



**FOR IMMEDIATE RELEASE**

7 November 2005

**Rurelec PLC**  
("Rurelec" or "the Company")

**Preliminary Results for the year to 30 June 2005**

The Board of Rurelec PLC, presents the preliminary results for the Company for the year ended 30 June 2005.

**Highlights**

- Successful listing on AIM, August 2004
- Acquired 50% interest in Energia del Sur S.A. – which is trading profitably and on track for expansion with government approval
- Profit after tax of £132,350
- Proposed maiden dividend payment of 0.5 pence
- Initiated projects in Trinidad and Yacuiba in Bolivia

Jimmy West, Chairman of Rurelec, said: “This has been an excellent year for the Company. We have not only made a profit in our first year but are delighted to be in a position to offer a maiden dividend to our shareholders. We believe that our strong start as a generation company will be matched by a steady flow of new power projects and we look forward to sharing the success of the Company with shareholders in the future.”

**ENDS**

Chairman’s and financial statements follow.

**For further information**

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# **RURELEC PLC**

## **PRELIMINARY ANNOUNCEMENT**

### **RESULTS FOR THE YEAR ENDED 30 JUNE 2005**

#### **CHAIRMAN'S STATEMENT**

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This is the first Chairman's Statement for Rurelec PLC and it follows the successful admission of the Company's shares to the AIM market of the London Stock Exchange in August 2004. I am pleased to report that in its first year as a quoted company Rurelec has produced a profit after tax of £132,350 from the sale of 6 Jenbacher machines and now announces a proposed dividend of 0.5 pence per share payable on 14 December 2005 to all shareholders on record as at 18 November 2005.

Rurelec began its life as a public company aiming to fulfil two principal functions in Latin America. The first was the management of public sector rural electrification projects and the second was the provision of new power generation installations for regional communities. Since flotation, your Company has made significant progress on new generation projects.

Since August 2004 Rurelec has initiated projects in Trinidad and Yacuiba in Bolivia using Worthington dual fuel motors and General Electric Jenbacher gas engines. At the time of writing, the Company's two Worthingtons are disassembled and ready for transportation to new Amazonian sites while the three Jenbachers have successfully been shipped from the Isle of Wight to Bolivia and are now awaiting their generation licences for the new Yacuiba power plant, on the border with Argentina.

On 29 July 2005 the Company completed the acquisition of a 50% interest in Energia del Sur S.A., the 76 MW gas fired open cycle power plant in Comodoro Rivadavia which supplies much needed power to the south of Argentina. This plant has enjoyed a good season since re-starting power production at the beginning of 2005 and is trading profitably. In recent weeks the authorities in Argentina have indicated their approval for the expansion of the plant by the addition of up to 50 MW of new combined cycle capacity for commissioning as soon as possible to deal with power shortages in Patagonia. This expansion project is now due to break ground at the beginning of 2006.

At present Rurelec is exploring new expansion opportunities in Argentina and Bolivia with a view to becoming an important force in the regional power industry. Communities in Riberalta and Guayamerin on the Amazon Basin have requested Rurelec's local power subsidiary, Energais, to install new capacity in these isolated areas. Negotiations have begun for new power purchase agreements in each city. The Company is also considering new isolated generation and rural electrification projects in Northern Argentina.

At the same time the company intends to continue to take advantage of suitable opportunities to trade in portfolios of power generation equipment where the management's knowledge of the second hand equipment market can help source good value motors and turbines for Rurelec projects while at the same time produce a trading profit from the onward sale of surplus machines.

The Board is confident that the demand in Latin America which has led to Rurelec's strong start as a generation company will be matched by a steady flow of new power projects. With this in mind, the Board is pleased to recommend to shareholders a first dividend of 0.5 pence per share from the Company's reported profits as a mark of our confidence in the future of Rurelec in Latin America.

Jimmy West

Chairman

Date: 7 November 2005

# RURELEC PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2005

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	Notes	Unaudited 2005 £	2004 £
<b>Turnover</b>	<b>2</b>	1,000,000	-
Cost of sales		<u>(666,666)</u>	-
<b>Gross profit</b>		333,334	-
Administrative expenses		<u>(178,632)</u>	<u>(22)</u>
<b>Operating profit / (loss)</b>		154,702	(22)
Interest receivable		<u>10,648</u>	<u>65</u>
<b>Profit on ordinary activities before taxation</b>		165,350	43
Taxation	<b>3</b>	<u>(33,000)</u>	-
<b>Profit after taxation</b>		132,350	43
Dividends	<b>4</b>	<u>(106,750)</u>	-
<b>Retained profit</b>		<u>25,600</u>	<u>43</u>
Earnings per share (basic)	<b>5</b>	<u>1.09p</u>	=
Earnings per share (diluted)	<b>5</b>	<u>1.09p</u>	=

All transactions arose from continuing operations.

### Statement of total recognised gains and losses

Profit for the financial year	25,600	43
Exchange differences	<u>1,198</u>	-
<b>Total recognised gains and losses</b>	<u>26,798</u>	<u>43</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

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# RURELEC PLC

## CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005

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		Unaudited 2005		2004	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets			147,294		-
Tangible assets	6		<u>570,814</u>		=
			718,108		-
<b>Current assets</b>					
Debtors		239,412		-	
Cash at bank and in hand		<u>463,348</u>		<u>200,043</u>	
		702,760		200,043	
<b>Creditors: amounts falling due within one year</b>					
		<u>(344,972)</u>		=	
<b>Net current assets</b>			<u>357,788</u>		<u>200,043</u>
<b>Total assets less current liabilities</b>			1,075,896		200,043
<b>Provision for liabilities and charges</b>					
			<u>(33,000)</u>		=
			<u>1,042,896</u>		<u>200,043</u>
<b>Capital and reserves</b>					
Called up share capital	7		252,000		200,000
Share premium account			764,055		-
Profit and loss account			<u>26,841</u>		<u>43</u>
<b>Shareholders' funds - equity interests</b>	8		<u>1,042,896</u>		<u>200,043</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# RURELEC PLC

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

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	Notes	Unaudited 2005 £	2004 £
<b>Net cash inflow / (outflow) from operating activities</b>		143,304	(22)
<b>Returns on investments</b>			
Interest received		10,648	65
<b>Capital expenditure</b>			
Fixed assets		(414,592)	-
<b>Acquisitions and disposals</b>			
Purchase of subsidiary	9	<u>(292,110)</u>	-
<b>Net cash (outflow) / inflow before financing</b>		<u>(552,750)</u>	<u>43</u>
<b>Financing</b>			
Shares issued less issue expenses		816,055	200,000
<b>Net cash inflow from financing</b>		<u>816,055</u>	<u>200,000</u>
<b>Increase in net cash</b>		<u>263,305</u>	<u>200,043</u>
<b>Reconciliation of operating profit to net cash outflow from operating activities</b>			
		2005 £	2004 £
Group operating profit / (loss)		154,702	(22)
Amortisation of goodwill		5,739	-
Increase in debtors		(239,412)	-
Increase in creditors		<u>222,275</u>	-
Net cash inflow / (outflow) from operating activities		<u>143,304</u>	<u>(22)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash during year		263,305	200,043
Net funds at beginning of the year		<u>200,043</u>	-
<b>Net cash at end of year</b>		<u>463,348</u>	<u>200,043</u>
<b>Analysis of change in net funds</b>			
	1.7.2004	Cash flow	30.6.2005
	£	£	£
Cash at bank and in hand	<u>200,043</u>	<u>263,305</u>	<u>463,348</u>

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# RURELEC PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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### 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention. The policies have been reviewed and have remained unchanged from the previous year.

#### 1.1 Basis of consolidation

The financial statements include the financial results of the company and its subsidiary undertaking to 30 June 2005. The financial results of the subsidiary, which has a non-coterminous year end, are consolidated using interim accounts prepared to 30 June 2005. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date when control passes using the acquisition method of accounting.

#### 1.2 Turnover and revenue recognition

Turnover represents amounts receivable for goods and services provided, including the sale of power generation equipment, net of trade discounts, VAT and other related taxes. Revenue is recognised when the risks and rewards of the goods and services have been passed on to the customer.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful economic life, as follows:

Plant and equipment	over 15 to 20 years
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#### 1.4 Goodwill

Goodwill represents the difference between the fair values of assets and liabilities acquired and the consideration paid. Goodwill arising in respect of acquisitions is capitalised and included in the group balance sheet under intangible assets. It is amortised on a straight line basis over 20 years which is deemed to be its useful economic life. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 1.5 Deferred taxation

The charge for tax is based on the profit for the year and takes into account tax deferred or accelerated because of timing differences between the treatment of certain items for accounting and tax purposes. Full provision is made for deferred tax resulting from timing differences between profits computed for tax purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences. Deferred tax assets and liabilities are recognised to the extent that they are expected to be recoverable and are measured on a non-discounted basis based on tax rates and laws substantially enacted at the balance sheet date.

#### 1.6 Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

# RURELEC PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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### 1 Accounting policies - continued

#### 1.7 Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of the opening net investment in subsidiaries are taken directly to reserves. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

### 2 Turnover

The total turnover of the group for the year has been derived from the disposal of 6 power generation machines which were originally acquired as a part of a larger set and which were surplus to the group's immediate requirements.

3 Taxation	2005	2004
	£	£
UK corporation tax	-	-
Deferred tax	33,000	=
Tax charge for the year	<u>33,000</u>	=

Deferred tax at a rate of 19% has been fully provided for in relation to accelerated capital allowances.

4 Dividends	2005	2004
	£	£
Proposed dividend at the rate of 0.5p per share	<u>106,750</u>	=

### 5 Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation, namely a profit of £132,350 (2004 - £43) and on 12,121,096 (2004 - 10,000,000) ordinary shares, being the average weighted number of ordinary shares in issue and ranking for dividend during the year. The fully diluted calculation of earnings per share, which is based on the same profit figures and on 13,051,781 ordinary shares, is unchanged from the basic calculation as the warrants are anti-dilutive.

	2005	2004
Earnings per share (basic)	<u>1.09p</u>	=
Earnings per share (diluted)	<u>1.09p</u>	=

# RURELEC PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### 6 Tangible fixed assets

	Plant and equipment £
Cost – at 1 July 2004	-
Additions	414,592
Additions (arising on acquisition of subsidiary)	<u>156,222</u>
At 30 June 2005	<u>570,814</u>
Net book value – 30 June 2005	<u>570,814</u>
Net book value – 30 June 2004	=

Fixed assets includes £67,300 of fees charged by Independent Power Corporation PLC (see note 10) and £7,585 of capitalised costs. No depreciation has been charged in the year as the assets are in the course of construction.

7 Share Capital	2005 £	2004 £
a) Authorised		
30,000,000 ordinary shares of 2p each	<u>600,000</u>	<u>250,000</u>
(2004 – 12,500,000 ordinary shares of 2p each)		
b) Allotted, called up and fully paid		
12,600,000 ordinary shares of 2p each	<u>252,000</u>	<u>200,000</u>
(2004 – 10,000,000 ordinary shares of 2p each)		

Reconciliation of movement in share capital during the year

	£
At 1 July 2004	200,000
Allotment of 2,000,000 shares on 18 August 2004	40,000
Allotment of 600,000 shares on 5 November 2004	<u>12,000</u>
At 30 June 2005	<u>252,000</u>

On 18 August 2004, the company issued as fully paid 2,000,000 ordinary 2p shares for cash at 40p per share on initial listing. The difference between the total consideration of £800,000 and the nominal value of £40,000 has been credited to the share premium account (£760,000).

On 5 November 2004, the company issued as fully paid 600,000 ordinary 2p shares for cash at 42.5p per share to provide additional capital for development of equipment. The difference between the total consideration of £255,000 and the nominal value of £12,000 has been credited to the share premium account (£243,000).

### c) Warrants

On 18 August 2004, the company issued:

- i) 75,000 warrants to subscribe for ordinary shares on a 1:1 basis at 40p per share. These warrants expire on 17 August 2006.
- ii) 1,000,000 warrants to subscribe for ordinary shares on a 1:1 basis at 60p per share (if exercised prior to 12 August 2005) or 80p per share if exercised after 12 August 2005 but before 17 August 2006. These warrants expire on 17 August 2006.



# RURELEC PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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### 8 Reconciliation of movement in shareholders' funds

	£
At 1 July 2004	200,043
Profit for the year	25,600
Foreign exchange movement	1,198
New share capital	52,000
Share premium account	<u>764,055</u>
At 30 June 2005	<u>1,042,896</u>

### 9 Acquisition of subsidiary

On 8 October 2004, the company acquired 100% of the equity of Energia Para Sistemas Aislados S.A., a company incorporated in Bolivia. Its principal activity is the implementation of power generation projects in Bolivia.

	£
Fixed assets acquired	156,222
Current liabilities acquired:	
Creditors	<u>(17,145)</u>
Net assets acquired	139,077
Purchased goodwill	<u>153,033</u>
Cash consideration	<u>292,110</u>

The provisional fair values of the assets and liabilities acquired were equal to their book values.

### 10 Related party transactions

During the year, the company:

- i) paid £110,000 to Independent Power Corporation PLC under a "Shared Services Agreement". Of this sum, £67,300 has been capitalised in fixed assets as fees directly attributable to specific projects undertaken in relation to the group's plant and equipment and £42,700 has been expensed as fees relating to the provision of serviced offices and other administrative overheads. P R Earl is a shareholder and director of Independent Power Corporation PLC and J G West and E R Shaw are directors. A sum of £11,750 was outstanding at the year end.
- ii) paid £7,750 to Jimmy West Associates Ltd, a company in which J G West is a shareholder and director, for management services.

### 11 Post balance sheet date events

On 29 July 2005, the company issued 8,750,000 ordinary 2p shares for 40p each for cash by way of placing, raising £3m, net of expenses.

Subsequent to the placing, on 29 July 2005 the company acquired a 50% interest in Patagonia Energy Limited, a company registered in the British Virgin Islands for a consideration of up to US\$6m in cash. The first tranche of US \$4.5m has been paid. The balance payable, up to a maximum of US\$1.5m, is dependent upon the future profits of Energia del Sur S.A., a company incorporated in Argentina.

Patagonia Energy Limited wholly owns directly (and indirectly through Electrica del Sur S.A.) Energia del Sur S.A., a company which is registered in Argentina and which owns and operates a generating plant supplying electricity in Southern Patagonia, Argentina.

# RURELEC PLC

## NOTES TO THE FINANCIAL STATEMENTS *FOR THE YEAR ENDED 30 JUNE 2005*

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### **12 Financial information**

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The preliminary announcement includes the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and other primary statements and associated notes that have been extracted from the group's financial statements for the year to 30 June 2005. Those financial statements have not yet been delivered to the Registrar, nor have the auditors reported on them. The comparative figures relating to the year to 30 June 2004 are taken from the audited statutory accounts for that year.