RURELEC

2022

ANNUAL REPORT
AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Stock code: RUR

RURELEC

CONTENTS

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

NON-EXECUTIVE DIRECTOR'S STATEMENT

Dear Shareholder

The strategy for Rurelec has now evolved as the disposal of the Argentinian interests and the reduction of the cost base over recent years has stabilised the financial position of the Group. We will continue to seek to sell the turbines which may take some time and concurrently we will recapitalise the business through a transformative acquisition to deliver shareholder value. We are in the early stages of considering opportunities which will take some months to prepare. We are also mindful of our obligations to complete an AIM Rule 14 compliant acquisition with the relevant timelines. Any such AIM Rule 14 compliant acquisition will be subject to shareholder approval; will be notified without delay and will be accompanied by the publication of an AIM Rule compliant admission document in respect of the proposed enlarged entity. The proposed acquisition may or may not be in the power and energy sector.

For a number of years, the Company's shares have traded at a significant discount to net asset value making it dilutive to issue new shares. The Directors believe that this discount can be reduced or be eliminated if the turbines are sold or their value can be ringfenced for the benefit existing shareholders. This is now a priority for us in the short term and ahead of any acquisition.

The year in review

The Company's cost base remained steady during the year, despite inflationary pressures. With relatively few suppliers, every invoice is scrutinised by the board, and only limited further savings can be made while Rurelec remains a publicly quoted company responsibly. Currently expenditure is now less than £1 million per annum.

Group current liabilities at 31 December 2022 stood at £0.47 million, which compares with the position at 31 December 2021 of £0.45 million.

As announced on 16 May 2023, the Company entered into an agreement to dispose of its Argentinean Joint Venture being operating assets owned by Energia del Sur, S.A. ("EdS") and held by Joint Venture PEL.

Cash at 31 December 2022 stood at £0.45 million (2021: £0.75 million), but as at 30 June 2023, cash was £2.289 million after the receipt of the consideration for the Disposal (but note this is before a special dividend of £1.12 million which is due to be paid to the shareholders on 14 July 2023).

Argentina

These assets were transferred to Assets Held for sale on 31 December 2022. Their sale was announced on 16 May 2023 and completed on 09 June 2023, and an initial consideration of US$3 million was received on the same date. Further contingent payments of up to US$ 2 million may be payable if certain conditions, as outlined in the announcement of 9 May 2023, are met.

Outlook

As announced on 12 June 2023 the Company completed the disposal of PEL which allowed the Company to declare a dividend to shareholders which will be paid on 14 July 2023. The Directors now have two goals which will run concurrently; to sell the turbines and to undertake a transformative acquisition for Rurelec.

The turbines, have been in storage in Italy since 2008, prior to their acquisition by the Company in June 2013. Whilst they are of a dated design, the Directors believe they are of a high engineering quality. The Directors consider that changes in global energy markets, such as those occurring as a result of the Ukrainian war means there is still demand for some such ageing assets. We expect that they are likely to be deployed in developing countries and during the year the Company followed up on a number of leads in different geographies. The complex and often slow nature of financing power projects of the scale for which these turbines will be used makes it difficult for the Directors, both to determine the credibility of a purchaser, and to predict the timing of any sale, ahead of receipt of a contractual commitment validated by a deposit. The Directors are continuing to explore all leads, including the esoteric and improbable.

The Company is seeking an acquisition to create value for shareholders. The Directors are at the early stages of evaluating opportunities, which will be subject to shareholder approval and require an AIM Rule compliant admission document. This process is likely to take several months, but with difficult capital markets the Directors anticipate that companies which are unable to list onto AIM (a market of the London Stock Exchange) through an IPO directly, may consider a reverse takeover (pursuant to AIM Rule 14 of the AIM Rules for Companies) with Rurelec to be a compelling proposition. However, the Directors believe they will need to undertake some further restructuring if the Company has not sold the turbines at the time an acquisition is identified in order to ensure that both Rurelec and the turbines achieve best value.

As set out above, the acquisition or acquisitions which constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies must take place before 11 December 2023 otherwise Rurelec's Ordinary Shares will be suspended from trading on AIM.

Paul Shackleton
Non-executive Director
30 June 2023

STRATEGIC REPORT

Strategy

The overall strategy for the Group remains the continued stabilisation of its financial position, with the intention of enabling value to be realised from the asset portfolio and ultimately returned to shareholders. In pursuing this aim the Directors considered it appropriate to reclassify the Group's two main assets, the Joint Venture ("JV") assets in Argentina and two Siemens 701 turbines ("turbines"), as Assets Held for Sale at 31 December 2022. As announced on 16 May 2023 a Sales and Purchase Agreement for the JV assets had been signed in mid-May. The sale was authorised at the Company's General Meeting on 1 June. The completion of the sale was announced on 12 June 2023 and the Company received the initial £2.4 million (US$3 million) consideration on 9 June 2023, with the potential for further contingent consideration payable over the next 36 months. Following the disposal of the JV Assets, the Company became an AIM Rule 15 Cash Shell. The Directors are now focused on two goals which will run concurrently; to sell the turbines and to undertake a transformative acquisition for Rurelec.

Liquidity

This strategy has been determined by the on-going financial position of the Group. The main borrowing of the Group was the 2016 secured BPAC loan, which was repaid in 2019 enabling the associated debenture to be released. The Group thus became debt-free in 2019 and it remained debt-free throughout 2022. Current liabilities have remained stable at £0.47 million (2021: £0.45 million). With the sale of PEL any further increase in Group liquidity is now dominated by the timing and quantum of inflows from two main sources – disposal of the turbines and the sale of the cash shell.

During 2022, continued normal operations and cash generation at EdS enabled the Argentinian operations to remit unsecured debt repayments of £0.8 million (2021: £0.6 million) to Patagonia Energy Limited ("PEL"). Of this amount, Rurelec received £0.6 million (2021: £0.3 million) of debt repayments from PEL under the terms of the November 2019 Umbrella Agreement regulating the division of debt repayments to be made by PEL to its two JV partners.

Post year end to date, the Group has received £2.4 million (US$3 million) of the initial consideration from the sale of PEL.

Group liquidity - cash outflows

There are now no group debt outflows, and outflows on Group administrative expenses were £1.0 million (2021: £0.97 million).

Group liquidity – post balance sheet date sale of JV interests

As announced on 16 May 2023 a Sales and Purchase Agreement for the PEL was signed, the sale was authorised at the General Meeting on 1 June along with a special dividend of 0.2p per share. As announced on 12 June 2023 the sale completed on 09 June and the Company received the initial US$3 million consideration on the same date. Following the disposal, the Group became a AIM Cash Shell as defined by Rule 15. With the £2.4 million (US$ 3 million) receipt on 09 June 2023 the Group is in a position whereby it can meet expected costs for 12 months after the signing of this report.

Group liquidity - asset sales

The Board remain hopeful for the prospects of realising other group assets notably the two Siemens 701 DU 125MW turbines and generators in storage in Italy. A sale of these assets would have a material effect on group liquidity if and when it occurs, but the sale of these units is dependent on a customer undertaking a suitable project as this size of older turbine are very rarely bought "for stock"- they would only be bought by a buyer with a specific project in mind in an appropriate territory where such turbines are permitted to operate. Hence the exact timing of a future sale remains uncertain, and this introduces a natural unpredictability to the timing of receipts from such sales.

Financial Results and Going Concern

The operating loss for the year of £2.9 million for 2022 represents a slight increase in losses compared to the £2.1 million operating loss for 2021. Included in the loss is an impairment in the carrying value of Group assets of £1.9 million (2021: £1.5 million) coupled with administration expenses which remained stable at a Group level at £1.07 million (2021: £0.97 million). In the prior year these losses were offset by a gain of £330k (2022: £nil) on the disposal of the Arica turbine, recorded in Other Income. Other Expense is comprised of £0.2 million impairment of assets in Chile, all assets are now fully impaired in 2023 it was decided to discontinue operations in Chile, please see note 28 Subsequent Events for further details. Additionally, there was a £1.7 million impairment of the JV interests on their initial reclassification as Assets Held for Sale, the carrying value was determined as the lower of fair value and sales proceeds minus costs to sell.

The overall loss before tax for the year was £2.2 million (2021: £3.6 million). There was no net finance expense (2021: £1.3 million). There was a £0.2 million gain in foreign exchange (2021: losses £0.2 million).

Following the disposal of the Argentinean JV interests, the Company is a Cash Shell pursuant to Rule 15 of the AIM Rules for Companies. The consequences of this are that before 11 December 2023, being six months after Rurelec became an AIM Rule 15 cash shell, Rurelec must make an acquisition or acquisitions which constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies otherwise Rurelec's Ordinary Shares will be suspended from trading on AIM. Furthermore, if a qualifying acquisition is not completed by Rurelec by 12 June 2024, the admission of the Company's ordinary shares to trading on AIM will be cancelled. The financial statements include a material uncertainty to going concern related to these matters as explained in note 1c.

Key performance indicators

The Directors use a range of performance indicators to monitor progress in the delivery of the Group's strategic objectives, to assess actual performance against targets and to aid management of the businesses.

Rurelec's key performance indicators ("KPIs") include both financial and non-financial targets which are set annually.

Financial KPIs

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

i) Cash Flows

The Group is heavily focused on optimising cashflow generation. It regularly monitors actual and forecast Net Cashflows used in Operating Activities, Net Cashflows Generated by Investing Activities (predominantly the repayment of loans from PEL) and Net Cash Used in Financing Activities (although those will in the foreseeable future be minimal as the Group has become debt-free). The Net decrease in Cash and Cash Equivalents in the year was £0.3 million (2021: increase £77k), cash balances at the year-end were £0.45 million (2021: £0.75 million).

ii) Operating profitability

Operating loss excludes all non-operating costs, such as financing and tax expenses as well as one-off items and non-trading items, such as negative goodwill. The exclusion of these non-operating items provides an indication of the performance of the underlying businesses. The Group made an operating loss of £2.9 million in the year (2021 £2.1 million loss).

iii) Net asset value

Net asset value is calculated by dividing funds attributable to Rurelec's shareholders by the number of shares in issue. The net assets of the Group reduced in the year to 1.8 pence per share (2021: 2.2 pence per share).

iv) Earnings per share

Earnings per share provide a measure of the overall profitability of the Group. It is defined as the profit or loss attributable to each Ordinary Share based on the consolidated profit or loss for the year after deducting tax. Growth in earnings per share is indicative of the Group's ability to identify and add value. The Group made a loss of 0.39 pence per share in the year (2021: loss of 0.65 pence per share).

Non-Financial KPIs

Non-financial KPIs address other important technical aspects of the business, such as gross capacity, operating efficiency and availability. As announced on 16 May 2023 a Sales and Purchase Agreement for the JV assets was signed, the sale was authorised at the General Meeting on 1 June. The sale completed on 09 June.

REVIEW OF FINANCIAL PERFORMANCE

Group Results

The Group loss after tax for the financial year under review is £2.2 million (2021: £3.7 million loss). This included impairment adjustments of £1.9 million (2021: impairments £1.5 million), net expected credit losses of £nil (2021: £1.3 million), an impairment provision of £nil (2021: £0.1 million) relating to closure costs of 100 per cent. owned subsidiary SEA Energy S.A. and foreign exchange gains of £0.2 million (2021: £0.2 million losses). The impairments//Net Expected Credit Losses are detailed below:

	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Impairments//Net Expected Credit Losses		
Impairment on investment in Joint Venture	–	1,336
Impairment of amounts due from joint venture	1,679	–
Impairment of Chile Transformer (note 12)	35	–
Impairment of Chile performance bonds	210	–
Net Expected Credit Losses	–	1,345
Provision re closure costs of SEA Energy	–	133
Total	**1,924**	**2,814**

Group revenue was £nil (2021: £nil). Operating and Administrative expenses amounted to £1.0 million (2021: £0.97 million). Operating loss was £2.9 million (2021: £2.1 million loss). The loss before tax is £2.2 million (2021: £3.7 million loss). The basic loss per share is 0.39p (2021: 0.65p loss). Total assets are £10.65 million (2021: £12.97 million). Total equity stands at £10.15 million (2021: £12.51 million), or a Net Asset Value of 1.8 pence per share (2021: 2.2 pence per share).

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

Energia del Sur S.A. Results

These assets were transferred to Assets Held for sale on 31 December 2022. Their sale was announced on 16 May 2023 and completion was announced on 12 June 2023.

Rurelec Chile

The development of our 100 per cent. owned investments in Chile has expensed limited direct costs in the year of £39k (2021: £83k). Capitalised development costs are £nil (2021: £nil) on the Central Illapa project. As previously announced the Arica turbine was disposed of in the prior year, the sales proceeds were US$1.0 million, the net profit of £330k is shown in other income note 8b. All sale proceeds were received during the prior year. The development costs associated with the Central Illapa project were impaired to £nil in 2021 (2020: £nil). At a Board meeting on 21 June 2023, it was decided that activities in Chile would be regarded as discontinued operations. All remaining assets have been fully impaired in these financial statements with a charge of £210k being recorded in Other Expense (2021: £nil).

REVIEW OF OPERATIONS

Argentina

As announced on 16 May 2023 a Sales and Purchase Agreement for the JV assets was signed, the sale was authorised at the General Meeting on 1 June 2023. The sale completed on 9 June 2023 and the Company received the initial US$3 million consideration on the same date. Following the disposal, the Group became an AIM Rule 15 Cash Shell.

The Argentinean Joint Venture interests were transferred to Assets Held for Sale on 31 December 2022, in accordance with IFRS 5, please see note 13 for further details.

The following table sets out the prior year's Group's 50 per cent. share of its interest in Patagonia Energy Limited ("PEL") the BVI registered joint venture holding company of EdS, its 100 per cent. owned Argentinian operating subsidiary.

Group share of Joint Venture results and net assets	Year ended 31.12.2022 £'000	Year ended 31.12.2021 £'000
Results		
Revenue	–	3,300
Operating Expenses - excluding foreign exchange losses	–	(2,175)
Foreign exchange losses	–	130
EBITDA	**–**	**1,255**
Depreciation	–	(1,047)
EBIT	**–**	**208**
Intragroup interest - credit re write back of prior year charge	–	2,478
Third party interest payable	–	(398)
Profit before tax	**–**	**2,288**
Tax	–	151
Profit after tax	**–**	**2,439**
Summary of Statement of Financial Position		
Non-current assets	–	10,871
Cash	–	1,419
Current trade and other receivables	–	918
Non-current liabilities	–	(17,100)
Current liabilities	–	(907)
Net assets/(liabilities)	**–**	**(4,798)**

Chile

Arica

In the prior year, following the reassessment of the project, the Board sought to redeploy the Frame 6B turbine acquired for the project. As separately announced on 9 September 2021 a sale of the turbine was concluded at US$1.0 million (approximately £0.72 million), the gain of £330k being shown in Other Income. All proceeds were received in the year, see note 8b for further details. The associated transformer was fully impaired in the year (2021: £35k).

Central Illapa

The Company has been unable to secure the partners required for this project. The Directors reviewed the project and decided to reclassify the turbines originally acquired for it to Assets Held for Sale, please see note 13 for further details.

Turbines

These assets were reclassified as held for sale at 31 December 2022. The Group's carrying value is assessed for possible impairments. In light of current local market conditions, in order for the project to be attractive to joint venture partners, the capital value of the 701 Siemens turbines has been assessed at £7.8 million (2021: £7.8 million). The Directors also obtained an independent valuation produced by a competent person. Based on valuation advice the Directors have decided not to further impair the carrying value of these turbines (2021: £nil).

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

Principal risks and uncertainties

The principal risks and uncertainties facing the Group have been stated as the following risks, though most of these risks are reduced or eliminated as discussed in note 1.c.

a) Political risk – there are significant political risks in the areas where the Group operates. These include potential for unfriendly actions towards foreign investments (including the imposition of exchange controls that can significantly reduce the return on investment due to the difficulty and cost of repatriating funds) and towards the domestic utilities sector generally, the imposition of new tariffs and/or taxes and/or government cash shortages resulting in slow payment for electricity generated. That political risk also extends to labour laws which can result in significant employment-related cost inflation and punitive employment compensation legislation which can make it difficult and uneconomic to carry out staff restructuring programmes. There is also the possibility that domestic economic instability could lead to political unrest or vice versa. These are significant risks to Rurelec which are inherent in operating in such territories.

b) Exposure to foreign currency – The Group's activities are in South America and therefore results will be affected by exchange rate movements and local inflation rates.

c) Liquidity – Following the receipt of the initial consideration of £2.4 million (US$ 3 million) the Group is in a position to meet its forecast short-term cash requirements. Please see Going Concern in the Directors Report and note 1c for further details.

d) Economic, market and business operations risk resulting from pandemics, particularly the COVID-19 pandemic. In March 2020, the World Health Organisation declared the spread of COVID-19 to be a pandemic. The rapid spread of the virus and consequent global emergency containment measures resulted in business closures, travel shutdowns and restrictions that severely curtailed economic activity and political and economic decision making. The prolonged nature of the COVID-19 pandemic had a severe negative impact on

REVIEW OF OPERATIONS

the UK and Chilean economies where the Group operates. The demand for electricity experienced some decline from the reduced industrial and commercial activity, but background demand was maintained. The greater risk has been the effect of the pandemic on already fragile economies such as that of Argentina and measures such as emergency labour laws and restrictions on profit returns from utility companies generally have been implemented to prevent social hardship with the expectation that business meets the burden of that implementation.

To date, the pandemic had not had a significant impact on operations. London head office operations of Rurelec were able to continue remotely without disruption. All current Head Office records were digitised before the UK lockdown to allow for remote access and work has continued from employees' homes.

The adverse economic and social effects of the COVID-19 pandemic started to recede in late 2021. Although many global supply chains continued to be disrupted and distorted ats Economies recovered, this has had little discernible effect on EdS or Rurelec to date. However, despite widespread global stimulus packages and efforts to control and eradicate the virus, it is not currently known what the lasting effects of COVID-19 and its variants will be on the growth rates of global economies, and what the effect will be on the ongoing demand for electricity, the ability to operate and the ability to obtain spare parts and engineering expertise in the event of maintenance or equipment breakdowns. There are no guarantees there will not be yet further disruption and this could extend to an inability to transfer funds out of the country for debt repayments owed to the Group. Group cash flows have been prepared under the scenario that cash will continue to be received under current conditions and local management's expectations.

e) War in Ukraine – its current effects on the Group are not considered to be an adjusting post balance sheet event. See the Directors Report and note 5 – exchange rate sensitivity for further details.

DIRECTORS' SECTION 172 STATEMENT

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

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

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

We report below on how in the year ended 31 December 2021 the Board's strategies, actions and key decision making took place observing these duties with the objective of delivering positive outcomes for the Company, its shareholders and its wider stakeholders the most relevant of which have been identified as including creditors, employees of the Company and of interests in foreign JV operations and those impacted by its operations in the wider community.

a) Regarding the likely consequences of long-term decision making, those decisions were made with clear strategic focus on the need to return value to shareholders and the need to continue to build financial strength, thereby avoiding the near-insolvency event experience by the Company in the past. That strategy drove cash conservation and cost cutting decisions so that the business could withstand financial stress. The Company was able to withstand those stresses in 2022.
b) Our employees are fundamental to the delivery of our strategy. The Board has prioritised fair remuneration and pension arrangements for those employees and undertakes regular communication updates in an open environment. Decisions taken to maximise the resilience of the business, preserving cash and minimising risk, are taken after prioritising the continued employment of those employee roles that have been instrumental to the turnaround of the business. Rurelec's Directors have been instrumental in using impending retirements and encouraging part-time working to lower the future costs of its Argentinian operations.
c) Regarding the need to foster business relationships with suppliers, customers and others, Rurelec has for some time been keen to repay arrears to trade creditors who have supported the business over a significant timescale and to repay in full all secured creditors. The Company has been freed from the interest burden that was being paid on past loans, thereby benefitting other stakeholders. Rurelec is now essentially debt- free and, as operating circumstances allow, the Board's stated objective of returning value to shareholders can be realised.
d) Regarding the desirability of Rurelec maintaining a reputation for high standards of business conduct, the Board of Directors' intention is to ensure that the business operates and behaves in a responsible manner with high standards of business conduct and governance. Regular communication amongst the Board and employees and effective, formally recorded Board Meetings ensure such standards are maintained. Where appropriate, independent legal advice is obtained to support the decision process.
e) Regarding the need to act fairly, as between members of the Company, all shareholders are welcome to express their views at the Annual General Meeting. In December 2019, the Company took the decision to apply to shareholders and the law courts for a capital reconstruction in 2020. This reconstruction was duly approved in 2020 to facilitate the distribution of future returns to shareholders should cash reserves grow to the extent of permitting this. On 1 June 2023 there was a General Meeting at which the shareholders unanimously voted for the proposed disposal of PEL and a 0.2p dividend per share to be paid from the proceeds.

The Strategic Report was approved by the Board of Directors on 30 June 2023 and was signed on its behalf by:

Andrew Coveney
(Executive Director)

BOARD OF DIRECTORS

ANDY COVENEY

Executive Director

Member of the Institute of Chartered Accountants, qualified as Chartered Accountant in 1990. After obtaining a degree in Geology from the University of Durham he joined Deloitte Haskins & Sells, in 1991 then specialising in Corporate Finance advisory work. In 1993, Andy embarked on a 15-year spell as FD/MD of several financial and operational turnarounds in the manufacturing and distribution sectors, starting with the acquisition and subsequent turnaround of CP Pharmaceuticals Limited, a loss-making division of Fisons plc before it was sold to Wockhardt Group a decade later. Founded Coveney Associates Consulting in 2010 providing FD advice, turnaround services and cashflow management advice to a portfolio of businesses.

PAUL SHACKLETON

Non-Executive Director

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

DIRECTORS' REPORT

THE DIRECTORS SUBMIT THEIR ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022.

Principal activities

The Company and the Group's principal activity has been the acquisition, development and operation of power generation assets in markets in Latin America.

Since the Company's admission to AIM in August 2004, the Company acquired assets in Argentina and Bolivia and commenced development of new power generation projects in Peru and Chile. The power generation projects in Peru were sold on 30 January 2018. In September 2021, the Frame 6B turbine acquired for the Arica project in Chile was sold. As announced on 16 May 2023 a Sales and Purchase Agreement for the PEL was signed, the sale was authorised at the General Meeting on 1 June along with a special dividend of 0.2p per share. The sale completed on 09 June and the Company received the initial £2.4 million (US$ 3 million) consideration on the same date. Since the disposal of certain assets, the principal activity of the Group will change in accordance as the Directors seek partners to take the group forward in 2023 and beyond, following the disposal of the Argentinian operations in June 2023.

Results and dividends

The Group results for the year ended 31 December 2022 are set out in the Consolidated Statement of Total Comprehensive Income.

No dividend was paid during the year to 31 December 2022 (2021: nil).

Share capital

Details of the issued share capital are set out in Note16.

Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. In assessing the going concern position of the Group and Company, the Directors have taken into account the uncertainties, cash flows, and implementation of revised strategy. The Directors have reviewed financial projections and strategy to 30 June 2024, and have considered projections for a base case and a stress case.

At the date of the signing of the Financial Statements, having considered Rurelec's current cash balances and the cash forecasts including the receipt of the initial consideration of US$3 million, the Directors believe, bearing in mind the reduced outgoings of the Group, there is currently sufficient headroom in existing working capital facilities to avoid the need to seek further sources of working capital. This is a significant improvement from the prior years. Refer to Note 1c.

Directors

The following Directors served during the year and up to the date of signature of the financial statements as follows:

Andy H. Coveney – Executive Director, was elected at 2022 Annual General Meeting.

Paul Shackleton was appointed as Non-Executive Director on 26 July 2021 and elected at the 2021 Annual General Meeting.

Directors' interests

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

	29.06.2023	31.12.2022	31.12.2021
Andrew H. Coveney	–	–	–
Paul Shackleton	–	–	–

Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. Appropriate directors' and officers' liability insurance cover is in place in respect of all the Directors.

Significant shareholdings in the Company

In addition to the shareholdings shown above, the Company is aware of the following interests of 3 per cent. or more in the issued ordinary share capital of the Company notifiable at 30 June 2023, being the last practicable date for reporting this information.

	Number of shares	% holding
Sterling Trust Ltd	303,092,303	53.989
Askar Alshinbayev	96,565,166	17.201
Peter Gyllenhammar AB	22,535,946	4.014
Mr & Mrs Scott	17,808,000	3.172

The percentages shown are based on 561,387,586 shares in issue.

Risk management and objectives

The financial risk management policies and objectives are set out in Note 23.

Impact Assessments

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

The UK left the European Union ("EU") at 11.00 pm on 31 January 2020. The Transition period that was put in place – during which the UK was still subject to EU rules – ended on 31 December 2020. The rules governing the new relationship between the

DIRECTORS' REPORT

EU and UK took effect on 1 January 2021. The new Trade and Cooperation Agreement and other agreements were reached between the UK and the EU on 24 December 2020 and were signed during the Transition period. They entered into force on 1 May 2021.

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

War in Ukraine

The Group has no activities in, or relating to, Ukraine. Whilst the war's future impacts are by nature uncertain, at the time of signing this report, no direct impact on the Group is anticipated over the following 12 months.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Company and Group financial statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Statement as to disclosure of information to auditor

As far as the Directors are aware, they have each taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

As far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Pursuant to Section 489 of the Companies Act 2006, BDO LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Maria J. Bravo Quiterio
Company Secretary
30 June 2023

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

Rurelec PLC applies the QCA Corporate Governance Code (the "QCA Code") published in April 2018 and this Corporate Governance report for the year ended 31 December 2022 is based upon the Code.

The principal means of communicating our application of the QCA Code are this Annual Report and our Corporate Governance section on our website (https://www.rurelec.com/about-us/corporate-governance/qca-compliance-table).

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

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

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

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

The Board is committed to strengthening the Group's underlying financial position. The Board sets out to deliver long-term value to shareholders in the following ways:

- Stabilising the Group's position by reducing cash outflows;
- Reducing the Company's vulnerability to fluctuations in the timing of debt repayments receivable from subsidiaries and JVs;
- Working with joint venture partners to ensure that debts from those entities are repaid to the fullest extent possible;
- Using that financial stability to permit an orderly realisation of assets and investments in a timescale that allows maximisation of the proceeds of such sales;
- Where asset realisations are not possible in the short term due to market conditions, preserving the value of those assets and/or maximising the cashflow generated by those assets; and
- Look to recapitalise the business through a transformative acquisition

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

The business model as to how the Company plans to make money for its investors revolves around maximising the long term collection of debts owed in connection with the JV formed to develop the EdS business in Argentina, whilst repaying Rurelec's own creditors and continually assessing the value and saleability of its assets with a view to developing and/or realising those assets in such a way as to maximise the returns to all shareholders. At the same time, the Company will be assessing options as it seeks to complete a transformative acquisition.

The Group and the Company are fully compliant with this principle.

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

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

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

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

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

The Board seeks to engage with all shareholders as and when relevant information needs to be disclosed. The Board recognises that shareholders may have different time horizons for their shareholdings and is mindful of the need to consider the interests of shareholders as a whole in this regard.

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

The Group and the Company are fully compliant with this principle.

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

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

Communication also extends to the Board receiving regular updates and feedback within the small London-based workforce in the Company and there are also regular communications with the directors of the Group's joint venture partner in the British Virgin Islands. The Group's main trading asset was the joint venture operation in Argentina. This operation was run by a full-time local management team that maintains good relations with all key stakeholders to the business in Argentina. This asset has since been disposed by the Group.

The Group and the Company are fully compliant with this principle.

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

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

Although the Company does not undertake specific risk assessments, the Board as a whole undertakes regular views of the principal risks and uncertainties facing the Group as reported in page 5, Strategic Report. The Company has not yet implemented a risk register which should be under the Audit Committee reporting and therefore it is not compliant with the QCA Code.

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

The board acknowledges that the Company is not compliant with the QCA Code as the Company currently does not have a Chairman nor two independent Non-Executive Directors.

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

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

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

Paul Shackleton was considered to be independent since his appointment in July 2021. The board evaluated the independence requirements of the QCA Code and considered that Paul Shackleton was independent during the period.

The number of times the Board met during the year to 31 December 2022 was 19. All serving directors were present at all the Board meetings.

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

Audit, Remuneration and Nominations Committees

The Board acknowledges that the Company is not compliant with the QCA Code terms of reference for these committees as these committees should be made up only of Independent Non-Executive Directors. As Paul Shackleton is the Company's only Independent Non-Executive Director, matters normally reserved for these committees are currently considered by the whole board. The business of the board committees will resume when further appropriate appointments are made to the board.

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

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

The Board has established audit committees which meet regularly. Remuneration and Nominations Committees do not meet as there are no sufficient members. Details of Committee Meetings for the period:

Director	Date of Appointment	Date of Resignation	Role at 31 December 2021	Date of (re-) appointment	Board Committee		
Andrew H. Coveney	16.11.2016	–	Executive Director	30.06.2022	–	–	–
Paul R.A. Shackleton	26.07.2021	–	Senior Independent Non-Executive	14.10.2021	N	R	A

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

The Audit Committee met 2 times during the year to 31 December 2022. All the committee members were present at the meetings.

Due to the size of the Company, the Board does not comply with the principle that the Board should at least have two independent directors and therefore its committees' membership is also not compliant with their terms of reference. Given the current level of transactions within the Company, the Board considers that adequate resources are available at Board level, although a further non-executive director is currently being sought.

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

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

As the financial position of the Group evolved, so have the skills required of its directors. The current directors have been chosen for their skills in maintaining, preserving and realising shareholder value by pursuing financial stability rather than by pursuing the aggressive expansion of the past. The Executive Directors serving during the period, have a wealth of experience of dealing with the consequence of deterioration in the financial positions of businesses and in implementing the change necessary to restore such businesses back to stability. Those skills have been honed within financial and restructuring backgrounds. It is important that the directors are seen to be professional, reliable, trustworthy and represent a safe pair of hands.

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

The Board is grateful for the regular, thorough and diligent input of a qualified professional Company Secretary. As such the Company Secretary provides frequent advice to the Board. On legal matters, the Company Secretary is supported by the Company's solicitors. The Independent Non-Executive Director provides guidance and support on relevant matters on a regular basis.

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

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

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

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

There are currently no formal evaluations of the Board. Therefore, the Group and the Company comply only partly with this principle.

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

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

The Company has currently 4 employees (including the directors). The Board seeks to ensure that all of its employees are aware of its ethical values communicating on a personal basis with its employees and encourages the adoption of these values through the appraisal and recruitment process.

The Group and the Company comply with this principle.

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

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

- The Board of Directors is responsible for approving Company policy and strategy. The Board meets regularly throughout the year. To enable the Board to perform its duties, each director has access to advice from the Company Secretary and independent professionals at the Company's expense.
- The Board currently comprises an Executive Director and a Non-Executive Director. Under the QCA Code a further Non-Executive Director is required to be compliant with the said code. A further Non-Executive Director is being sought.
- Biographical details of the Board of Directors can be obtained in www.rurelec.com/about-us/board-of-directors-and-senior-management.
- All matters are reserved for the Board although the Board has chosen to delegate some of them to the Audit, Remuneration and Nominations Committees which will issue advice to the Board on those matters. Some of the matters reserved for the Board include:
    - o Reviewing, approving and guiding group strategy, annual budgets and business plans; setting performance objectives; monitoring and implementing corporate performance; and overseeing major capital expenditures and disposals;
    - o Monitoring the effectiveness of the Company's governance arrangements and practices, making changes as needed to ensure the Company's governance framework complies with current best practices in accordance with the size of the Company;

- o Monitoring and managing potential conflicts of interest that may arise with Board members, shareholders and external advisers;
- o Overseeing the process of external disclosure and communications.
- The Board is also responsible for all other matters which are considered to be of importance to the Group as a whole because of strategic, financial or reputational implications or consequences.
- The Board has established audit, remuneration and nominations committees however owing to the size of the board at the current time, all matters are dealt with by the board. Details of these committees are set out in Principle 5 above.
- The Board has not used external consultants in the appointment of Directors.
- All Directors are subject to re-election by shareholders in accordance with the Company's Articles of Association.
- There are no plans to change the current governance framework.
- The role of the Chair, which is currently undertaken by the Independent Non-Executive Director includes:
  - o to take the chair at general meetings and Board meetings;
  - o providing leadership to the Board;
  - o ensuring proper information for the Board;
  - o planning and conducting Board meetings effectively;
  - o getting all directors involved in the Board's work;
  - o ensuring the Board focuses on its key tasks
  - o determination of the order of the agenda;
  - o ensuring that the Board receives accurate, timely and clear information;
  - o keeping track of the contribution of individual directors and ensuring that they are all involved in discussions and decision-making;
  - o to ensure effective communication with shareholders and, where appropriate, the stakeholders.

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

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

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

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

Maria J. Bravo Quiterio
Company Secretary
30 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RURELEC PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Rurelec Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1c that explains that following the sale of its joint venture interest post year-end, the Group and Parent Company have no trading activities and the Parent Company is classified as a cash shell under AIM 15 regulations, and that the Directors are seeking a suitable acquisition within the required timeframe to maintain the Parent Company's listing on AIM.

As stated in note 1c to the financial statements, these events or conditions, along with other matters as set out in note 1c to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

We considered going concern to be a Key Audit Matter because of the significance of this issue. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Group and Parent Company's financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included the following procedures:

- Reviewing the reasonableness of the Directors' budget and cash flow forecasts prepared for a period of at least 12 months from the date of approval of the financial statements;
- Checking the mathematical accuracy of the budgets and forecasts;
- Obtaining support for the Directors' assumptions used in the forecast, including assumptions for cash receipts relating to asset disposal under the severe but plausible downside scenario;
- Reviewing the reasonableness of the Directors' stress tests performed on the forecasts based on receiving no further funding and considering the impact on the Group's going concern;
- Reviewing the executed Share Purchase Agreement of its interest in joint venture (Patagonia Energy Ltd) and Electrica del Sur S.A. to confirm the sale value, validity, and any conditions precedent;
- Confirming the actual cash payments of the joint venture sale agreement by agreeing it to the post year-end bank statement;
- Inquiring of those charged with governance and reviewing underlying documents to validate their search for potential suitable targets;
- Reviewing board meeting minutes during the year and post year end to identify any other issues that may indicate inability of the Group to continue as a going concern; and
- Reviewing the adequacy of the disclosures in the financial statements against the requirements of accounting standards and consistency of the disclosures against the Directors' assessment of going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RURELEC PLC

Overview

Coverage	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	1. Going concern	x	x
	2. Valuation of turbine assets	x	x
	3. Valuation of investments and recoverability of intercompany loans, including loans to joint venture		x
	Valuation of investments and recoverability of intercompany loans, including loans to joint venture is no longer considered to be a key audit matter because the investment in joint venture was classified as held for sale and disposed subsequent to year end and the carrying value was impaired as at 31 December 2022 to reflect the recoverable amount.		
Materiality	Group financial statements as a whole £305,000 (2021: £351,000) based on 3% (2021: 3%) of net assets.		

An overview of the scope of our audit

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

Our Group audit focused on the parent company which gave us sufficient coverage over the Group's total assets and profits before tax while considering the appropriateness of coverage over the audit risks identified. In establishing our overall approach to the Group audit, we determined the type of audit procedures that needed to be performed in respect of each component. The only significant component was the Parent company, and the Group audit team undertook a full scope audit of the parent company.

Non-significant components were subject to either specified audit procedures over large or higher risk balances and group level analytical procedures. The Group audit team completed the procedures on non-significant components.

These specified procedures, together with our detailed review of procedures performed by component auditor, provided us the evidence that we need for our opinion on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section of our report, we have determined the matter below to be the key audit matter to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of turbine assets Note 12 and 13 ***Accounting policy 2.8 and 2.9*** The Group owns two Siemens turbines. At the year end the Directors obtained independent valuations from a third party to assess the carrying value of these assets. Given the complexity of the valuation involved, the carrying value of the turbine assets was considered to be a key area of focus for our audit. As at 31 December 2022, these assets are classified as held for sale.	Our audit procedures over valuation of turbine assets included the following: • Performed physical inspection of the assets to verify the existence of the assets, their storage and present condition, to identify any indicators of impairment; • Reviewed the valuation report prepared by the Directors' independent expert, assessing the conclusions reached and the underlying assumptions used; • Confirmed the Directors' expert's independence, competence and objectivity by reviewing their qualifications, work experience and terms of engagement; • Reviewed the expressions of interest of external parties, provided by management, to assess reasonableness and legitimacy of these valuations, and checked that the value of the assets is recoverable through potential sale; • Reviewed insurance documentation to check appropriate risk coverage is in place; and • Confirmed with the title owners that the there are no objections to transfer the turbine assets to external buyers. **Key observations:** We considered that the judgements and estimates made by management in determining the value and classification of turbine assets were appropriate.

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2022 £	2021 £	2022 £	2021 £
Materiality	305,000	351,000	274,000	346,000
Basis for determining materiality	3% of Net assets		Materiality was capped at 90% of Group materiality	3% of Net assets
Rationale for the benchmark applied	The Group's activities of investing in power assets are focused on the realisation of asset sales, therefore net assets was considered to be the most appropriate benchmark.		As the Company's key assets are classified as held of sale, we have capped a percentage of Group materiality to respond to aggregation risk.	We considered net assets to be the most appropriate benchmark as the primary focus of the users of the financial statements are on capital growth.
Performance materiality	183,000	211,000	164,000	208,000

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RURELEC PLC

	Group financial statements		Parent company financial statements	
	2022 £	2021 £	2022 £	2021 £
Basis for determining performance materiality	We set performance materiality at 60% (2021: 60%) of overall materiality.			
Rationale for the percentage applied for performance materiality	In reaching our conclusion on the level of performance materiality to be applied for 2022 we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's internal controls and management's attitude towards proposed adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group. The Group's only component is the Parent Company whose materiality is set out above.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £9,000 (2021: £8,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be UK-adopted international accounting standards, UK tax legislation, AIM Listing Rules, and the Companies Act 2006.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Reviewed estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias.

Based on our risk assessment, we considered the areas most susceptible to fraud to be exertion of bias in accounting estimates and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Challenging the assumptions and judgements made by management in their significant accounting estimate related to the valuation of turbines by performing the procedures as set out in the Key Audit Matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RURELEC PLC

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rida Rahmani
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

30 June 2023

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	YEAR ENDED 31.12.2022 £'000	RESTATED YEAR ENDED 31.12.2021 £'000
Revenue	4	–	–
Gross Profit		–	–
Administrative Expenses	6	(998)	(967)
Other Income	8b	25	352
Impairment Charges	8b	(1,924)	(1,469)
Operating Loss		**(2,897)**	**(2,084)**
Share of Joint Venture Profit/(Loss)	22	–	–
Net foreign Exchange Gains/(Loss)	8a	661	(259)
Finance Income	9	–	491
Finance Expense	9	–	(1,827)
Profit /(Loss) before Tax		**(2,236)**	**(3,679)**
Tax Expense	10	–	–
Loss for the year attributable to owners of the Company		**(2,236)**	**(3,679)**
Earnings per Share – in pence	11		
Basic Loss per Share		**(0.39)**	**(0.65)**
Diluted Loss per Share		**(0.39)**	**(0.65)**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Loss for the year	**(2,236)**	**(3,634)**
Other Comprehensive Income for the year:		
Items that will be subsequently reclassified to income statement:		
Exchange Differences on Translation of Foreign Operations	(122)	285
Total Other Comprehensive Income	**(122)**	**285**
Loss for the year attributable to owners of the Company	**(2,358)**	**(3,349)**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTES	31.12.2022 £'000	RESTATED 31.12.2021 £'000	RESTATED 01.01.2021 £'000
Assets				
Non-current Assets				
Property, Plant and Equipment	12	–	7,808	8,220
Investment in Joint Venture	20,22	–	312	1,648
Trade and Other Receivables	14a	–	3,103	4,586
		–	**11,223**	**14,454**
Assets held for sale	13	**10,108**	**–**	**–**
Current Assets				
Trade and Other Receivables	14b	91	997	1,142
Cash and Cash Equivalents	16	449	745	668
		540	**1,742**	**1,810**
Total Assets		**10,648**	**12,965**	**16,264**
Equity and Liabilities				
Shareholders' Equity				
Share Capital	17	5,614	5,614	5,614
Foreign Currency translation Reserve		956	1,078	793
Retained Earnings/Losses		3,582	5,819	9,497
Total Equity attributable to owners of the Company		**10,152**	**12,511**	**15,904**
Current Liabilities				
Trade and Other Payables	18a	496	448	353
Current Tax Liabilities	19	–	6	7
Total Liabilities		**496**	**454**	**360**
Total Equity and Liabilities		**10,648**	**12,965**	**16,264**

The financial statements were approved by the Board of Directors on 30 June 2023 and were signed on its behalf by Andrew Coveney and Paul Shackleton.

Andrew Coveney **Paul Shackleton**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

COMPANY NUMBER: 4812855

	NOTES	31.12.2022 £'000	RESTATED 31.12.2021 £'000	RESTATED 01.01.2021 £'000
Assets				
Non-current Assets				
Investment in Joint Venture	20,22	–	312	1,648
Trade and Other Receivables	14a	–	3,104	4,586
		–	**3,416**	**6,234**
Assets held for sale	13	**10,108**	**–**	**–**
Current Assets				
Inventories	15	–	7,773	7,773
Trade and Other Receivables	14b	89	825	1,397
Cash and Cash Equivalents	16	446	743	667
		535	**9,341**	**9,837**
Total Assets		**10,643**	**12,757**	**16,071**
Equity and Liabilities				
Shareholders' Equity				
Share Capital	17	5,614	5,614	5,614
Retained Earnings/Losses		4,545	6,727	10,003
Total Equity		**10,159**	**12,341**	**15,617**
Current Liabilities				
Trade and Other Payables	18a	484	410	447
Current Tax Liabilities	19	–	6	7
Total Liabilities		**484**	**416**	**454**
Total Equity and Liabilities		**10,643**	**12,757**	**16,071**

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £2.2 million (2021: loss £3.2 million).

The financial statements were approved by the Board of Directors on 30 June 2023 and were signed on its behalf by Andrew Coveney and Paul Shackleton.

Andrew Coveney **Paul Shackleton**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Cash Flows from Operating Activities			
Cash used in Operations	21	(912)	(991)
Net Cash used in Operating Activities		**(912)**	**(991)**
Cash Flows from Investing Activities			
Net proceeds from Sale of Turbine		–	721
Loan Repayments from Joint Venture Company		599	347
Net Cash generated from Investing Activities		599	1,068
Net Cash (Outflow)/Inflow before Financing Activities		**(313)**	**77**
(Decrease)/Increase in Cash and Cash Equivalents		**(313)**	**77**
Cash and Cash Equivalents at the Start of the year		745	668
Exchange gains on cash and cash equivalents		17	–
Cash and Cash Equivalents at the End of the year		**449**	**745**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Cash Flows from Operating Activities			
Cash used in Operations	21	(898)	(909)
Net Cash used in Operating Activities		**(898)**	**(909)**
Cash Flows from Investing Activities			
Investment in and Loans to Subsidiaries		–	(83)
Loan repayments from Subsidiaries		–	721
Loan Repayments from Joint Venture Company		599	347
Net Cash generated from Investing Activities		**599**	**985**
Net Cash (Outflow)/Inflow before Financing Activities		**(299)**	**76**
(Decrease)/Increase in Cash and Cash Equivalents		**(299)**	**76**
Cash and Cash Equivalents at the Start of the year		743	667
Exchange gains on cash and cash equivalents		17	
Cash and Cash Equivalents at the End of the year		**446**	**743**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	SHARE CAPITAL £'000	FOREIGN CURRENCY TRANSLATION RESERVE £'000	RETAINED LOSSES/ EARNINGS £'000	**TOTAL £'000**
Balance at 01.01.2021	**5,614**	**793**	**8,648**	**15,055**
Correction of prior period errors (note 28)			849	**849**
Balance at 01.01.2021 - as restated	**5,614**	**793**	**9,497**	**15,904**
Loss for the year attributable to owners of the parent - as restated	–	–	(3,679)	**(3,679)**
Exchange Differences	–	285	–	**285**
Total Comprehensive Loss - as restated	–	285	(3,679)	**(3,394)**
Balance at 31.12.2021- as restated	**5,614**	**1,078**	**5,818**	**12,510**
Balance at 01.01.2022- as restated	**5,614**	**1,078**	**5,818**	**12,510**
Loss for the year attributable to owners of the parent	–	–	(2,236)	**(2,236)**
Exchange Differences	–	(122)	–	**(122)**
Total Comprehensive Loss	**–**	**(122)**	**(2,236)**	**(2,358)**
Balance at 31.12.2022	**5,614**	**956**	**3,582**	**10,152**

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	ACCUMULATED LOSSES £'000	SPECIAL NON-DISTRIBUTABLE RESERVE £'000	TOTAL £'000
Balance at 01.01.2021	**5,614**	**–**	**9,153**	**–**	**14,767**
Correction of prior period errors (note 28)			849		**849**
Balance at 01.01.2021 - as restated	**5,614**	**–**	**10,002**	**–**	**15,616**
Loss for the year	**–**	**–**	**(3,276)**	**–**	**(3,276)**
Total Comprehensive Loss	–	–	(3,276)	–	**(3,276)**
Balance at 31.12.2021 - as restated	**5,614**	**–**	**6,726**	**–**	**12,340**
Balance at 01.01.2022 - as restated	**5,614**	**–**	**6,726**	**–**	**12,340**
Loss for the year	–	–	(2,181)	–	**(2,181)**
Total Comprehensive Loss	**–**	**–**	**(2,181)**	**–**	**(2,181)**
Balance at 31.12.2022	**5,614**	**–**	**4,545**	**–**	**10,159**
Notes:	**17**				

The notes on pages 29 to 51 form an integral part of these Consolidated Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION, BASIS OF PREPARATION AND NEW ACCOUNTING STANDARDS

1a. General information

Rurelec PLC is the Group's ultimate parent company ("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 Group ("Group") consists of Rurelec PLC and all of its subsidiaries as listed in note 20. The nature of the Group's operations and its principal activities are the generation of electricity in South America. Following the disposal of Rurelec's Argentinean Joint Venture interests in May 2023 the Company is an AIM 15 cash shell.

1b. Basis of preparation

The Company and the consolidated financial statements have been prepared in accordance with UK adopted international accounting standards, in conformity with the requirements of the Companies Act 2006.

The principal accounting policies adopted in the preparation of the Company and the consolidated financial statements financial statements are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Company and the consolidated financial statements are presented in Pound Sterling which is also the functional currency of the Company and the Group. The other functional currencies of the Group entities are Chilean Pesos and United States Dollars.

Amounts are rounded to the nearest thousand, unless otherwise stated.

Basis of measurement

The Company and the consolidated financial statements have been prepared on a historical cost basis.

1c. Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. In assessing the going concern position of the Group and Company, the Directors have taken into account the uncertainties, cash flows, and ability to find a target for reverse acquisition. All scenarios discussed below, represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern. These scenarios are also discussed in the strategic and directors report of the annual report. The Directors have reviewed financial projections and strategy to 30 June 2024, and have considered projections for both the base and the severe but plausible downside sensitivity scenario.

The potential scenarios which could lead to the Group and Company not being a going concern are considered to be:

a. Reverse merger

Following the disposal of the Argentinean JV interest, the Company is deemed to be an AIM Rule 15 cash shell. The consequences of this are that before 11 December 2023, being six months after cash shell status, the Company must make an acquisition or acquisitions which constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies otherwise it's ordinary shares will be suspended from trading on AIM. Furthermore, if a qualifying acquisition is not completed by 12 June 2024, the admission of the Company's ordinary shares to trading on AIM will be cancelled. The Directors are seeking a suitable reverse acquisition in order to maintain the admission of the Company's shares to AIM before 11 December 2023 and to support the going concern of the company by transferring the business of the acquiror into the Company.

The Directors have concluded that the conditionality of finding a suitable reverse acquisition in six months represents a material uncertainty which may cast significant doubt on the group's and parent company's ability to continue as a going concern as an AIM listed company. While the Directors have a preference and priority to maintain the listing on AIM, they will consider alternative proposals including those where the listing is cancelled.

Turbines

The company will continue to explore potential buyers for the 701 DU 125MW turbines ("turbines"). Further updates on this initiative will be made as appropriate.

b. Liquidity

At the date of the signing of the financial statements, having taken account of current cash balance of £2.3 million out of which £1.2 million are reserved for declared dividends, and the cash forecasts where outgoings are now reduced, the Directors believe, bearing in mind the reduced outgoings of the Group, there is currently sufficient headroom in existing working capital facilities to avoid the need to seek further sources of working capital. The base case forecast model was further adjusted to establish at what point additional funding is required without further mitigating actions. In the Directors assessment this is unlikely to happen in next 12 months.

As at 31 December 2022, turbines are classified as held for sale and an active programme to locate a potential buyer has been initiated. The turbines were purchased from IPSA in 2013 and IPSA retain their title but have no beneficial interest in them. The assets are available for immediate sale in their present condition at a price that is reasonable in relation to its current fair value. The Directors are confident that the sale is highly probable within 12 months from the reporting period.

Whilst the directors have instituted measures to preserve cash and find buyers for turbines to generate cash inflow, these circumstances create material uncertainties to continue in operational existence for the foreseeable future.

The directors have prepared budgets and forecasts, and performed stress tests thereon, for a period of at least 12 months from the date of signing of the financial statements to assess the Group and Company's ability to continue as a going concern. Beyond the 12-month period, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1d. New accounting standards

The Directors consider that no revisions to IFRS standards implemented in the year have had any significant effect on these statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement (IFRS11). Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's investment in that joint venture are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill, if any is included within the carrying amount of the investment and is assessed annually for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable `assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as a profit or loss.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealised gains on transactions between the Group and subsidiary entities are eliminated. Amounts reported in the financial statements of subsidiary and joint venture entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. This method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired company, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the entity prior to acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Investments in subsidiaries are stated at cost less impairment in the statement of financial position of the Company.

2.2 Equity Accounted Joint Ventures

The Group reports its interests in joint ventures using the equity method of accounting, except when the investment is classified as held for sale.

2.3 Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is stated after separating out identifiable assets and liabilities. Goodwill is carried at cost less accumulated impairment losses.

Any excess of interest in acquired assets, liabilities and contingent liabilities over fair value is recognised immediately after acquisition through the income statement.

2.4 Foreign Currency Translation

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

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

In the consolidated financial statements, all separate financial statements of subsidiaries and joint ventures, originally presented in a currency different from the Group's presentation currency, have been converted into sterling. Assets and liabilities have been translated into pound sterling at the closing rate at the reporting date. Income and expenses have been converted into pound sterling at the average rates over the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated in equity within the foreign exchange reserve. 2022 marks the sixth year of inflation accounting adjustments in Argentina. It is the Directors' judgement that the Argentine GAAP hyperinflation adjustments to the accounts of the Group's Joint Venture operations in Argentina give an approximate fair value of these operations. There are no material differences arising from Argentine GAAP inflationary accounting and IAS 29.

Non-monetary assets are valued at historic rates.

2.5 Expense recognition

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

2.6 Dividends

Dividends, other than those from investments in associates and joint ventures, are recognised at the time the right to receive payment is established. No dividends were paid or received during the year (2021: £nil).

2.7 Borrowing Costs

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

2.8 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction.

All operational buildings and plant and equipment in the course of construction are recorded as plant under construction until such time as they are brought into use by the Group. Plant under construction includes all direct expenditure and may include capitalised interest in accordance with the accounting policy on that subject. On completion, such assets are transferred to the appropriate asset category.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations and overhauls is included in the carrying amount of the assets where it is probable that the economic life of the asset is significantly enhanced as a consequence of the work. Major renovations and overhauls are depreciated over the expected remaining useful life of the work.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment other than freehold land which is not depreciated by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

- Plant and equipment 3 to 15 years

Depreciation of an asset commences when it is available for use, i.e. when it is in location and condition necessary for it to be capable of operating in the manner intended by management. Material residual values are updated as required, but at least annually. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.9 Impairment of Tangible and Intangible Assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement. The Group recognises a cash-generating unit by its ability to independently earn income. The Group carries each cash-generating unit in an individual special purpose company, so they are easily recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

2.10 Taxation

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement or through the statement of changes in equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised in respect of non-tax-deductible goodwill. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantially enacted at the reporting date.

Deferred tax is provided on differences between the fair value of assets and liabilities acquired in an acquisition and the carrying value of the assets and liabilities of the acquired entity and on the differences relating to investments in subsidiary and joint venture companies if the difference is a temporary difference and is expected to reverse in the foreseeable future.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are accounted for through other comprehensive income or charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity, or other comprehensive income.

2.11 Financial Assets

The Group's financial assets include cash and cash equivalents, loans and receivables, held at amortised cost.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. These are assets held on a 'hold to collect' basis. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Receivables are measured initially at fair value and subsequently remeasured to test for impairment, the carrying value is less provision for impairment. Any impairment is recognised in the income statement.

2.12 Financial Liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Bank and other loans are raised for support of short-term funding of the Group's operations. They are recognised initially at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.13 Short term leases

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

2.14 Inventories

Inventories in the Company comprise turbines and associated spare parts and similar items for use in the Group's plant and equipment. Inventories are carried at the lower of cost and net realisable value. These inventories were transferred to Assets Held for Sale on 31 December 2022, please see notes 12 and 13 for further details.

2.15 Shareholders' Equity

Equity attributable to the shareholders of the parent company comprises the following:

"Share capital" represents the nominal value of equity shares.

"Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.

"Retained Losses/Earnings" represents losses/earnings to date, after prior years transfers from 'Share. Capital' and Share premium account'.

2.16 Pensions

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

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

During the year under review, the Company continued its contributions to the contribution plan NEST Pension scheme.

2.17 Segment Reporting

In identifying its operating segments, management follows the Group's geographic locations and are reported in a manner consistent with the Chief Operating Decision Maker. The activities undertaken by segments are the development of generation assets and generation of electricity in their country of incorporation within South America.

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

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

2.18 Non-current assets held for sale and discontinued operations

The Group and Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

3. KEY ASSUMPTIONS AND ESTIMATES

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

Impairment – management review tangible and intangible assets, including intra group and Joint Venture loans, at each balance sheet date to determine whether there is, in their judgement, any indication that those assets have suffered an impairment loss. The key assumption used in the plant and equipment's annual impairment assessment is estimating the residual value of the assets. Based on the market demand, the directors apply judgement to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The sale of these units is dependent on a customer undertaking a suitable project as this size of older turbine are very rarely bought "for stock"- they would only be bought by a buyer with a specific project in mind in an appropriate territory where such turbines are permitted to operate. Hence the exact timing of a future sale remains uncertain, and this introduces a natural unpredictability to the timing and value of receipts from such sales.

Income – the Group is reliant on asset sales, a material uncertainty exists as to whether projected receipts will occur.

Expected Credit Losses – judgements used to assess the ECL's for the current year included the macroeconomic factors which includes inflation forecasts and foreign exchange controls.

4. SEGMENT ANALYSIS

Management currently identifies the Group's two geographic operating segments; Chile, and the head office in the UK, as operating segments as further described in the accounting policy note. These operating segments are monitored, and strategic decisions are made on the basis of segment operating results. The Group's joint venture operations in Argentina have been excluded, see note 22 for more detail.

The following tables provide an analysis of the operating results, total assets and liabilities, in 2022 and 2021 for each geographic segment.

a) 12 months to 31.12.2022	CHILE £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Administrative Expenses	(43)	(955)	–	**(998)**
Loss from Operations	**(43)**	**(955)**	**–**	(998)
Other Income	–	25	–	**25**
Other Expense	(245)	(2,571)	892	**(1,924)**
Foreign Exchange (Losses)/Gains	2	658	1	**661**
Finance Income	–	696	(696)	**–**
Finance Expense	(696)	–	696	**–**
Loss before Tax from Operations	**(982)**	**(2,147)**	**893**	(2,236)
Tax Expense	–	–	–	**–**
Total Loss	**(982)**	**(2,147)**	**893**	(2,236)
Total Assets	5	10,643	–	**10,648**
Total Liabilities	13,614	484	(13,602)	**496**

b) 12 months to 31.12.2021	CHILE £'000	UK £'000	CONSOLIDATION ADJUSTMENTS £'000	TOTAL £'000
Administrative Expenses	(123)	(844)	–	**(967)**
Loss from Operations	**(123)**	**(844)**	**–**	(967)
Other Income	365	(13)	–	**352**
Other Expense	–	(1,469)	–	**(1,469)**
Foreign Exchange (Losses)/Gains	(324)	110	–	**(214)**
Finance Income	–	1,173	(682)	**491**
Finance Expense	(682)	(1,827)	682	**(1,827)**
Loss before Tax from Operations	**(764)**	**(2,870)**	**–**	(3,634)
Tax Expense	–	–	–	**–**
Total Loss	**(764)**	**(2,872)**	**–**	(3,634)
Total Assets	452	17,090	(5,382)	**12,160**
Total Liabilities	12,966	462	(12,974)	**454**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5. EXCHANGE RATE SENSITIVITY ANALYSIS

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

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
i) Closing rate		
US $ to £	1.20582	1.34894
CLP (Chilean Peso) to £	1,032.0	1,139.4
ii) Average rate		
US $ to £	1.2319	1.35751
CLP (Chilean Peso) to £	1,068.1	1,050.8

If the exchange rate of sterling at 31 December 2022 had been stronger or weaker by 10 per cent. from the above, with all other variables held constant, shareholder equity at 31 December 2022 would have been £1.1 million (2021: £1.2 million) lower or higher than reported.

If the average exchange rate of sterling during 2022 had been stronger or weaker by 10 per cent. with all other variables held constant, the effect on the loss for the year would have been £1.1 million (2021: £1.2 million) higher or lower than reported.

If the average exchange rate of sterling during 2022 had been stronger or weaker by 10 per cent. with all other variables held constant, the effect on the total other comprehensive loss for the year would have been £1.1 million (2021: £1.1 million) higher or lower than reported.

6. ADMINISTRATIVE EXPENSES

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and Social Security	373	397
Services, Legal and Professional	299	213
Office Costs and General Overheads	216	269
Audit Costs[1]	110	88
Total	**998**	**967**

[1] Audit services include £110k (2021: £88k) paid to the auditors for the audit of the Company, Group's UK subsidiaries and Group's financial statements.. The group auditors also provided taxation services for the Group in the year, the costs were £22k (2021: £15k).

7. EMPLOYEE COSTS

a) Group	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Aggregate remuneration of all employees and Directors	348	372
Social Security Costs	16	17
Pension Costs	8	8
Total	**372**	**397**

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

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
Management	2	3
Administration and development	3	3
Total	**5**	**6**

b) Company	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Aggregate remuneration of all employees and Directors	332	357
Social Security Costs	14	15
Pension Costs	8	8
Total	**354**	**380**

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

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
Management	2	3
Administration and development	2	2
Total	**4**	**5**

c) Directors' remuneration

The total remuneration paid to the Directors was £206k (2021: £246k). The total remuneration of the highest paid Director was £176k (2021: £145k). There were no health insurance costs, bonuses, pension costs or share based payments paid during the year (2021: £nil).

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
	Base Salary/Fee	Total	Total
B Rowbotham	–	–	9
S Morris	–	–	79
A Coveney	176	176	145
P Shackleton	30	30	13
Total	**206**	**206**	**246**

B Rowbotham has been on payroll in 2020 and 2021 until his resignation on 13 April 2021.

S Morris provided services under a service agreement contract with SC Morris Ltd and received £26.4k via payroll in the prior year. Simon resigned on 17 August 2021.

A Coveney provided services under a service agreement contract with Coveney Associates Consulting Ltd and received £30k via payroll (2021: £30k).

8. a) FOREIGN EXCHANGE

	YEAR ENDED 31.12.2022 £'000	RESTATED YEAR ENDED 31.12.2021 £'000
Foreign Exchange gains/(losses)	661	(259)
Total	**661**	**(259)**

Foreign currency-based assets are translated at the relevant year end rates.

b) OTHER INCOME/IMPAIRMENT CHARGES

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Other Income		
Net profit on disposal of Chile turbine (note 12)	–	330
Director's fees due from EdS	25	22
Total	**25**	**352**

Impairment Charges		
Impairment on investment in Joint Venture (note 13)	–	1,336
Impairment of amounts due from joint venture (note 14)	1,679	–
Impairment of Chile Transformer (note 12)	35	–
Impairment of Chile performance bonds (note 14)	210	–
Provision for closure costs relating to investment in SEA Energy S.A.	–	133
Total	**1,924**	**1,469**

9. FINANCE INCOME & EXPENSE

Finance Income	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Reversal of 2021 Expected Credit Losses	–	491
Other Interest Received	–	–
	–	491

Finance Expense		
Charge for 2022 Expected Credit Losses[1]	–	1,827
Other interest payable	–	–
	–	1,827

[1] Expected credit losses were charged in the prior year as the Amended Loan Notes repayments were projected to be received over a longer period of time, with final repayment in 2034. These loans were classified as held for sale and received cash in June 2023.

10. TAX EXPENSE

The relationship between the expected tax expense at basic rate of 19 per cent. (2021: 19 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Result for the year before tax	(2,208)	(3,634)
Standard rate of Corporation Tax in UK	19%	19%
Expected Tax Credit	(420)	(690)
Tax effect not deductible in determining taxable profits	(39)	94
Unrecognised Loss carried forward	(385)	675
Actual Tax Expense	**–**	**–**
Comprising:		
Current Tax Expense	–	–
Deferred Tax/(Net Credit)	–	–
Total Credit (Expense)	**–**	**–**

The estimated accumulated unrecognised deferred tax asset is £3.1 million (2021: £2.8 million), based on cumulative tax losses of £16.9 million (2021: £14.9 million). A deferred tax asset is not recognised as an asset due to the uncertainty and unknown timing of its realisation against future profits.

11. EARNING PER SHARE

Basic loss per share is calculated by dividing the loss for the period attributable to shareholders by the weighted average number of shares in issue during the period.

	YEAR ENDED 31.12.2022	YEAR ENDED 31.12.2021
Average number of shares in issue	561,387,586	561,387,586
Result for the year		
Total Loss attributable to equity holders of the parent	£2.2m	£3.7m
Basic Loss per share	0.39p	0.65p
Diluted Loss per share	0.39p	0.65p

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

12. PROPERTY PLANT AND EQUIPMENT

	PLANT AND EQUIPMENT £'000	PLANT UNDER CONSTRUCTION £'000	TOTAL £'000
a) Group			
Cost at 01.01.2021 (restated)	**16,195**	**2,030**	**18,225**
Exchange Adjustments (restated)	–	18	**18**
Disposal	–	(1,677)	**(1,677)**
Cost at 31.12.2021 (restated)	**16,195**	**371**	**16,566**
Exchange Adjustments	–	44	**44**
Disposal	–	–	**–**
Transfer to Assets Held for Sale (note 13)	**(16,195)**	**–**	**(16,195)**
Cost at 31.12.2022	**–**	**415**	**415**
Accumulated Depreciation and Impairment at 1.1.2021 (restated)	**8,423**	**1,582**	**10,005**
Exchange Adjustments (restated)	–	9	**9**
Charge for the year	–	–	**–**
Charge for impairment for the year	–	–	**–**
Disposal	–	–	**–**
Accumulated Depreciation and Impairment at 31.12.2021 (restated)	**8,423**	**336**	**8,759**
Exchange Adjustments	–	44	**44**
Charge for impairment for the year	–	35	**35**
Transfer to Assets Held for Sale (note 13)	**(8,423)**	**–**	**(8,423)**
Accumulated Depreciation and Impairment at 31.12.2022	**–**	**415**	**415**
Net Book Value – 31.12.2021	**7,773**	**35**	**7,808**
Net Book Value – 31.12.2022	**–**	**–**	**–**
NBV transferred to HFS	**7,773**		

The plant and equipment (2021: £7.8 million) relates to two Siemens turbines, stored in Venice for use in the Central Illapa project purchased from IPSA for US $25.0 million. IPSA retains the title but has no beneficial interest in the turbines. The turbines were transferred to Assets Held for Sale on 31 December 2022; see note 13 for further details. Plant under construction comprised a transformer in Chile which is impaired during year. The turbine plant in Chile £nil (2021: £nil) was sold in the prior year as announced on 09 September 2021, and all proceeds were received before the year end, with the profit on disposal, shown in Other Income, was £0.3 million.

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

13. ASSETS HELD FOR SALE

The following assets have been transferred to assets held for sale:

a) Joint Venture – Argentinian interests

Investment (note 20)	£312k
Receivable (note 14)	£2,023k
Total	**£2,335k**

Patagonia Energy Ltd ("PEL") is the joint venture company which owns Energia del Sur, S.A ("EdS") based in Argentina and in which Rurelec has a 50 per cent. Share. The above are the Group's and Company investment and receivable in PEL. The sale was completed on 16 May 2023, the initial proceeds of £2.4 million were received on 09 June 2023. The sale included two conditional deferred payments of $1 million due in 2024 and 2025. Immediately before the classification as held for sale, the recoverable amount was estimated for JV investment and receivable from PEL and an impairment has occurred (note 14).

b) Plant & Equipment (Company: Inventories) £ 7,773k

Two Siemens Westinghouse 701 128 MW gas turbine generators ("701s") are expected to be sold in the next 12 months. There was interest from various parties in 2022, but as yet no sale has concluded. Subsequent to year end discussions remain ongoing with regard to the disposal. The carrying value has been tested for impairment and the directors consider that no impairment has occurred as the carrying amount of the asset did not fall below its fair value less costs to sell.

As at 31 December 2022, asset held for sale for both Group and Company is £10,108k.

14. TRADE AND OTHER RECEIVABLES

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
a) Group – non-current		
Amounts due from Joint Venture Companies[1]	–	3,103
b) Group – current		
Amounts due from Joint Venture Companies[1]		714
Tax Receivable – VAT	10	4
Other Receivables and Prepayments[3]	81	279
	91	**997**

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
a) Company – non-current		
Amounts due from Joint Venture Companies[1]	–	3,103
b) Company – current		
Amounts due from Joint Venture Companies[1]	–	714
Tax Receivable – VAT	9	4
Amounts due from subsidiary undertakings[2]	–	–
Other Receivables and Prepayments[3]	80	107
	89	**825**

[1] Amounts due from joint venture companies represent the amounts lent by the Company, net of impairments, to PEL. These loans were replaced in 2019 with Amended Loan Notes, as previously announced on 19 November 2019. The carrying value of the loans is based on the replacement Amended Loan Notes, gross value at 31 December 2022 of £ 11.1million (2021: £10.5 million). Movement is due to exchange adjustments. These notes bear zero interest and have

a long stop maturity of 31 December 2039. Carrying values have been determined by discounting the predicted future repayments at a rate of 9 per cent. pa, it is anticipated that the notes will be fully repaid in 2034. The notes are held in the Statement of Financial Position at their discounted value. The loans were transferred to assets held for sale on 31 December 2022, please see note 13 for further details. Prior to held of sale classification, the directors tested for impairment and recorded adjustment for £1.7 million. In prior year impairment of £1.8 million was recorded. The first £0.5 million repayment was received in December 2019, in 2020: £1.8 million and in 2021 £0.3 million were received, one repayment of £0.6 million has been received in 2022.

[2] Receivable balance from Cochrane Power Limited of £11.4 million (2021: £11.4 million) repayable on demand with nil per cent interest. These loans have been impaired to £nil (2021: £nil) in Cochrane Power Limited, the UK holding company for assets in Chile. Other loans of £1.4 million (2021: £.1.4 million) related to subsidiaries of Cochrane Power Limited where the rights have been assigned to Company. None of the entities are trading. The Directors performed assessment and these loans have been impaired to £nil (2021: £nil). As per subsequent events note 27 it was decided that activities in Chile would be regarded as discontinued operations. No interest income recognised as income is not probable.

[3] During the year Chile performance bonds were impaired due to uncertainty over their recoverability as the project will not be completed.

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

15. INVENTORIES

Company - Inventories	YEAR ENDED 31.12.2022 £'000	RESTATED YEAR ENDED 31.12.2021 £'000
Inventories	–	7,773

Inventories comprised of two Siemens 701DU turbines acquired from IPSA in June 2013. IPSA retains the title but has no beneficial interest in the turbines. Storage and insurance costs for the turbines in the year totalled £109k (2021: £105k). They were transferred to Assets Held for Sale on 31 December 2022, please see note 13 for further details.

16. CASH AND CASH EQUIVALENTS

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
a) Group – current		
Cash and short-term bank deposits	449	745
b) Company – current		
Cash and short-term bank deposits	446	743

Cash and short-term bank deposits are held, where the balance is material, in interest bearing bank accounts, accessible at between 1- and 30-days' notice. The effective average interest rate is less than 1 per cent per annum. The Group holds cash balances to meet its day-to-day requirements.

17. SHARE CAPITAL

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
In issue, authorised, called up and fully paid		
561,387,586 ordinary shares of 1p each	5,614	5,614

Ordinary shares have no redemption rights and are entitled to full rights to dividends and excess capital on winding up.

The issued share capital of the Company consists of 561,387,586 ordinary shares of £0.01 each.

18. TRADE AND OTHER PAYABLES

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
a) Group – current		
Trade Payables	130	97
Accruals	366	351
	496	**448**
b) Company – current		
Trade Payables	84	46
Amount due to subsidiary undertakings (note 25)	257	229
Accruals	142	135
	483	**410**

19. TAX LIABILITIES

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Group/Company - Current		
Other tax and social security	–	6
	–	**6**

20. INVESTMENTS

	PEL £'000	TOTAL £'000
Cost at 31.12.2021	11,652	**11,652**
Cost at 31.12.2022	**11,652**	**11,652**
Accumulated Impairment at 01.01.2021	(10,004)	**(10,004)**
Impairment in year	(1,336)	**(1,336)**
Accumulated Impairment at 31.12.2021	(11,130)	**(11,130)**
Accumulated Impairment at 31.12.2022	**(11,130)**	
Transfer to Assets Held for Sale (note 13)	**(312)**	(312)
Carrying Value at 31.12.2022	**–**	**–**
Carrying Value at 31.12.2021	312	**312**

The balance was transferred to Assets held for Sale on 31 December 2022, please see note 13 for further details. As announced on 12 June 2023 the asset was disposed of on 09 June 2023, please see note 28 Post Balance Sheet Events.

At the year end the Company held the following investments:

Direct investments:

1. 50 per cent. (2021: 50 per cent.) of the issued share capital of Patagonia Energy Limited ("PEL"), a company registered in the British Virgin Islands under registration number 620522. PEL owns 100 per cent. of the issued share capital of EdS, a company registered in Argentina. EdS is a generator and supplier of electricity to the national grid in Argentina. This investment was transferred to Assets Held for Sale on 31 December 2022. The asset was disposed off on 09 June 2023, please see note 27 Post Balance Sheet Events.

2. 100 per cent. (2021: 100 per cent.) of the issued share capital of Cochrane Power Limited, a company registered in England and Wales under registration number 8220905. Cochrane Power Limited owned at the year-end, through intermediate holding companies, 100 per cent. interest in Central Illapa, S.A. and 100 per cent. interest in Termoelectrica del Norte, S.A., both being companies registered in Chile.

3. 100 per cent. (2021: 100 per cent.) of the issued share capital of Rurelec Project Finance Limited a company registered in England and Wales under registration number 7523554. Rurelec Project Finance Limited owned at the year-end 95 per cent. interest in SEA Energy S.A.

4. 5 per cent. (2021: 5 per cent. of SEA Energy S.A. a company registered in Argentina under registration number CUIT 30-71022906-2.

Indirect investments:

NAME	TRADING ADDRESS/REGISTERED ADDRESS	INTEREST HELD
Energia del Sur, S.A.*	Arroyo 880, Piso 2 C10007AAB Ciudad Autónoma de Buenos Aires Argentina	50%
Electrica del Sur, S.A.*	Arroyo 880, Piso 2 C10007AAB Ciudad Autónoma de Buenos Aires Argentina	50%
SEA Energy, S.A.**	Arroyo 880, Piso 2 C10007AAB Ciudad Autónoma de Buenos Aires Argentina	95%
Rurelec Chile SpA***	c/o Guerrero Olivos Av. Vitacura 2939, Piso 8 Las Condes Santiago Chile	100%
Rurelec Chile Limitada***	c/o Guerrero Olivos Av. Vitacura 2939, Piso 8 Las Condes Santiago Chile	100%
Termoelectrica del Norte, S.A.***	c/o Guerrero Olivos Av. Vitacura 2939, Piso 8 Las Condes Santiago Chile	100%
Central Illapa, S.A.***	c/o Guerrero Olivos Av. Vitacura 2939, Piso 8 Las Condes Santiago Chile	100%

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

The results of all of the above directly and indirectly held subsidiaries have been included in the consolidated group accounts except where joint ventures are equity accounted as indicated.

21. PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
a) Group		
Loss for the year before tax	**(2,236)**	**(3,634)**
Net Finance Income	–	(491)
Net Finance Expense	–	1,827
Adjustments for:		
Foreign exchange (gains)/losses	(661)	214
Write down of investment	–	1,366
Impairment of amounts due from Joint Venture	1,679	–
Impairment of Chile transformer	35	–
Impairment of Chile performance bonds	210	–
Costs re investment in SEA Energy	–	134
Gain on disposal	–	(330)
Movement in Working Capital:		
Change in Trade and Other Receivables	19	(173)
Change in Trade and Other Payables	42	96
Cash Used in Operations	**(912)**	**(991)**

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
b) Company		
Loss for the year before tax	**(2,147)**	**(3,230)**
Net Finance Income	–	(1,173)
Net Finance Expense	–	1,827
Adjustments for:		
Foreign exchange gains	(160)	(108)
Write down of loans	–	492
Impairment of JV receivable	1,679	–
Write down of investment	–	1,336
Costs re investment in SEA Energy	–	134
Movement in working capital:		
Change in Trade and Other Receivables	(299)	(147)
Change in Trade and Other Payables	25	(38)
Cash Used in Operations	**(898)**	**(909)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

22. JOINT VENTURE

The Group's only joint arrangement within the scope of IFRS 11 is its 50 per cent. investment in Patagonia Energy Limited ("PEL"), which owns 100 per cent. of EdS, its operating asset in Argentina. Management has reviewed the classification of PEL in accordance with IFRS 11 and has concluded that it is a joint venture and therefore it has been accounted for using the equity accounting method as set out in IAS 28

As announced on 16 May 2023 a Sales and Purchase Agreement for the JV assets was signed, the sale was authorised at the General Meeting on 1 June 2023. As announced on 12 June 2023 the sale completed on 09 June and the Company received the initial US$3 million consideration on the same date.

The Joint Venture interest were transferred to Assets Held for Sale on 31 December 2022, in accordance with IFRS 5; please see note 13 for further details. A fair value adjustment on their initial recognition of £1.7 million was charged to Other Expense. Please see note 8b for further details.

The following table sets out the prior year's Group's 50 per cent. share of its interest in Patagonia Energy Limited ("PEL") the BVI registered joint venture holding company of EdS, its 100 per cent. owned Argentinian operating subsidiary. The Group did not participate in prior year profits of the joint venture, as they are exceeded by previous losses. Current year results are not disclosed as per IFRS 12 as the JV is now classified as Assets Held for Sale.

Group share of Joint Venture results and net assets	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Results		
Revenue	–	3,300
Operating Expenses - excluding foreign exchange losses	–	(2,175)
Foreign exchange losses	–	130
EBITDA	**–**	**1,255**
Depreciation	–	(1,047)
EBIT	**–**	**208**
Intragroup interest - credit re write back of prior year charge	–	2,478
Third party interest payable	–	(398)
Profit before tax	**–**	**2,288**
Tax	–	151
Profit after tax	**–**	**2,439**
Summary of Statement of Financial Position		
Non-current assets	–	10,871
Cash	–	1,419
Current trade and other receivables	–	918
Non-current liabilities	–	(17,100)
Current liabilities	–	(907)
Net assets/(liabilities)	**–**	**(4,798)**

23. FINANCIAL RISK MANAGEMENT

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

a) Foreign currency risk

The Group is exposed to translation and transaction foreign exchange risk. The Group's principal trading operations are based in South America and as a result the Group has exposure to currency exchange rate fluctuations in the principal currencies used in South America. The Group did not participate in prior year profits of the joint venture, as they are exceeded by previous losses. Current year results are not disclosed as per IFRS 12 as the JV is now classified as Assets Held for Sale. Refer to note 22. None of the group entities are trading in South America therefore the Directors are of the view that these accounts require no further adjustment related to hyperinflation.

The Group also had exposure to the US Dollar as a result of borrowings denominated in this currency.

b) Interest rate risk

Group funds are invested in short-term deposit accounts, with a maturity of less than three months, with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

c) Capital management policies and liquidity risk

The Group considers its capital to comprise its ordinary share capital, share premium, accumulated retained earnings and other reserves.

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company meets its capital needs primarily by equity financing. The Group sets the amount of capital it requires to fund the Group's project evaluation costs and administration expenses. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company and Group do not have any derivative instruments or hedging instruments. It has been determined that a sensitivity analysis will not be representative of the Company's and Group's position in relation to market risk and therefore no such analysis has been undertaken.

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

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
a) Group		
Current – due within 1 year:		
Trade Payables	130	97
Accruals	366	351
Tax Liabilities	–	6
Total due within 1 year:	**496**	**454**

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
b) Company		
Current – due within 1 year:		
Trade Payables	84	46
Accruals	142	135
Amount due to subsidiary undertakings (note 25)	257	229
Tax Liabilities	–	6
Total due within 1 year:	**483**	**416**

c) Credit risk

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

d) Fair values

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

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

31 DECEMBER 2022	COMPANY FINANCIAL ASSETS AT AMORTISED COST £'000	COMPANY BORROWINGS AND PAYABLES AT AMORTISED COST £'000	GROUP FINANCIAL ASSETS AT AMORTISED COST £'000	GROUP BORROWINGS AND PAYABLES AT AMORTISED COST £'000
Trade and Other Receivables > 1 year	–	–		–
Trade and Other Receivables < 1 year	90	–	91	–
Cash and Cash Equivalents	446	–	449	–
Trade and Other Payables < 1 year	–	(483)	–	(496)
Total	**536**	**(483)**	**540**	**(496)**

31 DECEMBER 2021	COMPANY FINANCIAL ASSETS AT AMORTISED COST £'000	COMPANY BORROWINGS AND PAYABLES AT AMORTISED COST £'000	GROUP FINANCIAL ASSETS AT AMORTISED COST £'000	GROUP BORROWINGS AND PAYABLES AT AMORTISED COST £'000
Trade and Other Receivables < 1 year	3,103	–	3,103	–
Trade and Other Receivables < 1 year	814	–	986	–
Cash and Cash Equivalents	743	–	745	–
Trade and Other Payables < 1 year	–	(416)	–	(454)
Total	**4,660**	**(416)**	**4,834**	**(454)**

24. SHORT TERM LEASE COMMITMENTS

Office premises

Office premises relates to the Company's offices. These are of low value, and less than one year £16k (2021: £16k).

25. RELATED PARTY TRANSACTIONS

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

a) Company

i) Paid salaries to directors, who are considered Key Management Personnel which amounted to £0.2 million (2021: £0.3 million).

	YEAR ENDED 31.12.2022 £'000 BASE SALARY/FEE	YEAR ENDED 31.12.2022 £'000 TOTAL	YEAR ENDED 31.12.2021 £'000 TOTAL
B Rowbotham	–	–	9
S Morris	–	–	79
A Coveney	177	177	145
P Shackleton	30	30	13
Total	**207**	**207**	**246**

B Rowbotham provided services under a service agreement contract with Mountbeach Associates Ltd until June 2017, since then he was on payroll. He resigned on 13 April 2021.

S Morris provided services of £54k under a service agreement contract with SC Morris Ltd. He resigned on 17 August 2021.

A Coveney provided services of £147k under a service agreement contract with Coveney Associates Consulting Ltd.

P Shackleton joined on 27 July 2021, and he is on payroll.

ii) Accrued interest on loans from its 100% subsidiary Rurelec Project Finance Ltd ("RPFL") totalling £nil (2020: £nil). The loan balance outstanding at the year-end due to RPFL was £0.3 million (2021: due £0.2 million).

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Year-end Creditor (note 18)	256	229
Interest credited/(charged)	–	–

iii) Received loan repayments of £599k from PEL (2021: £347k).

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Y/E Debtor	–	3,807
Repayment	599	367
Interest charged	–	–
Transfer to Assets Held for Sale (note 13)	2,023	–

iv) Provided loans and charged interest of 0.5% per month to its 100 per cent. subsidiary Cochrane Power Ltd. Net loans were £14k (2021: net repayment in the year £0.7 million (2020: loans of £0.2 million). The total outyear end at the year-end was £12.1 million (2020: £11.4 million). These loans have been impaired to £nil (2021: £ nil). As per subsequent events note 27 it was decided that activities in Chile would be regarded as discontinued operations. No interest income recognised as income is not probable.

	YEAR ENDED 31.12.2022 £'000	YEAR ENDED 31.12.2021 £'000
Y/E Debtor	–	–
(Repayment)/Further loans made	14	(638)
Assignment of loan to Rurelec plc.	–	(1,266)
Interest charged	–	682

26. CONTROL

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

27. POST BALANCE SHEET DATE EVENTS

As announced on 16 May 2022 the Company signed a Sales and Purchase Agreement for its Joint Venture interests in Argentina. A deposit of US$ 600k was paid to a solicitor's account. This with the remaining US$ 2.4 million initial payment was received on 09 June 2023. The Sales and Purchase Agreement included the possibility of two further payments of US$1 million which could be paid in 2024 and 2025, providing certain qualifying conditions are met. Under current market and Argentinean economic circumstances there can be no certainty that these conditions will be met, as a result of this these amounts have been excluded from this report.

At the General Meeting held on 1 June 2023 shareholders unanimously voted to approve the sale and a special dividend of 0.2 pence per share. The dividend will be paid on 14 July 2023 to shareholders on the register as at 23 June 2023. The associated ex-dividend date will be 22 June 2023.

At a Board meeting on 21 June 2023, it was decided that activities in Chile would be regarded as discontinued operations. All remaining assets have been fully impaired in these financial statements with a charge of £210k being recorded in Other Expense (2021: £nil).

There are no other significant subsequent events.

28. PRIOR PERIOD ADJUSTMENTS

The consolidated income statement, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity and company statement of changes in equity have been restated due to incorrect accounting treatment related to foreign exchange losses/ gains. The Group and Company recorded foreign exchange translation for non-monetary items held at cost which understated the property plant and equipment and inventories (company). The following corrections to prior periods were identified resulting in the changes set out below. An additional comparative Statement of Financial Position for group and company has been presented in order to demonstrate the impact to the opening position in the prior year.

Group Impact on the Statement of Profit or Loss and Other Comprehensive Income

EXTRACT	NOTES	YEAR ENDED 31.12.2021 £'000	ADJUSTMENTS £'000	RESTATED YEAR ENDED 31.12.2021 £'000
Net Foreign Exchange Losses		(214)	45	(259)
Loss before Tax		**(3,634)**	**45**	**(3,679)**
Tax Expense		–		
Loss for the year attributable to owners of the Company		**(3,634)**		**(3,679)**

Group Impact on the Statement of Financial Position

EXTRACT	REPORTED 01.01.2021 £'000	ADJUSTMENT £'000	ADJUSTED 01.01.2021 £'000	REPORTED 31.12.2021 £'000	ADJUSTMENT £'000	ADJUSTED 31.12.2021 £'000
Property, Plant and Equipment	7,371	849	8,220	7,003	805	7,808
Retained Earnings	8,648	849	9,497	5,014	805	5,819

Company Impact on the Statement of Financial Position

EXTRACT	REPORTED 01.01.2021 £'000	ADJUSTMENT £'000	ADJUSTED 01.01.2021 £'000	REPORTED 31.12.2021 £'000	ADJUSTMENT £'000	ADJUSTED 31.12.2021 £'000
Inventories	6,923	849	7,772	6,968	805	7,773
Retained Earnings	9,153	849	10,002	5,922	805	6,727

COMPANY INFORMATION

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

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M J. Bravo Quiterio

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