INTERIM REPORT 2017

FOR THE 6 MONTHS ENDED 30 JUNE 2017

Stock Code: RUR

EXECUTIVE DIRECTOR'S STATEMENT

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 £37.9 million (2016: £37.7 million) due to the Group. The company is operating well at the local level, however it has been subject to two significant operational outages (as previously reported). The second outage occurring in September 2017 involved a shutdown of the plant following problems identified in the steam turbine. A temporary engineering modification was implemented. The plant resumed generation of electricity from one of its two gas turbines on 24 September 2017 and further announcements are expected to be made soon regarding the resumption of output from the steam turbine, which will be at a reduced output. These outages have not prevented the operating entity from remitting loan repayments of £2.0 million (2016: £0.2 million) to the UK during the period.

In Peru, the projects owned by the Group are still being actively marketed. Interest has been shown by a number of potential purchasers, but no purchase and sale agreement has been signed to date.

In Chile, the Illapa project is making progress.

A very tight rein continues to be maintained on overheads in the UK.

As previously announced, the Group has arranged for extended facilities from BPAC, totalling £1.6 million. Despite the operational problems experienced at our Argentinian investment (as previously reported), Rurelec has received repayments during the period against its outstanding loans to the Argentinian plant. This has enabled Rurelec to now start repaying the loan received from BPAC. In the event that cash receipts from Argentina continue as forecast, it is expected that all the facilities from BPAC will be repaid by no later than June 2018.

Cash flows remain a concern. However, the current liquidity position of Rurelec is stronger than it has been for at least two years.

Given the progress on the sale of the Group's assets and the improved cash remittances from our Argentine operation, 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 Rurelec 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 2017

(expressed in thousands of pounds)

	Notes	6 months to 30/06/17 £'000	6 months to 30/06/16 £'000	Audited 12 months to 31/12/16 £'000
Revenue		**-**	**116**	**95**
Cost of sales		-	(6)	-
Gross profit		**-**	**110**	**95**
Administrative expenses		(1,134)	(1,213)	(2,420)
Other Expense		-	-	(10,500)
Operating loss		**(1,134)**	**(1,103)**	**(12,825)**
Foreign exchange (losses) / gains		(963)	1,976	1,243
Finance income		364	1,318	2,683
Finance expense		(214)	(156)	(355)
(Loss) / Profit before tax		**(1,947)**	**2,035**	**(9,254)**
Tax expense		-	-	(4)
(Loss) / Profit for the period		**(1,947)**	**2,035**	**(9,258)**
(Loss) / Profit per share	3	(0.35p)	0.36p	(1.65p)
Other comprehensive income				
Items that will be subsequently reclassified to Profit & Loss				
Exchange differences on translation of foreign operations		(1,025)	927	3,171
Total other comprehensive income		(1,025)	927	3,171
Total comprehensive (loss) / profit for the period		**(2,972)**	**2,962**	**(6,087)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

at 30 June 2017

(expressed in thousands of pounds)

	Notes	30/6/17 £'000	30/6/16 £'000	Audited 31/12/16 £'000
Assets				
Non-current assets				
Property, plant and equipment		11,153	19,864	11,176
Intangible assets		30	29	29
		11,183	**19,893**	**11,205**
Current assets				
Trade and other receivables		21,818	24,747	24,761
Cash and cash equivalents		636	9	960
		22,454	**24,756**	**25,721**
Assets Classified as held for sale	4	**1,819**	**3,355**	**2,207**
Total assets		**35,456**	**48,004**	**39,133**
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		(67)	(1,285)	958
Other reserve	5	45,000	45,000	45,000
Profit and loss reserve		(50,467)	(37,228)	(48,520)
Total equity attributable to shareholders of Rurelec PLC		**28,448**	**40,469**	**31,420**
Non–controlling interest		-	-	-
Total equity		**28,448**	**40,469**	**31,420**
Current liabilities				
Trade and other payables		1,192	2,989	2,434
Current tax liabilities		13	19	12
Borrowings		4,345	3,710	4,037
		5,550	**6,718**	**6,483**
Liabilities Classified as held for sale		**1,458**	**817**	**1,230**
Total liabilities		**7,008**	**7,535**	**7,713**
Total equity and liabilities		**35,456**	**48,004**	**39,133**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

for the half year ended 30 June 2017

(expressed in thousands of pounds)

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
Balance at 01.01.16	**11,228**	**22,754**	**(2,212)**	**(39,262)**	**45,000**	**37,508**
Gain for the first 6 months	-	-	-	2,035	-	2,035
Exchange differences	-	-	927	-	-	927
Total comprehensive Profit	-	-	927	2,035	-	2,962
Balance at 30.06.16	**11,228**	**22,754**	**(1,285)**	**(37,228)**	**45,000**	**40,469**
Loss for the Period	-	-	-	(11,292)	-	(11,292)
Exchange differences	-	-	2,243	-	-	2,243
Total comprehensive Loss	-	-	2,243	(11,292)	-	(9,049)
Balance at 31.12.16	**11,228**	**22,754**	**958**	**(48,520)**	**45,000**	**31,420**
Loss for the first 6 months	-	-	-	(1,947)	-	(1,947)
Exchange differences	-	-	(1,025)	-	-	(1,025)
Total comprehensive Loss	-	-	(1,025)	(1,947)	-	(2,972)
Balance at 30.06.17	**11,228**	**22,754**	**(67)**	**(50,467)**	**45,000**	**28,448**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

at 30 June 2018

(expressed in thousands of pounds)

	6 months to 30/06/17	6 months to 30/06/16	Audited 12 months to 31/12/16
Result for the period before tax from continuing operations	(1,947)	2,035	(9,254)
Net finance income	(150)	(1,161)	(2,328)
Adjustments for:			
Depreciation	-	48	26
Unrealised exchange losses / (gains)	963	(1,976)	(1,243)
Impairment of Goodwill	-	-	(6)
Impairment Assets	-	-	9,102
Change in trade and other receivables	32	(143)	1,096
Change in trade and other payables	(252)	264	541
Cash used in operating activities	**(1,354)**	**(933)**	**(2,066)**
Taxation paid	-	(3)	-
Interest paid	-	-	-
Net cash used in operating activities	**(1,354)**	**(936)**	**(2,066)**
Cash flows from investing activities			
Purchase of plant and equipment	-	(97)	-
Repayments from joint venture company	2,022	178	2,311
Net cash generated from investing activities	**2,022**	**81**	**2,311**
Net cash inflow / (outflow) before financing activities	**668**	**(855)**	**245**
Cash flows from financing activities			
Settlement of Deferred Consideration	(992)	-	(321)
Loan Drawdowns	-	1,150	1,500
Loan Principal Repayments	-	(672)	(830)
Loan Interest Repayments	-	-	(20)
Net cash (used in) / generated from financing activities	**(992)**	**478**	**329**
(Decrease) / increase in cash and cash equivalents	**(324)**	**(377)**	**574**
Cash and cash equivalents at start of period	960	386	386
Cash and cash equivalents at end of period	**636**	**9**	**960**

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 2016 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts were qualified. 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 2017 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 2016.

3. EARNINGS PER SHARE

	6 months to 30/6/17	6 months to 30/6/16	12 months to 31/12/16
Basic and diluted			
Average number of shares in issue during the period	561m	561m	561m
(Loss) / Profit attributable to equity holders of the parent from continuing operations	£(1.9m)	£2.0m	£(9.3m)
Basic and diluted (loss) / profit per share on continuing operations	(0.35p)	0.36p	(1.65p)

4. ASSETS HELD FOR SALE

As reported in the December 2016 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.

At 30th June 2017, 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.

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 £0.5 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 28th September 2017. This interim statement has not been audited.

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

RURELEC PLC

18 Soho Square, London W1D 3QL, United Kingdom
Tel: +44 (0)20 7025 8026/28

Visit us online at
www.rurelec.com