8th September 2011
AIM: RUR

Rurelec PLC

Interim results for the six months ended 30th June 2011

Rurelec PLC ("Rurelec" or "the Company"; AIM: RUR), the electricity utility focused on the development of power generation capacity and rural electrification projects in Latin America, announces its unaudited interim results for the six months ended 30 June 2011.

Financial Highlights:

• Turnover	£7.2m (2010: £4.7m)
• Gross Profit	£3.3m (2010: £1.4m)
• Post tax loss	£(0.6)m (2010: £17.4m profit)
• Loss from continuing operations	£(0.6)m (2010: £0.9m profit)
• Earnings per share	0.18p loss (2010: 0.42p profit)
• Net asset value per share	20p (2010: 31p)

Operational Highlights:

- Assets in Argentina performing well and trading profitably.
- Progress being made towards arbitration process for compensation on assets nationalised in Bolivia.

Peter Earl, Rurelec's Chief Executive, said:

"I am delighted to present to our shareholders clear evidence that the tide has finally turned for Rurelec. We are now looking to reap the benefits of the pain which we have gone through in recent years to bring our Energia del Sur (EdS) plant to maximum output and strong generation of cash flow and profits. The board is focused on generating maximum shareholder value from EdS and evaluating growth opportunities, however we will not lose sight of the need to obtain maximum compensation for our assets in Bolivia.

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RURELEC

Chairman's Statement

I am delighted to report that Rurelec increased its turnover to £7.2m (2010 £4.7m) and made a gross profit of £3.3m for the first half of the year (2010 £1.4m). After deducting administrative expenses of £1.9m (2010 - £1.4m) and a foreign exchange loss of £1.2m (2010 – profit - £1m) arising from the weakness of the US dollar versus sterling between 1 January 2011 and 30 June 2011, the Group recorded a consolidated loss of £0.6m (2010 - profit from continuing operations of £0.9m, increasing to a net profit of £17.4m in the same period of 2010 with the inclusion of Guaracachi related items).

It is also worth pointing out that the increase in administrative expenses is due to £84k of legal fees relating to the Guaracachi compensation claim and an increase of £301k (35 per cent) in the administrative costs in Energia del Sur ("EdS"). This was due to higher salary costs and general operating expenses now that we are operating an increased capacity.

Our operations at EdS are satisfactory and in line with expectations. The benefit of the Resolution 220 contract can be clearly seen in these results. Our turnover increased by 53 per cent. to over £7.2m (in local currency, the increase is 69 per cent), and our gross profit increased by 140 per cent. EdS's EBITDA for the six months period was US $5.2m (of which our 50 per cent share is US $2.6m) and this demonstrates why Rurelec bought out the Standard bank project loan to EdS. This gave direct access to the company's operating cash flows.

The Group's borrowings have been substantially narrowed and now stand at just £1.4m. The Group will have minimal interest expense in the second half of the year.

Following the substantial Rurelec share issue in April, net assets are reported as 20p per share, based on the 421 million shares in issue.

Demand for power in Argentina reached record levels in the current winter season. This was matched by the plant at EdS recording its highest ever peak output in August 2011 with the combined cycle delivering more than 58 MW of net steam turbine capacity, its design maximum, in addition to its gas turbine output. The outlook for power prices against a background of high demand and capacity constraints is therefore encouraging.

EdS has been affected by Argentine inflation and this has to be offset by power price increases. Staff costs at EdS have increased approximately 25 per cent as a result of local salary trends, however, the improved output of the plant combined with higher spot prices for energy should more than compensate for this. The board is exploring ways of refinancing EdS in the local Argentine market as liquidity increases in the national banking system. Rurelec is owed US $ 45.7 million by EdS and while funds are being remitted to Rurelec at the targeted rate of US $2 million a quarter, the Board's goal remains to recycle this money for other group projects and dividends as soon as our level of distributable reserves permits.

Our other principal asset is the value of our nationalised interest in Guaracachi. The full arbitration panel has now been assembled and Rurelec has been active in finalising an independent valuation report to be presented to the panel before the end of the year. The directors of Rurelec expect that this independent valuation will show an open market value for Rurelec's Guaracachi share stake well in excess of the US $75 million book value as derived from audited net assets of Guaracachi.

Events on the ground in Bolivia, where the country is suffering from unplanned power cuts and power rationing, confirm our original rational that Bolivia needed Rurelec's continued investment in power generation to meet demand. Since 2006 Rurelec added over 180 MW of nominal power capacity to the country's then peak demand of around 1,000 MW of power consumption. It is regrettable that such serious damage was caused to the combined cycle plant's generator during the commissioning process late last year that the in service date, has been further delayed. The combined cycle plant is now expected to enter full production by early November 2011, one year later than programmed when Guaracachi was under Rurelec's control.

Rurelec is now planning for a future after Bolivia pays the full compensation due for the expropriation of the Guaracachi shares. We are developing a growth strategy for a time in the foreseeable future when Rurelec will have the cash to invest in replacement power generation capacity with an emphasis on Chile and Peru. We are also looking to leverage Rurelec's considerable expertise at installing new capacity in order to earn consultancy fees based on those skills. As part of our future expansion, we are now seriously considering a dual listing on the Santiago stock exchange in 2012 to enable local institutions to own Rurelec shares as well as allowing Rurelec to issue debt instruments into the regional money markets. This should increase liquidity in Rurelec shares and provide access to regional investors in infrastructure bonds as an alternative to bank based project debt.

The company remains committed to paying a special dividend to shareholders when Bolivia settles the expropriation claim or when EdS is refinanced.

A. Morris
Chairman

RURELEC PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
for the half year ended 30 June 2011
(expressed in thousands of pounds)

	Notes	6 months to 30/06/11	6 months to 30/06/10	12 months to 31/12/10
Continuing operations:				
Revenue		7,213	4,719	10,835
Cost of sales		(3,917)	(3,346)	(6,981)
Gross profit		3,296	1,373	3,854
Administrative expenses		(1,911)	(1,402)	(3,437)
Profit / (loss) from operations		1,385	(29)	417
Foreign exchange (losses) / gains		(1,216)	985	195
Finance income		220	700	631
Finance expense		(352)	(615)	(1,098)
Profit before tax		37	1,041	145
Tax expense		(615)	(167)	(284)
(Loss) / profit from continuing operations		(578)	874	(139)
Discontinued operations:	3			
Trading profit	3a	-	1,420	1,420
Other income	3b	-	15,111	15,111
Profit from discontinued operations		-	16,531	16,531
(Loss) / profit for the period		(578)	17,405	16,392
Attributable to:				
Owners of the parent				
Continuing operations		(578)	874	(139)
Discontinued operations	3b	-	15,821	15,821
		(578)	16,695	15,682
Minority interests		-	710	710
		(578)	17,405	16,392
Basic (loss) / profit per share on continuing operations	4	(0.18)p	0.42p	(0.06p)
Other comprehensive income				
Exchange differences on translation		(295)	(39)	(126)
Exchange difference on disposal now realised		-	(2,633)	(2,633)
Revaluation		-	-	(191)
Total other comprehensive income		(295)	(2,672)	(2,950)
Attributable to:				
Owners of the parent		(295)	(2,672)	(2,950)
Minority		-	-	-
		(295)	(2,672)	(2,950)
Total comprehensive (loss) / profit for period		(873)	14,733	13,442
Attributable to:				
Owners of the parent		(873)	14,023	12,732
Minority		-	710	710
		(873)	14,733	13,442

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
at 30 June 2011
(expressed in thousands of pounds)

	Notes	30/6/11	30/6/10	31/12/10
Assets				
Non-current assets				
Property, plant and equipment		19,518	22,080	21,084
Intangible assets		3,759	4,154	3,853
Trade and other receivables		13,111	12,070	10,939
Deferred tax assets		-	280	363
		36,388	38,584	36,239
Current assets				
Inventories		369	409	395
Trade and other receivables		4,496	2,744	3,641
Compensation claim	3	47,000	47,000	47,000
Current tax assets		356	-	-
Cash and cash equivalents		2,052	475	157
		54,273	50,628	51,193
Total assets		90,661	89,212	87,432
Equity and liabilities				
Shareholders' equity				
Share capital		8,413	4,328	4,413
Share premium account		53,012	39,011	39,329
Foreign currency reserve		990	1,372	1,285
Other reserves		1,192	1,383	1,192
Profit and loss reserve		20,199	21,790	20,777
Total equity attributable to shareholders of Rurelec PLC		83,806	67,884	66,996
Non-current liabilities				
Trade and other payables		374	556	470
Future tax liabilities		335	423	381
Deferred tax liabilities		862	1,053	937
Borrowings		851	5,401	1,081
		2,422	7,433	2,869
Current liabilities				
Trade and other payables		3,919	5,448	4,916
Current tax liabilities		-	291	59
Borrowings		514	8,156	12,592
		4,433	13,895	17,567
Total liabilities		6,855	21,328	20,436
Total equity and liabilities		90,661	89,212	87,432

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
for the half year ended 30 June 2011
(expressed in thousands of pounds)

	Attributable to equity shareholders						Minority	Total
	Share capital	Share premium	Foreign currency	Retained earnings reserve	Other reserves	Total	Interest	Equity
Balance at 1.1.10	4,108	38,182	4,044	5,095	1,383	52,812	33,810	86,622
Transactions with owners:								
Disposal	-	-	-	-	-	-	(34,520)	(34,520)
Allotment of shares	220	880	-	-	-	1,100	-	1,100
Share issue costs	-	(51)	-	-	-	(51)	-	(51)
Total transactions with owners	220	829	-	-	-	1,049	(34,520)	(33,471)
Profit for period	-	-	-	874	-	874	710	1,584
Adjustment on disposal	-	-	(2,633)	15,821	-	13,188	-	13,188
Exchange differences	-	-	(39)	-	-	(39)	-	(39)
Total comprehensive income / (loss)	-	-	(2,672)	16,695	-	14,023	710	14,733
Balance at 30.6.10	4,328	39,011	1,372	21,790	1,383	67,884	-	67,884
Transactions with owners:								
Allotment of shares	85	340	-	-	-	425	-	425
Share issue costs	-	(22)	-	-	-	(22)	-	(22)
Total transactions with owners	85	318	-	-	-	403	-	403
Loss for period	-	-	-	(1,013)	-	(1,013)	-	(1,013)
Revaluation of CERs	-	-	-	-	(191)	(191)	-	(191)
Exchange differences	-	-	(87)	-	-	(87)	-	(87)
Total comprehensive income / (loss)	-	-	(87)	(1,013)	(191)	(1,291)	-	(1,291)
Balance at 31.12.10	4,413	39,329	1,285	20,777	1,192	66,996	-	66,996
Transactions with owners:								
Allotment of shares	4,000	14,000	-	-	-	18,000	-	18,000
Share issue costs	-	(317)	-	-	-	(317)	-	(317)
Total transactions with owners	4,000	13,683	-	-	-	17,683	-	17,683
Loss for period	-	-	-	(578)	-	(578)	-	(578)
Exchange differences	-	-	(295)	-	-	(295)	-	(295)
Total comprehensive income / (loss)	-	-	(295)	(578)	-	(873)	-	(873)
Balance at 30.6.11	8,413	53,012	990	20,199	1,192	83,806	-	83,806

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
for the half year ended 30 June 2011
(expressed in thousands of pounds)

	Notes	6 months to 30/06/11	6 months to 30/06/10	12 months to 31/12/10
Result for the period before tax from continuing operations		37	1,041	145
Net finance costs		132	(85)	467
Adjustments for:				
Depreciation		391	227	618
Unrealised exchange loss / (gain) on loans to associate		1,266	-	(224)
Change in trade and other receivables		(430)	340	1,103
Change in trade and other payables		(670)	(169)	(900)
Cash generated from operations		726	1,354	1,209
Taxation paid		(382)	(160)	(369)
Interest paid		(358)	(75)	(873)
Net cash (used in) / generated from Operations		(14)	1,119	(33)
Cash flows from investing activities				
Purchase of plant and equipment		(179)	(1,078)	(1,199)
Cash in discontinued operations		-	(3,915)	(3,915)
Loans to joint venture company		(3,287)	(383)	(59)
Net cash used in investing activities		(3,466)	(5,376)	(5,173)
Net cash outflow before financing activities		(3,480)	(4,257)	(5,206)
Cash flows from financing activities				
Issue of shares (net of costs)		17,683	1,049	1,452
Repayment of loans		(12,308)	(493)	(265)
Net cash generated from financing activities		5,375	556	1,187
Increase / (decrease) in cash and cash equivalents		1,895	(3,701)	(4,019)
Cash and cash equivalents at start of period		157	4,176	4,176
Cash and cash equivalents at end of period		2,052	475	157

RURELEC PLC

Notes to the Interim Statement
for the six months ended 30 June 2011

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 2010 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts, which contained a qualified audit report with respect to the limitations placed on the scope of the audit work on the financial results of Guaracachi following the nationalisation of Guaracachi, did not contain statements under sections 489 (2) or (3) of the Companies Act 2006. The financial information contained in this interim statement has been prepared in accordance with all relevant International Financial Reporting Standards ('IFRS') in force and expected to apply to the Group's results for the year ending 31 December 2011 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 2010.

3. Discontinued operations

On 1st May 2010 the Bolivian Government nationalised by force Rurelec's controlling stake in Empresa Electrica Guaracachi SA ("Guaracachi"), by expropriating the shares held by its wholly-owned indirect US subsidiary, Guaracachi America, Inc. (the "Nationalisation"). The Nationalisation was a part of the 2010 May Day programme in which three privately-owned power generating companies, a regional distribution company and a national electricity transmission company were brought into state ownership by means of a Supreme Decree issued by Bolivia's President Evo Morales on 1st May (the "Decree"). Rurelec entities have initiated the process to recover adequate compensation for the Nationalisation under each of the US and UK bilateral investment treaties ("BITs"). Unless the dispute is settled on terms acceptable to the parties, it is expected that the arbitration hearings will commence prior to the year end.

a) Trading profit

In accordance with IFRS 5, the results of Guaracachi during the period from 1 January 2010 to 30 April 2010, which were based on Guaracachi's management accounts for the period from 1 January 2010 to 28 February 2010 plus an estimate of the results for March and April 2010, are disclosed as a single amount. Due to restrictions on access imposed by the new owners of Guaracachi, it was not possible to verify these amounts.

b) Other income

Notices of Dispute under the relevant BITs have been submitted and a claim for compensation, pursuant to the terms of the relevant BITs, has been made in accordance with the right to be paid fair market value for the expropriated investments. The Bolivian book value of the net assets of Guaracachi at the date of Nationalisation, together with the declared but unpaid dividend for 2009, was not less than £47m and has been used to determine the book gain to be recognised as other income. The figure of £47m has been used for accounting purposes only and does not represent the fair market value of the investment to be claimed under the relevant BITs.

	£'000
Compensation as described above	47,000
Deduct: net assets consolidated in the Group's financial statements at 31 December 2009	(33,812)
Add: cumulative foreign currency adjustments at 31 December 2009	2,633
	15,821
Deduct: Group's share of trading profit in the period	(710)
Other income	15,111

4. Earnings per share	6 months to 30/6/11	6 months to 30/6/10	12 months to 31/12/10
Basic and diluted			
Average number of shares in issue during the period	321m	208m	213m
(Loss) / profit for the period from continuing operations	£(0.6m)	£0.9m	£(0.1m)
Basic and diluted (loss) / profit per share on continuing operations	(0.18p)	0.42p	(0.06p)

5. The Board of Directors approved this interim statement on 7th September 2011. This interim statement has not been audited.

6. Copies of this statement are being sent to all shareholders. Copies may be obtained from the company's registered office, 5th Floor, Prince Consort House, Albert Embankment, London SE1 7TJ, or can be viewed at the company's website: www.rurelec.com