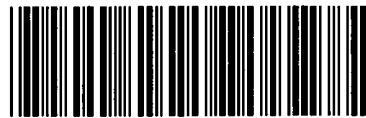


REGISTERED NUMBER: 07640689 (England and Wales)

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016
FOR
CASCADE HYDRO LIMITED

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CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31st December 2016

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	3
Profit and Loss Account	5
Balance Sheet	6
Statement of Changes in Equity	7
Notes to the Financial Statements	8

CASCADE HYDRO LIMITED

COMPANY INFORMATION

for the year ended 31st December 2016

DIRECTORS: Mr S C Morris
Mr A H Coveney

SECRETARY: Ms M J Bravo Quiterio

REGISTERED OFFICE: 18 Soho Square
London W1D 3QL

REGISTERED NUMBER: 07640689 (England and Wales)

AUDITORS: Saffery Champness LLP
71 Queen Victoria Street
London
EC4V 4BE

REPORT OF THE DIRECTORS

for the year ended 31st December 2016

The directors present their report with the financial statements of the Company for the year ended 31st December 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of acting as a holding Company for power generation interests in Peru.

DIRECTORS

The directors who served during the year and to the date of this report were;

S C Morris (appointed 23rd July 2015)

Other changes in directors holding office are as follows;

A H Coveney (appointed 28th November 2016)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

GOING CONCERN

The directors have concluded that a material uncertainty exists surrounding the ability of the holding Company, Rurelec PLC, to provide financial support for the Company, that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given the ongoing support from a short-term loan facility lender to Rurelec PLC, progress on the sale of the Group's assets and the fact that the Directors of Rurelec PLC are pursuing alternative sources of finance, the directors continue to adopt the going concern basis of accounting.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Saffery Champness LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

.....
A Coveney - Director

Date: 27 September 2017

REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF CASCADE HYDRO LIMITED

We have audited the financial statements of Cascade Hydro Limited for the year ended 31 December 2016 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the company as at 31 December 2016 and of its loss for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we considered the adequacy of disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern.

The Company is reliant on the financial support of its parent company, Rurelec Plc, in order to continue as a going concern. There is a material uncertainty surrounding Rurelec Plc's ability to provide such support which casts significant doubt on the Company's ability to continue as a going concern.

Emphasis of matter – Realisation of assets

In forming our opinion on the financial statements, which is not modified, we considered the adequacy of disclosures made in Note 1 to the financial statements concerning loans to Group undertakings.

The realisation of amounts due from Group undertakings of £0.49m included within the Balance Sheet is dependent on the realisation of assets held in those Group undertakings which is uncertain.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors Report have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF CASCADE HYDRO LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.



Jamie Cassell (Senior Statutory Auditor)

For and on behalf of

Saffery Champness LLP
Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

27 September 2017

CASCADE HYDRO LIMITED (REGISTERED NUMBER: 07640689)

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2016

	Notes	31.12.2016 £	31.12.2015 £
TURNOVER		-	-
Administrative expenses	3	<u>(1,360,604)</u>	<u>(3,809,630)</u>
		(1,360,604)	(3,809,630)
Other operating (expense)/income	4	<u>(1,925,951)</u>	<u>(224,212)</u>
OPERATING LOSS		(3,286,555)	(4,033,842)
Interest payable and similar charges	5	<u>(827,957)</u>	<u>(871,630)</u>
LOSS BEFORE TAXATION		(4,114,512)	(4,905,472)
Taxation		<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(4,114,512)</u>	<u>(4,905,472)</u>

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

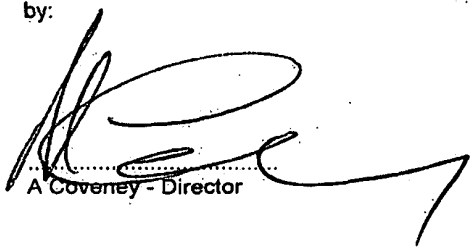
The Company has no recognised gains or losses for the current year or previous year, other than those included in the profit and loss account.

CASCADE HYDRO LIMITED (REGISTERED NUMBER: 07640689)

BALANCE SHEET AT 31 DECEMBER 2016

	Notes	31.12.2016		31.12.2015	
		£	£	£	£
FIXED ASSETS					
Investments	7	-	-	-	243
CURRENT ASSETS					
Debtors	8	488,707	-	1,343,439	-
Cash at bank		-	-	-	-
		<u>488,707</u>		<u>1,343,439</u>	
CREDITORS					
Amounts falling due within one year	9	<u>(13,929,444)</u>		<u>(10,689,907)</u>	
NET CURRENT LIABILITIES			<u>(13,440,737)</u>		<u>(9,326,468)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(13,480,737)</u>		<u>(9,326,225)</u>
CAPITAL AND RESERVES					
Called up share capital	10		100,000		100,000
Profit and Loss Account	11		<u>(13,540,737)</u>		<u>(9,426,225)</u>
TOTAL EQUITY			<u>(13,440,737)</u>		<u>(9,326,225)</u>

The financial statements were approved by the Board of Directors on ...27 September 2017..... and were signed on its behalf by:



A Coveney - Director

Company Registration No.: 07640689

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	SHARE CAPITAL	PROFIT AND LOSS ACCOUNT	TOTAL
	£	£	£
Balance 1.1.2015	100,000	(4,520,753)	(4,420,753)
Loss for year	-	(4,905,472)	(4,905,472)
Balance 31.12.15	100,000	(9,426,225)	(9,326,225)
Loss for year		(4,114,512)	(4,114,512)
Balance 31.12.16	100,000	(13,540,737)	(13,440,737)
Notes:	10	11	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2016

1. ACCOUNTING POLICIES

Company Information

Cascade Hydro Limited is a private limited company by shares incorporated in England and Wales. The registered office is 18 Soho Square, London, W1D 3QL.

Basis of preparation of financial statements, including going concern

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including 'Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The directors have concluded that a material uncertainty exists surrounding the ability of the holding Company, Rurelec PLC, to provide financial support for the Company, that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given the ongoing support from a short-term loan facility lender to Rurelec PLC, progress on the sale of the Group's assets and the fact that the Directors of Rurelec PLC are pursuing alternative sources of finance, the directors continue to adopt the going concern basis of accounting.

Preparation of consolidated financial statements

The financial statements contain information about Cascade Hydro Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Rurelec PLC, a company registered in England and Wales. Copies of consolidated accounts are available from 18 Soho Square, London, W1D 3QL.

Cash flow

The financial statements do not include a Cash Flow Statement because the company is a subsidiary of Rurelec Plc and as a qualifying entity they are taking the exemption provided under FRS 102 section 1.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities.

Financial instruments

The company has elected to apply the provisions of Sections 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2016

ACCOUNTING POLICIES (continued)

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Deferred tax

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. A net deferred asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Significant judgements and key sources of estimation

Preparation of the financial statements requires management to make significant judgements and estimates.

These statements include an impairment provision on loans receivable and investments. The Directors have assessed that the recoverability of these assets is dependent on the realisation of assets in the subsidiary and therefore assets have been impaired to the amount deemed to be recoverable.

The Directors also make a judgement about the going concern status of the Company as set out above.

2. STAFF COSTS

There were no staff costs for the year ended 31st December 2016 nor for the year ended 31st December 2015. The average monthly number of persons (including directors) employed by the Company during the year was one (2015: two).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2016

3. ADMINISTRATIVE EXPENSES

	31.12.2016	31.12.2015
	£	£
Administrative expenses	<u>(1,360,604)</u>	<u>(3,809,630)</u>

The Group has been in discussions with a number of potential buyers for Peruvian assets held by the Company's subsidiary and indirect subsidiaries and based on the anticipated net proceeds a provision has been made of £1,356,415 (2015: £3,732,745) against the carrying value of loans to 99.99% owned Peruvian subsidiary Cascade Hydro Power S.A.C.

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	31.12.2016	31.12.2015
	£	£
Foreign exchange differences	1,925,951	224,212
Impairment charges on loan to subsidiary	<u>1,356,415</u>	<u>3,732,745</u>

The Directors have assessed the recoverability of loans, based on: losses in the year and expected asset sale proceeds, less costs to sell, to the Company's 99.9% owned subsidiary, Cascade Hydro Power S.A.C. They have concluded that an impairment in the year of £1,356,415 (2015: £3,742,745) has occurred.

The operating loss is after charging audit fees £nil (2015: £nil). Audit fees for the Company are paid on the Company's behalf by Rurelec PLC. No separate audit fee is identified for the audit of the Company. £nil (2015: £nil) was paid in to the auditor in respect of non-audit fees.

5. INTEREST PAYABLE AND SIMILAR EXPENSE

	31.12.2016	31.12.2015
	£	£
Other interest expense	<u>827,957</u>	<u>871,630</u>

6. TAXATION

No liability to UK corporation tax arose on ordinary activities for the year ended 31st December 2016 nor for the year ended 31st December 2015.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2016

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 st January 2016	243
Additions	5,732,003
Impairments	<u>(5,732,243)</u>
At 31 st December 2016	<u>-</u>
NET BOOK VALUE	
At 31 st December 2016	-
At 31 st December 2015	<u>243</u>

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

The Company owns 99.99% of the share capital of Cascade Hydro Power S.A.C., a company incorporated in Peru under registration number 12649544.

No impairment was recognised in profit or loss in respect of the capitalisation of a loan of £5,732,003 as the loan balance capitalised was impaired in full in prior years.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.2016 £	31.12.2015 £
Amounts due from group undertakings	476,676	1,341,608
Other debtors	<u>12,031</u>	<u>1,831</u>
	<u>488,707</u>	<u>1,343,439</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.2016 £	31.12.2015 £
Bank overdrafts	245	46
Amounts owed to group undertakings	11,539,818	8,519,363
Other creditors	<u>2,389,381</u>	<u>2,150,498</u>
	<u>13,929,444</u>	<u>10,669,907</u>

Other creditors includes £2,262,372 loaned from a third party. The Company is currently in default of the terms of the loan. Repayment terms had not been renegotiated at the date of signing.

10. CALLED UP SHARE CAPITAL

	31.12.2016 £	31.12.2015 £
Allotted, issued and fully paid:		
Number:		
100,000	<u>100,000</u>	<u>100,000</u>
Class:		
Ordinary		
Nominal value:		
£1		

Ordinary shares have equal rights to dividends, capital and carry no right of redemption.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 2016

11. RESERVES

	Profit and Loss account £
At 1 st January 2016	(9,426,225)
Deficit for the year	(4,114,512)
At 31 st December 2016	<u>(13,540,737)</u>

12. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Rurelec PLC, registered office 18 Soho Square, London, W1D 3QL, a company registered in England and Wales under registration number 4812855. Rurelec PLC is ultimately controlled by Sterling Trust Limited.

13. RELATED PARTY DISCLOSURES

As at the year end, an amount of £3,148,238 (2015: £8,479,127) was due from Cascade Hydro Power S.A.C. (CHPSAC), a 99.99% owned subsidiary incorporated in Peru under registration number 205443394379, in respect of a loan and development expenses incurred by the Company. During the year £5,732,000 (2015: £nil) of loan was capitalised, this capitalisation was fully impaired during the year (2015: £nil). Additional loans during the year totalled £520,712 (2015: 931,420). Losses on translation of foreign currency totalled £122,149 (2015: gains of £34,293). A provision of £1,356,415 (2015: £3,732,745) has been charged in the year against this amount as stated in note 3.

As at the year end, an amount of £441,571 (2015: £366,445) was due from Electricidad Andina S.A. ("EASA"), a company incorporated in Peru under registration number 20348922298, in respect of a loan and development expenses incurred by the Company. No additional loans were made in the year (2015: £nil). Losses on translation of foreign currency totalled £75,126 (2015: gains £7,164). EASA is 99.99% owned by CHPSAC.

As at the year end, an amount of £11,539,818 (2015: £8,519,363) was due to the parent company, Rurelec PLC, in respect of a loan. Additional loans in the year totalled £545,462 (2015: £1,125,317). Losses on translation of foreign currency totalled £1,868,710 (2015: losses of £344,699).

At the year end, short term loans of £25,200 (2015: £nil) were receivable from Empresa de Generacion Electrica Colca, a company in the Rurelec group.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.2016 £	31.12.2015 £
Loss for the financial year	(4,114,512)	(4,905,472)
Net Reduction to shareholders' Funds	<u>(4,114,512)</u>	<u>(4,905,472)</u>
Opening shareholders' Funds	<u>(9,326,225)</u>	<u>(4,420,753)</u>
Closing shareholders' Deficit	<u>(13,440,737)</u>	<u>(9,326,225)</u>