Rurelec PLC
("Rurelec" or “the Company”)

PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (audited)

Highlights

- Acquisition of controlling interest in Bolivia’s largest electricity generator in January 2006
- Group turnover in year to 31 December 2006 – £20.7m
- Group after tax profit attributable to shareholders of the Company of £14.46m, including one-off “negative goodwill” of £13.3m arising from acquisition of assets in Bolivia and fair value adjustments
- Net Asset Value per share rose from 26.7p at 31 December 2005 to 50p at 31 December 2006
- Dividend of 2.25p per share declared

Jimmy West, Chairman, said: “In 2006, the Company has made very significant progress in achieving its objective of becoming one of the leading power generators in South America.

“The strong operating performance of the Rurelec businesses in Argentina and Bolivia continue to deliver both cash flow and profits. We intend to expand our operations into neighbouring countries in the Southern Cone in the months to come and look forward to continued success throughout 2007.”

For further information:

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RURELEC PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

I am pleased to report that Rurelec PLC has produced an excellent set of results for the last financial year to 31 December 2006 and is today declaring a dividend of 2.25 pence.

In the twelve months ended 31st December 2006, Rurelec reported after tax profit attributable to shareholders of £14.5 million, inclusive of 'negative goodwill' of £13.3m. The profits after tax for the six months ended 31st December 2005 were £2.1 million. Total reported equity for the Group at the end of the period under review was £64.3 million (£5.7 million at 31 December 2005), with net asset value standing at £34.3 million, approximately 50 pence per share (26.7 pence per share as at 31 December 2005).

The Company is reporting earnings per share for the current financial year of 21.2 pence. For the half year ended 30th June, 2006 Rurelec reported earnings per share of 9.05 pence per share. As in the case at the half year, a significant part of the reported earnings consists of one-off benefits due to the treatment of negative goodwill, which the Company is required to take to its profit and loss account under IFRS reporting standards. These earnings cannot be distributed to shareholders as a dividend. The reason for the uplift is the fact that the Company has been successful in adding shareholder value in both its acquisitions of existing power plants and in its development of new power generation capacity at below the open market value of that new capacity, a reflection of the Rurelec management team's experience and ability as power developers.

While much of the Company's reported earnings relate to such revaluation uplifts, I would like to draw the attention of shareholders to the very strong operating performance of the Rurelec businesses in Argentina and Bolivia, which continue to deliver both cash flow and profits. Our markets in the Southern Cone of Latin America are achieving record economic growth and this is reflected in the underlying growth in operating income of the Rurelec plants.

In recent weeks, our Guaracachi subsidiary has paid a dividend net of Bolivian withholding tax of US $3.0 million to Rurelec. In anticipation of the receipt of this dividend, our finance team locked in a foreign exchange swap at US $1.9295 to the pound, the equivalent of 2.25 pence per Ordinary share in Rurelec. The Board is declaring a dividend to shareholders equivalent to this amount.

During the last financial year, Rurelec completed the acquisition of a controlling stake in 360 MW of existing power plant capacity and then substantially completed the development and installation of 79 MW of new gas-fired capacity in Bolivia. Today, Rurelec companies are constructing a further 160 MW of new combined cycle capacity eligible for certified emissions reduction certificates (CERs) under the United Nations Clean Development Mechanism. By any standards, this has been a period of extraordinary growth. I am pleased to report that we anticipate continued growth in the Southern Cone of Latin America over the foreseeable future.

In March 2007, we announced that Freddie Fisher had joined the Board of Rurelec as a non-executive director. Freddie has considerable experience in the international capital markets and we anticipate that he will assist the Company as we move to more inventive ways to finance our ambitious expansion plans. Equally, we will be bidding farewell to Frank Mattos, who will retire from the Rurelec Board at the next Annual General Meeting. We offer our thanks to Frank for his service to Rurelec over the last three years.

Power development is normally a slow business, as is the case with all infrastructure projects that require design and construction. However the speed with which Rurelec is adding new megawatts is rapid since we are serving developing markets that have little reserve capacity: any delay risks power cuts within those markets. The excellent relations Rurelec companies enjoy with their respective host governments underlines the important contribution we are making in these countries to keep the lights on when others have been slow to invest in the past. I am delighted that the confidence we have shown in Argentina and Bolivia has produced good results for Rurelec shareholders while also contributing to continued economic growth. We intend to build on that relationship of trust to expand our operations into neighbouring countries in the Southern Cone in the months to come.

Jimmy West,
Chairman

8 May 2007

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2006

Rurelec's power generation businesses are performing well and the markets in which Rurelec currently generates electricity are experiencing considerable economic growth. Argentina's economy continues to grow at 9 per cent. while Bolivia is enjoying GDP growth of almost 6 per cent. As we reported at the half year stage, demand for electricity in turn is exceeding all previous demand forecasts. As a result, the governments of both Argentina and Bolivia have requested Rurelec's local subsidiaries to accelerate and increase expansion plans for new power capacity to match the needs of the power markets in the south of Latin America. Rurelec is still meeting the challenge that such rapid demand growth represents.

Today Rurelec controls a group of four major operating power plants comprising 515 MW of fully operational installed capacity in Bolivia and Argentina with a further 160 MW under construction or at the ground-breaking stage and over 120 MW in advanced development.

Argentina

Rurelec is now six months into the construction phase of the 60 MW combined cycle expansion of its Energia del Sur ("EdS") power plant in Patagonia.

EdS is the Argentine company which owns and operates one of the most southerly power plants in Argentina, serving the partially isolated power grid based on Comodoro Rivadavia. Existing capacity is 76 MW and Rurelec owns an effective 50 per cent. interest in EdS following its July 2005 purchase of a 50 per cent. stake in Patagonia Energy Limited ("PEL").

PEL is converting the original 1990s plant to combined cycle gas turbine expansion ("CCGT") by adding a steam turbine and heat recovery steam generator to the two open cycle General Electric 6B gas-fired turbines of EdS. During 2006, PEL acquired a steam turbine and air cooling system at very favourable prices to implement the combined cycle conversion. The project is eligible for carbon credits under the Kyoto Protocol and Rurelec is exploring innovative ways to use these carbon credits as security for project finance. The steam turbine and cooling system are now in Patagonia as part of a 96 container load shipment of plant and construction materials. This is the first expansion of generation capacity in Argentina since 2001 and the start of building work was a milestone in the Argentine power industry as it recovers from the economic turmoil of five years ago. When completed in early 2008, the CCGT conversion will add some 60 MW of new capacity in the south of Argentina where demand growth has out-stripped reserve capacity in the southern power grid.

Since the year end, EdS has achieved financial close with Standard Bank Plc, London for a medium term dollar based loan of US $18 million for the financing of the new CCGT capacity. This was the first overseas financing for a power plant in Argentina since the peso crash of 2001. Again, this is an important milestone in the regional banking sector and opens the way to further project financing for new Rurelec projects in Argentina.

Bolivia

In January 2006, Rurelec completed the acquisition of a controlling stake in Empresa Guaracachi SA, Bolivia's largest power generation company and the biggest consumer of natural gas in the country. All of Guaracachi's power plants, consisting of 360 MW of nominal capacity at the time of the take-over, are thermal plants running on natural gas. Bolivia has the second largest reserves of natural gas in Latin America and has been looking to expand the market for its single most important resource.

For the two years prior to the Rurelec acquisition, Guaracachi had been operated by the senior officers of Independent Power Corporation PLC, the British power developer founded in 1995 whose management created Rurelec. The transfer of control to Rurelec was therefore completed swiftly and this permitted Guaracachi to accelerate its plans for expansion within Bolivia through organic growth.

The first new capacity completed in 2006 was the successful commissioning in August of four new Jenbacher 616 gas engines at Guaracachi's Aranjuez plant in Sucre. With a 42 per cent. thermal efficiency, these machines are now in service and are baseload providers of power for Bolivia's original capital and the seat of its Supreme Court. The new capacity was installed in time for the constituent assembly that was launched in Sucre in August 2006.

A far larger expansion was substantially completed in 2006 in the form of the General Electric 6 FA gas turbine installed in Santa Cruz de la Sierra, Bolivia's principal commercial centre to the east of the country and the home of Bolivia's oil and gas industry. This turbine, now unromantically named GCH 11, was successfully commissioned in early 2007 and was officially inaugurated by the Minister of Public Works and the British Ambassador to Bolivia on 13 March, 2007. It has a nominal capacity of 71 MW though the high ambient temperature of Santa Cruz, which is on the edge of Amazonia, means that it is de-rated to 62 MW for practical purposes.

Together, these two new power facilities in Sucre and Santa Cruz represent some 10 per cent. of the peak demand of Bolivia. Today, Guaracachi's installed nominal capacity in Bolivia has increased by 22 per cent. from 360 MW to just on 440 MW.

At the same time as completing its current additions to plant capacity, Guaracachi has been working on two further expansion projects.

The first project is the 80 MW CCGT expansion which consists of the conversion in Santa Cruz of two existing General Electric 6FA gas turbines to combined cycle operation. This project is Bolivia's first carbon credit power generation project under the Kyoto Protocol. Following extensive discussions with the Government of Bolivia, the Board of Guaracachi has given its approval to proceed with the CCGT conversion and a provisional generation licence is to be granted, allowing Guaracachi to initiate the project. A Siemens steam turbine has been reserved in Germany and is to be acquired on excellent terms following recent engineering due diligence. The turbine which has been reserved will allow the CCGT project capacity to be increased from the 80 MW originally announced to just under 100 MW using ancillary firing. This increase in the size of the project is necessary to meet Bolivia's growing demand for new power capacity. Guaracachi has received funding offers for the CCGT conversion from a number of local and regional banks. Acquisition of the steam turbine and the decision to commence construction are expected within weeks. The CCGT project is due to be commissioned in the first half of 2008.

The second project is the 120 MW greenfield power plant to be based in Yacuiba in Bolivia's Department of Tarija close to the border with Argentina. This new plant is intended to stimulate economic growth to the south of Bolivia where the national transmission grid has not yet been extended. The plant will also be interconnected to the northern grid system of Argentina which currently suffers from power shortages.

Guaracachi is in the closing stages of a protracted negotiation with the Bolivian national oil and gas company, YPFB, for a long term gas supply for the Yacuiba plant. A preliminary agreement for the sale of electricity was signed with CEMSA, the Argentine power trading subsidiary of Endesa of Spain, some time ago and has recently been extended. A study is also under way to increase the size of the Yacuiba project from the previously announced 120 MW in anticipation of an extension of the Bolivian national grid from Tarija to Yacuiba. Guaracachi has now completed the purchase of a site for the Yacuiba plant. This is adjacent to the site acquired by Rurelec's wholly-owned subsidiary, Energais, which has been developing in parallel an isolated generation project using Jenbacher gas engines to serve the local community in Yacuiba and Villa Montes. Energais recently obtained all necessary environmental consents for its own project site and Guaracachi expects to receive similar consents on a fast track basis.

Energais continues to negotiate the installation of its two 3 MW Worthington dual fuel engines in Riberalta and Guayamerin. As part of a move to greater sustainability in isolated generation, Energais is now actively exploring the use of bio-fuels in its dual fuel motors and is working to replace the use of imported and expensive mineral diesel in its new local power plants.

Expansion

Rurelec is studying a number of expansion possibilities in line with its intention to become one of the leading power generation companies in Southern Cone of Latin America. At the present time, Rurelec has over US $ 200 million of unused debt capacity between its own balance sheet and those of its various companies. The policy of Rurelec is now to bring the Company in line with gearing ratios typical in other parts of the world for power companies with strong cash producing operations. While rapid growth is expected to continue in both Argentina and Bolivia from the development projects already in train, the Company hopes to add capacity in both Chile and Peru in future years both through greenfield development and by means of acquisition to create a balanced portfolio of profitable power plants on both sides of the Andes.

Peter Earl
Chief Executive

Date: 8 May 2007

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2006

Consolidated income statement	**Notes**	**Year ended 31.12.06** £'000	**6 months ended 31.12.05** £'000
Revenue	**4**	20,660	1,864
Cost of sales		(15,853)	(1,502)
Gross profit		4,807	362
Administrative expenses		(2,426)	(308)
Other income	**5**	2,426	-
Negative goodwill arising on acquisition of subsidiary	**6**	13,313	2,067
Finance income		200	8
Finance expense		(632)	-
Profit before tax		17,688	2,129
Tax expense	**7**	(1,296)	(76)
Profit for the year / period		16,392	2,053
Attributable to minority interests		1,934	-
Attributable to shareholders of Rurelec Plc		14,458	2,053
		16,392	2,053
Earnings per share (basic)	**8**	21.17p	10.28p
Earnings per share (diluted)	**8**	21.17p	10.28p

Statement of recognised income and expense

Exchange differences on translation of foreign operations	(4,564)	(385)
Profit for the financial year / period	14,458	2,053
Total recognised income and expense for the year / period	9,894	1,668

RURELEC PLC

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	31.12.06 £'000	31.12.05 £'000
Assets			
Non-current assets			
Property, plant and equipment	**9**	70,886	4,853
Intangible assets		3	7
Trade and other receivables		442	406
Deferred tax assets		359	327
		71,690	5,593
Current assets			
Inventories		3,146	460
Trade and other receivables		8,530	2,578
Cash and cash equivalents		3,179	424
		14,855	3,462
Total assets		86,545	9,055
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	**10**	1,366	427
Share premium account	**11**	21,303	3,568
Foreign currency reserve	**11**	(4,948)	(384)
Retained earnings	**11**	16,542	2,084
Total equity attributable to shareholders of Rurelec Plc		34,263	5,695
Minority interests		29,985	-
Total equity		64,248	5,695
Non-current liabilities			
Trade and other payables		247	431
Deferred tax liabilities		739	-
Borrowings		10,522	-
Total non-current liabilities		11,508	431
Current liabilities			
Trade and other payables		5,935	2,478
Borrowings		4,854	451
Total current liabilities		10,789	2,929
Total liabilities		22,297	3,360
Total equity and liabilities		86,545	9,055

RURELEC PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 31.12.06 £'000	6 months ended 31.12.05 £'000
Net cash inflow / (outflow) from operating activities	**12**	505	(58)
Cash flows from investing activities			
Purchase of plant and equipment		(7,157)	(387)
Sale of fixed assets and spares		2,426	-
Interest received		200	8
Acquisition of interest in subsidiary (net of cash)		(7,166)	-
Acquisition of interest in joint venture (net of cash)		(863)	(2,474)
Net cash used in investing activities		(12,560)	(2,853)
Net cash outflow before financing activities		(12,055)	(2,911)
Cash flows from financing activities			
Issue of shares (net of costs)		18,674	2,979
Proceeds from bank loans		1,301	-
Repayment of bank loans		(1,761)	-
Interest paid		(478)	-
Tax paid		(1,004)	-
Payment of dividend to minorities		(1,922)	-
Dividend paid		-	(107)
Net cash in from financing activities		14,810	2,872
Increase / (decrease) in cash and cash equivalents		2,755	(39)
Reconciliation and analysis of change in net funds			
Increase / (decrease) in cash during year / period		2,755	(39)
Cash and cash equivalents at start of year / period		424	463
Cash and cash equivalents at end of year / period		3,179	424

1 Nature of operations

Rurelec PLC and its subsidiary and joint venture entities ('The Group') principal activity is the operation of electricity generation assets and the supply of electricity to the wholesale market and major end-users. The Group also buys and sells related assets as opportunities arise. During the period under review, all of the Group's electricity generation assets were located in South America.

2 General information

Rurelec PLC is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. Rurelec PLC's shares are traded on the Alternative Investment Market ("AIM") in London.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements for the year ended 31 December 2006 (including the comparatives for the six months period ended 31 December 2005) were approved by the Board of directors on 8 May 2007.

3 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union.

4 Segment analysis

During the year to 31 December 2006 and the six months to 31 December 2005, all of the Group's revenues arose from electricity generating activities. There were no revenues derived from the sale of equipment purchased with a view to subsequent resale.
The following table provides a segmental analysis by geographic region:

	Argentina	Bolivia	UK	Intra-Group	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	3,735	16,925	-	-	20,660
Cost of sales	(3,105)	(12,748)	-	-	(15,853)
Administrative expenses	(515)	(1,125)	(515)	-	(2,155)
Exchange gains / (losses)	(2)	(497)	228	-	(271)
Other income	-	2,426	-	-	2,426
Negative goodwill	-	13,313	-	-	13,313
Finance income	-	181	19	-	200
Finance expense	(28)	(601)	(3)	-	(632)
Dividend received	-	-	1,841	(1,841)	-
Profit before tax	85	17,874	1,570	(1,841)	17,688
Tax expense	(310)	(986)	-	-	(1,296)
Profit / (loss) for the year	(225)	16,888	1,570	(1,841)	16,392

4 Segment analysis (continued)

Total assets	7,775	78,630	26,425	(26,285)	86,545
Total liabilities	3,368	18,763	2,094	(1,928)	22,297
Capital expenditure	2,320	4,837	-	-	7,157
Depreciation	327	2,258	-	-	2,585

5 Other income

Other income represents the book profit on the sale of surplus plant and equipment.

6 Negative goodwill arising on acquisition of subsidiary

Negative goodwill arising on acquisition of subsidiary represents the excess of the provisional fair values of the assets less the liabilities acquired following the acquisition of the 50.00125% interest in Empresa Electrica Guaracachi S.A. over the cost of acquiring the shares – see note 13.

In 2005, negative goodwill arising on acquisition represents the excess of the provisional fair values of the assets less the liabilities acquired following the acquisition of the 50% interest in Patagonia Energy Limited and its subsidiary company, over the cost of acquiring the shares.

7 Tax expense

The relationship between the expected tax expense at the basic rate of 30% (31 December 2005 – 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year ended 31.12.06	**6 months 31.12.05**
	£000	£'000
Result for the period before tax	17,688	2,129
Standard rate of corporation tax in UK	30%	30%
Expected tax expense	5,306	639
Adjustment for tax exempt income relating to negative goodwill	(3,994)	(620)
Effect of lower rate (19% vs. 30%) on UK result	-	20
Adjustment for different overseas tax rates	(205)	12
Accelerated allowances	(229)	-
Consolidation adjustments with no tax effect	73	-
Tax on overseas dividends, less double tax relief	345	-
Other timing differences and non-deductible expenses	-	25
Actual tax charge	1,296	76

8 Earnings per share

a) Basic and diluted earnings per share:

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders by the weighted average number of shares in issue during the period. For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares. The fully diluted calculation of earnings per share is unchanged from the basic calculation as the warrants are anti-dilutive since the warrants have not been exercised and have expired.

	Year ended 31.12.06	**6 months 31.12.05**
Profit attributable to equity holders of the Company (£'000)	£14,458	£2,053
Total shares in issue (average during the period)	68,288,775	19,970,924
Basic EPS	21.17p	10.28p
Diluted EPS	21.17p	10.28p

b) Underlying earnings per share:

Income, or expenses, of a one-off nature do not relate to the profitability of the Group on an on-going basis and the calculation of underlying earnings per share excludes such items. The average weighted number of shares in issue during the period is unchanged from the numbers used in the calculation of the basic earnings per share.

	£'000	£'000
Profit attributable to equity holders of the Company (as above)	£14,458	£2,053
Less: non-recurring "negative goodwill"	(£13,313)	(£2,067)
Underlying profit / (loss) attributable to equity holders of the Company	£1,145	(£14)
Underlying EPS	1.68p	(0.07p)

9 Property, plant and equipment

	Land	**Plant and equipment**	**Plant under construction**	**Total**
	£'000	£'000	£'000	£'000
Cost at 1 July 2005	-	-	724	724
Additions	-	181	206	387
Assets acquired on acquisition	115	4,036	-	4,151
Exchange adjustments	(7)	(278)	-	(285)
Cost at 31 December 2005	108	3,939	930	4,977
Additions	9	3,366	3,782	7,157
Assets acquired on acquisition	4,934	54,520	10,470	69,924
Exchange differences	(567)	(6,602)	(1,309)	(8,478)
Cost at 31 December 2006	4,484	55,223	13,873	73,580
Depreciation at 1 July 2005	-	-	-	-
Charge for year	-	128	-	128
Exchange adjustments	-	(4)	-	(4)
Depreciation at 31 December 2005	-	124	-	124
Charge for period	-	2,585	-	2,585
Exchange adjustments	-	(15)	-	(15)
Depreciation at 31 December 2006	-	2,694	-	2,694
Net book value – 31.12.06	4,484	52,529	13,873	70,886
Net book value – 31.12.05	108	3,815	930	4,853

9 Property, plant and equipment (continued)

The value of property, plant and equipment recognised upon the initial inclusion of Empresa Electrica Guaracachi S.A. in the financial statements was £69,924,000. This amount includes a positive fair value adjustment of £14,293,000 resulting from a professional valuation carried out at the date of the acquisition.

10 Share capital

	31.12.06	31.12.05
	£'000	£'000
a) Authorised		
120,000,000 ordinary shares of 2p each (31 December 2005 – 30,000,000)	2,400	600
b) Allotted, called up and fully paid		
68,288,775 ordinary shares of 2p each (31 December 2005 – 21,350,000)	1,366	427

Reconciliation of movement in share capital during the period	Number	£'000
At 1 July 2005	12,600,000	252
Allotment on 29 July 2005	8,750,000	175
Balance at 31 December 2005	21,350,000	427
Allotment on 6 January 2006	46,938,775	939
At 31 December 2006	68,288,775	1,366

11 Statement of changes in shareholders' equity

	Share capital	Share premium	Foreign currency reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1.7.05	252	764	1	138	1,155
Allotment on 29.7.05	175	3,325	-	-	3,500
Share issue costs written-off	-	(521)	-	-	(521)
Dividend paid	-	-	-	(107)	(107)
Translation differences	-	-	(385)	-	(385)
Profit for the period	-	-	-	2,053	2,053
Balance at 31.12.05	427	3,568	(384)	2,084	5,695
Balance at 1.1.06	427	3,568	(384)	2,084	5,695
Allotment on 6.1.06	939	18,775	-	-	19,714
Share issue costs written-off	-	(1,040)	-	-	(1,040)
Translation differences	-	-	(4,564)	-	(4,564)
Profit for the year	-	-	-	14,458	14,458
Balance at 31.12.06	1,366	21,303	(4,948)	16,542	34,263

12 Reconciliation of profit before tax to cash generated from operations

	12 months 31.12.06	**6 months 31.12.05**
	£'000	£'000
Result for the period before tax	17,688	2,129
Add: Depreciation and amortisation	2,588	130
Deduct: Other income	(2,426)	-
Negative goodwill	(13,313)	(2,067)
Changes in working capital:		
Inventories	(545)	33
Trade and other receivables – current	(4,080)	(1,368)
Trade and other payables – current	161	1,093
Interest received	(200)	(8)
Interest paid	632	-
Net cash inflow / (outflow) from operating activities	505	(58)

13 Acquisition

In January 2006, the Company acquired 100% of the issued share capital of Bolivia Integrated Energy Limited (BIE), a company registered in the British Virgin Islands, under registration number 510247. BIE owns, through an intermediary holding company, 50.00125% of the issued share capital of Empresa Electrica Guaracachi S.A. (EGSA), a company registered in Bolivia. EGSA is a generator and supplier of electricity to the national grid in Bolivia. The provisional fair values of the assets and liabilities acquired were as follows:

	Book value	Fair value adjustments	Provisional fair values
	£'000	£'000	£'000
Property, plant and machinery	55,631	14,293	69,924
Trade and other receivables > 1 year	14	-	14
Inventories	2,475	-	2,475
Trade and other receivables < 1 year	3,311	-	3,311
Cash	12,018	-	12,018
Trade and other payables > 1year	(285)	-	(285)
Borrowings > 1 year	(15,125)	1,352	(13,773)
Deferred tax liability	-	(460)	(460)
Trade and other payables < 1 year	(4,199)	-	(4,199)
Borrowings < 1 year	(1,361)	124	(1,237)
Total net assets	52,479	15,309	67,788
Less: Minority interest	(26,239)	(7,654)	(33,893)
Total net assets acquired	26,240	7,655	33,895
Excess of net assets acquired over cost ('negative goodwill')			(13,313)
Purchase consideration			20,582
Paid during the year			19,184
Loan note outstanding at 31 December 2006			1,265
Exchange gain			133
Total			20,582

13 Acquisition (continued)

The purchase consideration for the shares was $35m, of which $30m was paid in cash on completion and $3m was paid in cash in April 2006. The final instalment of $2m is due to be paid by 31 December 2007. Costs associated with the purchase of the shares amounted to £128,000.

The 'provisional fair value' adjusted net assets acquired represent a surplus over the amount paid – 'negative goodwill'. In accordance with the Group's accounting policy on goodwill, this negative goodwill has been credited to the income statement (note 6).

14 Related party transactions

a) Company – during the year the Company entered into material transactions with related parties as follows:

i) Paid £120,000 to Independent Power Corporation PLC under a "Shared Services Agreement". P R Earl is a shareholder and director of Independent Power Corporation PLC and J G West and E R Shaw are directors. An amount of £11,750 was outstanding at 31 December 2006.

ii) Advanced funds of £114,000, by way of a working capital loan, to Energia Para Sistemas Aislados S.A. (ESA). At 31 December 2006, the balance due by ESA was £1,202,000 (31.12.2005 - £1,088,000).

iii) Advance funds of £727,000, by way of a working capital loan, to Patagonia Energy Limited (PEL). At 31 December 2006, the balance due by PEL was £727,000 (31.12.2005 – nil).

iv) Acquired 100% of the share capital of Bolivia Integrated Energy S.A. from Southern Integrated Energy S.A., a wholly owned subsidiary of Independent Power Corporation PLC, for a total consideration of US$35m (see note 13). At 31 December 2006, an amount of £1,265,000 was owing to SIE in respect of deferred consideration.

b) Group – during the year, companies in the Group entered into material transactions with related parties as follows:

i) Empresa Electrica Guaracachi S.A. (EGSA) paid for engineering services amounting to £130,000 to Independent Power Operations Ltd, a wholly owned subsidiary of Independent Power Corporation PLC. An amount of £10,000 was owing at 31 December 2006.

ii) Energia Para Sistemas Aislados S.A. (ESA) owed, at 31 December 2006, £33,000 to Independent Power Operations (Bolivia) Ltd, a 100% subsidiary of Independent Power Corporation PLC in respect of engineering services.