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If you have sold or otherwise transferred all of your Ordinary Shares in Rurelec PLC (“Rurelec” or the “Company”), please forward this document (together with the accompanying Forms of Proxy) immediately to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you have sold or transferred only part of your holding in Rurelec you should retain this document.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 29 March 2011.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an own independent financial adviser.

This document contains no offer of securities to the public within the meaning of the Prospectus Regulations of the United Kingdom or otherwise. Neither the UK listing Authority nor the London Stock Exchange has examined or approved the contents of this document. This document does not constitute a prospectus and a copy of it has not or will be delivered to the Registrar of Companies in England and Wales, neither does it constitute an admission document drawn up in accordance with the AIM Rules.

THE WHOLE OF THIS DOCUMENT SHOULD BE READ. YOUR ATTENTION IS DRAWN, IN PARTICULAR, TO THE LETTER FROM THE CHAIRMAN OF THE COMPANY WHICH IS SET OUT IN PART I OF THIS DOCUMENT AND WHICH CONTAINS A UNANIMOUS RECOMMENDATION BY THE DIRECTORS THAT YOU VOTE IN FAVOUR OF THE RESOLUTIONS.

RURELEC PLC

(Incorporated and registered in England and Wales with registered number 4812855)

**Issue of 200,000,000 Ordinary Shares at 9 pence per share by way of Placing,
Subscription and Capitalisation**

**Authority to issue up to 15,500,000 Ordinary Shares at 9 pence per share pursuant to
the Sterling Option**

Approval of waiver of obligations under Rule 9 of the Takeover Code

Notice of General Meeting

Daniel Stewart & Company Plc (“Daniel Stewart”), which is authorised and regulated in the United Kingdom by the Financial Services Authority (“FSA”), is acting as nominated adviser to the Company in connection with the Proposals and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to clients of Daniel Stewart or for advising any other person in respect of the Proposals. No representation or warranty, express or implied, is made by Daniel Stewart as to any of the contents of this document and accordingly, no liability is accepted by Daniel Stewart for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible.

No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Daniel Stewart. Without prejudice to the Company’s obligations under the AIM Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions and so incur regulatory exposure or the risk of civil or criminal liabilities.

This document is not for distribution in, or into, the United States of America, Canada, Australia, South Africa or Japan. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in, or into, the United States of America, Canada, Australia, South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) or under the securities legislation of any state of the United States of America, Canada, Australia, South Africa or Japan and they may not be sold directly or indirectly within the United States of America, Canada, Australia, South Africa or Japan or to or for the account of any national, citizen or resident of the United States of America, Canada, Australia, South Africa or Japan or to an US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

This document does not constitute an offer, or the solicitation of an offer, to subscribe or buy any of the Ordinary Shares to any person.

A notice convening a General Meeting to be held at the offices of Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ at 10.00 a.m. on 28 March 2011 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use in connection with the General Meeting.

The enclosed Form of Proxy should be completed, signed and returned to Capita Registrars, The Registry PSX, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed thereon as soon as possible and to be valid must arrive not later than 48 hours before the time fixed for the General Meeting. The return of a Form of Proxy will not preclude a member from attending, speaking or voting in person at the General Meeting should they so wish.

Shareholders who hold Ordinary Shares in CREST may also appoint a proxy using CREST by following the instructions set out in paragraph 12 of Part I of this document. If the Form of Proxy is not lodged by the relevant time, it will be invalid. Pursuant to Regulation 41 of the CREST Regulations, the time by which a person must be entered onto the register of members in order to have the right to vote at the meeting is 6.00 p.m. on 25 March 2011 or 48 hours before any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Copies of this document are available from the Company's registered office at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ (Telephone +44 (0)207 793 5610) from the date of this document until the date of the General Meeting. This document will also be available for download from the Company's website: <http://www.rurelec.com>.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2011

Date of this document	11 March
Latest time and date for receipt of completed Form of Proxy for General Meeting	6.00 p.m. on 25 March
General Meeting	10.00 a.m. on 28 March
Admission	8.00 a.m. on 29 March
New Ordinary Shares credited to CREST members' accounts	8.00 a.m. on 29 March
Despatch of definitive share certificates for New Ordinary Shares in certificated form by not later than	8 April

If any details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.

SHARE CAPITAL STATISTICS

Number of Ordinary Shares in issue at the date of this document	220,671,505
Number of Placing Shares pursuant to the Placing	32,804,055
Number of Placing Shares pursuant to the Subscription	147,989,622
Number of Capitalisation Shares	19,206,323
Enlarged Share Capital	420,671,505

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 2006
“Admission”	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name, operated by the London Stock Exchange Plc
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange
“Board” or “Directors”	the directors of the Company as at the date of this document, whose names appear on page 9 of this document
“Capitalisation”	the proposed capitalisation, conditional on the passing of the Resolutions and Admission of £670,000 of Loan Notes, and £1,058,569.23 of Unsecured Loans at the Placing Price per Capitalisation Share, including £550,000 of Loan Notes held by Sterling Trust, and “Capitalise” and “Capitalised” shall be read accordingly
“Capitalisation Shares”	the 19,206,323 New Ordinary Shares to be allotted and issued pursuant to the Capitalisation
“Combined Cycle Generator”	a combined cycle generator passes the hot exhaust gas from a gas turbine through a heat exchanger which produces steam to drive a secondary turbine
“Company” or “Rurelec”	Rurelec PLC
“CREST”	the computer-based system established under the CREST Regulations which enables title to units of relevant securities (as defined in the CREST Regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Daniel Stewart”	Daniel Stewart & Company Plc, the Company’s nominated adviser
“EdS”	Energia del Sur S.A.
“EdS Senior Debt” and “Senior Debt”	the Term Facility and the Hedging Agreement
“EdS Shareholder Loans”	the aggregate for the unsecured loans made by the shareholders of EdS, being the Company and Basic Energy (including, without limitation, the aggregate sum of approximately \$30 million (excluding accrued interest) advanced by the Company to EdS)
“Enlarged Share Capital”	the 420,671,505 Ordinary Shares in issue immediately following Admission, comprising the Issued Share Capital and the New Ordinary Shares
“Executive Directors”	Peter Earl, Michael Eyre, Elizabeth Shaw and Marcelo Blanco
“Form of Proxy”	the form of proxy for use in connection with the General Meeting

“FSA”	Financial Services Authority
“General Meeting”	the general meeting of the Company, to be held at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ at 10.00 a.m. on 28 March 2011 to approve the Resolutions, notice of which is set out at the end of this document
“Group”	the Company and its subsidiaries at the date of this document
“Hedging Agreement”	the hedging agreement entered into between Energia del Sur S.A. and Standard Bank Plc effective 26 March 2007 and terminating 26 March 2012 (including a confirmation in respect of an interest rate cancellable swap dated 27 March 2007 which incorporates the terms of the 2002 ISDA Master Agreement) as required under the Term Facility, further details of which are set out in paragraph 6 of Part IV of this document
“Independent Shareholders”	the Shareholders other than Sterling Trust
“IPC”	Independent Power Corporation Plc, a company incorporated in England and Wales with registered number 3097552
“Issue”	the Capitalisation, the Placing and the Subscription
“Issued Share Capital”	the 220,671,505 Ordinary Shares in issue as at the date of this document
“Loan Facilities”	the outstanding loan facilities available to the Company under the Loan Notes and the Unsecured Loans
“Loan Notes”	the £2,500,000 of convertible 12% loan notes of the Company due on 31 March 2011, further details of which are set out in paragraph 6 of Part IV of this document
“Loan Note Indebtedness”	£670,000 of the Company’s indebtedness due to holders of the Loan Notes subject to the Capitalisation
“New Ordinary Shares”	the Capitalisation Shares and the Placing Shares
“Non-Executive Director”	Andrew Morris
“Notice of General Meeting”	the notice convening the General Meeting to be held for the purpose of considering and, if thought fit, passing the Resolutions which is set out at the end of this document
“Option”	the option to acquire the entire issued capital of Sterling Trust Securities Limited pursuant to the Option Agreement
“Option Agreement”	the agreement between the Company and Sterling Trust Limited pursuant to which the Company has the option to acquire the entire issued share capital of Sterling Trust Securities Limited, further details of which are set out in paragraph 6 of Part IV of this document
“Ordinary Shares”	the ordinary shares of 2 pence each in the share capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the placing of 32,804,055 Placing Shares pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement dated 11 March 2011 and made between the Directors, Daniel Stewart, and the Company in relation to the Placing, further details of which are set out in paragraph 6 of Part IV of this document
“Placing Price”	9 pence per New Ordinary Share
“Placing Shares”	the New Ordinary Shares to be allotted and issued pursuant to the Placing and the Subscription
“Proposals”	the issue and allotment of 200,000,000 Ordinary Shares at 9 pence per share pursuant to the Placing, Subscription and Capitalisation, the authority to allot up to 15,500,000 Ordinary Shares at 9 pence per share pursuant to the exercise of the Sterling Option, approval of the waiver of obligations under Rule 9 of the Takeover Code and Notice of General Meeting
“Registrar”	Capita Registrars, the Company’s Registrar
“Regulatory Information Service”	any service by which companies can disseminate information in accordance with the AIM Rules
“Resolution 220 contract”	a firm capacity power purchase contract between EdS and CAMMESA (the Argentine wholesale market operator), with the tariff denominated in \$
“Resolutions”	the resolutions set out in the Notice of General Meeting
“Rule 9 Waiver”	the waiver by the Panel of the obligations of Rule 9 of the Takeover Code that would otherwise be incurred by Sterling Trust as described in Part I of this document
“Share Authorities”	the authorities of the Directors to issue and allot shares pursuant to the Resolutions
“Shareholders”	a holder(s) of Ordinary Shares
“Southern Cone”	the geographical area of South America comprised of Argentina, Chile, Paraguay, Peru and Uruguay
“Sterling Option”	the option to subscribe for up to 15,500,000 Ordinary Shares at 9 pence per share which the Company has granted to Sterling Trust and which expires on 1 April 2011
“Sterling Trust”	Sterling Trust Limited, a company incorporated in England and Wales with registered number 1761400
“STSL”	Sterling Trust Securities Limited, a company incorporated in England and Wales with registered number 7523554
“Subscription”	the subscription by Sterling Trust and the subscription by Caldwell Management A.G. for an aggregate of 147,989,622 Subscription Shares pursuant to the Subscription Agreements
“Subscription Agreements”	the conditional letters each dated 11 March 2011 between Sterling Trust and the Company and Caldwell Management A.G. and the Company respectively, further details of which are set out in paragraph 6 of part IV of this document
“Takeover Code”	the City Code on Takeovers and Mergers

“ Term Facility ”	the term facility agreement dated 8 March 2007 (as amended, restated, varied and/or supplemented) between, <i>inter alia</i> , Energia del Sur S.A. as borrower, the Company as guarantor and Standard Bank Plc as arranger and agent, further details of which are set out in paragraph 6 of Part IV of this document
“ Unsecured Indebtedness ”	approximately £5.4 million of the Company’s indebtedness due to IPC, European Power Systems, Technology Finance Limited and Secteur Holdings Limited pursuant to the Unsecured Loans excluding accrued interest, further details of which are set out in paragraph 6 of Part IV of this document
“ Unsecured Loans ”	the loan agreements, further details of which are set out in paragraph 6 of Part IV of this document
“ £ ”	pounds sterling
“ \$ ”	United States dollars

PART I

LETTER FROM THE CHAIRMAN OF RURELEC PLC

(Incorporated and registered in England and Wales with registered number 4812855)

Directors:

Andrew Morris – *Chairman and Non-Executive Director*

Peter Earl – *Chief Executive*

Michael Eyre – *Technical Director*

Elizabeth Shaw – *Finance Director*

Marcelo Blanco – *Executive Director*

Registered Office:

5th Floor

Prince Consort House

27-29 Albert Embankment

London SE1 7TJ

11 March 2011

To the holders of Ordinary Shares

Dear Shareholder,

Issue of 200,000,000 Ordinary Shares at 9 pence per share by way of Placing, Subscription and Capitalisation

Authority to issue up to 15,500,000 Ordinary Shares at 9 pence per share pursuant to the Sterling Option

Approval of waiver of obligations under Rule 9 of the Takeover Code

Notice of General Meeting

(the “Proposals”)

1. Introduction

I am writing to set out a refinancing proposal which the Board believes will allow Rurelec to protect its investment in Energia del Sur S.A. The Company intends to acquire the EdS Senior Debt, and redeem (in part) and Capitalise (in part) the Loan Notes and the Unsecured Indebtedness through the Issue of 200,000,000 New Ordinary Shares at 9 pence per New Ordinary Share.

The purpose of this circular is to set out the background and reasons for the Proposals and to explain why Shareholders should vote in favour of the Resolutions which will be considered by members at a General Meeting of the Company to be held on 28 March 2011.

2. Background to the Proposals

Rurelec has a 50 per cent. interest in EdS which owns and operates a 136 MW Combined Cycle Gas Turbine power station in Patagonia, Argentina. In 2009 the combined cycle conversion was successfully completed, but has involved Rurelec in providing approximately \$30 million of EdS Shareholder Loans. This is in addition to the Senior Debt secured on EdS's assets.

The Company had to direct substantial resources to EdS to prevent a possible insolvency and the forced sale of Rurelec's EdS investment at the time international debt markets tightened as a result of the global financial crisis. The majority of the Company's Loan Facilities are due to be repaid on 31 March 2011 and it is for this reason that the Directors have been looking for a way to refinance EdS. Various re-financing solutions were sought and pursued, either through bank debt or Argentine bond issues, but were either unavailable to the Company or were too expensive and therefore unacceptable to Rurelec's partner, Basic Energy Limited.

Since September 2010 EdS has been operating under the new Resolution 220 contracts which allow EdS to achieve premium tariffs for power generated by the new steam turbine. The Board believes that this places EdS on a stronger footing.

Acquisition of the Senior Debt

Latterly, an opportunity has arisen for the Company to acquire the EdS Senior Debt. If the acquisition is approved and implemented, Rurelec intends to restructure the Senior Debt payments from EdS so that the Company and its partner Basic Energy Limited receive timely payments of all of the interest and accelerated repayment of the principal sum due on the EdS Shareholder Loans.

Sterling Trust's wholly-owned subsidiary, Sterling Trust Securities Limited, a special purpose vehicle, agreed to acquire the EdS Senior Debt at par under two trade agreements dated 25 February 2011 and 11 March 2011 and a novation agreement dated 11 March 2011, amounting in aggregate to approximately £7.9 million. Each agreement has a completion date of 31 March 2011. Rurelec entered into the Option Agreement with Sterling Trust to acquire STSL for the payment in cash of £1. If the Proposals are agreed by Shareholders, it is intended that Rurelec will exercise the Option to acquire STSL and will use new funds raised pursuant to the Issue to enable STSL to complete the Senior Debt purchase.

With EdS able to service the Senior Debt direct to Rurelec, the Board expects to have an improved underlying cashflow and the ability to return to its stated activities of seeking to develop and acquire power generation assets or businesses in the Southern Cone. In order to diversify risk, the Directors intend to expand the Group's activities into other countries in the Southern Cone. The Directors intend to use local borrowing in Argentina to refinance EdS if markets there return to a reasonable cost of funding.

Repayment of the Company's Unsecured Loans and the Company's Loan Notes

On 31 March 2011 a number of the Company's unsecured debt obligations under the Loan Facilities will fall due, amounting in aggregate to approximately £7.9 million. In particular, the Company will be obliged to redeem the outstanding Loan Notes on 31 March 2011 which are not capitalised.

3. The Issue, the Sterling Option and use of proceeds

If approved, the proposed Subscription and Placing will raise approximately £16.3 million, before expenses. The Subscription, Placing and Capitalisation are each conditional on all the Resolutions being passed at the General Meeting.

In aggregate, the Company will issue 200,000,000 New Ordinary Shares representing approximately 47.5 per cent. of the Enlarged Share Capital. At the Placing Price, the Company's market capitalisation on Admission will be £37.90 million.

The Company will issue 180,793,677 Placing Shares for cash at 9 pence per Placing Share to fund the repayment of the Loan Facilities which are not being capitalised, and to fund STSL's acquisition of the EdS Senior Debt.

The Company will additionally Capitalise £670,000 of Loan Note Indebtedness and approximately £1.06 million of the Unsecured Indebtedness into 19,206,323 Capitalisation Shares at 9 pence per share.

Sterling Trust has conditionally undertaken to acquire 143,989,622 Placing Shares pursuant to the Subscription and 6,111,111 shares under the Capitalisation. Following Admission, Sterling Trust will own in aggregate 210,361,181 Ordinary Shares being 50.01 per cent. of the Enlarged Share Capital. In addition, the Company has granted Sterling Trust the Sterling Option, an option over 15,500,000 Ordinary Shares at 9 pence per share which is exercisable in whole or in part on more than one occasion up to 5 p.m. on 1 April 2011. Sterling Trust's ability to exercise the Sterling Option is conditional on all the Resolutions being passed at the General Meeting.

The net proceeds of the Subscription and Placing will be applied to settlement of the trade agreements entered into by STSL, and the repayment of the balance of each of the Unsecured Indebtedness and the Loan Notes (including accrued interest) in each case which is not Capitalised. The remainder, and any funds raised pursuant to the exercise of the Sterling Option will be used by the Company for working capital and the settlement of outstanding trade creditors.

EdS is equity accounted and not fully consolidated. The consolidated borrowings of the Group after the Placing will be approximately \$3 million. The current EdS loan balances are estimated to be the following: Gross CAMMESA loans of \$4.7 million, being advance funds to support capital expenditure; and Gross Argentinian tax authority loans of \$1.3 million.

4. Admission to trading of the New Ordinary Shares

Application will be made for admission to trading on AIM of the New Ordinary Shares. Subject to the Resolutions being approved by Shareholders, it is expected that dealings will become effective and commence at 8.00 a.m. on 29 March 2011. It is anticipated that CREST accounts will be credited on the day of Admission and that certificates will be despatched by first class post by 8 April 2011.

The New Ordinary Shares will rank *pari passu* in all respects with the Issued Share Capital.

5. Related Party Transactions

Sterling Trust holds more than 10 per cent. of the Issued Share Capital of the Company and is therefore deemed to be a Substantial Shareholder of the Company for the purposes of the AIM Rules. As a result, the exercise of the Option by Rurelec to acquire STSL will constitute a related party transaction for the purposes of Rule 13 of the AIM rules.

The Directors, having consulted with Daniel Stewart & Company, the Company's nominated adviser, consider that the terms of the acquisition of STSL are fair and reasonable in so far as Shareholders are concerned.

6. Information on Sterling Trust

Sterling Trust is an investment company which was taken private some years ago by the present management following the sale of its banking company, Sterling Bank and Trust Company Ltd to Beneficial Bank. The formerly quoted company was the principal UK holding company for Robert Holmes à Court, with interests in insurance, banking, investment and finance, then named Dewey Warren Holdings Plc. The board of directors of Sterling Trust comprises Colin Emson, Chairman, John Bottomley FCIS, J.K. Farrell and Nigel Pilbrow. Sterling Trust's address is One America Square, Crosswall, London EC3N 2SG.

Sterling Trust has access to substantial resources and is continuing a programme of investment acquisitions, typically taking an active and supporting role in the companies with which it is involved. This has previously been in the fields of insurance, debt trading, securities holdings, private investment company acquisitions, hotels and power development companies.

In 2010, Sterling Trust acquired a shareholding of 27.3 per cent. of the Issued Share Capital of Rurelec through on and off market purchases. Sterling Trust also owns £550,000 of Loan Notes. Sterling Trust acquired 100 per cent. of IPC in June 2010. Prior to its acquisition by Sterling Trust, IPC, together with its wholly owned subsidiary Southern Integrated Energy Limited, made three unsecured loans to Rurelec which currently amount in aggregate to approximately £1.2 million, including interest. The loans are due for repayment on 30 June 2011. The principal amount of the £550,000 of Loan Notes will be capitalised into 6,111,111 Capitalisation Shares, whereas the £1.2 million of Unsecured Loan and accrued interest on the £550,000 of Loan Notes will be repaid from the current Placing monies.

Peter Earl and Elizabeth Shaw are directors of IPC and Michael Eyre is a director of one of its subsidiaries but they are not considered to be acting in concert with Sterling Trust for the purposes of the Takeover Code. Peter Earl was appointed to the board of IPC on 1 September 1995 and Elizabeth Shaw on 16 April 2002. Following its acquisition of IPC, Sterling Trust has appointed directors to the board of IPC. None of the Rurelec Board are directors of Sterling Trust. Save for the Option to acquire STSL and the Sterling Option, there are no other arrangements between Sterling Trust and the Directors of Rurelec.

7. Relationship Agreement with Sterling Trust

On 11 March 2011, the Company entered into the Relationship Agreement with Sterling Trust and Daniel Stewart which is to take effect on Admission. The Relationship Agreement will maintain Rurelec's independence from Sterling Trust. Pursuant to the Relationship Agreement Sterling Trust undertakes, amongst other things, to exercise its powers in relation to the Company to ensure that:

- (a) each member of the Group is capable of carrying on its business independently of Sterling Trust and any of its associates, rather than for the benefit of any particular shareholder or group of shareholders in the Company;
- (b) that the business and affairs of the Company shall be managed by the Board in accordance with the articles of association of the Company and all applicable law and for the benefit of the shareholders of the Company as a whole;
- (c) all transactions between Sterling Trust and the Group will be conducted on arm's length terms and on a normal commercial basis so the independence of the Board is maintained;
- (d) it will procure that each of its associates will not exercise any voting rights in favour of any amendment to the articles of association of the Company which would be inconsistent with, or in violation of, the terms of the Relationship Agreement;
- (e) it will not propose a resolution to (or otherwise seek to) appoint or remove any director or officer from time to time of the Company, other than in accordance with a resolution or recommendation of the Board;
- (f) save with the consent of both the Company's nominated adviser and a majority of independent directors, abstain from exercising any voting rights attaching to the Ordinary Shares in which it (or its associates) is interested in respect of any contract, transaction or arrangement or any other proposal whatsoever in which Sterling Trust (or any of its associates) is interested or in respect of which there is a conflict between the interests of Sterling Trust and members of the Group;
- (g) it will not, and will procure that its associates will not, propose or vote in favour of any resolution to waive pre-emption rights on the issue of shares set out in the articles of association of the Company unless such resolution is supported by a majority of independent directors provided that Sterling Trust may vote in favour of the annual disapplication of pre-emption rights in respect of shares comprising 5 per cent. of the issued share capital from time to time of the Company or such higher annual limit as may be sanctioned from time to time by the ABI guidelines or any successor guidelines generally recognised as such in the United Kingdom.

For the purposes of the Relationship Agreement the current Directors of Rurelec are all independent directors.

The undertakings given by Sterling Trust will cease to bind it at any time when Sterling Trust and its associates collectively cease to hold Ordinary Shares carrying less than 30 per cent. of the voting rights in respect of the Company.

8. Waiver of obligations under Rule 9 of the Takeover Code

The Takeover Code is issued and administered by the Panel. The Takeover Code applies, *inter alia*, to all offers for public companies which have their registered office in the UK, Channel Islands and the Isle of Man and which are considered to have their place of central management and control in these jurisdictions. The Company is subject to the Takeover Code. Accordingly, Shareholders are entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires an interest (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all of the remaining shareholders in that Company to acquire their shares.

Similarly, where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company, a general offer will normally be required if any further interest in shares is acquired by any such person. However, when a person holds in excess of 50 per cent. in the Company, no general offer will be required if such person increases his interest in shares.

An offer under Rule 9 must be in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares acquired during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of that company. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

Sterling Trust currently holds 27.3 per cent. of the Issued Share Capital and approximately £550,000 of Loan Notes. Sterling Trust will subscribe for 143,989,622 Placing Shares and will capitalise the principal amount of its Loan Notes into 6,111,111 Capitalisation Shares, in each case at the price of 9 pence per New Ordinary Share. **Following the Subscription and the Capitalisation Sterling Trust will hold 210,361,181 Ordinary Shares representing approximately 50.01 per cent. of the Enlarged Share Capital.**

As at the date of this document, the existing shareholding of Sterling Trust is as follows:

<i>Existing Ordinary Shares held as at the date of this document</i>	<i>% of Issued Share Capital as at the date of this document</i>	<i>£1 nominal Loan Notes</i>
60,260,448	27.3%	550,000

Following the Subscription, Placing and Capitalisation Sterling Trust's shareholding will be as follows:

<i>Number of Ordinary Shares held following completion of the Subscription, Placing and Capitalisation</i>	<i>% of Enlarged Share Capital following completion of the Subscription, Placing and Capitalisation</i>
210,361,181	50.01%

In addition, the Company has granted Sterling Trust the Sterling Option over 15,500,000 Ordinary Shares.

Loan Notes and accrued unpaid interest amounting in aggregate to approximately £2 million may be converted into Ordinary Shares at any time on or before 31 March 2011. The conversion price is 13.75 pence per share.

In the event that these Loan Notes are converted, it would result in the issue of up to 14,906,182 Ordinary Shares. In such circumstances, if the Sterling Option was not exercised Sterling Trust's holding would be diluted to 48.29 per cent. and any increase in its holding thereafter would require it to make a general offer as described above. In the event that the Sterling Option is exercised Sterling Trust will hold more than 50 per cent. of the voting rights of the Company as follows:

<i>Resultant holding by Sterling Trust as % of the Company as enlarged by either or both of the exercise of the Sterling Option and conversion of the Loan Notes</i>		
Subscription, Placing, Capitalisation and Loan Notes converted	Sterling Option not exercised	48.29%
Subscription, Placing, Capitalisation and Loan Notes converted	Sterling Option exercised	50.07%
Subscription, Placing, Capitalisation and Loan Notes not converted	Sterling Option exercised	51.78%

The Panel has been consulted and has agreed, subject to the passing of Resolution 1 at the General Meeting on a poll by Independent Shareholders, to waive the obligation of Sterling Trust to make a general offer to Shareholders under Rule 9 of the Takeover Code that would otherwise arise as a result of the Subscription, Placing and Capitalisation.

Shareholders should be aware that, on Admission of the New Ordinary Shares, Sterling Trust will, in aggregate, hold more than 50 per cent. of the Company's Enlarged Share Capital. Accordingly, Sterling Trust may increase their interest in shares without incurring any obligation under Rule 9 to make a general offer.

Sterling Trust has confirmed to the Company that it is not proposing to seek any change in the composition of the Board, or any other aspect of the Company's business.

Sterling Trust has also confirmed that it has no intention to change the locations of the Group's respective places of business, or the continued employment of their employees and management, including any material change in conditions of employment, nor will there be any redeployment of the fixed assets of the Group, as a result of the Proposals.

9. Current Trading

The unaudited interim results of Rurelec were issued on 29 September 2010. The profit for the period reported was £17.4 million. This figure included a one off gain of £15 million and a notional compensation level of £47 million (\$73 million) corresponding to the audited book value of Rurelec's nationalised interest in Empresa Electrica Guaracachi S.A. ("Guaracachi"). In addition, Rurelec reported an estimated trading profit from discontinued operations at Guaracachi of £1.4 million.

As previously announced, on 1 May 2010 the Bolivian Government nationalised Rurelec's controlling stake in Guaracachi. Rurelec continues to own a 50 per cent. interest in the 136 MW gas fired combined cycle plant of EdS. EdS made a trading profit of just over £1 million for the six months ending 30 June 2010, of which the Company's share is £0.5 million. That profit was recorded before the long-awaited Resolution 220 contract was awarded to EdS in August 2010. The Resolution 220 contract has the effect of increasing power generation margins at EdS and the reported profit for the first half did not include these increased margins since the contract did not take effect until mid-September.

The delay in the receipt of dividends from Guaracachi strained the Company's cash position in the year running up to nationalisation and we have subsequently had to incur unbudgeted legal costs to protect Rurelec's and Guaracachi America Inc's claims.

In Bolivia, Rurelec has started the arbitration process for compensation for the nationalisation of its Bolivian subsidiary. Whilst the Company remains hopeful of and open to a negotiated settlement, no formal offer has been made by the Government of Bolivia. If the Company is forced to follow a full arbitration process, shareholders may have to wait up to 18 months for the issue to be resolved. As in any dispute, the outcome cannot be certain.

Since the expropriation of the Bolivian asset Mike Eyre's role has diminished and accordingly he intends to resign after implementation of the Proposals. The Board intends to appoint a senior non-executive director with a suitable technical background in due course.

Further details in respect of the interim results are set out in Part II of this document.

10. Historical Financial Information on the Company

The historical financial information of the Company for each of the three financial periods up to 31 December 2008, 31 December 2009 and for the 6 months to 30 June 2010 has been incorporated by reference to the Company's published report and accounts for each of those three periods and to the Company's latest interim report, as set out in Part II of this document.

11. General Meeting

You will find set out at the end of this document, a notice convening a General Meeting of the Company to be held at the offices of the Company at Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ at 10.00 a.m. on 28 March 2011 for the purpose of considering, and if thought fit, passing the following resolutions:

1. To approve the Rule 9 Waiver;
2. To grant the Directors the authority to issue and allot the New Ordinary Shares and Ordinary Shares pursuant to the Sterling Option and, in addition, the authority to issue and allot (a) equity securities representing one third of the Enlarged Share Capital; and (b) equity securities in relation to a rights issue representing two-thirds of the Enlarged Share Capital under Section 551 of the Act; and
3. To grant the Directors pursuant to Section 570 of the Act the authority to allot equity securities (as defined in Section 560(1) of the Act) for cash as if Section 561(1) of the Act did not apply in relation to (a) the New Ordinary Shares and Ordinary Shares pursuant to the Sterling Option; (b) a rights issue; and (c) equity securities representing approximately 5 per cent. of the Enlarged Share Capital.

To be passed, Resolution 1 requires a majority of over 50 per cent. of the Independent Shareholders voting on a poll in person or by proxy to vote in favour of the Resolution.

Subject to the passing of Resolution 1, Resolution 2 is proposed as an ordinary resolution and therefore requires over 50 per cent. of the Shareholders voting in person or by proxy in favour of the Resolution. All Shareholders are entitled to vote.

Subject to the passing of Resolutions 1 and 2, Resolution 3 is proposed as a special resolution and therefore requires 75 per cent. or more of Shareholders voting in person or by proxy to vote in favour of the Resolution. All Shareholders are entitled to vote.

12. Action to be taken in respect of the General Meeting

You will find included at the end of this document a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon. To be valid, completed Forms of Proxy must be received by the Registrars, Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event not later than 6.00 p.m. on 25 March 2011. Completion of a Form of Proxy will not preclude you from attending the meeting and speaking and voting in person if you so choose.

Shareholders who hold shares through CREST and who wish to appoint a proxy or proxies for the General Meeting or any adjournment(s) by using the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "Crest Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must, to be valid, be transmitted so as to be received by Capita Registrars (ID R055) no later than 6.00 p.m. on 25 March 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this

connection, CREST members and, where applicable, their CREST sponsor or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Rurelec may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

If you have any questions about this document, the General Meeting, or are in any doubt as to how to complete the Form of Proxy, please call Capita Registrars' shareholder helpline between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0445 from within the UK or +44 871 664 0445 if calling from outside the UK. Please note that the helpline cannot provide financial, legal or tax advice on the merits of the Proposals.

13. Irrevocable Voting Commitments

The Company has received irrevocable voting commitments to vote in favour, or to procure a vote in favour of all of the Resolutions from Shareholders (excluding Sterling Trust) holding in aggregate 69,387,430 Ordinary Shares, representing 31.4 per cent. of the Company's Issued Share Capital.

The Company has received an irrevocable voting commitment from Sterling Trust in respect of Resolutions 2 and 3 where it is entitled to vote in respect of 60,260,448 Ordinary Shares, representing 27.3 per cent. of the Company's Issued Share Capital.

Additionally, the Directors have irrevocably undertaken to the Company to vote in favour, or to procure a vote in favour of all Resolutions to be proposed at the General Meeting, in respect of their aggregate holdings totalling 875,000 Ordinary Shares, representing approximately 0.4 per cent. of the Issued Share Capital.

Further details on the Irrevocable Undertakings are set out in paragraph 5 of Part IV of this document.

14. Reasons for the Proposals

The Directors believe that the Proposals will result in a stronger balance sheet for the Company enabling it to resume its stated strategy. The acquisition of the Senior Debt will remove the risk of the holder forcing the sale of EdS's assets to the detriment of Shareholders. The Directors consider that the financial security resulting from, and Shareholder support for the Proposals, may improve Rurelec's ability to negotiate a favourable settlement in Bolivia.

If the Proposals are rejected by shareholders, the Company will not be able to acquire the Senior Debt and will default on repayment of the Loan Facilities. Shareholders should be aware that, in the event that the Resolutions are not passed the Proposals will not proceed. The Company would, in such circumstances, face an uncertain future and the Directors would need to consider alternative options (if available) to finance the Company to ensure its continued existence. Any such alternative may lead to a significant impairment of Shareholder value.

15. Recommendation by the Directors

The Directors, who have been so advised by Daniel Stewart, consider that the terms of the Proposals are fair and reasonable and are in the best interests of the Company and the Independent Shareholders as a whole. In providing advice to the Directors, Daniel Stewart has taken into account the Directors' commercial assessments. Accordingly the Directors unanimously recommend Independent Shareholders to vote in favour of Resolutions 1, 2 and 3 to be proposed at the General Meeting as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 875,000 Ordinary Shares, representing approximately 0.4 per cent. of the Issued Share Capital.

Yours faithfully

Andrew Morris
Chairman

PART II A

HISTORICAL FINANCIAL INFORMATION ON RURELEC PLC

1. Statutory Accounts for the years ended 31 December 2008 and 31 December 2009

Statutory accounts of Rurelec prepared in accordance with international financial reporting standards as adopted by the European Union for the years ended 31 December 2008 and 2009 have been delivered to the Registrar of Companies and are available for download at <http://www.rurelec.com/investors/accounts>.

In respect of the accounts for the years ended 31 December 2008 and 31 December 2009, Rurelec's auditors, Grant Thornton UK, gave reports that were unqualified and did not contain a statement under section 498 of the Companies Act 2006.

In 2009 the audit report included a qualification that the auditors were unable to obtain full access to the accounting records of Guaracachi for the period ending 31 December 2009 following nationalisation on 1 May 2010. Grant Thornton were therefore unable to audit a significant proportion of the consolidated income statement and had to qualify their opinion in this regard. The full opinion is available in the report and accounts on the Company's website.

2. Published Report and Accounts for the years ended 31 December 2008 and 31 December 2009 and the Interims for the six months to 30 June 2010

(a) *Historical financial Information*

The published annual report and audited accounts of the Company for the years ended 31 December 2008, 31 December 2009 and for the six months ended 30 June 2010, (which have been incorporated in this document by reference) included, on the pages specified in the table below, the following information:

<i>Nature of information</i>	<i>For the year to</i>	<i>For the year to</i>	<i>For the</i>
	<i>31 December</i>	<i>31 December</i>	<i>six months to</i>
	<i>2008</i>	<i>2009</i>	<i>30 June</i>
	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Consolidated statement of comprehensive income	28	19	2
Consolidated/Company statement of financial position	29/30	20/21	3 n/a
Consolidated/Company statements of cash flows	31/32	22/23	5 n/a
Accounting policies	35-42	28-32	6
Notes to the financial statements	35-62	26-51	6
Report from the Independent auditors	25-27	15-18	n/a

- (b) The published accounts can be viewed at <http://www.rurelec.com/investors/accounts>. Recipients of this document may request a hard copy of the financial information of Rurelec by writing to the Company at Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ, or by telephoning +44 (0) 20 7793 5610. Relevant documents will be posted within two business days of receipt of such a request.

PART II B

HISTORICAL FINANCIAL INFORMATION ON STERLING TRUST

References to page numbers in this Part II B refer to pages in the
Financial Statements of Sterling Trust Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2008

Registered number: 1761400

DIRECTORS AND ADVISORS

Directors	C J Emson – <i>Chairman</i> J M Bottomley FCIS J K Farrell N D Pilbrow
Secretary	J M Bottomley FCIS
Registered Office	One America Square Crosswall. London EC3N 2SG
Auditors	LB Group 1 Vicarage Lane Stratford London E15 4HF
Solicitors	Jones Day 21 Tudor Street London EC4Y 0DJ
London Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8PH
Principal Group Subsidiary	Argyle Trust Limited

STERLING TRUST LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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Directors' report	19
Statement of directors' responsibilities	20
Independent auditors' report	20/21
Consolidated profit and loss account	22
Consolidated balance sheet	23
Company balance sheet	24
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Reconciliation of movements in shareholders' funds	26
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STERLING TRUST LIMITED

DIRECTORS' REPORT

Financial Statements

The directors present their annual report and audited consolidated financial statements for the Company and its subsidiaries for the year ended 31 December 2008.

Principal Activity

The Company is the principal group investment and holding company and holds investments in listed and unlisted securities.

Results and post balance sheet events

The profit and loss account set out on page 21 shows the Group's results for the year ended 31 December 2008.

Proposed dividend and transfer of reserves

The directors do not recommend the payment of a dividend for the year (2007: £nil).

Transfers to reserves are set out in note 15 to the accounts.

Directors and directors' interests

The directors who held office during the year were as follows:

J M Bottomley
C J Emson
J K Farrell
N D Pilbrow

J M Bottomley and C J Emson retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election at the Annual General Meeting.

By Order of the Board

J M Bottomley

Director

24 November 2009

STERLING TRUST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Sterling Trust Limited

We have audited the financial statements of Sterling Trust Limited for the year ended 31 December 2008, which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

This report is made solely to the Company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether

the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the Company and the Group as at 31 December 2008 and of the profit of the Group for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985; and

the information given in the Directors' Report is consistent with the financial statements.

1 Vicarage Lane
Stratford
London E15 4HF

LB GROUP
Chartered Accountants
Registered Auditors

27 November 2009

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<i>Note</i>	2008 £'000	2007 £'000
Turnover and gross profit		–	–
Administrative expenses		(130)	(319)
Operating loss	3	(130)	(319)
Interest receivable – Group		197	702
Interest payable – Group	2	–	(886)
Profit on disposal of investment		3,726	–
Profit/(loss) on ordinary activities before and after taxation		3,793	(503)
Retained profit/(loss) for the financial year	15	3,793	(503)

There were no gains or losses in either the current or preceding year other than those presented in the above consolidated profit and loss account.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008
Registered Number – 1761400

	<i>Note</i>	<i>31 December 2008</i>		<i>31 December 2007</i>	
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets					
Positive goodwill	7		–		–
Tangible assets	8		341		237
Investments	9		136		132
			<u>477</u>		<u>369</u>
Current assets					
Debtors	11	12,240		20,666	
Cash at bank and in hand	12	54		35	
		<u>12,294</u>		<u>20,701</u>	
Creditors: amounts falling due within one year	13	<u>(643)</u>		<u>(12,735)</u>	
Net current assets			<u>11,651</u>		<u>7,966</u>
Total assets less current liabilities			<u>12,128</u>		<u>8,335</u>
Net assets			<u>12,128</u>		<u>8,335</u>
Capital and reserves					
Called up share capital	14		1,524		1,524
Share premium account	15		9,776		9,776
Other reserves	15		6		6
Profit and loss account	15		807		(2,986)
Shareholders' funds			<u>12,113</u>		<u>8,320</u>
Equity minority interests in subsidiary undertakings			<u>15</u>		<u>15</u>
			<u>12,128</u>		<u>8,335</u>

These financial statements were approved by the board of directors on 24 November 2009 and were signed on its behalf by:

C J Emson
Director

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

		<i>31 December 2008</i>		<i>31 December 2007</i>	
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets					
Tangible assets	8		341		237
Investments	10		182		178
			<u>523</u>		<u>415</u>
Current assets					
Debtors	11	12,240		12,440	
Cash at bank and in hand	12	20		–	
		<u>12,260</u>		<u>12,440</u>	
Creditors: amounts falling due within one year	13	(744)		(882)	
Net current assets			<u>11,516</u>		<u>11,558</u>
Total assets less current liabilities and net assets			<u>12,039</u>		<u>11,973</u>
Capital and reserves					
Called up share capital	14		1,524		1,524
Share premium account	15		9,776		9,776
Other reserves	15		6		6
Profit and loss account	15		733		667
Shareholders' funds			<u>12,039</u>		<u>11,973</u>

These financial statements were approved by the board of directors on 24 November 2009 and were signed on its behalf by:

C J Emson
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<i>Note</i>	<i>Year ended</i>		<i>Year ended</i>	
		<i>31 December 2008</i>		<i>31 December 2007</i>	
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow/(outflow) from operating activities	16		12,315		(882)
Returns on investment and servicing of finance					
Interest received		197		702	
Interest paid		—		(886)	
Net cash inflow/(outflow) from returns on investment and servicing of finance			197		(184)
Capital expenditure and financial investment					
Purchase of investments		(4)		(44)	
Purchase of tangible fixed assets		(122)		(243)	
Receipt on disposal of investment		—		43	
Net cash outflow from capital expenditure and financial investment			(126)		(244)
Net cash inflow/(outflow) before financing			12,386		(1,310)
Financing					
(Decrease) of other loans		—		—	
Receipt of new bank loans		—		—	
Net cash inflow from financing activities			—		—
Increase/(decrease) in cash in the year	17		12,386		(1,310)

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<i>Group</i>	
	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the financial year	3,793	(503)
Opening shareholders' funds	8,335	8,838
Closing shareholders' funds	<u>12,128</u>	<u>8,335</u>
	<i>Company</i>	
Profit/(loss) for the financial year	66	(357)
Opening shareholders' funds	11,973	12,330
Closing shareholders' funds	<u>12,039</u>	<u>11,973</u>

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements have been prepared on a going concern basis which assumes that the group will continue to trade.

(b) *Basis of consolidation*

These financial statements consolidate the accounts of Sterling Trust Limited and all its subsidiary undertakings. Results for subsidiaries acquired or disposed of during the year have been included from the date of acquisition or up to the date of disposal as appropriate.

In accordance with Section 230(4) of the Companies Act 1985, Sterling Trust Limited is exempt from the requirement to present its own profit and loss account.

The amount of profit for the financial year dealt with in the financial statements of Sterling Trust Limited is disclosed in these accounts.

Undertakings, other than subsidiary undertakings, over which the group exerts significant influence are treated as associated undertakings.

(c) *Tangible fixed assets*

Depreciation is provided at the following annual rate in order to write off each asset over its estimated useful life:

Plant and equipment	25 per cent. straight line
Leasehold property	Over the term of the lease

(d) *Deferred taxation*

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences.

(e) *Leasing transactions*

Rentals payable under operating leases are charged to the profit and loss account as incurred.

(f) *Goodwill*

In accordance with FRS 10, goodwill or negative goodwill arising on consolidation, representing the difference between the purchase price and the fair value of the net assets of the subsidiary undertaking at the date of acquisition, is capitalised in the year of acquisition.

Goodwill is written off on a straight line basis over 20 years. Negative goodwill up to the fair values of non-monetary assets acquired is released to the profit and loss account in the period in which the non-monetary assets are recovered. Any unamortised positive or negative goodwill at the date of disposal is included in the profit or loss on disposal.

(g) *Investment properties*

Investment properties have been valued at their open market value. The valuation of the properties was performed by the directors.

(h) *Financial instruments*

Financial instruments are classified and accounted for, according to the substance of the contractual arrangements, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the asset of the company after deducting all of its liabilities.

2. Interest payable – Group

	2008	2007
	£'000	£'000
Other loans	–	886

3. Operating loss

	2008	2007
	£'000	£'000
Operating loss for the group is stated after charging/(crediting):		
Auditor's remuneration: Audit	10	8
Other services	13	12
Depreciation on owned assets	18	6
Rental income	–	(6)
Provision against loan to related undertaking	–	208

Auditor's remuneration for the audit of the company, Sterling Trust Limited, amounted to £10,000 (2007 £8,000).

4. Remuneration of directors

	2008	2007
	£'000	£'000
<i>Directors' emoluments</i>		
Wages and salaries	34	51

5. Taxation

	2008	2007
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	3,793	(503)
UK corporation tax thereon at 28% (2007 – 30%)	1,062	(151)
Effects of: Additional tax losses generated	(1,062)	151
UK current tax	–	–

The company has carried forward capital losses of £27 million.

6. Company's result on ordinary activities after taxation

As provided by the section 230 of the Companies Act 1985, no separate profit and loss account is presented for the company. The loss for Sterling Trust Limited for the year dealt with in the accounts is £66,000 (2007: loss of £357,000).

7. Intangible Assets – Goodwill

	<i>Positive goodwill</i> £'000
Cost	
At 1 January 2008	799
At 31 December 2008	<u>799</u>
Amortisation	
At 1 January 2008	799
At 31 December 2008	<u>799</u>
Net Book Value	
At 31 December 2008	<u>NIL</u>
Net Book Value	
At 31 December 2007	<u>NIL</u>

8. Tangible Fixed Assets: – Group and Company

	<i>Leasehold</i> <i>Property</i> £'000	<i>Plant</i> £'000	<i>Total</i> £'000
Cost			
At 1 January 2008	243	21	264
Additions	122	–	122
Balance at 31 December 2008	<u>365</u>	<u>21</u>	<u>386</u>
Depreciation			
At 1 January 2008	6	21	27
Charge for the year	18	–	18
Balance as at 31 December 2008	<u>24</u>	<u>21</u>	<u>45</u>
Net Book Value			
as at 31 December 2008	<u>341</u>	<u>–</u>	<u>341</u>
Net Book Value			
as at 31 December 2007	<u>237</u>	<u>–</u>	<u>237</u>

9. Investments

Group	<i>Investment in related undertakings</i> £'000	<i>Investment properties</i> £'000	<i>Listed on stock exchange</i> £'000	<i>Unlisted investments</i> £'000	<i>Total</i> £'000
Cost					
At 1 January 2008	81	382	362	113	938
Additions	–	–	–	4	4
Disposals	–	–	–	–	–
At 31 December 2008	81	382	362	117	942
Provisions or amounts written off					
At 1 January 2008	(81)	(382)	(333)	(10)	(806)
Recognised in year	–	–	–	–	–
At 31 December 2008	(81)	(382)	(333)	(10)	(806)
Net book value					
At 31 December 2008	–	–	29	107	136
At 31 December 2007	–	–	29	103	132

At 31 December 2008, the market value of the listed investments was £25,000.

10. Investments

Company	<i>Investment in subsidiary and related undertakings</i> £'000	<i>Listed on stock exchange</i> £'000	<i>Unlisted investments</i> £'000	<i>Total</i> £'000
Cost				
At 1 January 2008	531	392	113	1,036
Additions	–	–	4	4
Disposals	–	–	–	–
At 31 December 2008	531	392	117	1,040
Provisions and amounts written off				
At 1 January 2008	(480)	(368)	(10)	(858)
Written off in year	–	–	–	–
At 31 December 2008	(480)	(368)	(10)	(858)
Net book value				
At 31 December 2008	51	24	107	182
Net book value At 31 December 2007	51	24	103	178

At 31 December 2008 the market value of the listed investments was £25,000.

The company's principal subsidiaries included in the consolidation were:

<i>Name</i>	<i>Percentage of Ordinary Shares held</i>	<i>Activity</i>
Argyle Trust Limited	100% – Registered in Scotland	Investment holding company

11. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	–	–	–	–
Amounts owed by immediate parent undertaking	9,742	9,741	9,742	9,741
Amount owed by subsidiary undertakings	–	–	–	349
Amount owed by related undertakings	2,243	10,685	2,243	548
Other debtors	255	240	255	1,802
	<u>12,240</u>	<u>20,666</u>	<u>12,240</u>	<u>12,440</u>

12. Cash at bank and in hand

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash balances	<u>54</u>	<u>35</u>	<u>20</u>	<u>–</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts	–	12,367	–	4
Trade creditors	5	5	5	5
Amounts owed to subsidiary undertakings	–	–	75	75
Other creditors	590	334	616	769
Accruals and deferred income	48	29	48	29
	<u>643</u>	<u>12,735</u>	<u>744</u>	<u>882</u>

14. Share capital

	<i>2008</i>		<i>2007</i>	
	<i>Number of shares</i>	<i>Share Capital £</i>	<i>Number of shares</i>	<i>Share Capital £</i>
Authorised share capital				
Ordinary shares of 10p each	28,041,859	2,804,186	28,041,859	2,804,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>3,206,897</u>		<u>3,206,897</u>
Issued, allotted, called up and fully paid share capital				
Ordinary shares of 10p each	11,211,861	1,121,186	11,211,861	1,121,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>1,523,897</u>		<u>1,523,897</u>

The deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company. After payment by the company to the holders of the ordinary shares of a dividend or dividends amounting in aggregate to £10 per share, deferred shares will rank equally with the ordinary shares for the distribution of dividends. On a return of assets on a winding up, the deferred shareholders will only receive a payment of the amounts paid up on their shares after the ordinary shareholders have received their return of capital. After the deferred shareholders have

received full repayment of their capital, the ordinary shareholders will receive a further £10 per share and the balance of any assets will then be distributed amongst the ordinary shares and deferred shares in proportion to amounts paid up thereon.

15. Share premium and reserves

Group	<i>Other</i>	<i>Share</i>	<i>Profit</i>	<i>Total</i>
	<i>reserves</i>	<i>premium</i>	<i>and loss</i>	
	<i>£'000</i>	<i>account</i>	<i>account</i>	<i>£'000</i>
At 1 January 2008	6	9,776	(2,986)	6,796
Profit for the year	–	–	3,793	3,793
At 31 December 2008	6	9,776	807	10,589

Company	<i>Other</i>	<i>Share</i>	<i>Profit</i>	<i>Total</i>
	<i>reserves</i>	<i>premium</i>	<i>and loss</i>	
	<i>£'000</i>	<i>account</i>	<i>account</i>	<i>£'000</i>
At 1 January 2008	6	9,776	667	10,449
Profit for the year	–	–	66	66
At 31 December 2008	6	9,776	733	10,515

16. Reconciliation of operating loss to net cashflow from operating activities

	2008	2007
	<i>£'000</i>	<i>£'000</i>
Operating loss	(130)	(319)
Depreciation	18	6
Profit on sale of investment	3,726	–
Decrease/(increase) in trade and other debtors	8,426	(900)
Increase in trade creditors, accruals and deferred income and other creditors	275	331
Net inflow/(outflow) from operating activities	12,315	(882)

17. Analysis of net cash

	<i>At</i>	<i>Cash Flow</i>	<i>At</i>
	<i>1 January</i>		<i>31 December</i>
	<i>2008</i>	<i>2008</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash in hand, at bank	35	19	54
Bank loans	(12,367)	12,367	–
Total	(12,332)	12,386	54

18. Reconciliation of net cash inflow to movement in net cash

	<i>£'000</i>
Increase in cash in the year	19
Decrease in debt	12,367
	<hr/>
Movement in net debt in the year	12,386
Net debt at 1 January 2008	(12,332)
	<hr/>
Net cash at 31 December 2008	54
	<hr/>

19. Related party transactions

The company, Sterling Trust Limited, has taken advantage of the exemption available under FRS8, Related Party Transactions, not to disclose transactions or balances with parent undertakings and subsidiary undertakings where the holding exceeds 90 per cent.

The following debit balance was outstanding at the year-end with entities which have a controlling nucleus of directors in common:

	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Sterling Corporate Services Limited	524,151	509,390

Sterling Trust Limited paid certain corporate costs and expenses at the request of C J Emson and the amount to be reimbursed to the company by Mr Emson at the year end amounted to £216,998 (2007: £207,011). The maximum balance outstanding during the year was £216,998 (2007: £340,624).

20. Immediate parent undertaking and ultimate parent undertaking

As at 31 December 2008 the company's immediate parent undertaking was Sterling Credit Group Holdings Limited. At 31 December 2008, the company's ultimate parent undertaking was Anstake Holdings Limited. The ultimate controlling party is Mr Farrell. Sterling Credit Group Holdings Limited and Anstake Holdings Limited are registered in England and Wales. For the year ended 31 December 2008, the only financial statements in which the results and net assets of the company were consolidated were those prepared by Anstake Holdings Limited. Copies of the accounts of Anstake Holdings Limited can be obtained from One America Square, Crosswall, London EC3N 2SG.

STERLING TRUST LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2009

Registered number: 1761400

DIRECTORS AND ADVISORS

Directors	C J Emson – <i>Chairman</i> J M Bottomley FCIS J K Farrell N D Pilbrow
Secretary	J M Bottomley FCIS
Registered Office	One America Square Crosswall London EC3N 2SG
Auditors	LB Group 1 Vicarage Lane Stratford London E15 4HF
Solicitors	Jones Day 21 Tudor Street London EC4Y 0DJ
London Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8PH
Principal Group Subsidiary	Argyle Trust Limited

STERLING TRUST LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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STERLING TRUST LIMITED

DIRECTORS' REPORT

Financial Statements

The directors present their annual report and audited consolidated financial statements for the Company and its subsidiaries for the year ended 31 December 2009.

Principal Activity

The Company is the principal group investment and holding company and holds investments in listed and unlisted securities.

Results and post balance sheet events

The profit and loss account set out on page 37 shows the Group's results for the year ended 31 December 2009.

Proposed dividend and transfer of reserves

The directors do not recommend the payment of a dividend for the year (2008: £nil).

Transfers to reserves are set out in note 15 to the accounts.

Directors and directors' interests

The directors who held office during the year were as follows:

J M Bottomley
C J Emson
J K Farrell
N D Pilbrow

J K Farrell and N D Pilbrow retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election at the Annual General Meeting.

By Order of the Board

J M Bottomley

Director

14 September 2010

STERLING TRUST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the shareholders of Sterling Trust Limited

We have audited the financial statements of Sterling Trust Limited for the year ended 31 December 2009, which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

This report is made solely to the Company's shareholders, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 2, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

Our 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2009 and of the loss for the group for the period then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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;
- 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;
- the directors were not entitled to prepare the financial statements and the directors' report.

1 Vicarage Lane
Stratford
London E15 4HF

29 September 2010

T M LAKE
(Senior Statutory Auditor)
For and on behalf of
LB GROUP
Chartered Accountants and
Registered Auditors

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Note</i>	2009 £'000	2008 £'000
Turnover and gross profit		–	–
Administrative expenses		(81)	(130)
Operating loss	3	(81)	(130)
Interest receivable – Group		46	197
Interest payable – Group	2	–	–
(Loss)/profit on investments		(30)	3,726
(Loss)/Profit on ordinary activities before and after taxation		(65)	3,793
Retained (loss)/profit for the financial year	15	(65)	3,793

There were no gains or losses in either the current or preceding year other than those presented in the above consolidated profit and loss account.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009
Registered Number – 1761400**

	<i>Note</i>	<i>31 December 2009</i>		<i>31 December 2008</i>	
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets					
Positive goodwill	7		–		–
Tangible assets	8		400		341
Investments	9		124		136
			<u>524</u>		<u>477</u>
Current assets					
Debtors	11	12,212		12,240	
Cash at bank and in hand	12	28		54	
		<u>12,240</u>		<u>12,294</u>	
Creditors: amounts falling due within one year	13	(701)		(643)	
Net current assets			<u>11,539</u>		<u>11,651</u>
Total assets less current liabilities			<u>12,063</u>		<u>12,128</u>
Net assets			<u>12,063</u>		<u>12,128</u>
Capital and reserves					
Called up share capital	14		1,524		1,524
Share premium account	15		9,776		9,776
Other reserves	15		6		6
Profit and loss account	15		742		807
Shareholders' funds			<u>12,048</u>		<u>12,113</u>
Equity minority interests in subsidiary undertakings			15		15
			<u>12,063</u>		<u>12,128</u>

These financial statements were approved by the board of directors on 14 September 2010 and were signed on its behalf by:

J M Bottomley
Director

BALANCE SHEET
AS AT 31 DECEMBER 2009
Registered Number – 1761400

	<i>Note</i>	<i>31 December 2009</i>		<i>31 December 2008</i>	
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets					
Tangible assets	8		400		341
Investments	10		170		182
			<u>570</u>		<u>523</u>
Current assets					
Debtors	11	12,212		12,240	
Cash at bank and in hand	12	–		20	
		<u>12,212</u>		<u>12,260</u>	
Creditors: amounts falling due within one year	13	<u>(802)</u>		<u>(744)</u>	
Net current assets			<u>11,410</u>		<u>11,516</u>
Total assets less current liabilities and net assets			<u>11,980</u>		<u>12,039</u>
Capital and reserves					
Called up share capital	14		1,524		1,524
Share premium account	15		9,776		9,776
Other reserves	15		6		6
Profit and loss account	15		674		733
Shareholders' funds			<u>11,980</u>		<u>12,039</u>

These financial statements were approved by the board of directors on 14 September 2010 and were signed on its behalf by:

J M Bottomley
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Note</i>	<i>Year ended</i>		<i>Year ended</i>	
		<i>31 December 2009</i>		<i>31 December 2008</i>	
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	16		26		12,315
Returns on investment and servicing of finance					
Interest received		46		197	
Interest paid		—		—	
Net cash inflow from returns on investment and servicing of finance			46		197
Capital expenditure and financial investment					
Purchase of investments		(18)		(4)	
Purchase of tangible fixed assets		(81)		(122)	
Receipt on disposal of investment		—		—	
Net cash outflow from capital expenditure and financial investment			(99)		(126)
Net cash (outflow)/inflow before financing			(27)		12,386
Financing					
(Decrease) of other loans		—		—	
Receipt of new bank loans		—		—	
Net cash inflow from financing activities			—		—
(Decrease)/ increase in cash in the year	17		(27)		12,386

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Group</i>	
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
(Loss)/profit for the financial year	(65)	3,793
Opening shareholders' funds	12,128	8,335
Closing shareholders' funds	<u>12,063</u>	<u>12,128</u>
	<i>Company</i>	
(Loss)/profit for the financial year	(59)	66
Opening shareholders' funds	12,039	11,973
Closing shareholders' funds	<u>11,980</u>	<u>12,039</u>

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements have been prepared on a going concern basis which assumes that the group will continue to trade.

(b) ***Basis of consolidation***

These financial statements consolidate the accounts of Sterling Trust Limited and all its subsidiary undertakings. Results for subsidiaries acquired or disposed of during the year have been included from the date of acquisition or up to the date of disposal as appropriate.

In accordance with Section 408 of the Companies Act 2006, Sterling Trust Limited is exempt from the requirement to present its own profit and loss account.

The amount of profit for the financial year dealt with in the financial statements of Sterling Trust Limited is disclosed in these accounts.

Undertakings, other than subsidiary undertakings, over which the group exerts significant influence are treated as associated undertakings.

(c) ***Tangible fixed assets***

Depreciation is provided at the following annual rate in order to write off each asset over its estimated useful life:

Plant and equipment	25% straight line
Leasehold property	Over the term of the lease

(d) ***Deferred taxation***

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences.

(e) ***Leasing transactions***

Rentals payable under operating leases are charged to the profit and loss account as incurred.

(f) ***Goodwill***

In accordance with FRS 10, goodwill or negative goodwill arising on consolidation, representing the difference between the purchase price and the fair value of the net assets of the subsidiary undertaking at the date of acquisition, is capitalised in the year of acquisition.

Goodwill is written off on a straight line basis over 20 years. Negative goodwill up to the fair values of non-monetary assets acquired is released to the profit and loss account in the period in which the non-monetary assets are recovered. Any unamortised positive or negative goodwill at the date of disposal is included in the profit or loss on disposal.

(g) ***Financial instruments***

Financial instruments are classified and accounted for, according to the substance of the contractual arrangements, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the asset of the company after deducting all of its liabilities.

2. Interest payable – Group

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Other loans	–	–

3. Operating loss

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Operating loss for the group is stated after charging/(crediting):		
Auditor's remuneration: Audit	11	10
Other services	13	13
Depreciation on owned assets	22	18

Auditor's remuneration for the audit of the company, Sterling Trust Limited, amounted to £11,000 (2008 £10,000).

4. Remuneration of directors

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Directors' emoluments		
Wages and salaries	–	34

5. Taxation

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Loss/(profit) on ordinary activities before taxation	(65)	3,793
UK corporation tax thereon at 28% (2008 – 28%)	(18)	1,062
Effects of:		
Additional tax losses generated	18	(1,062)
UK current tax	–	–

The company has carried forward capital losses of £27 million.

6. Company's result on ordinary activities after taxation

As provided by the section 408 of the Companies Act 2006, no separate profit and loss account is presented for the company. The loss for Sterling Trust Limited for the year dealt with in the accounts is £59,000 (2008: loss of £66,000).

7. Intangible Assets – Goodwill

	<i>Positive goodwill</i> £'000
Cost	
At 1 January 2009	799
At 31 December 2009	<u>799</u>
Amortisation	
At 1 January 2009	799
At 31 December 2009	<u>799</u>
Net Book Value	
At 31 December 2009	<u>NIL</u>
Net Book Value	
At 31 December 2008	<u>NIL</u>

8. Tangible Fixed Assets: – Group and Company

	<i>Leasehold</i>		
	<i>Property</i>	<i>Plant</i>	<i>Total</i>
	£'000	£'000	£'000
Cost			
At 1 January 2009	365	21	386
Additions	81	–	81
Balance at 31 December 2009	<u>446</u>	<u>21</u>	<u>467</u>
Depreciation			
At 1 January 2009	24	21	45
Charge for the year	22	–	22
Balance as at 31 December 2009	<u>46</u>	<u>21</u>	<u>67</u>
Net Book Value			
as at 31 December 2009	<u>400</u>	<u>–</u>	<u>400</u>
Net Book Value			
as at 31 December 2008	<u>341</u>	<u>–</u>	<u>341</u>

9. Investments

Group	<i>Investment in related undertakings</i> £'000	<i>Investment properties</i> £'000	<i>Listed on stock exchange</i> £'000	<i>Unlisted investments</i> £'000	<i>Total</i> £'000
Cost					
At 1 January 2009	81	382	362	117	942
Additions	–	–	–	18	18
Disposals	–	–	–	–	–
At 31 December 2009	81	382	362	135	960
Provisions or amounts written off					
At 1 January 2009	(81)	(382)	(333)	(10)	(806)
Recognised in year	–	–	–	(30)	(30)
At 31 December 2009	(81)	(382)	(333)	(40)	(836)
Net book value					
At 31 December 2009	–	–	29	95	124
At 31 December 2008	–	–	29	107	136

At 31 December 2009, the market value of the listed investments was £25,000.

10. Investments

Company	<i>Investment in subsidiary and related undertakings</i> £'000	<i>Listed on stock exchange</i> £'000	<i>Unlisted investments</i> £'000	<i>Total</i> £'000
Cost				
At 1 January 2009	531	392	117	1,040
Additions	–	–	18	18
Disposals	–	–	–	–
At 31 December 2009	531	392	135	1,058
Provisions and amounts written off				
At 1 January 2009	(480)	(368)	(10)	(858)
Written off in year	–	–	(30)	(30)
At 31 December 2009	(480)	(368)	(40)	(888)
Net book value				
At 31 December 2009	51	24	95	170
Net book value At 31 December 2008	51	24	107	182

At 31 December 2009 the market value of the listed investments was £25,000.

<i>Name</i>	<i>Percentage of Ordinary Shares held</i>	<i>Activity</i>
Argyle Trust Limited	100% – Registered in Scotland	Investment holding company

11. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	–	–	–	–
Amounts owed by immediate parent undertaking	9,743	9,742	9,743	9,742
Amount owed by subsidiary undertakings	–	–	–	–
Amount owed by related undertakings	2,236	2,243	2,236	2,243
Other debtors	233	255	233	255
	<u>12,212</u>	<u>12,240</u>	<u>12,212</u>	<u>12,240</u>

12. Cash at bank and in hand

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash balances	<u>28</u>	<u>54</u>	<u>–</u>	<u>20</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts	1	–	1	–
Trade creditors	6	5	6	5
Amounts owed to subsidiary undertakings	–	–	75	75
Other creditors	654	590	680	616
Accruals and deferred income	40	48	40	48
	<u>701</u>	<u>643</u>	<u>802</u>	<u>744</u>

14. Share capital

	<i>2009</i>		<i>2008</i>	
	<i>Number of shares</i>	<i>Share Capital £</i>	<i>Number of shares</i>	<i>Share Capital £</i>
Authorised share capital				
Ordinary shares of 10p each	28,041,859	2,804,186	28,041,859	2,804,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>3,206,897</u>		<u>3,206,897</u>
Issued, allotted, called up and fully paid share capital				
Ordinary shares of 10p each	11,211,861	1,121,186	11,211,861	1,121,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>1,523,897</u>		<u>1,523,897</u>

The deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company. After payment by the company to the holders of the ordinary shares of a dividend or dividends amounting in aggregate to £10 per share, deferred shares will rank equally with the ordinary shares for the distribution of dividends. On a return of assets on a winding up, the deferred shareholders will only receive a payment of the amounts paid up on their shares after the ordinary shareholders have received their return of capital. After the deferred shareholders have

received full repayment of their capital, the ordinary shareholders will receive a further £10 per share and the balance of any assets will then be distributed amongst the ordinary shares and deferred shares in proportion to amounts paid up thereon.

15. Share premium and reserves

Group	<i>Other</i>	<i>Share</i>	<i>Profit</i>	<i>Total</i>
	<i>reserves</i>	<i>premium</i>	<i>and loss</i>	
	<i>£'000</i>	<i>account</i>	<i>account</i>	<i>£'000</i>
At 1 January 2009	6	9,776	807	10,589
Loss for the year	–	–	(65)	(65)
At 31 December 2009	6	9,776	742	10,524

Company	<i>Other</i>	<i>Share</i>	<i>Profit</i>	<i>Total</i>
	<i>reserves</i>	<i>premium</i>	<i>and loss</i>	
	<i>£'000</i>	<i>account</i>	<i>account</i>	<i>£'000</i>
At 1 January 2009	6	9,776	733	10,515
Loss for the year	–	–	(59)	(59)
At 31 December 2009	6	9,776	674	10,456

16. Reconciliation of operating loss to net cashflow from operating activities

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Operating loss	(81)	(130)
Depreciation	22	18
Profit on sale of investment	–	3,726
Decrease in trade and other debtors	28	8,426
Increase in trade creditors, accruals and deferred income and other creditors	57	275
Net inflow from operating activities	26	12,315

17. Analysis of net cash

	<i>At</i>	<i>Cash Flow</i>	<i>At</i>
	<i>1 Jan</i>	<i>2009</i>	<i>31 December</i>
	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash in hand, at bank	54	(26)	28
Bank loans and overdrafts	–	(1)	(1)
Total	54	(27)	27

18. Reconciliation of net cash inflow to movement in net cash

	<i>£'000</i>
Decrease in cash in the year	(26)
Increase in debt	(1)
	<hr/>
Movement in net debt in the year	(27)
Net cash at 1 January 2009	54
	<hr/>
Net cash at 31 December 2009	27
	<hr/>

19. Related party transactions

The company, Sterling Trust Limited, has taken advantage of the exemption available under FRS8, Related Party Transactions, not to disclose transactions or balances with parent undertakings and subsidiary undertakings where the holding exceeds 90 per cent.

The following debit balance was outstanding at the year-end with entities which have a controlling nucleus of directors in common:

	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>
Sterling Corporate Services Limited	524,151	524,151

Sterling Trust Limited paid certain corporate costs and expenses at the request of C J Emson and the amount to be reimbursed to the company by Mr Emson at the year end amounted to £199,039 (2008: £216,998). The maximum balance outstanding during the year was £216,998 (2008: £216,998).

20. Immediate parent undertaking and ultimate parent undertaking

As at 31 December 2009 the company's immediate parent undertaking was Sterling Credit Group Holdings Limited. At 31 December 2009, the company's ultimate parent undertaking was Anstake Holdings Limited. The ultimate controlling party is Mr J K Farrell. Sterling Credit Group Holdings Limited and Anstake Holdings Limited are registered in England and Wales. For the year ended 31 December 2009, the only financial statements in which the results and net assets of the company were consolidated were those prepared by Anstake Holdings Limited. Copies of the accounts of Anstake Holdings Limited can be obtained from One America Square, Crosswall, London EC3N 2SG and Companies House.

21. Tangible Fixed Assets: – Group and Company

	<i>Leasehold Property £'000</i>	<i>Plant £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2009	365	21	386
Additions	81	–	81
Balance at 31 December 2009	<u>446</u>	<u>21</u>	<u>467</u>
Depreciation			
At 1 January 2009	24	21	45
Charge for the year	22	–	22
Balance as at 31 December 2009	<u>46</u>	<u>21</u>	<u>67</u>
Net Book Value as at 31 December 2009	<u>400</u>	<u>–</u>	<u>400</u>
Net Book Value as at 31 December 2008	<u>341</u>	<u>–</u>	<u>341</u>

22. Investments

Group	<i>Investment in related undertakings £'000</i>	<i>Investment properties £'000</i>	<i>Listed on stock exchange £'000</i>	<i>Unlisted investments £'000</i>	<i>Total £'000</i>
Cost					
At 1 January 2009	81	382	362	117	942
Additions	–	–	–	18	18
Disposals	–	–	–	–	–
At 31 December 2009	<u>81</u>	<u>382</u>	<u>362</u>	<u>135</u>	<u>960</u>
Provisions or amounts written off					
At 1 January 2009	(81)	(382)	(333)	(10)	(806)
Recognised in year	–	–	–	(30)	(30)
At 31 December 2009	<u>(81)</u>	<u>(382)</u>	<u>(333)</u>	<u>(40)</u>	<u>(836)</u>
Net book value At 31 December 2009	<u>–</u>	<u>–</u>	<u>29</u>	<u>95</u>	<u>124</u>
At 31 December 2008	<u>–</u>	<u>–</u>	<u>29</u>	<u>107</u>	<u>136</u>

At 31 December 2009, the market value of the listed investments was £25,000.

23. Investments

Company	<i>Investment in subsidiary and related undertakings £'000</i>	<i>Listed on stock exchange £'000</i>	<i>Unlisted investments £'000</i>	<i>Total £'000</i>
Cost				
At 1 January 2009	531	392	117	1,040
Additions	–	–	18	18
Disposals	–	–	–	–
At 31 December 2009	<u>531</u>	<u>392</u>	<u>135</u>	<u>1,058</u>
Provisions and amounts written off				
At 1 January 2009	480	368	10	858
Written off in year	–	–	30	30
At 31 December 2009	<u>480</u>	<u>368</u>	<u>40</u>	<u>888</u>
Net book value				
At 31 December 2009	<u>51</u>	<u>24</u>	<u>95</u>	<u>170</u>
Net book value				
At 31 December 2008	<u>51</u>	<u>24</u>	<u>107</u>	<u>182</u>

At 31 December 2009 the market value of the listed investments was £25,000.

The company's principal subsidiaries included in the consolidation were:

<i>Name</i>	<i>Percentage of Ordinary Shares held</i>	<i>Activity</i>
Argyle Trust Limited	100% – Registered in Scotland	Investment holding company

24. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2009 £'000</i>	<i>2008 £'000</i>	<i>2009 £'000</i>	<i>2008 £'000</i>
Trade debtors	–	–	–	–
Amounts owed by immediate parent undertaking	9,743	9,742	9,743	9,742
Amount owed by subsidiary undertakings	–	–	–	–
Amount owed by related undertakings	2,236	2,243	2,236	2,243
Other debtors	233	255	233	255
	<u>12,212</u>	<u>12,240</u>	<u>12,212</u>	<u>12,240</u>

25. Cash at bank and in hand

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash balances	28	54	–	20

26. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts	1	–	1	–
Trade creditors	6	5	6	5
Amounts owed to subsidiary undertakings	–	–	75	75
Other creditors	654	590	680	616
Accruals and deferred income	40	48	40	48
	<u>701</u>	<u>643</u>	<u>802</u>	<u>744</u>

27. Share capital

	<i>2009</i>		<i>2008</i>	
	<i>Number of shares</i>	<i>Share Capital £</i>	<i>Number of shares</i>	<i>Share Capital £</i>
Authorised share capital				
Ordinary shares of 10p each	28,041,859	2,804,186	28,041,859	2,804,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>3,206,897</u>		<u>3,206,897</u>
Issued, allotted, called up and fully paid share capital				
Ordinary shares of 10p each	11,211,861	1,121,186	11,211,861	1,121,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>1,523,897</u>		<u>1,523,897</u>

The deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company. After payment by the company to the holders of the ordinary shares of a dividend or dividends amounting in aggregate to £10 per share, deferred shares will rank equally with the ordinary shares for the distribution of dividends. On a return of assets on a winding up, the deferred shareholders will only receive a payment of the amounts paid up on their shares after the ordinary shareholders have received their return of capital. After the deferred shareholders have received full repayment of their capital, the ordinary shareholders will receive a further £10 per share and the balance of any assets will then be distributed amongst the ordinary shares and deferred shares in proportion to amounts paid up thereon.

28. Share premium and reserves**Group**

	<i>Other reserves £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2009	6	9,776	807	10,589
Loss for the year	–	–	(65)	(65)
At 31 December 2009	<u>6</u>	<u>9,776</u>	<u>742</u>	<u>10,524</u>

Company

	<i>Other reserves £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2009	6	9,776	733	10,515
Loss for the year	–	–	(59)	(59)
At 31 December 2009	<u>6</u>	<u>9,776</u>	<u>674</u>	<u>10,456</u>

29. Reconciliation of operating loss to net cashflow from operating activities

	<i>2009 £'000</i>	<i>2008 £'000</i>
Operating loss	(81)	(130)
Depreciation	22	18
Profit on sale of investment	–	3,726
Decrease in trade and other debtors	28	8,426
Increase in trade creditors, accruals and deferred income and other creditors	57	275
Net inflow from operating activities	<u>26</u>	<u>12,315</u>

30. Analysis of net cash

	<i>At 1 Jan 2009 £'000</i>	<i>Cash Flow £'000</i>	<i>At 31 December 2009 £'000</i>
Cash in hand, at bank	54	(26)	28
Bank loans and overdrafts	–	(1)	(1)
Total	<u>54</u>	<u>(27)</u>	<u>27</u>

31. Reconciliation of net cash inflow to movement in net cash

	<i>£'000</i>
Decrease in cash in the year	(26)
Increase in debt	(1)
Movement in net debt in the year	<u>(27)</u>
Net cash at 1 January 2009	54
Net cash at 31 December 2009	<u>27</u>

32. Related party transactions

The company, Sterling Trust Limited, has taken advantage of the exemption available under FRS8, Related Party Transactions, not to disclose transactions or balances with parent undertakings and subsidiary undertakings where the holding exceeds 90 per cent.

The following debit balance was outstanding at the year-end with entities which have a controlling nucleus of directors in common:

	<i>2009</i>	<i>2008</i>
	<i>£</i>	<i>£</i>
Sterling Corporate Services Limited	524,151	524,151

Sterling Trust Limited paid certain corporate costs and expenses at the request of C J Emson and the amount to be reimbursed to the company by Mr Emson at the year end amounted to £199,039 (2008: £216,998). The maximum balance outstanding during the year was £216,998 (2008: £216,998).

33. Immediate parent undertaking and ultimate parent undertaking

As at 31 December 2009 the company's immediate parent undertaking was Sterling Credit Group Holdings Limited. At 31 December 2009, the company's ultimate parent undertaking was Anstake Holdings Limited. The ultimate controlling party is Mr J K Farrell. Sterling Credit Group Holdings Limited and Anstake Holdings Limited are registered in England and Wales. For the year ended 31 December 2009, the only financial statements in which the results and net assets of the company were consolidated were those prepared by Anstake Holdings Limited. Copies of the accounts of Anstake Holdings Limited can be obtained from One America Square, Crosswall, London EC3N 2SG and Companies House.

PART III

ADDITIONAL INFORMATION IN RELATION TO THE RULE 9 WAIVER

1. RESPONSIBILITY

The Directors of Sterling Trust accept responsibility for the information in this document relating to them and Sterling Trust and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), confirm that the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INFORMATION ON STERLING TRUST

2.1 *Information on Sterling Trust*

Sterling Trust is an investment company which was taken private some years ago by the present management following the sale of its banking company, Sterling Bank and Trust Company Ltd to Beneficial Bank. The formerly quoted company was the principal UK holding company for Robert Holmes a Court, with interests in insurance, banking, investment and finance, then named Dewey Warren Holdings Plc. The board of directors of Sterling Trust comprises Colin Emson (Chairman), John Bottomley FCIS, J.K. Farrell and Nigel Pilbrow. Sterling Trust's address is One America Square, Crosswall, London EC3N 2SG.

The company has access to substantial resources and is continuing a programme of investment acquisitions, typically taking an active and supporting role in the companies with which it is involved. This has previously been in the fields of insurance, debt trading, securities holdings, private investment company acquisitions, hotels and power development companies.

Financial information

Financial information for Sterling Trust is in Part II B of this document.

2.2 *Material contracts*

- (a) During the two years immediately preceding the date of this document there have been no material contracts (being contracts not entered into in the ordinary course of business) entered into by Sterling Trust with the Company other than as set out below or in Part IV.
- (b) ***Documents concerning the transfer of the Senior Debt from Standard Bank Plc and CVI GVF (Lux) Master S.a.r.l ("CarVal") respectively to STSL***

On or around the date hereof, STSL entered into transfer agreements and documents evidencing the transfer of all rights and obligations under the Term Facility in relation to the Senior Debt from Standard Bank Plc and CarVal respectively to STSL including LMA Trade Confirmations (dated 11 March 2011 in respect of Standard Bank Plc and 25 February 2011 in respect of CarVal). The LMA Trade Confirmations incorporate the Standard Terms and Conditions for Par and Distressed Trade Transactions (Bank Debt/Claims) of the Loan Market Association and the transfer agreements include any required transfer certificate(s) and accession undertaking(s). Pursuant to the transfer agreements STSL has agreed to acquire all rights and obligations in relation to the Senior Debt by 31 March 2011 in consideration for the payment of approximately \$5.12 million to Standard Bank Plc under the Term Facility, approximately \$6.4 million to CarVal under the Term Facility and approximately \$1.08 million to Standard Bank Plc in its capacity as swap provider under the Hedging Agreement.

3. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

3.1 For the purposes of Parts III and IV:

- (i) “acting in concert” has the meaning attributed to it in the Takeover Code; persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. A person and each of its affiliated persons will be deemed to be acting in concert all with each other. Without prejudice to the general application of this definition, the following persons will be presumed to be persons acting in concert with other persons in the same category unless the contrary is established:
 - (1) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);
 - (2) a company with any of its directors (together with their close relatives and related trusts);
 - (3) a company with any of its pension funds and the pension funds of any company covered in (1);
 - (4) a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts;
 - (5) a connected adviser with its client and, if its client is acting in concert with an offeror or with the offeree company, with that offeror or with that offeree company respectively, in each case in respect of the interests in shares of that adviser and persons controlling, controlled by or under the same control as that adviser (except in the capacity of an exempt fund manager or an exempt principal trader); and
 - (6) directors of a company which is subject to an offer or where the directors have reason to believe a *bona fide* offer for their company may be imminent.
- (ii) “arrangement” includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (iii) “associate” means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which such companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (iv) “connected adviser” has the meaning attributed to it in the Takeover Code;
- (v) “connected person” has the meaning attributed to it in sections 252 to 255 of the Act;
- (vi) “control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives *de facto* control;
- (vii) “dealing” or “dealt” includes the following:
 - (a) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;

- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
 - (c) subscribing or agreeing to subscribe for securities;
 - (d) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights; the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
 - (e) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (f) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position.
- (viii) “derivative” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of a underlying security;
- (ix) “disclosure date” means 10 March 2011, being the latest practical date prior to the posting of this document;
- (x) “disclosure period” means the period commencing on 11 March 2010, being the date 12 months prior to the posting of this document and ending on the disclosure date;
- (xi) “exempt principal trader” or “exempt fund manager” has the meaning attributed to it in the Takeover Code;
- (xii) being “interested” in relevant securities includes where a person has long economic exposure, whether absolute or conditional, to changes in the price of those securities. A person who only has a short position in securities will not be treated as interested in those securities. In particular, a person will be treated as having an interest in securities if:
- (1) he owns them;
 - (2) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (3) by virtue of any agreement to purchase, option or derivative he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (4) he is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in his having a long position in them.
- (xiii) “relevant securities” means ordinary shares (or derivatives referenced thereto) and securities convertible into or rights to subscribe for ordinary shares, options in respect of ordinary shares (including traded options) or short positions in ordinary shares in the Company and/or any member of the Concert Party;
- (xiv) “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

3.2 As at the close of business on the disclosure date:

- (i) The interests of the Directors and their respective immediate families, related trusts and connected persons, whether legal or beneficial, in relevant securities are:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Share Capital</i>
Elizabeth Shaw	275,000	0.125%
Peter Earl	250,000	0.113%
Michael Eyre	250,000	0.113%
Andrew Morris	100,000	0.045%
Marcelo Blanco	nil	nil
Total	875,000	0.396%

- (ii) There are no options over relevant securities held by the Directors and their respective immediate families, related trusts and connected persons.

- (iii) The following dealings for value in relevant securities by the persons listed below during the disclosure period are:

<i>Name</i>	<i>Date</i>	<i>Type of dealing</i>	<i>Number of Ordinary Shares</i>	<i>Purchase price per Ordinary Share</i>	<i>Resultant holding of Ordinary Shares</i>	<i>% of Issued Ordinary Share capital</i>	<i>Total Ordinary Shares In Issue</i>
Peter Earl	17.6.10	Sale	5,901,361 ¹	10p	0	0	216,421,505
Peter Earl	15.11.10	Purchase	250,000	11.5p	250,000	0.113	220,671,505
Andrew Morris	8.12.10	Purchase	100,000	9.9p	100,000	0.45	220,671,505

1 Beneficial holding only

3.3 The following dealings for value in relevant securities by the persons listed below during the disclosure period are:

<i>Name</i>	<i>Date</i>	<i>Type of dealing</i>	<i>Number of Ordinary Shares</i>	<i>Purchase price per Ordinary Share</i>	<i>Resultant holding of Ordinary Shares</i>	<i>% of Issued Ordinary Share capital</i>	<i>Total Ordinary Shares In Issue</i>
Sterling Trust	14.6.10	Purchase	10,000,000	10p	10,000,000	4.6	216,421,505
	17.6.10	Purchase	11,631,765	10p	21,631,765	10.0	216,421,505
	7.7.10	Purchase	11,802,721	10p	33,434,486	15.4	216,421,505
	16.7.10	Purchase	3,962,197	7.67p	37,396,683	17.3	216,421,505
	19.7.10	Purchase	1,000,000	7.72p	38,396,683	17.7	216,421,505
	21.7.10	Purchase	1,000,000	8.45p	39,396,683	18.2	216,421,505
	28.7.10	Purchase	1,000,000	9.08p	40,396,683	18.7	216,421,505
	3.8.10	Purchase	1,250,000	10p	41,646,683	19.2	216,421,505
	6.8.10	Purchase	500,000	10p	42,146,683	19.5	216,421,505
	2.9.10	Purchase	440,000	11.10p	42,586,683	19.7	216,421,505
	15.9.10	Purchase	15,673,765	13.85p	58,260,448	26.9	216,421,505
	20.9.10	Purchase	1,000,000	10p	59,260,448	26.9	220,671,505
	22.9.10	Purchase	1,000,000	12.61p	60,260,448	27.3	220,671,505

3.4 As at the close of business on the disclosure date, save as disclosed above:

- (i) None of Sterling Trust nor any of their directors or members nor any member of their immediate families, any related trust nor any associate (as defined above), nor any connected persons (within the meaning of Section 252 of the Act), nor any person acting in concert with such persons, owns or controls, or has borrowed or lent, or is interested in, or has any right to subscribe for, or any arrangement concerning, directly or indirectly, any of the relevant securities, nor has any such person dealt for value therein during the disclosure period or has

any short position (whether conditional or absolute and whether in the money or otherwise), including a short position under a derivative or right to require any person to take delivery of any of the relevant securities; and

- (ii) None of (1) the Company, (2) the Directors, (3) associates of the Company; (4) the pension funds of the Company or of any associate of the Company, (5) any employee benefit trust of the Company or of a company which is an associate of the Company, (6) any connected adviser to the Company or to a company which is an associate of the Company or any person acting in concert with the Directors, (7) any person controlling, controlled by or under the same control as any connected adviser falling within (6) above (except for an exempt principal trader or an exempt fund manager), and (8) any person who has an arrangement of the kind referred to in Note 6 on Rule 8 of the Takeover Code with the Company or with any person who is an associate of the Company; owns or controls, or has borrowed or lent, or is interested in, or has any right to subscribe for, or any arrangement concerning, directly or indirectly, any of the relevant securities, nor has any such person dealt for value therein during the disclosure period or has any short position (whether conditional or absolute and whether in the money or otherwise), including a short position under a derivative or right to require any person to take delivery of any of the relevant securities.

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names are set out in paragraph 2.1. below, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules, except the only responsibility accepted by the Directors in respect of the information in this document relating to Sterling Trust has been to ensure that such information has been correctly and fairly reproduced or presented (and no steps have been taken by the Directors to verify this information). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS

2.1 The Directors as at the date of this document and their functions are as follows:

<i>Director</i>	<i>Function</i>
Andrew Morris	Chairman and Non-Executive Director
Peter Earl	Chief Executive
Michael Eyre	Technical Director
Elizabeth Shaw	Finance Director
Marcelo Blanco	Executive Director

2.2 The business address of all the Directors is 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ.

3. DIRECTORS' SERVICE CONTRACTS AGREEMENTS AND LETTERS OF APPOINTMENT

3.1 Executive Directors' service agreements

- (a) Peter Earl is engaged as a director of the Company in the position of Chief Executive under the terms of a service agreement dated 1 August 2004 at a current annual salary of £52,500 per annum.
- (b) Elizabeth Shaw is engaged as a director of the Company in the position of Finance Director under the terms of a service agreement dated 1 August 2004 at a current annual salary of £52,500 per annum.
- (c) Marcelo Blanco is engaged as a director of the Company in the position of Executive Director under the terms of a service agreement dated 1 October 2008 at an annual salary of £15,000 per annum.
- (d) Mike Eyre is engaged as a director of the Company in the position of Technical Director under the terms of a service agreement dated 1 August 2004 at an annual salary of £52,500.
- (e) The amount of time each of the Executive Directors devotes to the affairs of the Company varies based on the requirements of the business. No compensation is payable for loss of office. There is no provision for any further benefit to be provided to the Executive Directors under their service agreements. The service agreements are terminable on six months' written notice from either party.
- (f) The service agreements also contain six month post-termination restrictions on the Executive Directors being engaged by any customer of the Company, soliciting any customer of the Company, dealing with any customer of the Company, soliciting or employing any key

employee of the Company. Each of the Executive Directors agrees to conform to such hours of work as may be from time to time reasonably required of them.

3.2 Non-Executive Director's letter of appointment

- (a) The appointment of Andrew Morris is governed by a letter of appointment dated 1 July 2009.
- (b) Andrew Morris' appointment is terminable on not less than six months' written notice by either party. Andrew Morris's current annual fee is £45,000 per annum and he is also entitled to reimbursement for all reasonable out of pocket expenses properly incurred on Company business.

3.3 Consultancy agreement

Marcelo Blanco also has a consultancy agreement with the Company dated 1 May 2010 for the term of one year and for a monthly fee of \$5,000 per month.

3.4 Save as disclosed herein, there are no other existing or proposed service agreements between any Director and the Company.

3.5 Save as referred to in this clause, no service or consultancy agreements between any Director and the Company has been entered into or amended within 6 months prior to the publication of this document.

4. TAKEOVER CODE

4.1. *Market Quotations*

- (a) The following table shows the middle market quotations of the Company, as derived from the Daily Official List for the first dealing day in each of the six months immediately before the date of this document and for 10 March 2011 (being the latest practicable date prior to the posting of this document):

<i>Date</i>	<i>Price (pence)</i>
10 March 2011	7.75
1 March 2011	8.13
1 February 2011	8.75
4 January 2011	8.50
1 December 2010	10.50
1 November 2010	14.75
1 October 2010	11.50

4.2 *Other Information*

- (a) The Company has not redeemed or purchased any relevant securities during the disclosure period.
- (b) Other than the Loan Notes, Unsecured Loans and Senior Debt, there are no financing arrangements where repayment or security depends on the Company.
- (c) Other than as set out in this document, there are no agreements, arrangements or understandings having connection with or dependence on the Proposals.
- (d) Other than as set out in this document, there are no agreements, arrangements or understandings between Sterling Trust and any other person for the transfer of any relevant securities held by the Sterling Trust.

5. IRREVOCABLE UNDERTAKINGS

5.1 Irrevocable undertakings to vote in favour, or to procure a vote in favour of all of the Resolutions in respect of 70,262,430 Ordinary Shares (which, in aggregate, represents 31.8 per cent. of the

Company's Ordinary Shares) have been received from each of the following (including the Directors) in respect of their interests in Ordinary Shares as at 10 March 2011 (being the last practicable date prior to the publication of this document):

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>
Legal & General	36,715,899
RAB Energy Fund Limited	11,221,531
Caldwell Management A.G.	21,450,000
Peter Earl	275,000
Elizabeth Shaw	250,000
Michael Eyre	250,000
Andrew Morris	100,000

- 5.2 An irrevocable undertaking to vote in favour of Resolutions 2 and 3 in respect of its entire holding of Ordinary Shares, being 60,260,448 Ordinary Shares (which, in aggregate, represents 27.3 per cent. of the Company's Ordinary Shares), has been received from Sterling Trust.
- 5.3 Irrevocable undertakings to cancel the principal amount of their Loan Notes in consideration for the issue of Capitalisation Shares (with accrued interest being repaid in cash) have been received from each of the following in respect of the Loan Notes held by them as at 10 March 2011 (being the last practicable date prior to the publication of this document):

<i>Loan Note holder</i>	<i>Amount of Loan Notes</i>
Sterling Trust	£550,000
Technology Finance Limited	£120,000

6. MATERIAL CONTRACTS

During the two years immediately preceding the date of this document, the Company and its subsidiaries have not entered into any material contracts otherwise than in the ordinary course of business except as detailed below:

6.1. *Convertible Loan Note documents*

(a) *Convertible Loan Note Instrument*

On 10 September 2009, the Company created £2,500,000 of convertible loan notes with an interest rate of 12 per cent. per annum. The loan notes were amended by a deed of variation between the Company, Credit Suisse Client Nominees (UK) Limited, Caldwell Management A.G. and IPC on 2 August 2010 so that the exercise price was reduced from 25 pence per ordinary share to 13.75 pence per ordinary share. If the Loan Note holders do not convert their Loan Notes prior to 31 March 2011, the Loan Notes will then become repayable by the Company.

(b) *Convertible Loan Note Cancellation Deeds*

Sterling Trust and Technology Finance Limited have each entered into cancellation deeds with the Company, under which they have agreed, conditional upon Admission occurring on 29 March 2011 (or such other date as may be agreed between the parties being no later than 31 March 2011), to cancel the principal amount of their Loan Notes in consideration for the issue to them of Capitalisation Shares at 9 pence per share.

6.2. *Daniel Stewart Engagement Letter*

On 4 March 2011, the Company entered into an engagement letter with Daniel Stewart pursuant to which Daniel Stewart has agreed to act as the Company's adviser and agent in connection with the Proposals, including advice in connection with the proposed Rule 9 Waiver. Daniel Stewart will receive a fee of £120,000, plus VAT as applicable, payable on approval of the Resolutions.

6.3 **Placing Agreement**

On 11 March 2011, the Company and the Directors entered into the Placing Agreement pursuant to which Daniel Stewart has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional on, *inter alia*, the passing of the Resolutions and Admission occurring on or before 29 March 2011 (or such other date as may be agreed between the parties being no later than 31 March 2011).

The Placing Agreement contains warranties given by the Company and certain of the Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business. In addition, the Company has given an indemnity to Daniel Stewart in respect of certain matters. Daniel Stewart is entitled to terminate the Placing Agreement prior to Admission in the event of, *inter alia*, a breach by the Directors of the Placing Agreement or if any of the warranties contained in it are found to be untrue, inaccurate or misleading in any material respect or in the event of *force majeure*. In consideration of its services in connection with the Placing, the Company will pay Daniel Stewart the fee specified in the Daniel Stewart Engagement Letter described in paragraph 6.2 above.

6.4 **Subscription Agreements**

(a) On 11 March 2011, Sterling Trust conditionally agreed to subscribe for 143,989,622 Ordinary Shares at a subscription price of 9 pence per Ordinary Share. The Subscription is conditional on Admission occurring on 29 March 2011 (or such other date as may be agreed between the parties, being no later than 31 March 2011).

(b) On 11 March 2011, Caldwell Management A.G. conditionally agreed to subscribe for 4,000,000 Ordinary Shares at a subscription price of 9 pence per Ordinary Shares. The Subscription is conditional on Admission occurring on 29 March 2011 (or such other date as may be agreed between the parties, being no later than 31 March 2011).

6.5 **Relationship Agreement**

The Relationship Agreement is summarised in paragraph 7 of Part I of this document.

6.6 **Option Agreement**

On 11 March 2011, the Company entered into the Option Agreement with Sterling Trust pursuant to which the Company was granted an option to acquire the entire issued share capital of STSL. The Company has the right to exercise the Option following Admission at any time up to 31 March 2011 on payment of £1. Sterling Trust gave standard warranties in relation to the incorporation and operation of STSL and to confirm that its only asset is its right to the Senior Debt.

6.7 **Sterling Option**

On 11 March 2011, the Company entered into an option agreement with Sterling Trust pursuant to which Sterling Trust was granted the right to subscribe for up to 15,500,000 Ordinary Shares at an exercise price of 9 pence per share. The option granted pursuant to the option agreement is exercisable in whole or in part on more than one occasion during the period commencing immediately following the passing of the Resolutions at the General Meeting (or any adjournment thereof) up to 5.00 p.m. on 1 April 2011. Completion of the allotment and issue of any shares subscribed for pursuant to an exercise of the Sterling Option shall take place at the registered office of the Company at 8.00 a.m. on the Business Day immediately following the date of exercise.

6.8 **Placing Agreement 2009**

On 20 April 2009, the Company entered into a placing agreement with Daniel Stewart, Religare Hichens Harrison (“Religare”) and the then directors of the Company pursuant to which Daniel Stewart and Religare agreed to act as Nominated Adviser and Broker, respectively, in a placing to raise £6.5 million before expenses.

6.9 *Unsecured Loans*

- (a) An unsecured loan dated 1 October 2010 of £3,520,144.31 with an interest rate of 12 per cent. per annum between the Company as borrower and Secteur Holdings Limited as lender due to be repaid in full on 31 March 2011. Pursuant to a deed of capitalisation between Secteur Holdings Limited and the Company dated 11 March 2011, Secteur Holdings Limited agreed, conditional upon Admission occurring on 28 March 2011 (or such other date as may be agreed between the parties not later than 31 March 2011), to capitalise £200,000 of the amount owed to them in respect of the unsecured loan by the allotment of Capitalisation Shares at 9 pence per Capitalisation Share.
- (b) An unsecured loan dated 1 May 2010 of £261,859.55 with interest rate of 3 per cent. above sterling 3 month LIBOR per annum as between the Company as borrower and IPC as lender due to be repaid in full on 30 June 2011.
- (c) An unsecured loan dated 1 May 2010 of \$930,357 with interest rate of 3 per cent. above United States dollar 3 month LIBOR per annum as between the Company as borrower and IPC as lender due to be repaid in full on 30 June 2011.
- (d) An unsecured loan dated 1 May 2010 of \$447,858 with interest rate of 3 per cent. above United States dollar 3 month LIBOR per annum as between the Company as borrower and Southern Integrated Energy Limited (a wholly-owned subsidiary of IPC) as lender due to be repaid in full on 30 June 2011.
- (e) An unsecured loan dated 29 September 2008, as amended, of \$700,000 with interest rate of 6 per cent. above United States dollar 3 month LIBOR per annum as between the Company as borrower and European Power Systems Aktiengesellschaft as lender due to be repaid in full on 1 May 2011. Pursuant to a deed of capitalisation dated 11 March 2011 between European Power Systems Aktiengesellschaft and the Company, European Power Systems Aktiengesellschaft agreed, conditional upon Admission occurring on 28 March 2011 (or such other date as may be agreed between the parties not later than 31 March 2011), to capitalise £515,060.94 of the amount owed to them in respect of the unsecured loan by the allotment of Capitalisation Shares at 9 pence per Capitalisation Share.
- (f) An unsecured loan dated 28 December 2008, as amended, of \$500,000 with interest rate of 12 per cent. per annum as between the Company as borrower and Technology Finance Limited as lender due to be repaid in full on 31 March 2011. Pursuant to a deed of capitalisation dated 11 March 2011 between Technology Finance Limited and the Company, Technology Finance Limited agreed, conditional upon Admission occurring on 28 March 2011 (or such other date as may be agreed between the parties not later than 31 March 2011), to capitalise £343,508.29 of the amount owed to them in respect of the unsecured loan by the allotment of Capitalisation Shares at 9 pence per Capitalisation Share.

6.10 *Senior Debt*

(a) *Term Facility*

An \$18,000,000 term facility agreement (the "Term Facility") dated 8 March 2007 (as amended, restated, varied or supplemented) between, *inter alios*, EdS as borrower, the Company and Basic Energy (BVI) Ltd as guarantors, Standard Bank Plc as arranger and agent and Standard Bank Argentina S.A. as Argentine security trustee and collateral agent.

Upon being entered into, the Term Facility was drawn down in full in a number of tranches (split between fixed asset financing (\$11.79 million in aggregate) and import finance transactions (\$6.21 million in aggregate) of senior, secured debt which carried an interest rate of 6 per cent. above United States dollar 3 month LIBOR rate per annum. The purpose of the Term Facility was (i) to finance the acquisition of certain fixed assets and (ii) to finance the payment (either in advance or at sight) by EdS to suppliers located outside Argentina of the

purchase price of certain assets to be imported by EdS for carrying out a project (being the conversion of the Comodoro Rivadavia plant into a combined cycle plant and its expansion).

(b) *Hedging Agreement*

A hedging agreement entered into between EdS and Standard Bank Plc effective 26 March 2007 and terminating 26 March 2012 (including a confirmation in respect of an interest rate cancellable swap dated 27 March 2007 which incorporates the terms of the 2002 ISDA Master Agreement) as required under the Term Facility.

6.11 *Sale and Purchase Agreement relating to the disposal of 50 per cent. of Patagonia Energy Limited*

On 3 June 2009, the Company and Basic Energy Limited entered into an agreement pursuant to which the Company transferred 50 per cent. of the issued and outstanding share capital of Patagonia Energy Limited to Basic Energy Limited in consideration for the cancellation of the principal due from the Company to Basic Energy Limited under a promissory note. The Company gave typical warranties and indemnities for a transaction of this nature to Basic Energy Limited. The warranties expire on 3 June 2011 to the extent notice of any claim has not been received by then.

6.12 *Placing Agreement 2010*

On 13 September 2010, the Company entered into a placing agreement with Religare Capital Markets Limited ("RCM") pursuant to which RCM agreed to act as broker in a placing to raise £425,000.

6.13 *Services Agreement*

On 23 July 2004 (which pre-dates the acquisition of IPC by Sterling Trust) the Company and IPC entered into a services agreement (the "Services Agreement"). Under the Services Agreement, IPC agreed to provide certain office and facilities services, including a licence to occupy premises at IPC's offices, receptionist and secretarial services, Spanish/English translation services, general administration and IT support services for an aggregate annual fee of £120,000 plus VAT with other services available on request at a separate charge. The monthly fee for the standard services is £10,000 plus VAT, payable monthly in arrears. The Services Agreement is for a period of 5 years, and commenced on 23 July 2004, and is terminable by either party on 1 month's notice. The contract was renewed on 20 July 2009 on a rolling year to year basis.

7. MATERIAL CHANGE

Save as disclosed in this document, there has been no material change in the trading or financial position of the Group since the date on which the last audited accounts were produced.

8. GENERAL

- 8.1. Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which they appear.
- 8.2. The financial information set out in this document relating to the Company does not constitute statutory accounts within the meaning of Section 434 of the Act.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Company, 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ, from the date of this document up to the time convened for the General Meeting and on the Company's website:

- (i) the memorandum of association and articles of association of the Company (<http://www.rurelec.com/investors/>);

- (ii) the audited consolidated financial statements of the Company for the financial years ending 31 December 2008 and 31 December 2009 and the interim accounts for the six months ending 30 June 2010 (<http://www.rurelec.com/investors/>);
- (iii) the service agreements, letter of appointment and consultancy agreement referred to in paragraph 3 of this Part IV (<http://www.rurelec.com/investors/>);
- (iv) the material contracts referred to in 2.2(b) of Part III and in paragraph 6 of this Part IV (<http://www.rurelec.com/investors/>);
- (v) the consent letter referred to in paragraph 8.1 of this Part IV (<http://www.rurelec.com/investors/>);
- (vi) the irrevocable undertakings referred to in paragraph 5 of this Part IV (<http://www.rurelec.com/investors/>); and
- (vii) this document (<http://www.rurelec.com/investors/>).

Dated: 11 March 2011

NOTICE OF GENERAL MEETING

RURELEC PLC

(Incorporated and registered in England and Wales with number 4812855)

NOTICE IS HEREBY GIVEN that the General Meeting of Rurelec PLC (the “Company”) will be held at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ on 28 March 2011 at 10.00 a.m. to consider and, if thought fit, pass the following resolutions of which 1 and 2 will be proposed as ordinary resolutions (and resolution 1 will be taken on a poll), and resolution 3 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. **THAT**, the waiver granted by the Panel on Takeovers and Mergers on the terms described in paragraph 8 of Part I of the circular to shareholders dated 11 March 2011 (the “Circular”), conditional on the passing of this Resolution on a poll, of any requirement under Rule 9 of the City Code on Takeovers and Mergers for Sterling Trust (as defined in the Circular) to make a general offer to the shareholders of the Company, as a result of the issue of the Placing Shares and the Capitalisation Shares to Sterling Trust and the exercise of the Sterling Option, be and is hereby approved.
2. **THAT**, subject to the passing of Resolution 1 and in substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act) provided that the authority hereby granted shall be limited to:
 - (a) in connection with the placing of 32,804,055 ordinary shares of 2 pence each in the capital of the Company (the “Placing”) as described in the Circular, up to an aggregate nominal amount of £656,081.10;
 - (b) in connection with the subscription for 147,989,622 ordinary shares of 2 pence each in the capital of the Company (the “Subscription”) as described in the Circular, up to an aggregate nominal amount of £2,959,792.44;
 - (c) in connection with the Capitalisation of convertible loan notes and unsecured loans requiring the issue of 19,206,323 ordinary shares of 2 pence each in the capital of the Company (the “Capitalisation”) as described in the Circular, up to an aggregate nominal amount of £384,126.46;
 - (d) in connection with the grant of the option to Sterling Trust over 15,500,000 ordinary shares of 2 pence each in the capital of the Company (the “Sterling Option”) as described in the Circular, up to an aggregate nominal amount of £310,000; and
 - (e) otherwise than pursuant to paragraphs (a), (b), (c) and (d) above:
 - (i) up to an aggregate nominal amount of £2,804,477; and
 - (ii) equity securities up to a nominal amount of £5,608,953 (including within such limit any equity securities issued under paragraph (i) above) in connection with an offer by way of a rights issue:
 - (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (B) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practicable problems in, or under the laws of, any territory or any matter.

The authority granted by this resolution shall expire at the conclusion of the next annual general meeting of the Company, save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the directors to the extent not previously utilised.

SPECIAL RESOLUTION

3. **THAT**, subject to the passing of the Resolution 2 above, the Directors be empowered pursuant to section 571 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred by resolution 2 above, as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
- (a) the allotment in connection with the Placing, up to an aggregate nominal amount of £656,081.10
 - (b) the allotment in connection with the Subscription, up to an aggregate nominal amount of £2,959,792.44;
 - (c) the allotment in connection with the Capitalisation, up to an aggregate nominal amount of £384,126.46;
 - (d) the allotment in connection with the Sterling Option, up to an aggregate nominal amount of £310,000; and
 - (e) otherwise than pursuant to paragraphs (a), (b), (c) and (d) above:
 - (i) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of all holders of ordinary shares are proportionate (as nearly as may be) to the respective number of ordinary shares held or deemed to be held by them but subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and
 - (ii) the allotment and issue of equity securities (otherwise than in sub-paragraph (i) above) up to an aggregate nominal amount of £420,671,

and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practicable problems in, or under the laws of, any territory or any matter.

The authority granted by this resolution shall expire at the conclusion of the next annual general meeting of the Company, save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant thereto as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the directors to the extent not previously utilised.

By order of the Board

Susan Laker
Secretary

Registered office: 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ

Dated: 11 March 2011

Notes:

1. Resolution 1 is subject to the approval of the independent Shareholders (being the Shareholders other than Sterling Trust) on a poll and each independent Shareholder will be entitled to one vote for each ordinary share held. Sterling Trust will not vote on the resolution.
2. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to different shares held by the member but a member may not appoint more than one proxy to exercise rights attached to any one share. A form of proxy is enclosed. To appoint more than one proxy, you may photocopy the enclosed form of proxy.
3. To be effective, completed forms of proxy and the power of attorney or other authority (if any) under which they are signed or a copy of that power or authority certified notarially or in accordance with the Powers of Attorney Act 1971 must be lodged in accordance with the instructions printed thereon and must be received by hand or by post to Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU by 6.00 p.m. on 25 March 2011 or not later than 48 hours before the time appointed for any adjourned meeting.
4. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he wish to do so.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at 6.00 p.m. on 25 March 2011 or 48 hours before any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on behalf of an officer of the Company or an attorney for the Company.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("Euroclear"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, to be valid, be transmitted so as to be received by Capita Registrars (participating ID R055) by the latest time for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors, or voting service provider should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
12. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
13. As at 10 March 2011 (being the last practicable date prior to the publication of this notice of meeting) the Company's issued share capital consists of 220,671,505 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 10 March 2011 are 220,671,505.
14. Except as provided above, members who have general queries about the General Meeting should call Capita Registrars' shareholder helpline between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0445 from within the UK or +44 871 664 0445 if calling from outside the UK. No other methods of communication will be accepted. You may not use any electronic address provided either in this notice of meeting or any related documents (including the Chairman's Letter and Forms of Proxy) to communicate with the Company for any purposes.

