6,423
b) Company – current		
Amounts due from Joint Venture Companies ¹	843	3,005
Tax Receivable – VAT	4	10
Loans to subsidiaries ²	448	514
Other Receivables and Prepayments	102	64
	1,397	3,593

The amounts owed by subsidiary companies include:

¹Amounts 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. (2019: nil per cent.). These loans were replaced in the prior 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% pa, it is anticipated that the notes will be fully repaid in 2034, please see note 8b for details. The first £0.5 million repayment was received in December 2019, in 2020: £1.8 million was received, one repayment of \$347k has been received in 2021, the board expects that further repayments will be received in the remainder of the year.

²Loans to subsidiaries in Cochrane Power Limited £11.4 million, (2019: £10.6 million) repayable on demand. These loans have been impaired to £0.4 million (2019: £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	Year Ended
	31.12.2020	31.12.2019
	£'000	£'000
Inventories	6,923	7,167

Inventories comprises of two Siemens 701DU turbines acquired from IPSA in June 2013. Further details of which are set out in note **Error! Reference source not found.** Storage and insurance costs for the turbines in the year totalled £112k (2019: £111k).

15. CASH AND CASH EQUIVALENTS

	Year Ended	Year Ended
	31.12.2020	31.12.2019
	£'000	£'000
a) Group - current		
Cash and short-term bank deposits	668	137
b) Company - current		
Cash and short-term bank deposits	667	137

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	Year Ended
	31.12.2020	31.12.2019
	£'000	£'000
In issue, authorised, called up and fully paid 561,387,586 ordinary shares of 1p each (2019: 561,387,586 of 2p each)	5,614	11,228

Ordinary shares have no redemption rights and are entitled to full rights to dividends and excess capital on winding up. The capital reduction reduced the Nominal Value from two pence to one pence, see below for further details, there was no change to the number of shares in issue. This reduction in nominal value was effective from 26 August 2020,

The Company applied to the High Court to allow for a capital reorganisation in respect of each holding of ordinary shares of £0.02 each in the capital of the Company ("Ordinary Shares") at the close of business on 30 June 2020 each and every Ordinary Share to be subdivided into (A) one ordinary share of £0.01 ("New Ordinary Share"), each such New Ordinary Share having the same rights and being subject to the same restrictions as the Ordinary Shares and (B) one deferred share of £0.01 ("New Deferred Share"), each such New Deferred Share having the rights and being subject to the restrictions set out in the articles of association of the Company to be adopted at the Company's annual general meeting on 30 June 2020. On 14 August 2020, the High Court approved the reorganisation of the issued share capital of the Company which was reduced from £11,227,751.72 to £5,613,875.86 by cancelling and extinguishing 561,387,586 of the issued New Deferred Shares of £0.01 each in the Company, each of which is fully paid up, and the amount by which the share capital is so reduced to be credited to retained earnings.

On 14 August 2020, the High Court approved the reduction in the share premium account of the Company of £22,753,689 to be credited to a reserve in the accounts of the Group and the reduction of the Company's nominal share capital by way of cancellation of 561,387,586 deferred shares of £0.01 each and the cancellation

of the share premium account of the Company also to be credited to a reserve in the accounts of the Group (together, the "Reduction of Capital") which became effective on 26 August 2020.

Following the Capital Reduction, the issued share capital of the Company consists of 561,387,586 ordinary shares of £0.01 each and the distributable reserves will amount to £14,620,074

17. SPECIAL NON-DISTRIBUTABLE RESERVE/SHARE PREMIUM

1st Capital reduction

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, at that time, accumulated losses on its profit and loss account of £7,371,683. The existence of these losses prevented 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. This transfer was effective on 26 August 2020.

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 was £nil (2019: £nil).

Share Premium account, after the 1st deduction of £45,000,000 was £22,753,689.

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.

2nd Capital reduction

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, effective 26 August 2020, by way of a special resolution and subsequent confirmation by the High Court, the Company has reduced the share premium account of £22,753,689 to £nil and credited it to a retained earnings.

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

Capital Reduction – Procedure

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

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

18. TRADE AND OTHER PAYABLES

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
a) Group - current		
Trade Payables	150	251
Accruals	203	214
	353	465
b) Company - current		
Trade Payables	104	204
Group borrowings	228	236
Accruals	115	114
	447	554

19. TAX LIABILITIES

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Group/Company - Current		
Other tax and social security	7	6
	7	6

20. BORROWINGS

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Group/Company - Current		
Other Loans	-	-
	-	-
Group/Company – Total Borrowings	-	-
The Group's borrowings are repayable as follows:		
Within 1 year	-	-
	-	-

Group and Company

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

Net Debt Reconciliation

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
a) Group		
Balance at the start of the year	-	1,200
Non-Cash Flow Transactions		
Interest charge	-	60
Cash Flow Transactions		
Interest Paid	-	(60)
Principal Repayment	-	(1,200)
Balance at the end of the year	-	-

	Year Ended 31.12.2020	Year Ended 31.12.2019
	£'000	£'000
b) Company		
Balance at the start of the year	-	1,200
Non-Cash Flow Transactions		
Interest charge	-	60
Cash Flow Transactions		
Interest Paid	-	(60)
Principal Repayment	-	(1,200)
Balance at the end of the year	-	-

21. INVESTMENTS

	PEL £'000	Total £'000
Cost at 01.01.2019	8,178	8,178
Addition resulting from new loan note	3,474	3,474
Cost at 31.12.2019	11,652	11,652
Cost at 31.12.2020	11,652	11,652
Accumulated Impairment at 01.01.2019	(8,178)	(8,178)
Accumulated Impairment at 31.12.2019	(8,178)	(8,178)
Impairment in year	(1,826)	(1,826)
Accumulated Impairment at 31.12.2020	(10,004)	(10,004)
Carrying Value at 31.12.2020	1,648	1,648
Carrying Value at 31.12.2019	3,474	3,474

The 2019 amendment of the loan note receivable agreement to the JV (US\$ 17.6 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 FV the loan. The difference between the balance outstanding on the £12.9m, and the 2019 initial fair value adjustment amount of £3.5m has been treated as an investment, with the £9.4m remaining in receivables as at 31/12/19. After review at 31 December 2020 an impairment of £1.8 million has been recorded, this represents an increase in expected credit losses, caused by slower repayment of the receivable. Full repayment is now expected in 2034 (2019: 2027).

At the year end the Company held the following investments:

Direct investments:

1. 50 per cent. (2019: 50 per cent.) of the issued share capital of Patagonia Energy Limited ("PEL"), a company registered in the British Virgin Islands under registration number 620522. PEL owns 100 per cent. of the issued share capital of EdS, a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina.
2. 100 per cent. (2019: 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. (2019: 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 **Error! Reference source not found.**

**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.

Since previous blade failure issues were resolved in January 2019 plant availability continues to be within expectations, 2020 average 91.7 per cent. (2019: 89.0 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 2020 the joint venture made a profit. Total loss position at the year-end was £32.5 million (2019: £40.2 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 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Results		
Revenue	8,357	11,295
Operating Expenses - excluding foreign exchange losses	(4,464)	(6,082)
Foreign exchange losses	(1,288)	(1,391)
EBITDA	2,605	3,822
Depreciation	(1,043)	(1,198)
EBIT	1,562	2,624
Intragroup interest - credit re write back of prior year charge	2,578	2,570
Third party interest payable	(634)	(1,406)
Profit before tax	3,506	3,787
Tax	(829)	(1,079)
Profit after tax	2,677	2,709
 Summary of Statement of Financial Position		
Non-current assets	10,407	15,889
Cash	1,418	1,713
Current trade and other receivables	1,196	4,907
Non-current liabilities	(18,681)	(25,785)
Current liabilities	(2,060)	(4,881)
Net assets/(liabilities)	(7,720)	(8,157)

The Group share of joint venture results and net assets are shown in Argentinian GAAP, which is the accounting framework applied to the Joint Venture. The only difference to IFRS is that fixed assets inspection costs capitalised under Argentinian GAAP would be de-recognised under IFRS. The impact of this adjustment would be to decrease the Group's share of Joint Venture fixed assets by £0.8 million.

Revenue is derived from one principal customer, CAMMESA, which is the Government appointed purchaser of wholesale electricity in Argentina

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

	Year Ended 31.12.2020	Year Ended 31.12.2019
a) Group	£'000	£'000
Loss for the year before tax	(5,334)	(4,418)
Net Finance Income	(819)	-
Net Finance Expense	2,783	64
Adjustments for:		
Unrealised exchange losses	456	1,287
Write down of loans	-	235
Write down of investment	1,826	-
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	(73)	88
Change in Trade and Other Payables	(112)	(308)
Cash Used in Operations	(1,273)	(1,260)
	Year Ended 31.12.2020	Year Ended 31.12.2019
b) Company	£'000	£'000
Loss for the year before tax	(5,467)	(4,510)
Net Finance Income	(1,472)	(566)
Net Finance Expense	2,783	-
Adjustments for:		
Unrealised exchange losses	456	1,070
Write down of loans	883	1,003
Write down of investment	1,826	-
Write down of 701 turbines	-	1,982
Movement in working capital:		
Change in Trade and Other Receivables	(41)	(62)
Change in Trade and Other Payables	(78)	(78)
Cash Used in Operations	(1,110)	(1,161)

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 31.12.2020	Year Ended 31.12.2019
	£'000	£'000
a) Group		
Current – due within 1 year:		
Trade Payables	150	251
Accruals	203	214
Tax Liabilities	7	6
Borrowings	-	-
Total due within 1 year:	360	471

	Year Ended 31.12.2020	Year Ended 31.12.2019
	£'000	£'000
b) Company		
Current – due within 1 year:		
Trade Payables	104	203
Accruals	115	115
Intra Group borrowing	228	236
Tax Liabilities	7	5
Borrowings	-	-
Total due within 1 year:	454	559

c) 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.

d) 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:

	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
31 December 2020				
Trade and Other Receivables > 1 year	4,586	-	4,586	-
Trade and Other Receivables < 1 year	1,397	-	1,143	-
Cash and Cash Equivalents	667	-	668	-
Trade and Other Payables < 1 year	-	(447)	-	(354)
Total	6,650	(447)	6,397	(354)
	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
31 December 2019				
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)

25. SHORT TERM LEASE COMMITMENTS

Office premises

Low value, less than one year £16k (2019: £22k).

Office premises relates to the Company's offices.

26. RELATED PARTY TRANSACTIONS

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

a) **Company**

- i) Paid salaries to directors, who are considered Key Management Personnel which amounted to £0.3 million (2019: £0.3 million).

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
	Base Salary/Fee	Total	Total
B Rowbotham	30	30	30
S Morris	82	82	98
A Coveney	168	168	186
Total	280	280	314

B Rowbotham provided services under a service agreement contract with Mountbeach Associates Ltd until June 2017, since then he was 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% subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £nil (2019: £23k). The loan balance outstanding at the year-end due to RPFL was £0.2 million (2019: due £0.2 million).

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Year-end Debtor	-	-
Year-end Creditor	228	236
Interest credited /(charged)	-	23

- iii) Charged interest on loans to its 50% owned joint venture company, Patagonia Energy Ltd ("PEL") amounting to £nil (2019: £nil). Received loan repayments of £1,804k (2019: £488k). The Directors have assessed the recoverability of the loans and consider that it is appropriate to recognise an adjustment for Expected Credit Losses to the carrying value of £2.8 million and a reversal of 2019 Expected Credit Losses of £0.8 million, net charge £2.0 million (2019: £3.5 million) at the 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 was recognised during the year of £nil (2019: £0.2 million). After impairment reviews and expected credit losses the loan balances at the year-end totalled £5.7 million (2019: £9.4 million). Interest on these loans has been accrued at an effective rate of nil per cent (2019: nil per cent). The total outstanding before impairment is £24.9 million (2019: £32.3 million).

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Y/E Debtor	5,428	9,428
Repayment	1,804	487
Interest charged	-	-

- iv) Received from its joint venture company Energia del Sur S.A. ("EdS") repayments totalling £nil (2019: £0.5 million) of a loan previously given in support of a creditor of EdS. This loan was fully repaid during the prior year.

- v) Provided loans and charged interest of 0.5% per month to its 100 per cent. subsidiary Cochrane Power Ltd. New loans in the year totalled £0.2 million (2019: £0.1 million). The total outstanding at the year-end was £11.4 million (2019: £10.6 million). These loans have been impaired to £0.4 million (2019: £0.5 million).

	Year Ended 31.12.2020 £'000	Year Ended 31.12.2019 £'000
Y/E Debtor	448	514
Further loans made	164	98
Interest charged	653	603

b) Group

RPFL received from EdS full repayment of its loan during the prior year totalling £1.1 million. The interest rate on prior year's accrued interest was zero, the effective prior interest rate (on principal and accrued interest) was nil.

27. CONTROL

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

28. POST BALANCE SHEET DATE EVENTS

The COVID-19 pandemic spread globally in Quarter 1 2020. Widespread measures have continued to be implemented globally by governments to control the virus and to support economies in the markets where the Group operates. However, it remains uncertain whether those measures will be successful in the long-term eradication of the virus or in achieving a full 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 uncertain.

The Argentinian Government imposed a tight lockdown on 19 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. Furthermore, the importance of EdS in the generation of electricity in the Chubut province means that its output remains strategically important and a high priority for CAMMESA.

Notwithstanding the above, it is still 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 in response. The pandemic is considered a non-adjusting balance sheet event.

As announced on 9 September 2021, Termoelectrica del Norte SA, an indirectly held 100% subsidiary, agreed the sale of its Frame 6B, originally purchased for the Arica project, for \$1.0 million. At the time of signing of the financial statements, £73k/ \$100k has been received, the balance is due on completion, expected to be before 30 November 2021. Please refer to Note 1b.

COMPANY INFORMATION

Directors

A.H. Coveney (Executive)
P. Shackleton (Non-Executive)

Secretary

M J. Bravo Quiterio

Company number

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