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3 June 2010

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (audited)

Rurelec PLC (AIM:RUR), the power plant developer and owner operator of power generation assets in Latin America, announces final results for the year ended 31 December 2009.

Highlights

- Annual output increases to over 2,100 GWh
- Group after tax loss of £2.9m (2008 loss - £4.2m)
- Basic loss per share 1.89p (2008 loss – 5.23p)
- Net asset value per share (based on the number of shares in issue at 24 May 2010) 24.4p

Post year end highlights

- Rurelec's controlling stake in Guaracachi nationalised on 1st May 2010
- Bolivian Government has confirmed that it must pay fair market value by way of compensation
- Fair market value is far higher than the £50m of value as calculated by reference to Bolivian book value of Guaracachi together with the previously declared and approved dividends owed to Rurelec.
- Energia del Sur ("EdS") in full operation and close to launching US $40 million refinancing of the completed Comodoro Rivadavia CCGT plant

Jimmy West, Chairman, said: "Solid progress made during 2009 has been overshadowed by recent events in Bolivia. The seizure and expropriation of our interest in Guaracachi is an unwelcome blow to the Company. However, the Company retains a significant asset in the form of its interest in EdS as well as the firm expectation that Bolivia will honour its pledge to pay fair compensation for our controlling stake in Guaracachi."

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The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 in respect of 2009 accounts or Section 240(3) of the Companies Act 1985 in respect of 2008 accounts. This announcement was approved by the Board on June 2 2010. Statutory Accounts of the Group in respect of the financial year ended 31 December 2009, upon which the Company's auditor has given a qualified opinion because of the effect of the limitation of evidence available following the nationalisation of Guaracachi and an emphasis of matter in regard to going concern, will be delivered to the Registrar of Companies. The auditor's opinion on the parent company financial statements is not qualified and contains an emphasis of matter in regard to going concern.

In accordance with the AIM Rules, copies of the results are also available on the Company's website, www.rurelec.com

RURELEC

CHAIRMAN'S STATEMENT

The Group's strategy is to own and operate modern, low emission power generation plants in Latin America, paying dividends to shareholders based on strong cash flows and at the same time, developing and constructing new power generation capacity with judicious use of project and local subsidiary company debt.

2009 saw further progress for Rurelec in improving the generating fleet in spite of the continuing difficult climate for infrastructure finance. The nationalisation of our interest in Empresa Electrica Guaracachi S.A. ("Guaracachi") after the year-end has no impact on our reporting this year. However, I must draw shareholders' attention to the qualification our auditors are forced to place in their opinion on the Group consolidated financial statements as a result of the new General Manager at Guaracachi, appointed by the Bolivian Government after the nationalisation on May 1st 2010, obstructing Grant Thornton's access to the working papers of PricewaterhouseCoopers, Guaracachi's auditors, and thereby preventing Grant Thornton from completing their audit review of Guaracachi's results in the usual way. The audit report on the parent company financial statements is not qualified.

In the twelve months ended 31st December 2009, Rurelec is reporting an after tax loss, excluding minority interests, of £2.9m (2008 loss - £4.2m).

The Group's operating results showed a loss of £1.3m (2008 loss £0.2m) which, after interest and tax charges, widened to the consolidated after tax loss of £2.9m. Revenue reductions at Guaracachi due to engineering work associated with the combined cycle expansion, higher operating costs in Energia del Sur S.A. ("EdS") and increased financing costs are the main components of the change.

The Group is reporting a basic loss per share of 1.89p (2008 loss - 5.23p).

The Board does not anticipate declaring and paying a dividend during 2010 but will review its position later in the year depending on events in Bolivia.

Guaracachi, Bolivia's largest generating company and the only private power company to have installed new capacity in the country in recent years, was nationalized by Supreme Decree on 1st May 2010, along with two other electricity generating companies, a distribution company and the transmission company. In the Decree the President pledged to pay fair value to the holders of the expropriated shares. As our investment is protected by bilateral investment treaties with both the UK and the USA, Rurelec and its subsidiary Guaracachi America Inc. have notified President Morales of a dispute with Bolivia arising under these treaties which may be submitted to international arbitration in the event that suitable compensation settlement is not agreed. International law requires the payment of compensation amounting to the full market value of the expropriated investment prior to any threat of expropriation. Although book value is not the standard to be applied in this case, I note for information purposes that as at 31st December 2009, the stake had a net asset value in Bolivia of US $67 million. Guaracachi also owes Rurelec US $5.5 million in declared but as yet unpaid dividends.

In the latter half of 2009 EdS increased its output as combined cycle operations commenced. EdS is expected to move forward strongly in 2010 following finalization of the premium electricity contracts awarded to it, which are expected to commence before the end of the first half of 2010. The long awaited refinancing of the plant following completion of a debt rating is intended to release funds back to Rurelec as debt funded by shareholders is returned to the UK. Rurelec is currently owed US $36 million by EdS for amounts bridged by Rurelec during the conversion to combined cycle in the absence of project finance following the 2008 global financial crisis.

The seizure and expropriation of our interest in Guaracachi is an unwelcome blow to the Company. However, the Company retains a significant asset in the form of its interest in EdS as well as the firm expectation that Bolivia will honour its pledge to pay fair compensation for our controlling stake in Guaracachi. Once again, I am proud of the hard work management and employees have put in over the year and I plan to work with the remuneration committee to encourage the Board to introduce a share option scheme which I feel would be an appropriate form of incentive for senior management at this stage of the Group's development. I would also like to thank you, our shareholders, for your continued support in trying circumstances.

Jimmy West
Chairman
2 June 2010

RURELEC

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

At the end of April, I was looking forward to reporting to shareholders a year of considerable consolidation for Rurelec as we saw our 136 MW Comodoro Rivadavia power plant in Argentina achieve its full potential with all of the consents necessary to earn premium tariffs and with the ability to secure a debt refinancing. I also intended to state that the disruption caused by bringing forward the maintenance of two of our GE 6FA units ahead of completing our most significant project in Bolivia was behind us as Guaracachi's 240 MW combined cycle plant finally achieved mechanical completion as well as the successful sale of US $7 million a year of CER carbon credits arising from the combined cycle expansion projects in both Argentina and Bolivia.

The last month has, however, overshadowed the achievements of the previous year since May Day 2010 began at 6 am Bolivian time with the surprise nationalisation of Rurelec's 50.00125 per cent stake in Guaracachi. Rurelec has owned this interest since 2006 and during that time has been instrumental in ensuring the construction of 185 MW of new high efficiency power plant capacity to add to the 360 MW in existence at the time of our acquisition.

The Supreme Decree nationalising our shares in Guaracachi had not yet been signed by President Evo Morales when armed military police broke into our head office in Santa Cruz for the benefit of the television cameras. Nonetheless, no resistance was offered and our general manager and finance director were courteous and polite as they cleared their desks and were escorted from the building later by the military. I was not in Bolivia at the time but I remained in constant touch with them and later with the British Ambassador in La Paz over the May Bank Holiday weekend as events unfolded.

There had been rumours of a pending act of nationalisation during the previous week. However because of the excellent relations which Rurelec enjoyed with successive energy ministers under the Morales Administration, and because we were the only power company to have invested heavily in Bolivia during the Morales Presidency with over $110 million of new projects completed, I did not think that the armed militia would be visiting our premises. Indeed, at 9.43 pm London time the night before, the Foreign and Commonwealth Office had received an e-mail from the Bolivian Ambassador to the United Kingdom confirming that she was not aware of any plans for a compulsory expropriation of Rurelec's interest in Guaracachi. Rather she wished that Rurelec's approach of a public/private partnership with Bolivia would lead to further Rurelec investment in the country for mutual benefit.

This made the shock of the nationalisation all the more intense and upsetting.

Fortunately, Her Majesty's government had the foresight in 1988 to negotiate, sign and promulgate an excellent treaty which affords full protection to British companies investing in Bolivia. In order to protect shareholders' interests, the Board of Rurelec has already served a formal notice to President Morales under the treaty notifying an investment dispute arising from the expropriation of our shares. The treaty grants us the internationally enforceable right to submit the dispute to international arbitration in the event that we are unable to agree with the Bolivian Government upon payment of fair compensation for our expropriated interests within the six month period prior to commencement of formal proceedings. Your Directors are working hard to ensure that every opportunity is taken to achieve an early resolution to this dispute. However, if agreement cannot be reached, Rurelec will exercise its right to resort to international arbitration under the UNCITRAL arbitration rules of the United Nations. In this action, Rurelec is well supported by Freshfields Bruckhaus Deringer LLP who have acted for other companies whose businesses have been nationalised in Bolivia and who have secured satisfactory negotiated settlements. If the Government of Bolivia does not settle by 13th November 2010 to the satisfaction of the Board of Rurelec, we intend to have the matter settled by international arbitration pursuant to the treaty where our claim will be based on fair market value which is far higher than the £50m of value as calculated by reference to Bolivian book value of Guaracachi together with the previously declared and approved dividends owed to Rurelec.

The importance of Rurelec's influence in helping the Bolivian economy in recent years must not be minimised. Between 2006 and 2009 peak demand in Bolivia has grown by 15.5%. Guaracachi's output has increased from just over 1,234 GWh in 2007 to over 1,624 GWh in 2009. Without the installation of unit GCH 11 in 2007 and the combined cycle expansion initiated in 2008, Bolivia's electricity supply would not have been able to satisfy the increase in demand. Since 2006, as a result of the nationalisation of the hydrocarbons sector, which brought state-owned YPFB in as Guaracachi's counterparty to replace private sector gas vendors, the cost of gas used for electricity generation has risen by over 11.5%. These two factors would normally result in a sharp increase in power prices and yet the average price per MWh Guaracachi received has fallen by 10.5% between 2007 and 2009. Nonetheless, from mid 2010 onwards all Guaracachi's financial projections showed a doubling of EBITDA as a result of efficiency gains from the US$86 million investment programme spearheaded by Rurelec which has now created Bolivia's first combined cycle plant. These forecasts are now set out in the adjacent tables to emphasise the step change in Guaracachi's earnings that were expected as a result of the new combined cycle capacity.

Cashflow at our business in Argentina has been an issue during 2009. We sold 50% of our interest in EdS back to Basic Energy and raised further funds to finance the completion of the plant. This caused significant dilution for shareholders, but secured the funding necessary to enable EdS to pursue new power purchase agreements for the new power capacity it has constructed. At present the holding company, Rurelec PLC, has made loans and credit facilities of approximately US$36 million available to EdS, a significant proportion of which we expect to recoup over the coming year as the company is refinanced.

On a more promising note, EdS saw completion of its construction programme during the year, and the 136 MW combined cycle plant is now operating at full capacity without auxiliary firing. During November and December 2009 the plant evacuated an average of 91 MW into the Argentine grid. Gross energy output during 2009 was 517 GWh, up approximately 5 per cent. from 2008. Gas consumption (MMBTU/MWh) over the same period has fallen by nearly 20 per cent. as a result of the plant operating in combined cycle for just under half the year. In dollar terms, the average price per MWh that EdS achieved during the year (for Spot and contract sales) was US$31.23. This compares with a price of US$32.98 in 2008, when the Argentine Peso was stronger, though since 2007 the price has risen some 13 per cent., in spite of the dollar weakness (rates moved from approximately AR$3 to the US dollar in 2007 to AR$3.15 in 2008 and AR$3.77 in 2009). The average cost of gas per MWh generated has stayed static between 2007 and 2009 even though the price per MMBTU has increased by over 28 per cent. as the regulated price of gas has been allowed to increase in order to keep the Argentine exploration industry going. The price increase has thus been offset by the improved heat rate of the combined cycle.

In 2010 EdS will see the benefit of a full year of operation in combined cycle, both in terms of output and efficiency, and we expect the new Resolution 220 power purchase contract with CAMMESA, the Argentine wholesale market operator, to be in operation at least during the latter half of this year. With the contract in place we will be in a position to further increase output over 2009 by using auxiliary firing something that is not an economic option at current spot prices.

In recent days we have issued 11 million new Rurelec shares to provide additional working capital and to fund the costs of preparing our arbitration claim. At the same time we are looking to complete our plans for refinancing EdS, thereby releasing to the holding company in London a significant portion of the US $36 million which is currently being used by EdS. These cash resources will be used to pay down holding company borrowings and the balance will be available to be redeployed or returned to shareholders.

Between the Bolivian compensation claim and the refinancing of bridge loans, Rurelec expects to receive £65 million of cash at the holding company level by early 2011 and use some £5 million to pay down debt. Rurelec will also continue to own its interest in half of the 136 MW combined cycle plant owned and operated by EdS. As at the time of writing, Rurelec has a market capitalisation of £19 million and borrowings at the parent company level of only £8 million.

Since 2004 Rurelec has blazed a trail. It was the first electricity company and the first utility to be admitted to AIM. It has grown from a company with just 12 MW to a company controlling some 700 MW of power generation capacity as at April 2010. It has developed complex new projects which it has financed in the teeth of a meltdown of traditional project finance. It has secured United Nations approval and registration for some 500,000 CERs a year (ironically the latest full registration of Guaracachi's CERs was confirmed 48 hours after the military took over the Santa Cruz plant) and it has completed financings and carbon credit deals with sovereign states and multi-lateral institutions. The Bolivian nationalisation is a set-back for our plans but I believe that the real asset of Rurelec is the experience and knowledge of its team to develop, own and operate clean tech power plants in a world where these skills are now seen to be at a premium. I hope that by the time the current year ends, we will have resumed our growth trajectory with a return to dividends based on a fair and honourable settlement with the Government of Bolivia.

Peter Earl
Chief Executive
2 June 2010

RURELEC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Notes	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Revenue	4	**36,164**	**29,133**
Cost of sales	6	-31,692	-24,719
Gross profit		**4,472**	**4,414**
Administrative expenses	7	-5,820	-4,564
Operating loss		**-1,348**	**-150**
Other income	9	3,418	-
Finance income	10	441	203
Finance expense	10	-3,158	-3,283
Loss before tax		**-647**	**-3,230**
Tax expense	11	-2,211	-923
Loss for the year		**-2,858**	**-4,153**
Attributable to:			
Minority interests		71	4
Equity shareholders		-2,929	-4,157
		-2,858	**-4,153**
Basic loss per share	14	-1.89p	-5.23p

Other comprehensive income for the year

	Year ended 31.12.09 £'000	Year ended 31.12.08 £'000
Exchange differences on translation of foreign operations	-6,903	24,407
Revaluation on acquisition	-	2,800
Adjustment on disposal of 50% of PEL	-1,575	-
Revaluation of CERs	-192	-
Total other comprehensive income	**-8,670**	**27,207**
Attributable to:		
Minority interests	-3,377	10,937
Equity shareholders	-5,293	16,270
	-8,670	**27,207**
Total comprehensive loss for year		
Attributable to:		
Minority interests	-3,306	10,941
Equity shareholders	-8,222	12,113
	-11,528	**23,054**

All activities relate to continuing activities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ending 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Assets			
Non-current assets			
Property, plant and equipment	15	142,345	168,053
Intangible assets	16	4,118	9,335
Trade and other receivables	17a	7,454	4,793
Deferred tax assets	18	1,722	1,112
		155,639	**183,293**
Current assets			
Inventories	19	3,202	3,817
Trade and other receivables	17b	20,250	9,939
Current tax assets	20	1,172	4,154
Cash and cash equivalents	21	4,176	5,031
		28,800	**22,941**
Total assets		**184,439**	**206,234**
Equity and liabilities			
Shareholders' equity			
Share capital	22	4,108	1,716
Share premium account		38,182	31,558
Foreign currency reserve		4,044	7,570
Other reserves		1,383	3,150
Retained earnings		5,095	8,024
Total equity attributable to shareholders of Rurelec PLC		**52,812**	**52,018**
Minority interests		33,810	37,116
Total equity		**86,622**	**89,134**
Non-current liabilities			
Trade and other payables	23a	1,064	290
Future tax liabilities	11	445	-
Deferred tax liabilities	18	2,299	4,052
Borrowings	25a	57,434	47,264
		61,242	**51,606**
Current liabilities			
Trade and other payables	23b	20,264	27,185
Current tax liabilities	24	1,728	2,347
Borrowings	25b	14,583	35,962
		36,575	**65,494**
Total liabilities		**97,817**	**117,100**
Total equity and liabilities		**184,439**	**206,234**

The financial statements were approved by the Board of directors on 2 June 2010 and were signed on its behalf by P Earl (Chief Executive) and E Shaw (Finance Director).

RURELEC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2009

	Notes	31.12.09 £'000	31.12.08 £'000
Assets			
Non-current assets			
Investments	27	8,470	16,649
Trade and other receivables	17c	35,007	34,075
		43,477	**50,724**
Current assets			
Trade and other receivables	17d	7,731	1,288
Cash and cash equivalents	21	22	42
		7,753	**1,330**
Total assets		**51,230**	**52,054**
Equity and liabilities			
Shareholders' equity			
Share capital	22	4,108	1,716
Share premium account		38,182	31,558
Retained earnings		600	-646
Total equity		**42,890**	**32,628**
Non-current liabilities			
Loan note	25c	2,500	-
		2,500	**-**
Current liabilities			
Trade and other payables	23c	333	592
Borrowings	25d	5,507	18,834
		5,840	**19,426**
Total liabilities		**8,340**	**19,426**
Total equity and liabilities		**51,230**	**52,054**

The financial statements were approved by the Board of directors on 2 June 2010 and were signed on its behalf by P Earl (Chief Executive) and E Shaw (Finance Director).

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	Notes	Year ended 31.12 09 £'000	Year ended 31.12.08 £'000
Cash flows from operating activities			
Cash (used in) / generated from operations	26	-4,101	3,478
Interest received		67	203
Interest paid		-2,446	-1,418
Taxation paid		-1,569	-915
Net cash (used in) / generated from operating activities		**-8,049**	**1,348**
Cash flows from investing activities			
Purchase of plant and equipment	15	-18,929	-29,186
Sale of plant and equipment		1,913	1,250
Loans to joint venture company		-1,663	-
Costs relating to disposal	28	-125	-
Acquisition (net of cash)		-	-5,989
Net cash used in investing activities		**-18,804**	**-33,925**
Net cash outflow before financing activities		**-26,853**	**-32,577**
Cash flows from financing activities			
Issue of shares (net of costs)		7,016	7,825
Loan drawdowns		21,731	31,350
Issue of loan note		2,500	-
Loan repayments		-5,249	-7,515
Dividend paid to minorities		-	-2,506
Equity dividend paid	12	-	-2,145
Net cash generated from financing activities		**25,998**	**27,009**
Decrease in cash and cash equivalents		**-855**	**-5,568**
Cash and cash equivalents at start of year		5,031	10,599
Cash and cash equivalents at end of year		**4,176**	**5,031**

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	Notes	Year ended 31.12 09 £'000	Year ended 31.12 08 £'000
Cash flows from operating activities			
Cash (used in) / generated from operations	26	-1,101	674
Interest received		-	87
Tax paid		-	-22
Interest paid		-161	-
Net cash (used in) / generated from operations		**-1,262**	**739**
Cash flows from investing activities			
Dividend received (net of tax)		-	1,591
Acquisition		-	-6,219
Costs relating to disposal	28	-125	
Loans to joint venture company		-7,714	-10,986
Net cash (used in) / generated from investing activities		**-7,839**	**-15,614**
Net cash outflow before financing activities		**-9,101**	**-14,875**
Cash flows from financing activities			
Issue of shares (net of costs)		7,016	7,825
Issue of loan note		2,500	-
Loan (repayments) / drawdowns		-434	7,720
Equity dividend paid	12	-	-2,145
Net cash generated from financing activities		**9,082**	**13,400**
Decrease in cash and cash equivalents		**-19**	**-1,475**
Cash and cash equivalents at start of year		42	1,517
Cash and cash equivalents at end of year		**23**	**42**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Attributable to equity shareholders						Minority	
	Share Capital	Share premium	Foreign Currency Reserve	Retained earnings	Other reserves	Total	Minority Interest	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1.1.08	1,466	23,983	-5,550	14,326	-	34,225	28,681	62,906
Transactions with owners:								
Allotment of shares	250	7,875	-	-	-	8,125	-	8,125
Share issue costs	-	-300	-	-	-	-300	-	-300
Minority dividend	-	-	-	-	-	-	-2,506	-2,506
Equity dividend	-	-	-	-2,145	-	-2,145	-	-2,145
Total transactions with owners	**250**	**7,575**	**-**	**-2,145**	**-**	**5,680**	**-2,506**	**3,174**
(Loss) / profit for year	-	-	-	-4,157	-	-4,157	4	-4,153
Exchange differences	-	-	13,120	-	350	13,470	10,937	24,407
Revaluation on acquisition	-	-	-	-	2,800	2,800	-	2,800
Total comprehensive income / (loss)	**-**	**-**	**13,120**	**-4,157**	**3,150**	**12,113**	**10,941**	**23,054**
Balance at 31.12.08	**1,716**	**31,558**	**7,570**	**8,024**	**3,150**	**52,018**	**37,116**	**89,134**
Balance at 1.1.09	1,716	31,558	7,570	8,024	3,150	52,018	37,116	89,134
Transactions with owners:								
Allotment of shares	2,392	7,179	-	-	-	9,571	-	9,571
Share issue costs	-	-555	-	-	-	-555	-	-555
Total transactions with owners	**2,392**	**6,624**	**-**	**-**	**-**	**9,016**	**-**	**9,016**
Loss / (profit) for year	-	-	-	-2,929	-	-2,929	71	-2,858
Disposal	-	-	-	-	-1,575	-1,575	-	-1,575
Revaluation of CERs	-	-	-	-	-192	-192	-	-192
Exchange differences	-	-	-3,526	-	-	-3,526	-3,377	-6,903
Total comprehensive income / (loss)	**-**	**-**	**-3,526**	**-2,929**	**-1,767**	**-8,222**	**-3,306**	**-11,528**
Balance at 31.12.09	**4,108**	**38,182**	**4,044**	**5,095**	**1,383**	**52,812**	**33,810**	**86,622**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total equity £'000
Company				
Balance at 1.1.08	1,466	23,983	736	26,185
Transactions with owners:				
Allotment of shares	250	7,875	-	8,125
Share issue costs	-	-300	-	-300
Equity dividend	-	-	-2,145	-2,145
Total transactions with owners	**250**	**7.575**	**-2,145**	**5,680**
Profit for the year	-	-	763	763
Total comprehensive income	**-**	**-**	**763**	**763**
Balance at 31.12.08	**1,716**	**31,558**	**-646**	**32,628**
Balance at 1.1.09	1,716	31,558	-646	32,628
Transaction with owners				
Allotment of shares	2,392	7,179	-	9,571
Share issue costs	-	-555	-	-555
Total transactions with owners	**2,392**	**6,624**	**-**	**9,016**
Profit for year	-	-	1,246	1,246
Total comprehensive income	**-**	**-**	**1,246**	**1,246**
Balance at 31.12.09	**4,108**	**38,182**	**600**	**42,890**

RURELEC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

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, including going concern

The Company and the consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union and company law applicable to companies reporting as at 31 December 2009.

A detailed review of the Group's business activities and recent developments is set out in the Chairman's Statement and the Chief Executive's Report.

As explained in the Chairman's statement, Grant Thornton, the Group's auditors, have been denied access to the working papers of the auditors of the Company's 50.00125% subsidiary in Bolivia, Empresa Electrica Guaracachi S.A., ("Guaracachi") following that company's nationalisation on 1 May 2010. However, Guaracachi's financial statements, which were approved and signed, with an unqualified audit report, on 18 March 2010 by PricewaterhouseCoopers, Guaracachi's auditors, were available to the Company in the usual way and accordingly, these financial statements have been prepared using Guaracachi's audited figures adjusted, as in prior periods, for relevant IFRSs and recurring adjustments to align the accounting policies to those of the Group.

Going concern

The recent nationalisation of the Company's 50.00125% subsidiary in Bolivia, "Guaracachi" means that the expected dividend receipt from Guaracachi is unlikely to be received in the short term and although the Bolivian Government has pledged to pay fair value to the Company as compensation, the quantum and timing of the receipt of compensation is uncertain.

As a result, the directors have recently raised £1.1m before expenses to ensure that the Company and the Group has sufficient working capital for the short term.

In addition, Energia del Sur S.A. ("EdS"), the Company's joint venture company in Argentina, is in negotiations to obtain local finance by the issue of a US$40m bond which will enable EdS to commence repayment of the loans advanced by the Company during the past 4 years.

Until such time as either additional equity is raised or the planned EdS bond issue is successfully concluded, or fair value compensation is received from the Government of Bolivia, there remains a material degree of uncertainty that casts significant doubt upon the Company and the Group's ability to continue as a going concern.

However, the directors do consider that there is a reasonable expectation that the Group and the Company will be successful in securing additional resources and for this reason continue to adopt the going concern basis in preparing these financial statements.

1c New accounting standards

The Group has adopted the following new interpretations, revisions and amendments to IFRSs issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2009:

- IAS 1 Presentation of Financial Statements (Revised 2007)
- Amendments to IFRS 7 Financial Instruments: Disclosures – improved disclosures about financial instruments

- IFRS 8 Operating Segments

The adoption of IAS 1 Presentation of Financial Statements (Revised 2007) requires, in some circumstances, presentation of a comparative balance sheet at the beginning of the first comparative period. Management considers that this is not required in these financial statements as the 31 December 2007 balance sheet is the same as that previously published.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2009 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

The following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)

The Directors do not anticipate that the adoption of these standards and interpretations in future periods will have any material impact on the financial statements of the Group.

2 Summary of significant accounting policies

2.1 Basis of consolidation

The Group financial statements consolidate the results of the Company, its subsidiary in Bolivia (Guaracachi) and, for the first six months of the year, its wholly owned subsidiary in Argentina (EdS) and for the second six months, its 50% interest in EdS.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Joint ventures are arrangements in which the Group has a long-term interest and shares control under a written contractual agreement. The Group reports its interests in jointly controlled entities using proportionate consolidation such that the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line by line basis.

Goodwill, or the excess of interest in acquired assets, liabilities and contingent liabilities over cost, arising on the acquisition of the Group's interest in subsidiary or jointly controlled entities is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Unrealised gains on transactions between the Group and subsidiary and joint venture entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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 and joint venture entities are dealt with by the purchase method. The purchase 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 balance sheet 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 and joint ventures are stated at cost in the balance sheet of the Company.

In a business combination achieved in stages (a "step acquisition"), any revaluation of the Group's existing interest in the identifiable assets and liabilities of the company, which may arise following recognition of the fair value of the identifiable assets and liabilities of the acquired company at the most recent acquisition date, is taken directly to a revaluation reserve.

2.2 Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is stated after separating out identifiable assets and liabilities. Goodwill is carried at cost less accumulated impairment losses. Any excess of interest in acquired assets, liabilities and contingent liabilities over cost ("negative goodwill") is recognised immediately after acquisition through the income statement.

2.3 Foreign currency translation

The financial information is presented in pounds sterling, which is also the functional currency of the parent company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions ("spot exchange rate"). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognised in the income statement in administrative expenses.

In the consolidated financial statements, all separate financial statements of subsidiary and jointly controlled entities, 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 balance sheet date. Income and expenses have been converted into sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged / (credited) to the Foreign Currency Reserve.

2.4 Income and expense recognition

Revenue is recognised upon the performance of services or transfer of risk to the customer. Revenues represent the total amount receivable by the Group for electricity sales, excluding VAT. Electricity sales includes the income from the sale of electricity generated and the income received for keeping power plants operating and available for despatch into the grid as required. During the year under review and the prior year, no revenues were derived from the sale of equipment purchased with a view to subsequent resale.

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin. All other income and expenses are reported on an accrual basis.

2.5 Dividends

Dividends paid / receivable are recognised on a cash paid / cash received basis.

2.6 Borrowing costs

All borrowing costs are expensed as incurred except where the costs are directly attributable to specific construction projects, in which case the interest cost is capitalised as part of those assets.

2.7 Property, plant and equipment

Property, plant and equipment is 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 by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Buildings	25 to 50 years
Plant and equipment	3 to 15 years

Material residual values are updated as required, but at least annually. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.8 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 profit or loss.

2.9 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 balance sheet 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 balance sheet 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 unless the temporary difference can be controlled and will probably not 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 charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

2.10 Financial assets

The Group’s financial assets include cash and cash equivalents, loans and receivables.

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as bank deposits.

Loans and receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Receivables are measured initially at fair value and subsequently re-measured at amortised cost using the effective interest method, less provision for impairment. Any impairment is recognised in the income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset’s carrying amount and the present value of estimated cash flows.

2.11 Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All transaction costs are recognised immediately in the income statement.

A financial liability is derecognised only when the obligation is extinguished, that is when the obligation is discharged, cancelled or expires.

Bank and other loans are raised for support of long 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.

2.12 Inventories

Inventories comprise spare parts and similar items for use in the Group's plant and equipment. Inventories are valued at the lower of cost and net realisable value on a first-in, first-out basis.

2.13 CERs

CERs (Carbon Emission Reduction credits) are recognised at fair value on acquisition of a subsidiary, associate or joint venture company and are revalued by reference to an active market at each balance sheet date. A liability is recognised in respect of any payments received for CERs in advance of their generation. CERs arising subsequent to an acquisition are credited to the revenue in the period that they are generated.

2.14 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" 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 earnings" represents retained profits.
"Other reserves" comprises unrealised revaluations of plant and machinery and Carbon Emission Reduction credits.

2.15 Pensions

During the year under review, the Group did not operate or contribute to any pension schemes (31 December 2008 – nil).

2.16 Employee indemnity provision

This provision is determined in accordance with current legislation in Bolivia and reflects the liability accrued at the year-end.

2.17 Segment reporting

In identifying its operating segments, management follows the Group's geographic locations. The activities undertaken by segments are the generation of electricity in their country of incorporation within South America.

Each of the operating segments is managed separately as the rules and regulations vary from country to country.

The measurement policies used by the Group for segment reporting under IFRS 8 are the same as those used in the financial statements.

3 Key assumptions and estimates

When preparing the financial statement, management make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities income and expenses. The actual results may differ from the judgements, estimates and assumptions made and will seldom equal the estimated results. The areas which management consider are likely to be most affected by the significant judgements, estimates and assumptions on recognition and measurement of assets, liabilities, income and expenses are:

a) Useful lives of depreciable assets – management reviews, with the assistance of external expert valuers, the useful lives of depreciable assets at each reporting date. Actual results, however, may vary due to changes in technology and industry practices.

b) Impairment – management reviews tangible and intangible assets at each balance sheet date to determine whether there is 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.

c) Deferred tax assets and liabilities and pre-paid VAT – there exists an element of uncertainty regarding both the timing of the reversing of timing differences and the tax rate which will be applicable when the reversing of the asset or liability occurs and also the recoverability, in Argentina, of pre-paid VAT.

d) Carrying value of the assets and liabilities of Guaracachi - the announcement of the compulsory purchase of the Group's interest in Guaracachi means that there is a degree of uncertainty as to whether the compensation to be agreed with the Bolivian Government will be commensurate with the carrying values of Guaracachi's assets and liabilities included in these financial statements. A pro-forma balance sheet excluding the assets and liabilities of Guaracachi as at 31 December 2009 is provided in note 32 together with a note on the assumption made by management with respect to the minimum expected compensation.

4 Segment analysis

The Group has adopted IFRS 8 'Operating Segments' with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board.

Management currently identifies the Group's two geographic operating segments, Argentina and Bolivia, 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 following tables provide an analysis of the operating results, total assets and liabilities, capital expenditure and depreciation for 2009 and 2008 for each geographic segment. In both Argentina and Bolivia, the main customer (accounting for over 90% of revenues) is a body which is subject to supervision by the Government electricity regulator.

a) 12 months to 31.12.2009	Argentina	Bolivia	UK	Consolidation adjustments	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	7,352	28,812	-	-	36,164
Cost of sales	-6,469	-25,223	-	-	-31,692
Gross profit	**883**	**3,589**	**-**	**-**	**4,472**
Administrative expenses	-1,324	-1,854	-957	-	-4,135
Exchange gain / (loss)	-1,464	-242	21	-	-1,685
Operating profit / (loss)	**-1,905**	**1,493**	**-936**	**-**	**-1,348**
Other income	-	1,056	1,317	1,045	3,418
Finance income	-	67	2,021	-1,647	441
Finance expense	-2,538	-1,111	-1,156	1,647	-3,158
Profit / (loss) before tax	**-4,443**	**1,505**	**1,246**	**1,045**	**-647**
Tax expense	-773	-1,438	-	-	-2,211
(Loss) / profit for the year	**-5,216**	**67**	**1,246**	**1,045**	**-2,858**
Total assets	29,486	144,036	51,230	-40,313	184,439
Total liabilities	20,682	76,052	8,340	-7,257	97,817
Capital expenditure	5,503	13,426	-	-	18,929
Depreciation	632	4,744	-	-	5,376

b) **12 months to 31.12.2008**	Argentina	Bolivia	UK	Consolidation Adjustments	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	6,211	21,672	1,250	-	29,133
Cost of sales	-5,327	-18,719	-673	-	-24,719
Gross profit	**884**	**2,953**	**577**	**-**	**4,414**
Administrative expenses	-1,125	-1,317	-732	-	-3,174
Exchange (loss) / gain	-1,545	653	-498	-	-1,390
Operating profit / (loss)	**-1,786**	**2,289**	**-653**	**-**	**-150**
Finance income	-	116	1,033	-946	203
Finance expense	-1,899	-1,143	-1,187	946	-3,283
Dividend received	-	-	1,819	-1,819	-
Profit / (loss) before tax	**-3,685**	**1,262**	**1,012**	**-1,819**	**-3,230**
Tax credit / (expense)	505	-1,179	-249	-	-923
Profit / (loss) for the Year	**-3,180**	**83**	**763**	**-1,819**	**-4,153**
Total assets	63,691	141,820	52,054	-51,331	206,234
Total liabilities	60,203	67,509	19,426	-30,038	117,100
Capital expenditure	11,395	17,791	-	-	29,186
Depreciation	616	3,435	-	-	4,051

5 Exchange rate sensitivity analysis

The Group's electricity generating assets are located in Argentina and Bolivia and as a result, the Group's reported results are affected by currency movements.

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

i) Closing rate	**31.12.09**	**31.12.08**
Boliviano to £	11.42	10.43
AR $ to £	6.09	5.00

US $ to £	1.59	1.45

ii) Average rate

Boliviano to £	11.22	13.70
AR $ to £	5.86	5.87
US $ to £	1.57	1.86

If the exchange rate of sterling at 31 December 2009 had been stronger or weaker by 10% with all other variables held constant, shareholder equity at 31 December 2009 would have been £7.3m (2008 - £5.7m) lower or higher than reported.

If the average exchange rate of sterling during 2009 had been stronger or weaker by 10% with all other variables held constant, the loss for the year, would have been £0.52m (2008 - £0.29m) higher or lower than reported, including minority interests, and £0.52m (2008 - £0.29m) higher or lower excluding minority interests.

6 Cost of sales	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Expenditure incurred in cost of sales is as follows:		
Cost of fuel	19,616	14,636
Cost of equipment sold	-	673
Transmission fees	3,043	2,395
Depreciation	5,376	4,012
Maintenance	1,142	1,171
Other	2,515	1,832
	31,692	**24,719**

7 Administrative expenses	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	1,818	1,473
Services, legal and professional	1,002	468
Office costs and general overheads	1,229	1,189
Audit and non-audit services	87	44
	4,136	**3,174**
Exchange losses	1,684	1,390
	5,820	**4,564**

Audit and non-audit services include £39k paid to the auditors for the audit of the Company and the Group financial statements and £10k paid to the Company's auditors for non-audit professional services provided to the Company in connection with the review of overseas activities. Fees paid to other auditors, in respect of the audit of subsidiary and joint venture companies, amounted to £38k (2008 - £38k).

8 Employee costs	**Year ended 31.12.09**	**Year ended 31.12.08**
a) Group	**£'000**	**£'000**
Aggregate remuneration of all employees and directors, including social security costs	2,627	2,004

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

Management	17	19
Operations	87	99
Total	**104**	**118**

b) Company	**£'000**	**£'000**

Aggregate remuneration of all employees and directors, including social security costs	373	261

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

Management	7	7

c) Directors remuneration
The total remuneration paid to the directors, excluding social security costs, was £310k (2008 - £203k). The total remuneration of the highest paid director was £57k (2008 - £44k).

9 Other income	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Profit on sale of 50% interest in PEL[1]	2,361	-
Profit on sale of land by Guaracachi	1,057	-
	3,418	**-**

[1]In June 2009, the Company sold 50% of its interest in PEL. Further details are set out in note 28.

10 Finance income and expense	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Interest received on bank deposits	67	203
Inter-group interest[1]	374	-
	441	**203**
Interest paid / payable on bank borrowings and loans	2,354	2,309
Imputed interest on loans	182	153
Interest accrued on deferred consideration[2]	622	821
	3,158	**3,283**

[1]Inter-group interest arises on loans by the Company to its 50% owned joint venture (PEL). The loans by the Company to PEL exceed the loans of the other 50% shareholder.

[2]Interest accrued on deferred consideration relates to interest payable on loan notes issued in June 2008 to the vendors of 50% of PEL. This interest was offset against part of the purchase consideration payable by the original vendors following their repurchase of the 50% interest in June 2009.

Sensitivity analysis arising from changes in borrowing costs is set out in note 25.

11 Tax expense

The relationship between the expected tax expense at the basic rate of 28% (31 December 2008 – 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year ended 31.12.09 £000	**Year ended 31.12.08 £'000**
Result for the year before tax	-647	-3,230
Standard rate of corporation tax in UK	28%	28%
Expected tax credit	-181	-904
Adjustment for different basis of calculating overseas tax[1]	1,020	1,174
UK losses carried forwards	-	226
Overseas losses carried forwards	843	200
Tax adjustment in Argentina[2]	529	-
Tax on overseas dividends, less double tax relief	-	227
Actual tax expense	**2,211**	**923**
Comprising:		
Current tax expense	2,877	1,205
Deferred tax net credit	-666	-282
Total expense	**2,211**	**923**

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[1]In Bolivia and Argentina, companies are required to pay a transaction tax which is levied on turnover. This tax is treated as a credit towards tax payable on trading profits but no refund is given in the event that the transaction tax paid exceeds the profit tax liability.

[2]The tax adjustment in Argentina relates to an agreement reached with the tax authorities in 2009 in respect of a claim for tax on the capitalisation of a loan in earlier years before the Group had an interest in EdS which has been deemed taxable by the tax authorities. The tax is payable in equal quarterly instalments with the final instalment due in August 2019. The liability outstanding at 31 December 2009 was £445k (31 December 2008 – nil).

12 Dividends	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Amounts recognised as distributions to equity shareholders during the year:		
Final dividend paid in August 2008 of 2.5p per share	-	2,145

13 Holding company's result for the year

As permitted by Section 408 of the Companies Act 2006, the holding company's income statement is not shown separately in the financial statements. The profit for the year was £1.2m (31 December 2008 – profit £0.8m).

14 Earnings per share

Basic loss per share is calculated by dividing the loss for the period attributable to shareholders by the weighted average number of shares in issue during the period. For diluted loss per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares.

	Year ended 31.12.09	**Year ended 31.12.08**
Loss attributable to equity shareholder of the Company	£2.9m	£4.2m
Average number of issued shares	154,978,754	79,538,775
Basic loss per share	1.89p	5.23p
Diluted loss per share	1.86p	5.23p

15 Property, plant and Equipment	**Land**	**Plant and equipment**	**Plant under construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
a) Group				
Cost at 1 January 2008	4,390	65,284	22,202	91,876
On acquisition of 50% of PEL	90	3,695	13,059	16,844
Exchange adjustments	1,687	24,871	15,821	42,379
Additions	-	2,232	26,954	29,186
Disposals	-	-	-673	-673
Cost at 31.12.08	**6,167**	**96,082**	**77,363**	**179,612**
On disposal of 50% of PEL	-97	-4,217	-16,857	-21,171
Exchange adjustments	-577	-9,466	-9,898	-19,941
Additions	-	2,847	16,082	18,929
Re-classification	-	17,907	-17,907	-
Disposals	-857	-	-	-857
Cost at 31.12.09	**4,636**	**103,153**	**48,783**	**156,572**
Depreciation at 1 January 2008	-	4,641	-	4,641
On acquisition of 50% of PEL	-	983	-	983

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Exchange adjustments	-	1,884	-	1,884
Charge for the year	-	4,051	-	4,051
Depreciation at 31.12.09	**-**	**11,559**	**-**	**11,559**
On disposal of 50% of PEL	-	-1,418	-	-1,418
Exchange adjustments	-	-1,290	-	-1,290
Charge for year	-	5,376	-	5,376
Depreciation at 31.12.09	**-**	**14,227**	**-**	**14,227**
Net book value – 31.12.09	**4,636**	**88,926**	**48,783**	**142,345**
Net book value – 31.12.08	**6,167**	**84,523**	**77,363**	**168,053**

i) The value of property, plant and equipment recognised upon the initial acquisition of 50% of EdS in 2005 was £4.15m. This amount included a negative fair value adjustment of £0.45m resulting from a professional valuation carried out at the date of the acquisition. The value of property, plant and equipment recognised upon the acquisition of the remaining 50% of EdS in June 2008 was £19.7m. This included a positive fair value adjustment of £5m based on the directors' estimate of the fair value of the plant under construction. Following the sale of 50% of EdS in June 2009, the fair value adjustment of £5m has been reduced to £2.5m.

ii) The value of property, plant and equipment recognised upon the initial inclusion of Guaracachi in the financial statements in 2006 was £69.9m. This amount included a positive fair value adjustment of £14.3m resulting from a professional valuation carried out at the date of the acquisition.

iii) Plant under construction comprises Guaracachi's 96 MW combined cycle gas turbine ("CCGT") conversion and expansion project in Santa Cruz, Bolivia, which is due for completion in early 2010 and, at 31 December 2008, EdS's CCGT project in Patagonia, Argentina where capacity has been increased from 76 MW to 136 MW and which is now in service.

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

16 Intangible assets	Goodwill	CERs	Total
	£'000	**£'000**	**£'000**
At 1 January 2008	-	-	-
Goodwill arising on acquisition	6,335	-	6,335
Fair value on acquisition	-	3,000	3,000
At 31 December 2008	**6,335**	**3,000**	**9,335**
Fair value adjustment on disposal of 50% of PEL	-3,167	-1,500	-4,667
Fair value adjustment on sale of CERs	-	-550	-550
At 31 December 2009	**3,168**	**950**	**4,118**

Goodwill represents 50% (2008 – 100%) of the difference between the Group's share of the fair value of the net identifiable assets acquired and the consideration transferred on the acquisition of 50% of PEL in June 2008.

The Group tests goodwill and other intangible assets annually or more frequently if there are indications that the intangible asset might be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the future cash flows, which are based on management projections, taking into account experience, expected revenues and operating margins, and the discount rate applied to those cash flows. The discount rate applied is 15%.

CERs (Carbon Emission Reduction credits) represent the fair value of the CERs in EdS. In June 2008, following the acquisition of the outstanding 50% of EdS, the value of the CERs was based on the Directors' estimate of the discounted value of the expected future income. During 2009, EdS entered into a contract under which EdS is required to deliver 475,000 CERs at a fixed price of €11.18 per CER during the period to 31 December 2012. In addition, EdS agreed an advanced payment, which was paid in February 2010, in respect of 172,350 CERs. The carrying value at 31 December 2009 of £950k represents 50% of the discounted value of the remaining 302,650 CERs. The discount rate applied is 25% per annum.

17 Trade and other receivables

	31.12.09 £'000	31.12.08 £'000
17a) Group – non-current		
Trade receivables[1]	1,108	1,543
Amounts due from joint venture companies[2]	4,385	-
Other receivables and prepayments[3]	1,961	3,250
	7,454	**4,793**

[1]Non-current trade receivables represents retentions by the Electricity Regulator in Argentina. It is expected that the retention will either be released or contributed towards ongoing capital projects.

[2]Amounts due from joint venture companies represent 50% of the excess of the amounts lent by the Company, in excess of the amounts lent by the other 50% shareholder, to PEL and credit support provided to suppliers and Standard Bank on behalf of EdS. Interest on the amounts lent to PEL has been accrued at rates of between 17.5% and 25%.

[3]Other receivables includes £1.6m (2008 - £3.25m) of input Vat which has been paid by EdS and is recoverable as a deduction against future Vat liabilities and £0.3m (2008 - £nil) of future income tax paid by EdS which is expected to be recovered as an offset against future profits.

	31.12.09 £'000	31.12.08 £'000
17b) Group –current		
Trade receivables	6,023	6,291
Other receivables and prepayments[1,2,3,4]	14,227	3,648
	20,250	**9,939**

Major items within other receivables and prepayments include:

[1]£0.9m (31 December 2008 - £nil) relating to the 'Stabilisation Fund' in Guaracachi. Under Resolution No. 014/2002, the Superintendent of Electricity in Bolivia set up a stabilisation fund to stabilise the electricity tariffs paid by end users. The purpose of these funds is to help smooth the impact on consumers of changes in spot prices.

[2]£1.82m (31 December 2008 - £nil) re sale of surplus land by Guaracachi. This was received after the year end.

[3]£4.9m (31 December 2008 - £2.6m) of Vat paid which will be recovered in future periods. In both Bolivia and Argentina, input tax on capital projects is not repaid but is treated as an advance and is recoverable against future Vat liabilities once the relevant project has been completed.

[4]£3.85m due from joint venture companies represent 50% of the excess of the amounts lent by the Company, in excess of the amounts lent by the other 50% shareholder, to PEL and advances paid to suppliers and amounts paid to Standard Bank on behalf of EdS. Interest on the amounts lent to PEL has been accrued at rates of between 17.5% and 25%.

	31.12.09 £'000	31.12.08 £'000
17c) Company – non-current		
Amounts owed by subsidiary companies	20,890	20,870
Amounts owed by joint venture companies (2008 – subsidiary company)	14,117	13,205
	35,007	**34,075**

The amounts owed by subsidiary and joint venture companies (2008 – subsidiary companies) are unsecured and payable on demand but are not expected to be fully received within the next twelve months. £11m of the amount due from the joint venture companies is interest bearing at rates of between 17.5% and 25%. All other balances are non-interest bearing.

Included within amounts due by subsidiary companies is an inter-company loan of £20.6m which is supported by the Group's investment in Guaracachi and which the Directors consider will be recovered in full as part of the compensation claim against the Bolivian Government.

	31.12.09 £'000	31.12.08 £'000
17d) Company – current		
Trade receivables	-	1,250
Amounts due from joint venture companies	7,700	-
Other receivables and prepayments	31	38
	7,731	**1,288**

The £7.7m due from joint venture companies is unsecured, interest free and payable on demand.

All trade and other receivables are unsecured and are not past their due by dates. The fair values of receivables is not materially different to the carrying values shown above.

18 Deferred tax	**31.12.09**	**31.12.08**
	£'000	**£'000**
a) Asset at 1 January 2009	1,112	650
Exchange translation	-101	180
Credited to tax expense	711	282
Asset at 31 December 2009	**1,722**	**1,112**

The Group deferred tax asset arises principally from temporary differences on accelerated depreciation in Bolivia.

No deferred tax asset has been recognised in respect of the parent company's tax losses of £602k at 31 December 2009 (£1.8m at 31 December 2008) in view of the uncertainty over the timing of the utilisation of these tax losses.

b) Liability at 1 January 2009	4,052	978
Additional liability arising on acquisition	-	2,400
Reduction in liability on sale of 50% of PEL	-1,675	
Exchange translation	-123	674
Charged to tax expense	45	-
Liability at 31 December 2009	**2,299**	**4,052**

The Group deferred tax liability arises from:
i) accelerated tax allowances on plant and equipment expenditure in Bolivia - £1.3m (2008 - £1.4m)
ii) deferred tax provision on the fair value adjustments arising on the acquisition of 50% of PEL in June 2008 - £1.0m (2008 – £2.7m) adjusted for the 50% sold in June 2009.

19 Inventories	**31.12.09**	**31.12.08**
	£'000	**£'000**
Spare parts and consumables	3,202	3,817

Spare parts and consumables are valued at cost.

20 Current tax assets	**31.12.09**	**31.12.08**
	£'000	£'000
Sales taxes / Vat	-	-
Pre-paid profits tax	1,172	4,154
	1,172	**4,154**

Pre-paid profits tax relates to taxes paid in Bolivia (2008 – Bolivia and Argentina) which are off-settable against future tax liabilities.

21 Cash and cash equivalents	**31.12.09**	**31.12.08**
	£'000	**£'000**
a) Group		
Cash at bank and in hand	266	486
Short-term bank deposits	3,910	4,545
	4,176	**5,031**
b) Company		
Cash at bank and in hand	22	35
Short-term bank deposits	-	7
	22	**42**

Cash and short-term bank deposits are held in interest bearing bank accounts, accessible at between 1 and 30 days notice. The effective average interest rate is 1%. The Group holds cash balances to meet its day-to-day requirements.

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22 Share capital

	31.12.09 £'000	31.12.08 £'000
In issue, called up and fully paid		
205,421,505 ordinary shares of 2p each	4,108	1,716
(31 December 2008 – 85,788,775)		

Reconciliation of movement in share capital	**Number**	**£'000**
Balance at 1 January 2008	73,288,775	1,466
Allotment in June 2008	12,500,000	250
Balance at 31 December 2008	**85,788,775**	**1,716**
Allotment in April 2009	10,000,000	200
Allotment in June 2009	109,632,730	2,192
Balance at 31 December 2009	**205,421,505**	**4,108**

The prices per share of the allotments referred to above were: June 2008 - 65p, April 2009 – 8p and June 2009 – 8p. The difference between the total consideration arising from shares issued and the nominal value of the shares issued has been credited to the share premium account. Costs associated with the allotments have been debited to the share premium account. The allotment in June 2008 included 25m shares at 8p per share allocated in exchange for conversion of £2m of debt (see also note 32a(ii)).

In addition to the issued share capital, the Company issued 10m warrants to subscribe for ordinary shares at 25p per share. Further details are set out in note 25([1]). At the balance sheet date, none of the warrants had been exercised.

Changes since the balance sheet date are set-out in note 33.

23 Trade and other payables

	31.12.09 £'000	31.12.08 £'000
a) Group – non-current		
Staff indemnity provision[1]	319	290
CER liability[2]	745	-
	1,064	**290**
b) Group – current		
Trade payables	17,782	24,914
Accruals	2,482	2,271
	20,264	**27,185**
c) Company - current		
Trade payables	134	372
Accruals	199	220
	333	**592**

[1]The staff indemnity provision represents statutory long service entitlements due to employees in Guaracachi. The entitlement is payable on leaving service.

[2]The future CER liability represents the present value of CERs which were sold by EdS in 2009 for delivery between 2010 and 2012. The liability will be credited to the income statement as the CERs are generated.

24 Current tax liabilities

	31.12.09 £'000	31.12.08 £'000
Profits taxes	1,728	2,347

25 Borrowings

	31.12.09 £'000	31.12.08 £'000
a) Group – non current		
Loan note[1]	2,500	-
Loan from CAMMESA[2]	1,349	1,743

Bank loan – EdS[3]	-	7,106
Bank loans – Guaracachi[4]	28,481	27,374
Loan notes – Guaracachi[5]	25,104	11,041
	57,434	**47,264**
b) Group – current		
Loan from CAMMESA[2]	387	896
Bank loans – EdS[3]	4,183	4,034
Bank loans – Guaracachi[4]	4,506	7,162
Other loans[6]	5,507	14,234
Deferred consideration payable[7]	-	9,636
	14,583	**35,962**
Group – total borrowings	**72,017**	**83,226**
The Group's borrowings are repayable as follows:		
2010	14,583	35,962
2011	9,193	6,009
2012 to 2014	14,875	18,031
2015 and beyond	33,366	23,224
	72,017	**83,226**
c) Company – non-current		
Loan note[1]	2,500	-
d) Company – current		
Other loans[6]	5,507	9,198
Deferred consideration payable[7]	-	9,636
	5,507	**18,834**
Company – total borrowings	**8,007**	**18,834**
The Company's borrowings are repayable as follows		
2010	5,507	18,834
2011	2,500	-
	8,007	**18,834**

[1]The loan note was issued in September 2009 at par and is due to be repaid in March 2011. Interest is payable quarterly at the rate of 12% per annum. Holders of the loan notes are entitled to a total of 10m warrants to subscribe for ordinary shares at 25p per share. The loan note is unsecured.

[2]CAMMESA, the Argentine wholesale market administrator, has advanced funds to EdS to support capital expenditure. The loan bears interest at 7% per annum. The loan is repayable in instalments with the final repayment due in August 2012.

[3]The EdS bank loan bears interest at 3 month US LIBOR plus 6%. The loan was originally repayable in instalments between 2010 and 2012 but is currently repayable on demand pending renegotiations. The comparative figures for 2008 show the Group's 100% share of the loans.

	31.12.09	**31.12.08**
	£'000	**£'000**
2010	4,183	4,034
2011	-	2,842
2012	-	4,264
	4,183	**11,140**

[4]The Guaracachi bank loans comprise a number of different bank loans bearing interest at rates between 4.5% and 9.75%, with a weighted average rate of 7.05%. The loans are primarily US$ based. Non US$ based loans are based in Bolivianos or Euros. The maturity dates of the loans are as follows:

	31.12.09	**31.12.08**
	£'000	**£'000**
2010	4,506	7,162
2011	6,430	2,312
2012 to 2014	14,075	11,929

2015 and beyond	7,976	13,133
	32,987	**34,536**

[5]The Guaracachi loan notes comprise two bond issues. The first bond was issued in December 2007 and at 31 December 2009 US$16m has been allotted. The bond bears interest at 8.55% and is repayable in 3 equal instalments during 2015, 2016 and 2017. The second bond was issued during 2009 and at 31 December 2009, US$24m has been allotted. The bond bears interest at 9.7% and is not repayable until after 2017.

[6]Other loans comprise short term loans, repayable within 12 months, at interest rates of between 3 month LIBOR plus 3% and 12%. The weighted average interest rate is 5,75%.

[7]Deferred consideration related to the deferred portion of the purchase price in respect of the purchase of 50% of PEL in June 2008. As part of the agreement in June 2009 to sell this 50% of PEL back to the original vendors, the deferred consideration and accrued interest was waived.

Sensitivity analysis to changes in interest rates:

If interest rates on the Group's borrowings during the year had been 0.5% higher or lower with all other variables held constant, the interest expense and pre-tax profits would have been £0.2m lower or higher than reported.

Sensitivity analysis to changes in exchange rates:

The Group's borrowings are denominated in £, US$ and Ar$. As a result, the liability to the Group's lenders will change as exchange rates change. The Group's borrowings are substantially related to specific electricity generating assets and therefore the effect on the net equity of the Group is limited. The overall effect on the Group's net equity which would arise from changes in exchange rates is set out in note 5 above.

The effect on borrowings alone if exchange rates weakened or strengthened by 10% with all other variables held constant would be to reduce or increase the value of the Group's borrowings and equity by £6m (2008 - £8m).

The Company's borrowings are denominated is US$ and £. The effect of a 10% change in the value of the US$ relative to the £ would increase or decrease the parent company's borrowings by £0.3m (2008 - £1.4m).

26 Reconciliation of (loss) / profit before tax to cash generated from operations

a) Group	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Loss for the year before tax	-647	-3,230
Net finance expense	2,717	3,080
Adjustments for:		
Depreciation	5,376	4,051
Profit on sale of 50% of PEL	-2,361	-
Profit on sale of land	-1,057	-
Profit on sale of equipment	-	-577
Movement in working capital:		
Change in inventories	-215	80
Change in trade and other receivables	-7,830	-4,209
Change in trade and other payables	-84	4,283
Cash (used in) / generated from operations	**-4,101**	**3,478**

b) Company	**Year ended 31.12.09 £'000**	**Year ended 31.12.08 £'000**
Profit for the year before tax	1,246	1,011
Net finance (income) / expense	-865	154
Adjustments for:		
Profit on sale of 50% of PEL	-1,317	-
Dividend received	-	-1,591

Tax paid on dividend received	-	-227
Unrealised exchange (gain) / loss on loans	-3	2,163
Movement in working capital:		
Change in trade and other receivables	8	-1,252
Change in trade and other payables	-170	416
Cash (used in) / generated from operations	**-1,101**	**674**

27 Investments

	31.12.09 £'000	31.12.08 £'000
Cost at 1 January 2009	16,649	3,777
Disposal of 50% of PEL	-8,179	-
Addition of 50% of PEL	-	12,872
Balance at 31 December 2009	**8,470**	**16,649**

In June 2008, the Company acquired a further 50% interest in PEL thereby increasing the Company's interest in PEL to 100%.

In June 2009, the Company sold 50% of its interest in PEL.

At 31 December 2009, the Company held the following investments:

i) 100% of the issued share capital of Energia para Sistemas Aislados S.A. ("Energais"), a company registered in Bolivia under registration number 107752. This company was acquired in October 2004. Energais is in the process of negotiating the installation of its small generating units in rural areas in Bolivia.

ii) 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. ("Guaracachi"), a company registered in Bolivia. Guaracachi is a generator and supplier of electricity to the national grid in Bolivia. The investment in BIE was acquired in January 2006.

iii) 50% (2008 – 100%) 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% of the issued share capital of Energia del Sur S.A. ("EdS"), a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina. The original 50% investment in PEL was acquired in July 2005.

28 Disposal

In June 2009, the Company sold 50% of its interest in PEL. The table below shows the fair value of the assets and liabilities sold:

	£'000
Property, plant and machinery	19,753
Intangible assets	4,667
Inventories	485
Trade and other receivables	4,828
Cash	130
Trade and other payables	-5,197
Borrowings	-15,186
Deferred tax liability	-1,060
Total net assets sold	**8,420**
Consideration – cancellation of loan notes and accrued interest	9,331
Deduct: net assets sold	-8,420
Transfer from their reserves	1,575
Legal fees on sale	-125
Profit on sale	**2,361**

If the Company had sold the 50% interest at the beginning of the year, the Group loss for the year would have been £1.2m lower.

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29 Financial risk management

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated to secure the Group's short to medium term cash flows by minimising its exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the Group is exposed are described below:

a) Foreign currency risk

The Group is exposed to translation and transaction foreign exchange risk. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group. The Group's principal trading operations are based in South America and as a result the Group has exposure to currency exchange rate fluctuations in the principal currencies used in South America. The Group also has exposure to the US$ and the Euro as a result of borrowings denominated in these currencies.

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's key objectives when managing capital are to ensure that the Group and the Company has sufficient funds to meet current and future business requirements, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

d) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying value. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

e) Fair values

In the opinion of the directors, there is no significant difference between the fair values of the Group's and the Company's assets and liabilities and their carrying values and none of Group's and the Company's trade and other receivables are considered to be impaired.

The financial assets and liabilities of the Group and the Company are classified as follows:

31 December 2009	Group			Company		
	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000
Trade and other receivables > 1 year	-	7,454	-	-	35,007	-
Trade and other receivables < 1 year	-	20,250	-	-	7,731	-
Cash and cash Equivalents	-	4,176	-	-	22	-
Trade and other payables > 1 year	-	-	-1,064	-	-	-
Trade and other payables < 1 year	-	-	-20,264	-	-	-333
Borrowings > 1 year	-	-	-57,434	-	-	-2,500
Borrowings < 1 year	-	-	-14,583	-	-	-5,507
Totals	**-**	**31,880**	**-93,345**	**-**	**42,760**	**-8,340**

31 December 2008	Group			Company		
	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Borrowings and payables at amortised cost £'000
Trade and other receivables > 1 year	-	4,793	-	-	34,075	-
Trade and other receivables < 1 year	-	9,939	-	-	1,288	-
Cash and cash equivalents	-	5,031	-	-	42	-
Trade and other payables > 1 year	-	-	-290	-	-	-
Trade and other payables < 1 year	-	-	-27,185	-	-	-592
Borrowings > 1 year	-	-	-47,264	-	-	-
Borrowings < 1 year	-	-	-35,962	-	-	-18,834
Totals	**-**	**19,763**	**-110,701**	**-**	**35,405**	**-19,426**

30 Capital commitments

The Group is engaged in developing new turbines in Bolivia and Argentina. At 31 December 2009, the Group had outstanding capital commitments of £0.5m (31 December 2008 – £1.0m).

31 Contingent liabilities

EdS has entered into a long term maintenance agreement with a third party who provides for the regular service and replacement of parts of two turbines. The agreement runs until 2022. The Group's 50% share of the total payable under the agreement until the year 2022 amounts to US$9m/£5.7m (2008 – 100% share, US$20m / £13.8m). In the event that EdS wished to terminate the agreement before 2022, a default payment may become payable. The Group does not anticipate early termination and therefore no provision has been made in this regard.

Guaracachi has received a claim in 2007 in respect of VAT amounting to US$1.7m. The Bolivian tax authorities maintain that the VAT, which was associated with an insurance claim, is payable to the tax authorities. Guaracachi's management do not consider the claim to be valid and accordingly no provision has been made in respect of this claim.

32 Related party transactions

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

a) Company
i) paid £0.12m to IPC under a “Shared Services Agreement”. P R S Earl and E R Shaw are shareholders and directors of IPC. An amount of £0.02m was outstanding at 31 December 2009.

ii) IPC participated in the share allotment in June 2009 and converted £2m of outstanding loan into 25m ordinary shares at a price of 8p per share. The Company accrued interest of £0.19m during the year on the loan balance. The amount of loan outstanding, including accrued interest, at 31 December 2009 was £1.18m (31 December 2008 - £3.7m)

iii) accrued interest of £0.28m on the loan from Secteur Holdings Ltd, a company of which Mrs P Earl is a director, and paid interest of £0.15m and repaid £0.08m of principal. The amount of loan outstanding, including accrued interest, at 31 December 2009 was £3.55m (31 December 2008 - £3.87m).

iv) paid salaries to key management amounting to £0.32m (2008 - £0.26m).

v) paid, on behalf of EdS, a total of £7.7m to suppliers and Standard Bank in order to provide credit support to EdS. The amount outstanding at 31 December 2009 was £7.8m (31 December 2008 - £0.1m).

b) Group
Guaracachi paid £0.2m (2008 - £0.2m) to Independent Power Operations Limited, a wholly owned subsidiary of IPC, for engineering services. An amount of £0.01m was owing at 31 December 2008 (£0.01m at 31 December 2008).

33 Post balance sheet date events

i) Issue of share capital
In June 2010, the Company allotted 11,000,000 Ordinary 2p shares at 10p per share raising £1.1m before expenses.

ii) Nationalisation of Guaracachi
As detailed in Chairman’s Statement and Chief Executive’s review of operations, on 1 May 2010 the Bolivian Government announced that it was making a compulsory purchase of the Group’s 50.00125% interest in the share capital of Guaracachi.

At the date of signing these financial statements, the Company has filed a formal notice of claim as requested by the Bolivian Government. No adjustment has been made to the carrying value of the assets and liabilities as at 31 December 2009 since the event occurred after the balance sheet date.

The following table provides a pro-forma illustration of the Group balance sheet at 31 December 2009 after excluding the assets and liabilities of Guaracachi and including a figure of £50m as a proxy for the value of Guaracachi representing the minimum compensation which is expected to be offered by the Bolivian Government for the 50.00125% interest acquired by the Company in January 2006 based on the audited book value of Guaracachi at 31 December 2009, and declared but unpaid dividend. If the Group had not owned its 50.00125% interest in Guaracachi during 2009, the Group loss for the year after tax would have been £3.07m as compared to the actual loss of £2.93m.

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PRO-FORMA UNAUUDITED CONSOLIDATED ILLUSTRATION OF FINANCIAL POSITION

as at 31 December 2009 excluding Guaracachi and including minimum expected compensation:

	31.12.09 Actual £'000	Eliminate Guaracachi £'000	Bolivian GAAP Book Value Guaracachi £'000	31.12.09 Excluding Guaracachi £'000
Assets				
Non-current assets				
Property, plant and equipment	142,345	-121,626		20,719
Intangible assets	4,118	-		4,118
Trade and other receivables	7,454	-		7,454
Deferred tax assets	1,722	-1,448		274
	155,639	**-123,074**		**32,565**
Current assets				
Inventories	3,202	-2,803		399
Trade and other receivables	20,250	-12,710		7,540
Compensation claim[1]	-	-	50,000	50,000
Current tax assets	1,172	-1,172		-
Cash and cash equivalents	4,176	-3,914		262
	28,800	**-20,599**	**50,000**	**58,201**
Total assets	**184,439**	**-143,673**	**50,000**	**90,766**
Equity and liabilities				
Shareholders' equity				
Share capital	4,108	-		4,108
Share premium account	38,182	-		38,182
Foreign currency reserve	4,044	-2,633		1,411
Other reserves	1,383	-		1,383
Retained earnings	5,095	-31,180	50,000	23,915
Total equity attributable to shareholders of Rurelec PLC	**52,812**	**-33,813**	**50,000**	**68,999**
Minority interests	33,810	-33,810		-
Total equity	**86,622**	**-67,623**	**50,000**	**68,999**
Non-current liabilities				
Trade and other payables	1,064	-319		745
Future tax liabilities	445	-		445
Deferred tax liabilities	2,299	-1,275		1,024
Borrowings	57,434	-52,224		5,210
	61,242	**-53,818**		**7,424**
Current liabilities				
Trade and other payables	20,264	-14,688		5,576
Current tax liabilities	1,728	-1,677		51
Borrowings	14,583	-5,867		8,716
	36,575	**-22,232**		**14,343**
Total liabilities	**97,817**	**-76,050**		**21,767**
Total equity and liabilities	**184,439**	**-143,673**	**50,000**	**90,766**
Net asset value per share (based on number of shares in issue at 31.12.09)	**25.7p**	**-16.4p**	**24.3**	**33.6p**
Net asset value per share (based on number of shares in issue at 24.05.10)	**24.4p**	**-15.6p**	**23.1p**	**31.9p**

[1]The figure for the compensation claim is calculated by reference to the book value of Guaracachi. It has been assumed that no tax will be payable on this receipt.