INTERIM REPORT 2016

FOR THE 6 MONTHS ENDED 30 JUNE 2016

Stock Code: RUR

Review of Operations:
In Argentina our 50% owned operating entity, Energia del Sur S.A., and its parent company, Patagonia Energy Limited, have outstanding borrowings and interest before impairments of £37.5m due to the Group. The company is operating well at the local level however it has been subject to increases in its working capital requirements which restricted its ability to make repayments of outstanding loans to the UK. Within the last month the working capital requirements in Argentina have begun to ease. The Board is also expecting to appoint a consultant in the near future to help improve our dealings with the Argentine operation.

In Peru, the projects owned by the Group are still being actively marketed. Interest has been shown by a number of potential purchasers.

In Chile, the Illapa project is making progress.

A very tight rein continues to be maintained on overheads in the UK, leading to a reduction of over 50% in the six months compared to the same period last year.

As previously announced, the Group has arranged for extended facilities from BPAC, totalling £1.6 million. The funding position of the Group remains very tight, but stable. The funding position remains dependent upon the continued forbearance of certain creditors.

Given the progress on the sale of the Group's assets and the fact that the Directors are pursuing alternative sources of finance, the directors continue to adopt the going concern basis of accounting.

Review of future strategy
The strategy of the Group continues to be focussed on stabilising the financial position, keeping costs under tight control, whilst certain assets are sold. The underlying strategy is to preserve the value of the Group assets, which will in turn enable all creditors to be repaid and maximise returns to shareholders.

Simon Morris
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

for the half year ended 30 June 2016 (expressed in thousands of pounds)

	Notes	6 months to 30/06/16 £'000	6 months to 30/06/15 £'000	Audited 12 months to 31/12/15 £'000
Revenue		**116**	**620**	**179**
Cost of sales		(6)	(133)	(22)
Gross profit		**110**	**487**	**157**
Administrative expenses		(1,213)	(2,779)	(4,435)
Operating loss		**(1,103)**	**(2,292)**	**(4,278)**
Foreign exchange gains/(losses)		1,976	(1,599)	(106)
Other expense	5,6	-	(10,982)	(17,572)
Finance income		1,318	1,308	2,385
Finance expense		(156)	(563)	(458)
Profit/(Loss) before tax		**2,035**	**(14,128)**	**(20,029)**
Tax expense		-	(3)	(3)
Profit/(Loss) for the period		**2,035**	**(14,131)**	**(20,032)**
Profit /(Loss) per share	3	0.36p	(2.52)p	(3.57)p
Other comprehensive income Items that will be subsequently reclassified to Profit & Loss				
Exchange differences on translation of foreign operations		927	831	999
Total other comprehensive income		927	831	999
Total comprehensive profit/(loss) for the period		**2,962**	**(13,300)**	**(19,033)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

at 30 June 2016 (expressed in thousands of pounds)

	Notes	30/6/16 £'000	30/6/15 £'000	Audited 31/12/15 £'000
Assets				
Non-current assets				
Property, plant and equipment		19,864	21,978	19,217
Intangible assets		29	400	23
Trade and other receivables		-	22,299	-
Deferred tax assets		-	-	-
		19,893	**44,677**	**19,240**
Current assets				
Trade and other receivables		24,747	4,382	20,866
Cash and cash equivalents		9	304	386
		24,756	**4,686**	**21,252**
Assets Classified as held for sale	4	**3,355**	**13,266**	**3,644**
Total assets		**48,004**	**62,629**	**44,136**
Equity and liabilities				
Shareholders' equity				
Share capital		11,228	11,228	11,228
Share premium account		22,754	22,754	22,754
Foreign currency reserve		(1,285)	(2,380)	(2,212)
Share option reserve		-	147	-
Plant reserves		-	1,050	-
Other reserve	5	45,000	45,000	45,000
Profit and loss reserve		(37,228)	(34,547)	(39,262)
Total equity attributable to shareholders of Rurelec PLC		**40,469**	**43,252**	**37,508**
Non–controlling interest		-	-	-
Total equity		**40,469**	**43,252**	**37,508**
Non-current liabilities				
Future tax liabilities		-	-	-
Deferred tax liabilities		-	-	-
Borrowings		-	-	-
		-	-	-
Current liabilities				
Trade and other payables		2,989	4,446	2,856
Current tax liabilities		19	85	-
Borrowings		3,710	4,253	3,054
		6,718	**8,784**	**5,910**
Liabilities Classified as held for sale		**817**	**10,593**	**718**
Total liabilities		**7,535**	**19,377**	**6,628**
Total equity and liabilities		**48,004**	**62,629**	**44,136**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

for the half year ended 30 June 2016 (expressed in thousands of pounds)

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Share option reserve £'000	Retained earnings £'000	Other reserve £'000	Plant reserve £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 01.01.15	**11,228**	**22,754**	**(3,211)**	**146**	**(20,426)**	**45,000**	**1,050**	**56,541**	**283**	**56,824**
Issue of share	-	-	-	-	-	-	-	-	-	-
Non-controlling interest transfer to assets held for sale	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-	-
Loss for first 6 months	-	-	-	-	(14,404)	-	-	(14,404)	-	(14,404)
Exchange differences	-	-	831	-	-	-	-	831	-	831
Total comprehensive Loss	-	-	831	-	(14,404)	-	-	(13,753)	-	(13,573)
Original Balance at 30.06.15	**11,228**	**22,754**	**(2,380)**	**146**	**(34,830)**	**45,000**	**1,050**	**42,968**	**283**	**43,251**
Issue of share	-	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-	-
Charge for share options	-		-	(146)	146	-	-	-	-	-
Plant reserve	-	-	-	-	1,050	-	(1,050)	-	-	-
Non-controlling interest transfer to Assets for Sale	-	-	-	-	-	-	-	-	(283)	(283)
Total transactions with owners	-	-	-	(146)	1,196	-	(1,050)	-	(283)	(283)
Loss for the Period	-	-	-	-	(5,628)	-	-	(5,628)	-	(5,628)
Exchange differences	-	-	168	-	-	-	-	168	-	168
Total comprehensive Loss	-	-	168	-	(5,628)	-	-	(5,460)	-	(5,460)
Balance at 31.12.15	**11,228**	**22,754**	**(2,212)**	**-**	**(39,262)**	**45,000**	**-**	**37,508**	**-**	**37,508**
Gain (Loss) for the first 6 months	-	-	-	-	2,035	-	-	2,035	-	2,035
Exchange differences	-	-	927	-	-	-	-	927	-	927
Total comprehensive Loss	-	-	927	-	2,035	-	-	2,962	-	2,962
Balance at 30.06.15	**11,228**	**22,754**	**(1,285)**	**-**	**(37,228)**	**45,000**	**-**	**40,469**	**-**	**40,469**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

at 30 June 2016 (expressed in thousands of pounds)

	Notes	6 months to 30/06/16	6 months to 30/06/15	Audited 12 months to 31/12/15
Result for the period before tax from continuing operations		2,035	(14,128)	(20,029)
Net finance (income) / costs		(1,161)	(745)	(2,385)
Adjustments for:				
Depreciation		48	245	48
Unrealised exchange (gains) / losses		(1,976)	1,599	106
Impairment of Goodwill		-	921	17,327
Impairment Assets held for sale		-	4,940	245
Change in trade and other receivables		(142)	6,131	348
Change in trade and other payables		264	(24)	(1,205)
Cash generated from/(used in) operations		**(933)**	**(1,062)**	**(5,545)**
Taxation paid		(3)	(3)	(3)
Interest paid		-	(560)	-
Net cash generated from/(used in) operations		**(936)**	**(1,625)**	**(5,548)**
Cash flows from investing activities				
Proceeds from Sale of Subsidiary		-	-	4,358
Purchase of plant and equipment		(97)	-	-
Repayments from / (loans to) joint venture companies		178	904	2,417
Net cash used in investing activities		**81**	**904**	**6,775**
Net cash outflow before financing activities		**(855)**	**(721)**	**1,227**
Cash flows from financing activities				
Issue of shares		-	-	-
Deferred Consideration		-	-	(1,237)
Loan drawdowns		1,150	926	1,861
Repayment of loans		(671)	(184)	(1,748)
Net cash generated from financing activities		**479**	**742**	**(1,124)**
(Decrease) / increase in cash and cash equivalents		**(376)**	**21**	**103**
Cash and cash equivalents at Start of period		385	283	282
Cash and cash equivalents at end of period		**9**	**304**	**385**

NOTES TO THE INTERIM STATEMENTS

for the six months ended 30 June 2015

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2015 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts were unqualified. The financial information contained in this interim statement has been prepared in accordance with all relevant International Reporting Standards as adopted by the European Union and expected to apply to the Group's results for the year ending 31 December 2016 and on interpretations of those Standards released to date.

2. ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the Group's financial statements for the year ended 31 December 2015.

3. EARNINGS PER SHARE

	6 months to 30/6/16	6 months to 30/6/15	12 months to 31/12/15
Basic and diluted			
Average number of shares In issue during the period	561m	561m	561m
Profit / (Loss) attributable to equity holders of the parent from continuing operations	£2.0m	£(14.1m)	£(20.0m)
Basic and diluted profit / (loss) per share on continuing operations	0.36p	(2.52p)	(3.57p)

4. ASSETS HELD FOR SALE

As reported in the December 2015 financial statements, the assets held for sale relate to entities within Peru, which have been held for sale following the commitment of the Group to restructure the business. Two disposals have been identified, one of which is the outstanding amounts due to the sale of Canchayllo run-of-river hydro plant with the rest of the assets included within the second group.

The Company completed the construction of the 5.3MW Canchayllo run-of–river hydro-electric project in Peru during December 2014 and the plant entered commission during January 2015. In July 2015, the Company completed the sale of the plant to Energias Renovables de los Andes SAC for US $6.8 million. In addition, a further US $1 million is due to be received by way of reimbursement of amounts advanced towards the completion of the plant. The amount of US $1 million has not yet been collected.

At 30th June 2016, the Group has been in discussions with a number of potential buyers for the rest of the Group's Peruvian assets. No further provision has been made against the carrying value of these assets since the latest annual financial statements.

NOTES TO THE INTERIM STATEMENTS

for the six months ended 30 June 2015

5. OTHER RESERVE

The Capital Reduction that took place during December 2014 resulted in the creation of a non-distributable reserve. The condition for this reserve to become distributable is for the outstanding creditors in December 2014 to be settled. At the date of approval of these accounts there are some £1.6 million of these creditors outstanding. The Board of Directors consider that these amounts will be settled in the short term and therefore the £45 million remains within the Other Reserve, which is non-distributable until these settlements have occurred.

6. The Board of Directors approved this interim statement on 29th September 2016. This interim statement has not been audited.

7. Copies of this statement are available at the Company's website www.rurelec.com

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