

If you are in any doubt about the contents of this document, or the action you should take, you should immediately consult an independent financial adviser, authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

This document comprises an information memorandum drawn up in accordance with Guernsey law. No offer of securities to the public (for the purposes of section 102B of the FSMA) is being made in connection with the Placing. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the FSA. This document does not constitute an admission document under the rules of AIM. Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 has been obtained to the issue of this document and the Placing. Neither the Guernsey Financial Services Commission nor the Policy Council of the States of Guernsey takes any responsibility for the financial soundness of the Company or for the correctness of the statements made or the opinions expressed with regards to the Company.

Application has been made for the New Ordinary Shares issued pursuant to the Placing to be admitted to trading on AIM.

AIM is a market intended primarily for emerging or smaller companies, to which a higher investment risk tends to be attached, rather than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA have examined or approved the content of this document. The New Ordinary Shares shall not be dealt in on any other regulated market and no application has been made or is being made for the New Ordinary Shares to be admitted to any such regulated market.

The rules of AIM are less demanding than those of the Official List. Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part I of this document. All statements regarding the Company and the REG Group's business and operations should be viewed in light of these risk factors.

It is expected that Admission will become effective and that dealings in the New Ordinary Shares of the Company issued pursuant to the Placing will commence on AIM on 12 December 2006.

RENEWABLE ENERGY GENERATION LIMITED

(a closed-ended investment company incorporated in Guernsey and registered with number 43099)

**Placing of 41,500,000 ordinary shares of 10p each
at a price of 103 pence per share and
admission to trading on AIM**

**Merrill Lynch International
(Global Co-ordinator and Bookrunner)**

**Numis Securities Limited
(Co-manager, Nominated Adviser and Broker)**

Share Capital

Following the Placing and assuming no exercise of the Over-Allotment Option, the authorised and issued share capital of the Company will be as follows:

Authorised		Issued and fully paid	
£	Number	£	Number
30,000,000	300,000,000	10,014,572	100,145,721

The New Ordinary Shares will rank in full for all dividends or other distributions declared, made or paid after the date of Admission on the ordinary share capital of the Company and will rank *pari passu* in all respects with the Existing Ordinary Shares which will be in issue on Admission.

Prospective investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling New Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

The Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (each of whom has 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.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, New Ordinary Shares to any person in any jurisdiction in which such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements for the Company or Merrill Lynch. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under the securities legislation of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, United States persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)). The New Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, the Republic of Ireland, the Republic of South Africa or Japan and, accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into Australia, the Republic of Ireland, the Republic of South Africa or Japan. This document must not be mailed or otherwise distributed or sent to or into the United States, Australia, the Republic of Ireland, the Republic of South Africa or Japan or to or by any national, resident or citizen of such countries. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions.

The New Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares are being offered in the Canadian provinces of Ontario, Québec, British Columbia, Alberta and Manitoba (collectively, the “**Canadian Provinces**”) through the dealer involved in the Placing or its affiliates who are permitted under applicable securities laws or available exemptions to offer and sell the New Ordinary Shares in those provinces. The New Ordinary Shares have not been nor will they be qualified by a prospectus for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of the New Ordinary Shares in Canada will be made on a basis which is exempt from the prospectus requirements of those securities laws. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of the New Ordinary Shares described herein, in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

The offering price and the financial information contained in this document is presented in Pounds Sterling (“£”). The daily noon rate of exchange as reported by the Bank of Canada for £ expressed as £ per Canadian dollar (“CAN \$”) on 5 December 2006 was £0.4436 per CAN \$1. Further details are set out in “Exchange Rate Information” in section 9 of Part VII of this document.

No New Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) except (with effect from and including the Relevant Implementation Date): (i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (ii) to any legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Merrill Lynch; or (iv) in any other circumstances which

do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

This document is being distributed only to, and is directed only at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (ii) falling within Article 49(2) (a) to (d) of the Order; or (iii) to whom it may otherwise lawfully be distributed (all such persons together with qualified investors (as defined above) being referred to as “**relevant persons**”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons.

Merrill Lynch is acting for the Company and no-one else in connection with the Placing and will not regard any other person as its client in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Merrill Lynch nor for providing advice in relation to Admission, the contents of this document, the Placing or any transaction or arrangement referred to in this document.

Numis’ responsibilities as the Company’s nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any directors or to any other person whether in respect of such person’s decision to acquire shares in the Company in relation to any part of this document or otherwise.

No liability whatsoever is accepted by Merrill Lynch for the accuracy of any information or opinions contained in this document or for the omission of any material information.

In connection with the Placing, Merrill Lynch, as stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the New Ordinary Shares at a level higher than which might otherwise prevail in the open market. Merrill Lynch is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken during the period from 7 December 2006 up to and including 8 January 2007. Save as required by law and regulation, Merrill Lynch does not intend to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Placing.

In connection with the Placing, Merrill Lynch as stabilising manager may, for stabilisation purposes, over-allot New Ordinary Shares up to a maximum of 6.7 per cent. of the total number of New Ordinary Shares comprised in the Placing. The Company has granted to Merrill Lynch, an Over-Allotment Option pursuant to which Merrill Lynch may require the Company to issue additional New Ordinary Shares at the Placing Price to cover over-allotments, if any, made in connection with the Placing and to cover any short positions resulting from such over-allotments and/or from sales of New Ordinary Shares effected by it during the stabilising period. The number of New Ordinary Shares subject to the Over-Allotment Option is, in aggregate, equal to approximately 7.2 per cent. of the Company’s ordinary share capital to be issued in the Placing (before any exercise of the Over-Allotment Option). The Over-Allotment Option may be exercised from the date of commencement of conditional trading for a period of 30 calendar days thereafter.

In connection with the Placing, each of Merrill Lynch and any affiliate acting as an investor for its own account may take up the New Ordinary Shares and in that capacity may retain, purchase or sell for its own account such securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, reference in this document to the New Ordinary Shares being offered or placed should be read as including any offering or placement of securities to Merrill Lynch, and any affiliate acting in such capacity. Merrill Lynch does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No person is authorised, in connection with the Placing, to give any information or make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, its shareholders or their respective directors or professional advisers. No New Ordinary Shares have been marketed to, or are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the Placing.

Copies of this and certain other documents will be available free of charge to the public at the offices of Stephenson Harwood, One St. Paul’s Churchyard, London, EC4M 8SH and at the registered office of the Company at Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL during usual business hours on the date of Admission and for not less than one month thereafter on any weekdays (Saturdays, Sundays and public holidays excepted).

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "plans", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects and dividend policy of the Company and the markets in which it, directly and indirectly, will invest.

All forward-looking statements address matters that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in Part I of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the REG Group's operations, growth strategy and liquidity.

Important factors that may cause these differences include, but are not limited to, changes in economic conditions generally, legislative/regulatory changes, changes in taxation regimes, the Company's ability to invest the cash on its balance sheet and the proceeds of the Placing in suitable investments on a timely basis, the availability and cost of capital for future investments, the availability of suitable financing, the continued provision of services to the Company by REG Power and PEP, Wind & Wave, All Wind (UK) Limited and Nth Power Limited, and REG Power's, PEP's, Wind & Wave's, All Wind (UK) Limited's and Nth Power Limited's ability to attract and retain suitably qualified personnel.

These forward-looking statements speak only as at the date of this document. Subject to any obligations under the AIM Rules, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

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SUMMARY

This summary highlights information contained elsewhere in this document. It does not contain all the information that you may consider necessary in making your investment decision and must be read as an introduction to this document. Any decision to invest in New Ordinary Shares should be based upon a consideration of this document as a whole, including but not limited to, the risks associated with investing in the New Ordinary Shares which are set out in Part I of this document, which is entitled "Risk Factors".

1. Overview

The Company was incorporated in Guernsey on 25 April 2005 and is the holding company of the REG Group. In May 2005, it was admitted to trading on AIM. The REG Group's primary objective is to create a portfolio of high return renewable operating plants which satisfy the REG Group's investment criteria. The REG Group's Management's initial aim for the Company was to attract investors by allowing them an opportunity to participate in the growth of the global renewable energy market through its strategic investments in successful global renewable energy generation projects. Since the Company's incorporation however, the REG Group's Management has identified various opportunities in the renewable energy market which have encouraged it to adopt a progressively more active operating business. The Company has two core operating subsidiaries, The Cornwall Light & Power Co. Limited ("**CLP**") in the United Kingdom and AIM PowerGen Corporation ("**APG**") in Canada (together, the "**Core Subsidiaries**"). In addition, REG has a 61 per cent. preferred interest in the Tymien 1 wind project in Poland, Tymien 1, which entered full operational service in March 2006 and which, at 50 MW, is one of eastern Europe's largest wind farms.

Through CLP, the REG Group currently has a rated operating capacity of 5.6 MW at the Goonhilly Downs wind farm and a further pipeline of 30 projects in the United Kingdom, 24 of which were purchased from nPower Renewables Limited ("**nPower Renewables**") in August 2005 (the "**Windworks Portfolio**") and two of which were purchased in October 2006 from KP Renewables plc ("**KPR**"). These 30 projects have, in aggregate, a potential rated operating capacity of more than 135 MW should CLP be successful in gaining the requisite planning and building consents. In 2006, CLP has been able to procure planning consents for three of the Windworks Portfolio projects at High Sharpley, Braich Ddu and High Pow, and is now close to completing the construction phase for these projects which the REG Group's Management believes will have the capacity to generate approximately 10.4 MW of power when completed. In addition, CLP has also been able to procure planning consents for two further Windworks Portfolio projects at Roskrow Barton and Cheverton Down in 2006. The REG Group's Management believes it will be able to discharge all outstanding planning conditions on these sites in 2007 so that it may commence construction on them in 2007. Construction of the two sites purchased from KPR is expected to complete by June 2008.

Through APG, the REG Group is one of the largest wind developers in Canada. According to a report conducted in October 2006 by Emerging Energy Research, an independent energy research and advisory company, APG is a leading developer in terms of development experience in the Canadian wind market. APG currently has a pipeline of projects in Canada with a potential rated operating capacity of approximately 2,150 MW of power. Whilst the focus of APG's operations is the province of Ontario, it also has operating interests in the provinces of Manitoba, Saskatchewan, Alberta, Newfoundland and Labrador and Prince Edward Island. APG also has a potential 100 MW project in the pipeline in the Dominican Republic.

2. Risk Factors

Prior to making an investment decision, investors should consider the risks associated with the business sector in which the Company and the REG Group operate, as well as risks relating specifically to the Company and the REG Group and the New Ordinary Shares. Although the Company and the REG Group have in place systems, controls and procedures designed to mitigate the risks to which they are exposed, there can be no assurance that such risks will not materialise. A number of the risks referred to below could have a material adverse effect on the business, financial condition or results of operations of the Company and the REG Group.

The following is a summary of potential risks only and does not purport to indicate the likelihood of any of these risks materialising. If investors are concerned by these risks, or require further information on them, they should refer to Part I of this document, entitled "Risk Factors".

In addition, the risks set out below may not be exhaustive and further risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may arise or become material in the future.

Risks relating to the Company and the REG Group

- The Company has only existed since April 2005 and as such: (i) there is only limited historical financial data available; (ii) there can be no assurance that the recent integration into the REG Group of the Core Subsidiaries will succeed; and (iii) the REG Group will be faced with considerable organisational challenges to its ability to manage effectively its current and planned growth.
- The Company may acquire additional complementary companies or equity interests in the future. There can be no guarantee that any such future acquisitions or participations will be successful. An unsuccessful acquisition or participation could have a negative impact on the business, financial condition and results of operations of the Company and the REG Group.
- The business strategy of the Company relies on sufficiency of working capital for the implementation of its portfolio of planned projects. On current projections, the Company's working capital will be exhausted by May 2008, at which point new funding will need to be in place to allow the Company to continue with its capital expenditure programme. There can be no assurance that the Company will be able to raise the requisite funds, and may have insufficient funding to develop some or all of the projects in its projects pipeline as planned.
- The REG Group faces numerous challenges as it develops its global operations, including the burden of compliance with foreign laws and regulations, trade tariffs, staffing and management difficulties and cultural and language differences. If the Company and the REG Group do not appropriately anticipate changes and adapt their practices to meet these challenges, the growth of the Company and the REG Group could be impeded.
- The success of the Company and the REG Group is dependent upon maintaining the services of key personnel. If such personnel were to leave the REG Group, it could have a negative impact on the business, financial condition and results of operations of the Company and the REG Group.
- The REG Group conducts business across several jurisdictions and, as a result, it may be subject to the effects of exchange rate fluctuations, interest rate increases, pricing fluctuations and tax burdens with respect to such jurisdictions.
- The Company is incorporated under Guernsey law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the United Kingdom Companies Act 1985 are not available under Guernsey law.
- The Company and the REG Group may be involved in legal actions in the normal course of its business and operations. No assurance can be provided that the reserves of the Company and the REG Group will be sufficient to cover any liabilities that they may incur in respect of any such legal actions.
- The REG Group's assets could suffer physical damage resulting in losses which may not be fully compensated by insurance, or which may be uninsurable. Should an uninsured loss or a loss in excess of insured limits occur, the REG Group could lose capital invested in the affected asset as well as anticipated future revenue from that asset.

Risks relating to the REG Group's business sector

- The economic development of the Company and the REG Group is likely to be influenced by the continued demand for power generated by wind energy (and other renewable energy sources generally). Future demand for that market is difficult to assess and will also be dependent upon governmental support generally for renewable energy projects within the countries in which the Company and the REG Group operate.
- The REG Group relies on the continued operation of wind turbines which are subject to technical and physical risks of damage and/or impairment. Due to the relatively limited number of wind turbine suppliers, there is a risk of price inflation of wind turbines and their component parts due to increasing demand caused by expansion of the wind energy sector.

- The REG Group relies on the delivery and installation of wind turbines and numerous technical components thereof. As relatively few suppliers are able to manufacture and deliver wind turbines there is both a risk that prices will inflate and that suppliers are unable to fulfill the REG Group's demand.
- The REG Group sells power generated by wind energy to large utilities pursuant to power purchase agreements ("PPAs") or, in Ontario, by way of Standard Offer Program contracts ("SOCs"). The REG Group seeks to ensure that its customers have an acceptable credit rating, but, if for any reason, any customer is unable or unwilling to fulfil its contractual obligations to the REG Group, the returns to the Company and the REG Group could be negatively impacted.
- The REG Group depends upon the electricity distribution and transmission networks available to it and any failure of distribution may have a negative impact on the business, financial condition and results of operations of the Company and the REG Group.
- The REG Group relies on the commercial arrangements of the REG Group's Management with leading suppliers, wind project investors, consultants and significant companies in the wind energy and electric utility industry. There can be no assurance that the REG Group's Management will be able to maintain such relationships.
- Due to the nature of its business, the REG Group relies on wind speed patterns and projected wind fluctuations, which are difficult to predict. Adverse weather conditions may have a negative impact on the business, financial condition and results of operations of the Company and the REG Group.
- The REG Group operates in a sector which is heavily regulated by environmental law. Whilst the REG Group's Management endeavours to ensure that it operates within these environmental laws, any changes to them may lead to a decline in the number of suitable wind farm sites and may have a negative impact on the business, financial condition and results of operations of the Company and the REG Group.

Risks relating to the New Ordinary Shares

- The New Ordinary Shares are to be admitted to trading on AIM. As AIM is a market primarily designed for small and emerging companies, the liquidity that may be associated with a listing on the Official List, or other exchanges, cannot be guaranteed to the same extent.
- The price of the New Ordinary Shares may be volatile and go down as well as up and investors may therefore not recover their original investment.
- The business, financial condition and results of operations of the REG Group may be adversely affected by a downturn in global economic conditions and the economic conditions of countries in which the REG Group conducts its business. The performance of the New Ordinary Shares could be materially adversely affected if such a downturn were to occur.
- There can be no assurance that the Company or the REG Group will be able to achieve the returns referred to in this document.

3. Key Competitive Strengths

The REG Group's Management considers the key competitive strengths of the Company and the REG Group to be:

- Extensive industry experience and expertise.
- A solid base of well located wind energy projects in the United Kingdom complemented by a strong pipeline of projects in the United Kingdom and Canada.
- An ability to act quickly and decisively and to invest in small but attractive projects.
- A systematic and disciplined approach to investment.
- A strong track record in sourcing and acquiring wind turbines from suppliers.

Part IV of this document contains further details about the key competitive strengths of the Company and the REG Group.

4. Directors and Management Arrangements

The Board

The Company has a board (the "Board") of six non-executive directors: Mike Liston (Chairman), George Cardona, Tod Kersten, Nigel Le Quesne, John Donelan and Andrew Whalley. The Board delegates most of the day-to-day management of the Company to REG Power Management Limited ("REG Power") pursuant to the terms of the Renewable Energy Management Agreement, details of which are set out in section 11 of Part X.

REG Power and other key advisers

REG Power is jointly managed by Probyn & Company, Inc. ("Probyn"), an experienced manager of renewable energy companies based in Canada, and Premier Asset Management plc ("PAM"), an experienced asset management company based in the United Kingdom. REG Power provides the Company with renewable energy sector and infrastructure expertise as well as access to a number of individual experts and industry specialists. In addition to REG Power, the Company has links to, and is able to draw on the experience of, Pure Energy Professionals Limited ("PEP"), a renewable energy company based in the United Kingdom along with individuals from Wind & Wave, All Wind (UK) Limited and Nth Power Limited.

Part V of this document contains further details about the management and control of the Company and the REG Group generally.

5. Strategy

The REG Group's primary objective is to create a portfolio of high return renewable energy operating plants which satisfy the REG Group's investment criteria. This is achieved by its adoption of an overarching strategy when identifying and investing in new renewable energy projects. Key components of this strategy include:

- identifying strategic project sites in target countries which have a combination of: (i) above average wind speeds; (ii) proximity to suitable distribution networks; and (iii) a realistic prospect of obtaining favourable planning permission;
- funding projects with a flexible attitude towards financing; and
- implementing stringent management and financial controls in considering projects for potential acquisition and development.

The REG Group's Management is currently focused on targeting its operations on wind power projects. Whilst wind power is the only technology that the REG Group's Management is currently exploiting, it does not discount the possibility of investing in other renewable energy technologies should there prove to be a strong investment case.

Part IV of this document contains further details about the REG Group's strategy and the extent to which such strategy has been implemented by the Core Subsidiaries.

6. Selected Summary Financial Information

Set out below are the pro forma statement of net assets of the REG Group and the pro forma income statement of the REG Group as at 30 June 2006:

Pro forma Statement of Net Assets of the REG Group

The unaudited pro forma statement of net assets set out below is provided to show the effect of inclusion of the net assets of APG at 30 June 2006. The pro forma addresses a hypothetical situation which may not give a true picture of the financial position of the enlarged REG Group. The unaudited pro forma statement of net assets is prepared on the basis of the net assets of the REG Group as at 30 June 2006 extracted without material adjustment from the audited financial information, and the pro forma net assets of the APG as at 30 June 2006 extracted without material adjustment from the management financial information translated into £ at the rate of £1 = CAN \$2.03440 (being the exchange rate prevailing on 30 June 2006).

	REG Group as at 30 June 2006	APG as at 30 June 2006	Pro forma adjustments	Note	Pro forma net assets
	£'000	£'000	£'000		£'000
Fixed Assets					
Tangible assets	7,763	179	527	1	8,469
Intangible assets	3,010	—	14,025	2	17,035
Investments	8,358	—	—		8,358
	<u>19,131</u>	<u>179</u>	<u>14,552</u>		<u>33,862</u>
Current Assets					
Debtors	900	263	—		1,163
Inventories	17	—	—		17
Available-for-sale investments	4,913	—	—		4,913
Cash at bank and in hand	28,612	7	(9,759)	2	18,860
	<u>34,442</u>	<u>271</u>	<u>(9,759)</u>		<u>24,954</u>
Creditors—amount falling due within one year	(507)	(124)	—		(631)
Net Current Assets/(Liabilities)	<u>33,935</u>	<u>146</u>	<u>(9,759)</u>		<u>24,323</u>
Total Assets less Current Liabilities	<u>53,066</u>	<u>325</u>	<u>4,793</u>		<u>58,184</u>
Creditors—amount falling due after more than one year	(618)	—	—		(618)
Provisions for liabilities and charges	—	—	—		—
Net Assets	<u>52,448</u>	<u>325</u>	<u>4,793</u>		<u>57,566</u>

Notes:

The pro forma statement of net assets has been prepared on the following basis:

- 1. The capitalisation of development expenses of CAN \$1,091,000 (£527,000) incurred by APG from 1 July 2005 to be consistent with the accounting policies of the Company from this date.*
- 2. Acquisition of APG for CAN \$29,058,000 (£14,283,000) with consideration in the form of the issuance of 3,645,721 shares valued at CAN \$9,204,000 (£4,524,000) and CAN \$19,854,000 (£9,759,000) in cash for net assets of CAN \$525,000 (£258,000) and goodwill of CAN \$28,532,000 (£14,025,000) translated into £ at the rate of £1 = CAN \$2.03440 (being the exchange rate prevailing on 30 June 2006).*
- 3. No adjustment has been made to reflect the net assets of the REG Group since 30 June 2006.*

Pro forma Income Statement of the REG Group

The unaudited pro forma income statement set out below is provided to show the effect of inclusion of APG for the 12 months ended 30 June 2006 assuming it was acquired on 1 July 2005. The pro forma addresses a hypothetical situation which may not give a true picture of the financial position of the enlarged REG Group. The unaudited pro forma income statement is prepared on the basis of the income statement for the REG Group for the period from the 25 April 2005 to 30 June 2006. No material transactions occurred during the period between 25 April 2005 and 1 July 2005 and therefore the pro forma twelve months ended 30 June 2006 has been extracted without material adjustment from this income statement. The unaudited pro forma income statement of the APG for the twelve months ended 30 June 2006 has been extracted without material adjustment from the management financial information for this period and translated into £ at the rate of £1 = CAN \$ 2.07005 (being the average exchange rate over the 12 months period to 30 June 2006).

	REG Group period ended 30 June 2006 £'000	APG 12 months ended 30 June 2006 £'000	Pro forma adjustments £'000	Note	Pro forma income statement £'000
Sales and other operating income	744	—	—		744
Cost of sales	(804)	—	—		(804)
Gross profit/(loss)	(60)	—	—		(60)
Other income	391	206	—		597
Administrative and development expenses	(1,119)	(1,115)	152	1	(1,555)
			527	2	—
Other operation expenses	(5)	—	—		(5)
Finance income	1,377	—	—		1,377
Profit before tax	584	(909)	679		354
Tax expense	(61)	—	—		(61)
Profit for the period	523	(909)	679		293

Notes:

The pro forma income statement has been prepared on the following basis:

1. The reversal of the stock based compensation expense CAN \$314,000 (£152,000) in respect of APG with warrants are assumed to be converted and paid out at 1 July 2005.
2. The capitalisation of development expenses of CAN \$1,091,000 (£527,000) incurred by APG from 1 July 2005 to be consistent with the accounting policies of the Company from this date.
3. No adjustment has been made to reflect the position of the REG Group since 30 June 2006.

Part VIII of this document contains further financial information and accounts in respect of the REG Group.

7. Details of the Placing and Use of Proceeds

Details of the Placing

The New Ordinary Shares will represent approximately 41 per cent. of the issued ordinary share capital of the Company immediately after Admission (assuming no exercise of the Over-Allotment Option). Application will be made to the London Stock Exchange for all of the New Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and trading to commence on 12 December 2006.

The New Ordinary Shares will be placed only with institutional investors. The New Ordinary Shares will not be offered and sold to investors in the United States and will be offered and sold outside the United States in reliance on Regulation S of the Securities Act. In Canada, the Placing is being made only into the Canadian Provinces.

Part VII of this document contains further details in relation to the Placing.

Use of Proceeds

The REG Group's Management intends to use the net proceeds of the Placing receivable by the Company (which are estimated to be £40,285,000) primarily to further the development and expansion of the REG Group's existing portfolio of wind projects including the procurement of further wind turbines and also for general business purposes. Specifically, the REG Group's Management intends to use part of the proceeds to continue with the development of APG's pipeline of projects in Canada and CLP's development of the Windworks Portfolio.

8. Lock-up Arrangements

The Company

Pursuant to the Underwriting Agreement, the Company undertakes to Merrill Lynch that, during a period of 360 days from the date of Admission it will not, without the prior written consent of Merrill Lynch,

directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the above restrictions shall not apply in respect of: (i) the issue of New Ordinary Shares pursuant to the Placing; or (ii) Ordinary Shares issued pursuant to the exercise of Warrants under the Warrant Instrument.

The Directors, REG Power, PEP, PAM, Probyn, Bruce Woodman and Michael Crawley

Pursuant to the Underwriting Agreement, each of the Directors, REG Power, PEP, PAM, Probyn, Bruce Woodman and Michael Crawley undertake to Merrill Lynch that, during a period of 360 days from the date of Admission he or it (as the case may be) will not, without the prior written consent of Merrill Lynch, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the above restrictions shall not apply in respect of Ordinary Shares issued pursuant to the exercise of Warrants under the Warrant Instrument, or prohibit a Director, REG Power, PEP, PAM, Probyn, Bruce Woodman and Michael Crawley from:

- selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares in the Company; or
- taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company.

9. Dividend Policy

The Company has a dividend policy that is linked to its success in generating cash flow and earnings for its investors. Dividends paid to investors in the Company's first year since incorporation totalled 4p and, in future years, the Company intends to increase dividend payments in line with the expansion of its portfolio of wind projects and the overall success of its core operational strategies.

10. Additional Information

Copies of this and certain other documents will be available free of charge to the public at the offices of Stephenson Harwood, One St. Paul's Churchyard, London EC4M 8SH and at the registered office of the Company at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL during normal business hours on the date of Admission and for not less than one month thereafter on weekdays (Saturdays, Sundays and public holidays excepted).

Part X of this document contains additional information regarding the Company, the Placing and Admission.

PART I

RISK FACTORS

Potential investors should carefully consider the specific risk factors set out in this Part I in addition to the other information contained in this document before making a decision to purchase New Ordinary Shares.

The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for potential investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from any such investment. If any of the events or circumstances described should actually occur, the Company's business, financial condition and results of operations could be materially adversely affected. In such circumstances, the market price of the New Ordinary Shares may fall and investors could lose all or part of their investment. Prospective investors should be aware that the value of the New Ordinary Shares and income from them may decrease and that they may not realise their initial investment.

A potential investor who is in any doubt about the action it should take, should consult an independent financial adviser authorised under the FSMA and who specialises in advising on the acquisition of shares and other securities. The risk factors summarised below are not intended to be exhaustive, nor are they intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have a material adverse effect on the business, financial condition or results of operations of the Company and the REG Group.

1. Risks relating to the Company and the REG Group

Limited operating history of the Company and the REG Group

The Company has only existed since April 2005. After the incorporation of the Company on 25 April 2005, it acquired two main operating subsidiaries: (i) CLP, based in the United Kingdom, in June 2005; and (ii) APG, based in Canada, in August 2006. Consequently, there is only limited historical financial data on the Company and there is no such data on the consolidated REG Group. The pro forma consolidated financial statements contained in Part VIII of this document are therefore only of limited value to investors for the purposes of comparison.

Integration of the REG Group

As is commonly the case with young, high-growth companies like the Company, the integration of the Core Subsidiaries will require a high level of human and financial resources. There can be no assurance that the rapid integration of the Core Subsidiaries will succeed or will have the desired effect over the longterm. If this effort were to be unsuccessful or delayed, the business, financial condition and results of operations of the Company and the REG Group could be materially adversely affected.

Organisational structure and management of growth

Because the Company and the REG Group have only existed for a limited period of time, the management and organisational structure of the REG Group is still being adapted to its evolving needs.

The Company will be faced with considerable organisational challenges to its ability to manage effectively its current and expected growth. There can be no assurance that delays in adapting and expanding existing structures, and delays in introducing new organisational measures or new internal systems, will not have a material adverse effect on the business, financial condition and results of operations of the Company and the REG Group. Furthermore, there can be no assurance that additional structural measures beyond those currently planned will not prove necessary, a situation that could result in an increase in the operating expenses of the Company and the REG Group, which could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Company and the REG Group.

Risks inherent in future acquisitions of companies and equity interests, and their integration into the REG Group

The Company may acquire additional complementary companies or equity interests in order to strengthen its position in the United Kingdom, Canada and other international markets. Although the Company will perform due diligence on potential targets with the care required by prudent business policies, acquisitions carry a significant business risk which could have a material adverse effect on the business, financial

condition, results of operations and continued existence of the Company. The success of these acquisitions and participations, and the improvement of the Company's market position, depends, in part, on the successful integration into the REG Group of the acquired companies. Even if the Company continues to thoroughly investigate the financial and legal risks associated with target companies to be acquired, agrees price adjustment clauses and receives adequate warranties from sellers, there can be no assurance that future occurrences would not result in specific acquisitions or equity interests losing their value considerably or entirely. Such consequences could have a material adverse effect on the business, financial condition and results of operations of the Company and the REG Group.

Funding risk

The business strategy of the Company relies on sufficiency of working capital for the implementation of its portfolio of planned projects. On current projections, the Company's working capital will be exhausted by May 2008, at which point new funding will need to be in place to allow the Company to continue with its capital expenditure programme. However, there can be no assurance that the Company will be able to raise the requisite funds and accordingly, the Company may have insufficient funding to develop some or all of the projects in its projects pipeline as planned. As a consequence, the business, financial condition and results of operations of the Company and the REG Group could be materially adversely affected.

Risk of entry into new markets

As the REG Group develops its business and operations, it faces numerous challenges, including the burden and expense of complying with a wide variety of foreign laws and regulatory requirements, potentially adverse tax consequences, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, cultural and language differences and fluctuations in currency exchange rates.

If the Company and the REG Group do not appropriately anticipate changes and continue to adapt their practices to meet these challenges, the growth of the REG Group could be impeded. If the REG Group's entry into new markets were to be delayed or even unsuccessful, this could materially adversely affect the business, financial condition and results of operations of the Company and the REG Group.

Dependence on management

The financial success of the Company and the REG Group is largely attributable to the efforts of REG Power, PEP, PAM and Probyn as well as various other key advisers, outlined in Parts IV and V of this document. The future financial success of the Company and the REG Group depends on highly qualified managers continuing to work for the Company and the REG Group and furthering the interests of the Company and the REG Group in the longterm. If such managers were to cease working for the Company and the REG Group, this could have a material adverse affect on the business, financial condition and results of operations of the Company and the REG Group.

Potential currency exchange rates risk

The REG Group's business may be conducted in jurisdictions which could generate revenue, expenses and liabilities in currencies other than Pounds Sterling. As a result, the Company and the REG Group may be subject to the effects of exchange rate fluctuations with respect to any of these currencies. These fluctuations could prove to be unfavourable to the Company and the REG Group and could have a material adverse affect on the business, financial condition and results of operations of the Company and the REG Group.

Interest Rate Risk

The REG Group may be exposed to interest rate risks in the countries in which it operates. If interest rates rise significantly, economic conditions in those countries could be negatively impacted. The renewable energy industry in those countries may experience reduced growth during a period of rising interest rates.

Pricing Risk

The REG Group is subject to pricing risk in the countries in which it operates.

In the United Kingdom, the REG Group, through CLP derives its revenue from the electrical output generated by its wind farms pursuant to PPAs. One element of this is that CLP receives Renewable Obligation Certificates ("ROCs") (issued pursuant to legislation which aims to promote the generation

and supply of renewable energy in the United Kingdom) in respect of the renewable electricity it generates. CLP sells its ROCs to electricity suppliers in the market opportunistically. The price of power supplied under PPAs and the price of ROCs are subject to market forces, influenced by factors such as increases in fossil fuel prices, economic conditions more generally and weather conditions.

In Canada, large amounts of electricity generated by renewable energy facilities are expected to be sold pursuant to PPAs and, in addition, in the province of Ontario, pursuant to SOC. It is also possible that, to a limited extent, excess power capacity of certain facilities may be sold in the open market. Consequently, the amount of revenue generated by APG may depend, in part, upon prices paid for energy sold in the open market. Such commodity pricing will be subject to market forces and vary over time.

In the longterm, fluctuations in market prices for energy may adversely impact the economic returns to the Company and the REG Group.

Tax related risks

Certain countries in which the REG Group operates may have tax regimes which may impose withholding tax on the profits or other returns derived from the REG Group's projects. This tax may be non-recoverable. It is anticipated that the rates of withholding tax will vary across jurisdictions and will change from time to time, which could have a material adverse effect on the business, financial condition and results of the Company and the REG Group.

The tax regimes applying in the United Kingdom, Guernsey, Poland and Canada may change, thereby affecting the Company's and the REG Group's tax treatment in these jurisdictions.

Guernsey law

The Company is a limited company incorporated under the Companies (Guernsey) Law. The Companies (Guernsey) Law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the United Kingdom Companies Act 1985 are not available under the Companies (Guernsey) Law.

Litigation risk

The REG Group may be involved in legal actions in the normal course of business. Damages may be demanded in some of these actions in the event that the REG Group is unsuccessful in defending its position.

Although the REG Group's Management believes that the REG Group has made adequate provision, in all material respects, to absorb the costs of unsuccessful litigation, no assurance can be provided that such provision will be sufficient to cover all actual liabilities that the REG Group may incur.

Insurability of risks

The REG Group's assets could suffer physical damage caused by fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or are not economically insurable. Inflation, environmental considerations, and other factors may also result in insurance proceeds being insufficient to repair or replace an asset if it is damaged or destroyed. Should an uninsured loss or a loss in excess of insured limits occur, the REG Group could lose capital invested in the affected asset, as well as anticipated future revenue from that asset. In addition, the REG Group could be liable to repair damage caused by uninsured risks. The REG Group would also remain liable for any debt or other financial obligation related to that asset. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

2. Risks relating to the REG Group's business sector

Dependence on one line of business

The future economic development of the Company and the REG Group is likely to be strongly influenced by demand for power generated from wind energy, the future market acceptance of which is difficult to assess. In addition, potential sales derived from the supply of wind generated energy are largely dependant on continued governmental support for wind generated energy. There can be no assurance that the efforts of the REG Group's Management to market wind energy, as a result of which the REG Group will incur

considerable costs, will be successful. If the Company and the REG Group are unable to reach their goal of exploiting the potential for significantly increased sales of wind generated energy the REG Group's business, financial condition and results of operations could be materially adversely affected.

Technical and operational risks

The operation of wind turbines is subject to technical and physical risks, and for some models, there is little experiential data on longterm, full-time operation. For this reason, no definitive statements can be made about the service life of some wind turbines or their components, or about their longterm operational reliability. The direct risk from operational reliability and reduced life of wind turbines is borne by wind farm operators.

In addition, the REG Group may be subject to the risk that wind turbines which it sources from outside suppliers may be defective. Whether or not the REG Group is able to assert claims against its outside suppliers resulting from such defects is not only dependent on the respective contractual arrangements but also on the creditworthiness of the relevant outside supplier. Such defects, particularly if the REG Group is unable to assert claims for damages against its outside suppliers, could have a longterm adverse effect on the business, financial condition and results of operations of the Company and the REG Group.

Sourcing risk

The development of wind energy facilities necessitates the delivery and installation of wind turbines and numerous technical components thereof. There is a relatively small pool of suppliers who manufacture and deliver wind turbines and the technical components. In light of this limited number of suppliers, there is a risk that wind turbine and component prices will inflate due to increasing demand caused by market growth. There is also a risk that suppliers will no longer be able to fulfil the REG Group's demand. Furthermore, no guarantee can be given that the REG Group's main suppliers will be able to honour commitments to the REG Group to supply within agreed project delivery programmes.

As a consequence, any price inflation, delivery delays or inability to source the components necessary for the construction of wind power plants could be detrimental to the profitability of a project and have a significant negative impact on the business, financial condition and results of operations of the Company and the REG Group.

Competition and market acceptance

The REG Group's ability to successfully develop, manage growth, and maintain a competitive position depends, to a large extent, on its ability to develop and maintain commercial alliances with leading suppliers, wind project investors, consultants and significant companies in the wind energy and the electric utility industry. Competition for such relationships is intense and there can be no assurance that the REG Group will be able to create and maintain such relationships.

The level of demand for wind generated power is dependent on, among other things, the performance of services and the type of power generation used to satisfy demand for electricity. A key factor contributing to the success of power generation from wind energy is the cost at which electricity can be produced and the scope of financial support for this type of power generation. There can be no assurance that costs can be kept low, or that there will be continued financial support for this power generation. Discontinued support could have material adverse effects on the Company's and the REG Group's business, financial condition and results of operations.

Counterparty risk

Customers that purchase power generated by wind energy facilities are typically large utilities which purchase power under PPAs or, in Ontario, by way of SOCs. Although the REG Group will attempt to ensure that these customers have acceptable credit ratings, if for any reason such customers are unable or unwilling to fulfil their contractual obligations under the relevant PPAs or SOCs, the returns to the Company and the REG Group could decline.

System risk

The profitability of the Company and the REG Group depends, to some extent, on the electricity distribution and transmission networks to which the wind energy facilities are connected. Any failure of

these networks or a decrease in their efficiency could materially adversely affect the business, financial condition and results or operations of the Company and the REG Group.

Resource availability and wind constancy

The strength and constancy of the wind resource at a wind energy site may vary from the estimate set out in the wind resource assessment report for that site. Weather patterns could change or the historical data could prove not to form an appropriate basis for projecting the strength and constancy of wind in the future. If there is insufficient wind resource, the assumptions underlying the financial projections as to the amount of electricity to be generated by a wind energy facility will not be met and distributable cash will be impacted. There can be no assurance that the wind resource will be sufficient to earn a specified rate of return or any return over the life of the facility.

The conclusions of a wind assessment report are based on assumptions about certain conditions that may exist, and events that may occur, in the future. In addition to the fact that such assumptions are dependent upon future events, a number of other factors may cause the wind resource and energy capture at a wind energy facility to differ, possibly materially, from those initially estimated, including:

- (a) the limited time period of the site-specific wind data that was used;
- (b) the site-specific wind data that was reviewed may not have a high degree of correlation with longer-term regional wind data;
- (c) inaccurate assumptions related to wake losses and wind shear;
- (d) the limitations in the accuracy with which anemometers measure wind speed;
- (e) the inherent variability of wind speeds;
- (f) the wind turbine power curve provided by the wind turbine supplier was not independently verified;
- (g) the potential impact of climatic factors, including icing and soiling of wind turbines;
- (h) the potential impact of topographical variations, wind turbine placement and local conditions, including vegetation;
- (i) the inherent uncertainty associated with the use of models, in particular future-orientated models; and
- (j) the potential for electricity losses to occur before delivery.

In addition to the accuracy of longterm wind resource assessment, wind energy sites may be affected by fluctuations in wind speeds over time and between years and seasons and by abnormal weather conditions. Average wind speeds in any period may be lower than projected or lower than wind speeds in prior years, thereby causing the financial performance of an investment to fall below its expected level.

Environmental impact and availability of suitable sites

Wind turbines emit noise, light effects (such as rotating shadows and reflected flashes of light from the rotor blades when the sun is shining) and ice throws in winter. Wind turbines are, in some instances, also regarded as detrimental to the beauty of the local environment.

Laws and other regulatory measures govern the operation of wind turbines (in terms of allowable noise levels, distance from buildings, and permissibility of construction projects in nature reserves) and available transmission lines. Due to these laws and regulations and the widely different wind conditions in various regions, only a limited number of suitable sites are available for wind turbines in the countries targeted by the REG Group. There can be no assurance that changes in laws and regulations will not be made and that the number of suitable sites will not decline below current availability. This could lead to a decline in investment opportunities for wind farm operators, which could adversely affect the business, financial condition and results of operations of the Company and the REG Group.

Changes to the regulatory systems or loss of permits or licenses under which the REG Group operates or breach of regulatory requirements by the REG Group

Regulatory risks relating to the renewable energy sector

The profitability of renewable energy facilities generally, will be dependent, in part, upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent power industry and environmentally preferred energy sources.

Projects which seek to take advantage of the “flexible mechanisms” created under the Kyoto Protocol (including the Clean Development Mechanism (“CDM”), Joint Implementation (“JI”) and Emissions Trading (“ET”)) will need to comply with relevant international, regional and domestic legal requirements, including the EU Emissions Trading Scheme (“EU ETS”) and/or the “CDM-project-cycle”, where relevant. Operations conducted under this ongoing and developing international legislative process could give rise to political, sovereign and regulatory risks where the ongoing approval of a “host country” is needed for a project, in the same way as for any type of foreign direct investment.

In addition, PPAs or SOCs in certain jurisdictions are subject to approval by local, state, provincial or national utilities commissions or other regulatory authorities. Should the regulatory regime in an applicable jurisdiction be modified in a manner which negatively affects renewable energy projects, including increases in taxes and permit fees, the returns to the Company and the REG Group may be materially adversely affected. The EU Renewables Directive explicitly requires EU Member States to review existing legislative and regulatory frameworks with a view to reducing regulatory and non-regulatory barriers in order to increase electricity production from renewable energy sources (including streamlining administrative procedures and ensuring that rules are non-discriminatory between energy sources). However, the failure to obtain all necessary approvals, licences or permits, including renewals thereof or modifications thereto, may adversely affect distributions, as could cause delays in obtaining such consents due to objections from third parties regarding such issues as impact on amenity or nature conservation.

Renewable energy facilities encompass operations which are subject to environmental and safety standards and regulations imposed by relevant national regulatory bodies. Failure to operate facilities in strict compliance with applicable regulations and standards may expose owners or operators of facilities to claims and clean-up costs and possible enforcement actions. Any new law or regulation could require significant additional expenditure to achieve or maintain compliance.

The EU Renewables Directive has established Europe as the leading region for renewable energy investment. The United Kingdom has passed regulations to promote the generation of electricity from renewable sources (the “**Renewables Obligation**”) to require licensed electricity suppliers to source specified percentages of supplied electricity from renewable sources. ROCs are awarded to licensed electricity suppliers using renewable sources. Should the current governmental regulations or incentive programmes be modified, wind power facilities and other renewable energy facilities may be adversely affected, which may have a material adverse effect on the returns to the Company and the REG Group. In particular, if such production tax credits were to become unavailable to the owners of wind power facilities, or the Renewables Obligation or country equivalent schemes were withdrawn as a result of a change in applicable legislation, the ability of the owners of wind power facilities and/or the borrowers under wind power loans to pay interest and principal on wind power loans may be adversely affected, which, in turn, could adversely affect the business, financial condition and results of operations of the Company and the REG Group. In addition, the government of the United Kingdom suggests in its *Planning Policy Statement 22: Renewable Energy*, that there may be a shift towards awarding increasing numbers of ROCs in respect of electricity generated offshore rather than onshore after 2010. Any such shift, if material, could have a negative impact on the business, financial condition and results of operations of the Company and the REG Group.

Failure to maintain or comply with necessary licences, consents or exemptions could result in a breach of regulatory requirements that may lead to the owner being precluded from operating the licensed renewable energy facility or at least constrained in undertaking such operations and could adversely affect the business, financial condition and results of operations of the REG Group.

Other risks relating to changes in government regulation

The REG Group and developers with whom the REG Group deals will need to comply with legislation, regulations and related policy covering environmental, health and safety, land use and development standards. The implementation, amendment or enforcement of such legislation, regulations or policy could

have the effect of increasing the expenditure relating to the REG Group's assets the income or rate of return from, as well as adversely affecting the value of such assets (by virtue of the income or rate of return being reduced). Changes in the law relating to the ownership of land could have an adverse effect on the value of the New Ordinary Shares. New laws and regulations may be introduced retrospectively affecting existing compliance with environmental planning, land use and development requirements.

3. Risks Relating to the New Ordinary Shares

AIM

The New Ordinary Shares are to be admitted to trading on AIM. An investment on AIM is likely to carry a higher risk than an investment in shares listed on the Official List.

Admission to AIM should not be taken as implying that there will be a liquid market for the New Ordinary Shares. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges.

Volatility of the value of the New Ordinary Shares

Investors should be aware that the value of the New Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in the New Ordinary Shares on AIM may have limited liquidity.

In addition, the price at which investors may dispose of their New Ordinary Shares, generally, may be influenced by a number of factors, some of which may pertain to the Company and the REG Group, and others of which are extraneous. Investors may ultimately realise less than the original amount invested at the time of purchase of the New Ordinary Shares.

Potential adverse economic conditions and emerging markets risk

The business, financial condition, and results of operations of the REG Group may be adversely affected by general economic conditions, by conditions within various countries' markets or by the particular financial condition of the developers and other parties doing business with the REG Group.

The performance of the New Ordinary Shares could be adversely affected by any failure or delay in new EU accession countries joining the EU. EU accession countries have many characteristics of emerging markets and should be regarded as carrying associated risks of political, legal and economic instability.

No guarantee as to future performance

There can be no assurance that the Company or the REG Group will be able to achieve the returns referred to in this document.

PART II

PLACING STATISTICS AND EXPECTED TIMETABLE

Placing Statistics

Placing Price	103p
Number of New Ordinary Shares being issued ⁽¹⁾	41,500,000
Number of Ordinary Shares subject to the Over-Allotment Option	3,000,000
Number of Ordinary Shares in issue immediately following Admission ⁽¹⁾⁽²⁾	100,145,721
Market capitalisation of the Company on Admission at the Placing Price ⁽¹⁾⁽²⁾	£103,150,093
Estimated net proceeds of the Placing receivable by the Company after expenses ⁽¹⁾	£40,285,000
REG Group Initial Net Asset Value per Ordinary Share ⁽¹⁾⁽²⁾⁽⁴⁾	98p
Fully Diluted Net Asset Value per Ordinary Share ⁽³⁾⁽⁴⁾	90p

Notes:

(1) Assuming no exercise of the Over-Allotment Option.

(2) Assuming no exercise of the Warrants.

(3) Fully Diluted Net Asset Value per Ordinary Share is the Directors' estimate of what REG Group Net Asset Value per Ordinary Share would be if the Over-Allotment Option and the Warrants were to have been exercised in full on Admission.

(4) Based on pro forma net assets of £57,566,000 at 30 June 2006, adjusted for net proceeds of £40,285,000.

Expected Timetable of Principal Events⁽¹⁾⁽²⁾

Publication of this document	7 December 2006
Admission and commencement of dealings on AIM	12 December 2006
Delivery of New Ordinary Shares into CREST accounts	12 December 2006

Notes:

(1) Each of the dates in the above timetable is subject to change.

(2) It should be noted that if Admission does not occur, all on a when issued basis prior to Admission will be of no effect and any such dealings will be at the sole risk of the parties concerned.

PART III
DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Mike Liston
George Cardona
Tod Kersten
Nigel Le Quesne
John Donelan
Andrew Whalley

all of:

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Company Secretary and Registered Office

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Global Co-ordinator and Bookrunner

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Custodian and Registrar

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Sub-Registrars

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Administrator

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PART IV
INFORMATION ON THE COMPANY AND THE REG GROUP

1. Overview of the Company and the REG Group

The Company

The Company was incorporated in Guernsey on 25 April 2005 and is the holding company of the REG Group. In May 2005, it was admitted to trading on AIM. The REG Group's primary objective is to create a portfolio of high return renewable energy operating plants which satisfy the REG Group's investment criteria. The REG Group's Management's (details of which are set out below in section 5 of this Part IV and in Part V of this document) initial focus for the Company was to attract investors by allowing them an opportunity to participate in the growth of the global renewable energy market through strategic investments in successful global renewable energy generation projects, primarily in the wind power, biomass, landfill gas and hydro-electric sectors. At the time of incorporation, the REG Group's Management envisaged that the Company's business would focus on the acquisition of significant minority or majority shareholdings in specifically targeted global renewable energy projects with no less than 50 per cent. by value of the Company's investments to be invested in EU and EU accession countries. Since incorporation, however, the REG Group's Management has identified various opportunities in the renewable energy market which have encouraged it to adopt a progressively more active operating business with a primary focus on wind power. Target countries are those with strong economies and regulatory environments which are favourable towards the renewable energy sector, such as the United Kingdom and Canada. Equally, the REG Group is no longer limiting the allocation of its investment portfolio to include a 50 per cent. interest in EU and EU accession countries.

In line with this shift in strategy, the Company acquired the Core Subsidiaries, which had an established, significant portfolio of assets.

The REG Group has expanded significantly in the United Kingdom since incorporation. Through CLP, the REG Group currently has a rated operating capacity of 5.6 MW at the Goonhilly Downs wind farm and a further pipeline of 30 projects in the United Kingdom, 24 of which were purchased from nPower Renewables in August 2005 (comprised within the Windworks Portfolio) and two of which were purchased in October 2006 from KPR. These 30 projects have, in aggregate, a potential operating capacity of more than 135 MW should CLP be successful in gaining the requisite planning and building consents it has applied for. In 2006, CLP has been able to procure planning consents for three of the Windworks Portfolio projects at High Sharpley, Braich Ddu and High Pow, and is now close to completing the construction phase for these projects which the REG Group's Management believes will have the capacity to generate approximately 10.4 MW of power when completed. In addition, CLP has been able to procure planning consents for two further Windworks Portfolio projects at Roskrow Barton and Cheverton Down in 2006. The REG Group's Management believes that it will be able to discharge all outstanding planning conditions on these sites in 2007, so that it may be able to commence construction on them in 2007. Construction of the two sites purchased from KPR is expected to complete by June 2008. The REG Group's Management is prioritising the projects at Roskrow Barton and Cheverton Down and the two sites purchased from KPR. The extent to which the other projects in the pipeline in the United Kingdom are developed will depend on the receipt of planning consents and the extent to which sufficient funds are available. All of the REG Group's assets in the United Kingdom comprise options to lease areas of land which are well suited to wind energy generation as they have good access to electricity distribution and transmission networks and strong wind resources allowing for generation at rates which the REG Group's Management believes to be competitive.

Through APG, the REG Group is one of the largest wind developers in Canada. According to a report conducted in October 2006 by Emerging Energy Research, an independent energy research and advisory company, APG is a leading developer in terms of development experience in the Canadian wind market. APG currently has a pipeline of projects in Canada with a potential rated operating capacity of approximately 2,150 MW of power. Whilst the focus on APG's operations is the province of Ontario, it also has operating interests in the provinces of Manitoba, Saskatchewan, Alberta, Newfoundland and Labrador and Prince Edward Island. With currently available funding, the REG Group's Management intends to develop up to six sites in Canada, and development of further projects will depend on additional funding being available. APG also has a potential 100 MW project in the pipeline in the Dominican Republic.

The REG Group has also acquired a 61 per cent. preferred interest in the Tymien 1 wind project in Poland, which entered full operational service in March 2006 and which, at 50 MW, is one of eastern Europe's largest wind farms.

The key reason behind the REG Group's Management's decision to move away from a passive investment business to an operating business is its belief that, on a risk-adjusted basis, the REG Group is able to achieve a better return for its investors by developing its own renewable energy projects. The REG Group's Management also believes that wind power technology is currently the renewable energy source which is likely to produce the most attractive returns for its investors. Since 2000, total annual global wind power generation has more than doubled in output from almost 5,000 MW per year to approximately 12,000 MW per year. BTM Consult ApS, an independent renewable energy consultancy, anticipates that by 2010, this figure will be almost 25,000 MW. The REG Group's Management therefore intends to focus the REG Group's resources in this area although it does not discount the possibility of investing in other renewable energy technologies should there prove to be a strong investment case.

The Company has a board of six non-executive directors. The Board delegates most of the Company's day-to-day activities to REG Power pursuant to the Renewable Energy Management Agreement, details of which are set out below and in Part V of this document. REG Power is jointly managed by Probyn, an experienced manager of companies with operations in the renewable energy sector based in Canada, and PAM, an experienced asset management company based in the United Kingdom. REG Power provides the Company with renewable energy sector and infrastructure expertise. The Company also has close links with, and is able to draw upon the experience and advice of, PEP, a renewable energy company based in the United Kingdom. In addition, the Company has access to a number of individual experts and industry specialists from Wind & Wave, All Wind (UK) Limited and Nth Power Limited.

Key advisers to the REG Group

The Probyn Group

The Probyn Group was incorporated in Canada in 1987 and has more than 18 years' experience of sourcing, appraising and investing in renewable energy projects. The Probyn Group has arranged or indirectly invested nearly CAN \$3 billion in the independent power sector, the majority of this being in renewable energy. The Probyn Group manages or owns some 485 MW of power facilities, all of which include renewable technologies. The majority of this investment is in renewable energy projects. Probyn, a company within the Probyn Group, owns 50 per cent. of the share capital of REG Power and is bound, pursuant to the Shareholders' Agreement, to provide suitable resources and support to REG Power so that REG Power can fulfil its management obligations to the Company under the terms of the Renewable Energy Management Agreement.

PAM

PAM was incorporated in the United Kingdom in 1995 and is an asset management company traded on AIM, with assets under management of over £1.4 billion. The infrastructure team at PAM has over 12 years' experience in investment in publicly quoted power companies. PAM owns the remaining 50 per cent. stake in the share capital of REG Power pursuant to the Renewable Energy Management Agreement and is directly responsible for co-ordinating the financial and operating activities of the Company through REG Power and for the presentation of investment opportunities to the Board.

PEP

PEP was incorporated in the United Kingdom in 1989 and is a permanent adviser to the REG Group. Pursuant to consultancy agreements with: (i) REG Power; and (ii) CLP, PEP oversees CLP's operations and business and provides the Company with wind industry expertise through experienced individuals and a developed network of overseas contacts.

2. History and Development of the Company and the REG Group

In line with the decision by the REG Group's Management to refocus the business as an operating, rather than a passive investment business, the Company has, within a relatively short period of time, established a core group of subsidiary companies consisting of CLP, which was acquired in June 2005, and APG, which was acquired in August 2006. In addition, as detailed in section 4 of Part IV of this document, the Company owns a 61 per cent. economic interest in the Tymien 1 wind project in Poland which, at 50 MW, is one of eastern Europe's largest wind farms, which it acquired in August 2005.

Set out below is a summary of the key milestones in the development of the Company and the REG Group:

Date	Event
25 April 2005	The Company is incorporated
5 May 2005	The Company's Ordinary Shares are admitted to trading on AIM. Approximately £25 million is raised by way of a placing
23 June 2005	The Company purchases CLP for approximately £5.1 million. CLP owns several major assets, including the Goonhilly Downs wind farm
24 August 2005	The Company invests approximately £8 million in the 50 MW Tymien 1 wind project in Poland
24 August 2005	CLP signs a new PPA for its Goonhilly Downs wind farm
7 October 2005	CLP purchases 24 potential wind projects for approximately £4 million in the United Kingdom from nPower Renewables, the United Kingdom renewable energy subsidiary of the German utility company RWE AG
1 November 2005	The Company raises approximately £30 million by way of a placing of Ordinary Shares
13 April 2006	The Company announces that construction of the Tymien 1 wind project in Poland has been completed eight weeks ahead of schedule
9 June 2006	The Company announces that construction on its first three projects in the United Kingdom has started and that contracts have been placed for eight 1.3 MW N60 wind turbines with German wind turbine manufacturer, Nordex AG
1 August 2006	The Company announces that is acquiring APG. Consideration for the acquisition is CAN \$29.1 million, including ongoing one-off cash payments in respect of completed projects of: (i) £22,000 per MW installed up to the 620 MW envisaged under the REG Group's business model; and (ii) £11,000 per MW installed thereafter up to 1,000 MW
30 October 2006	The Company announces that it has agreed to acquire the rights to two wind projects from KPR which each have a potential capacity for a 2 MW or larger wind turbine

3. Key competitive strengths of the Company and the REG Group

The REG Group's Management considers the following to be the key competitive strengths of the Company and the REG Group:

Industry experience and expertise

The Company and the REG Group have access to personnel with extensive experience and expertise in the renewable energy sector through both the Renewable Energy Management Agreement and their links with PEP, Wind & Wave, All Wind (UK) Limited and Nth Power Limited. Further details of these companies are set out in the section entitled "CLP's arrangements with individual expert advisers" found in section 2 of Part V of this document. After identifying potential project opportunities, REG Power considers these potential projects by evaluating wind resources, financial and output modelling tools, its own experience and, where appropriate, engaging external industry consultants with whom REG Power and its other key advisers have ongoing relationships.

A solid base of well located wind energy projects in the United Kingdom complemented by a strong pipeline of projects in the United Kingdom and Canada

Through CLP, the REG Group currently has a rated operating capacity of 5.6 MW at the Goonhilly Downs wind farm, and potential for a further 10.4 MW of rated operating capacity at three additional wind projects. These three projects are currently under construction and due to commence commercial operations in December 2006 at High Sharpley, Braich Ddu and High Pow (which were acquired as part of the Windworks Portfolio). There are an additional 27 wind projects in the pipeline. The REG Group's Management anticipates that in the United Kingdom, CLP has a total potential rated operating capacity of approximately 135 MW.

In Canada, APG has a portfolio of projects in development which has a potential rated operating capacity of 2,150 MW which has been built up since 2001. The business model for APG anticipates the construction of approximately 40 MW of rated operating capacity by December 2007 and APG is currently evaluating tenders for wind turbines for a number of its projects.

The REG Group's Management endeavours to ensure, as far as possible, that all of its current operating projects and its portfolio of pipeline projects are situated in locations which have good electricity distribution and transmission networks and strong wind resources.

An ability to act quickly and decisively and to invest in small but attractive projects

The REG Group's Management adopts a policy of investing in small projects which enables it to react quickly and decisively in order to secure projects which are considered to be too small by larger competitors and which it believes are suitable for the REG Group's business model. The REG Group's Management believes that the Company's efficient and decisive investment decision making process provides the REG Group with an advantage over its larger competitors in the renewable energy sector who are less interested in acquiring, developing and operating comparatively small sites, but which the REG Group believes it has the requisite skills to operate.

A systematic and disciplined approach to investment

The REG Group has developed a systematic and disciplined approach to its investments. The REG Group is able to draw on the extensive experience of its team when evaluating new projects and only invests in new opportunities that meet, or exceed, its strict financial criteria.

In addition, the REG Group, both in the United Kingdom and in Canada, is often approached by land owners and developers who are interested in selling projects or entering into partnership arrangements. The REG Group is therefore in a position to be able to negotiate terms which the REG Group's Management considers attractive, and which it believes will have the effect of increasing overall investor returns.

A strong track record in sourcing and acquiring wind turbines from suppliers

The REG Group's Management believes that it has an advantage in sourcing and acquiring wind turbines over its market competitors due to its strong market position and its ability to purchase wind turbines for cash. Due to the relatively few suppliers of wind turbines, this is a major competitive advantage.

4. Legal structure of the REG Group

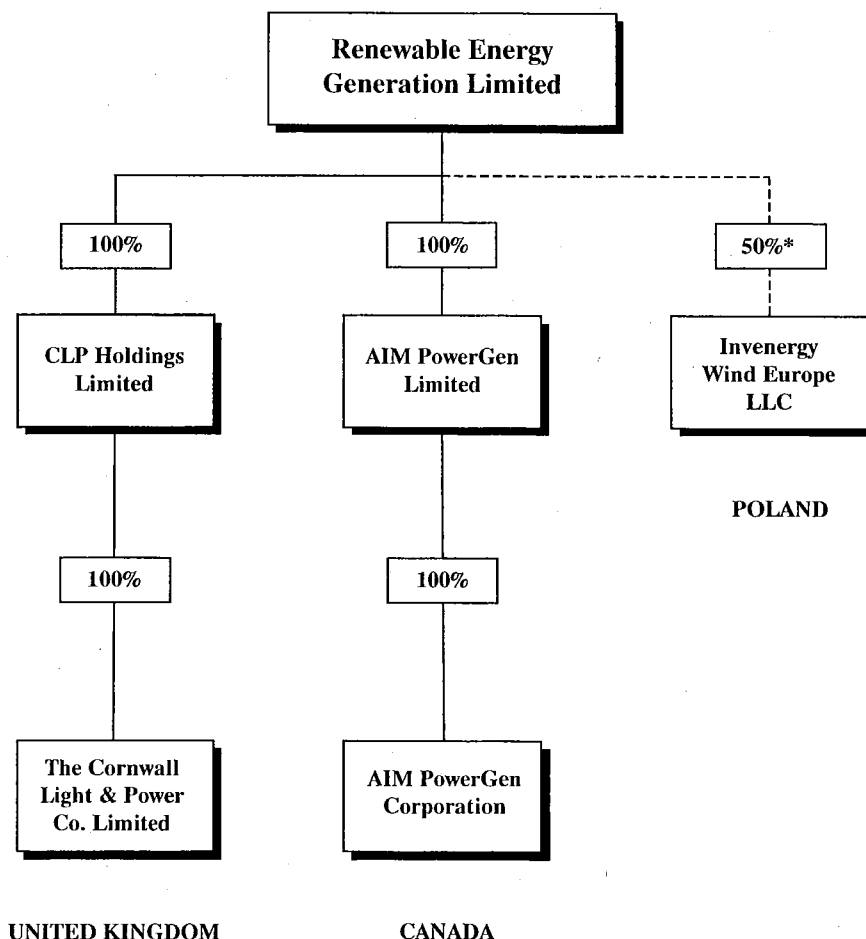
The Company is the holding company of the REG Group. The Company's wholly owned operating subsidiary in the United Kingdom is CLP, which it owns through its wholly owned subsidiary, CLP Holdings Limited. CLP is responsible for carrying out initial site assessments and obtaining planning consents. CLP is also responsible for building, operating and maintaining the Company's sites in the United Kingdom.

APG is the Company's wholly owned operating subsidiary in Canada which it owns through its wholly owned subsidiary, AIM PowerGen Limited. APG holds the land leases required for the Company's Canadian wind farms and is responsible for carrying out initial site assessments and obtaining planning consents. APG is also responsible for building, operating and maintaining the Company's sites in Canada.

The Company's shareholding in the Tymien 1 wind project is held through its 50 per cent. membership interest in a Delaware incorporated company called Invenergy Wind Europe LLC, through which it is entitled to share in the returns received from the investment in the Tymien 1 wind project company in

Poland called EEZ Sp.z.o.o. (which owns the Tymien 1 wind farm) until a 15 per cent. target internal rate of return has been achieved, following which, the Company will receive an ongoing residual cash return. This represents a 61 per cent. preferred interest in Invenergy Wind Europe LLC.

Set out below is a legal structure chart for the REG Group:



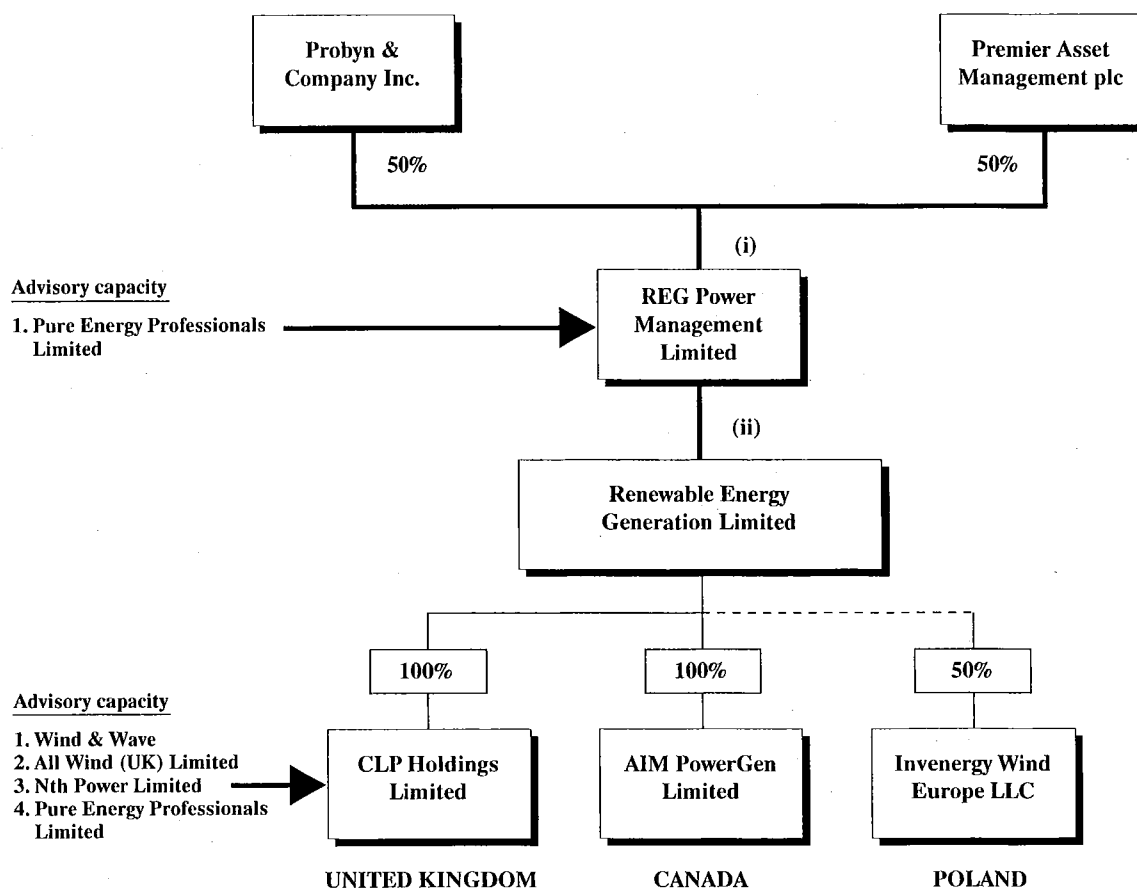
Note:

* Represents a 61 per cent. preferred interest in Invenergy Wind Europe LLC.

5. Operating and management structure of the REG Group

The Company has a board of six non-executive directors. The Board delegates most of the Company's day-to-day operations to REG Power, pursuant to the Renewable Energy Management Agreement. REG Power is also advised by PEP and various individuals from Wind & Wave, All Wind (UK) Limited and Nth Power Limited pursuant to separate consultancy agreements. Further details regarding the Renewable Energy Management Agreement and the Board's relationship with REG Power and the various other advisers are set out in Part V of this document. REG Power is jointly owned by Probyn and PAM, pursuant to the Shareholder's Agreement. REG Power provides the Company with renewable energy sector and infrastructure expertise as well as access to a number of individual experts and specialists, such as PEP.

Set out below is an operational and management structure chart for the REG Group.



Notes:

(i) Probyn and PAM jointly own REG Power pursuant to the Shareholders' Agreement.

(ii) REG Power undertakes day-to-day management of the Company pursuant to the Renewable Energy Management Agreement.

6. International legislative and regulatory framework in relation to renewable energy

The REG Group's Management believes that renewable energy represents a sector from which businesses can generate significant returns over the short, medium and long terms. The overarching international legislative framework which influences the performance of businesses in this sector is primarily contained in the Kyoto Protocol and the EU Renewables Directive.

Kyoto Protocol

The Kyoto Protocol is a multilateral international agreement, which seeks to address climate change by reducing greenhouse gas emissions caused, primarily by burning oil, gas and coal. The Kyoto Protocol has been ratified by 166 states and international economic organisations. To enter into force, the Kyoto Protocol had to be ratified by no less than 55 state parties to the United Nations Framework Convention on Climate Change including a sufficient number of industrialised countries with specific reduction targets accounting for at least 55 per cent. of the total carbon dioxide emissions of such countries in 1990. This was achieved following Russia's ratification on 18 November 2004. The Kyoto Protocol encourages countries to move towards more environmentally responsible ways for producing and using energy, including compliance with specific targets for emissions reductions by developed countries. Scientific evidence shows climate change is at least partly caused by higher levels of greenhouse gases in the atmosphere due to human activities. Under the terms of the Kyoto Protocol, industrialised countries that have ratified the Kyoto Protocol have agreed to cut their greenhouse gases by certain percentages, relative to 1990 levels. These cuts must be accomplished during the first target period of 2008 to 2012. More stringent targets for later periods will be the subject of further negotiations between the state parties.

Under the Kyoto Protocol, flexible mechanisms (including the CDM, JI and ET) were introduced. These flexible mechanisms have been designed to assist both developed and developing countries in their efforts to address the problem of climate change through the introduction of economic incentives as part of the regulatory requirements to achieve emissions reductions. Where renewable energy projects provide inward investment from developed countries to developed countries under the CDM, or between developing countries under JI, the investor is able to receive the emissions reduction credits which are created, and to trade these credits in the market place by virtue of ET. The detailed procedures and rules governing the use of the flexible mechanisms are applied under the Kyoto Protocol and the Marrakesh Accords (the rulebook for the Kyoto Protocol). However, the EU ETS is now operational and substantial trading of emission credits has already taken place (on a spot, forward and future contracts basis). The EC Linking Directive is also now in place to allow the trading of credits gained from CDM and JI projects under the EU ETS. EU Member States are currently in the process of seeking approval from the EU Commission to their second National Allocation Plans ("NAPs"). These NAPs will set specific national limits for each phase of the EU ETS on carbon dioxide (and other) emissions by what will be expanding group operators of industrial and other installations. These operators are likely to need to buy such emission credits if they fail to comply with these emission reduction limits.

EU Renewables Directive

The purpose of the 2001 EU Renewables Directive is to promote an increase in the contribution of renewable energy sources to the EU's overall energy supply. The EU Renewables Directive aims to increase the consumption of energy from renewable energy to 12 per cent. of gross national energy consumption by 2010 and in particular, to increase the indicative share of electricity from renewable sources to 22.1 per cent. of total community electricity consumption also by 2010. This overall target has been broken down and allocated between EU Member States. The EU Renewables Directive does not include mandatory targets but imposes obligations on EU Member States to adopt national indicative targets consistent with the EU's overall objective. The EU Renewables Directive also recognises the need to maintain investor confidence through national support mechanisms (including electricity feed laws or feed-in direct price support schemes, such as the United Kingdom's Renewables Obligation which is further described in section 9 of this Part IV of this document) and makes it compulsory for EU Member States to ensure access to the electricity distribution and transmission networks for renewable power producers, subject to the usual technical requirements.

The following table demonstrates the global capacity of the renewable technologies listed below in 1995 and the target for 2010.

No.	Energy Sector	Contribution in 1995	Contribution in 2010
1.	Wind	2.5 GW	40 GW
2.	Hydro electric	92 GW	105 GW
	— large	82.5 GW	91 GW
	— small	9.5 GW	14 GW
3.	Photo voltaics	0.03 GWp	3 GWp
4.	Biomass	44.8 Mtoe	135 Mtoe
5.	Geothermal electricity	0.5 GW	1 GW
	— heat (incl. heat pumps)	1.3 GWth	5 GWth
6.	Solar thermal collectors	6.5 million m ²	100 million m ²
7.	Passive solar	—	35 Mtoe
8.	Other	—	1 GW

Source: European Commission COM (97) 599 final (26/11/1997), "Energy for the Future: Renewable Sources of Energy"

7. Overarching REG Group strategy

The REG Group's primary objective is to create a portfolio of high return renewable energy operating plants which satisfy the REG Group's investment criteria. The REG Group seeks opportunities to consolidate other participants operating in the renewable energy sectors of the United Kingdom and Canada as there is a tendency for participants in these markets to be fragmented, often with little access to capital to develop their own independent projects. It is the REG Group's aim either to seek to acquire sector participants which are financially distressed or to enter into partnerships with sector participants in order to secure further pipelines of projects.

With this primary objective in mind, the REG Group's Management pursues an overarching strategy of: (i) identifying strategic project sites in targeted countries; (ii) funding projects with a flexible attitude towards financing; and (iii) implementing stringent management and financial controls in considering projects for potential acquisition and development. Set out below is a further explanation of this strategy.

Identifying strategic project sites for wind power generation

The REG Group's Management first identifies strategic project sites in target countries. Sites that the REG Group's Management considers attractive are those that it believes are, and will be, cost-competitive in a country that, in general, offers a strong investment case. The site considerations normally involve a combination of: (i) above average wind speeds; (ii) proximity to suitable distribution networks; and (iii) a realistic prospect of obtaining favourable planning permission.

In the United Kingdom, CLP benefits from high energy prices but is subject to considerable planning regulation requirements. As a result, the REG Group has, through CLP, built a portfolio of projects that, whilst relatively small in scale, are situated in areas with strong wind resources. The REG Group's Management believes that these projects will more readily be granted the relevant planning authorisations to proceed to rated operating capacity.

Canada, and particularly Ontario where APG focuses its operations, has in contrast to the United Kingdom, a favourable planning regime for large-scale wind projects. In addition, Canada offers greater geographical space to develop wind projects. However, such projects are only viable if connections to a suitable distribution network can be secured.

Funding projects

Financing smaller projects out of capital

The REG Group's Management intends to finance the REG Group's small projects (generally defined as being under 15 MW) using its own capital resources before recourse to project or debt finance. It intends to utilise the proceeds of the Placing principally to develop its pipeline of projects in the United Kingdom and Canada. The REG Group's Management believes this initial financing of smaller projects out of capital to be a strategic advantage, particularly where several companies are competing for the same business as it allows the REG Group to act quickly to secure opportunities without needing to rely on third party lenders, financial institutions and associated advisers. However, to the extent that the Company's own capital resources are insufficient to finance the development of projects, the Company may raise debt finance.

The acquisition of several projects highlight the benefits of this strategy. The Goonhilly Downs wind farm was acquired from private sellers in June 2005 and a new power off-take agreement was quickly put in place to add approximately 25 per cent. to the project's EBITDA. In addition, the 24 projects included in the Windworks Portfolio were quickly assessed and acquired in October 2005 from nPower Renewables.

Consolidating and refinancing smaller projects

After operating its smaller projects for a period of up to 2 years, the REG Group will have utilised the capital allowances available. The REG Group's Management also expects to have a sound understanding of the prevailing wind resource and output from the projects. At this point it is intended that projects will be "bundled" together and refinanced. This may involve leveraging the projects using bank debt, selling the cash flows to an institutional investor such as a pension scheme, or outright sale. Because the projects will be aggregated this provides some dispersal of wind resource and possibly technology. In addition, the bundled projects, when refinanced, will have reached operational status. As a result, the REG Group's Management expects the future cash flows from these projects to be more predictable and the risk lower. For these reasons, the REG Group's Management expects to be able to attract finance on more attractive terms than could have been achieved prior to construction of the projects.

Financing larger projects by way of project finance

In respect of the REG Group's larger projects, the majority of which are located in Canada, the REG Group's Management anticipates using project finance at the outset. Projects of this size are too large to be financed solely out of the REG Group's own capital resources and require project finance from the outset. However, as equity investment in these projects will be secured from its own balance sheet, the

REG Group's Management believes that it will be able to achieve optimum rates for the debt portion of the project. In this way, the REG Group's Management believes that equity returns will be maximised.

Implementing stringent management and financial controls

The REG Group's Management adopts a stringent set of management and financial controls and investment criteria when considering any potential projects for acquisition or development. If a project does meet the requisite criteria, the REG Group, by using its own capital, is able to ensure the strategy's implementation whilst avoiding the requirements of different lenders (which means the Company is able to complete projects more quickly than if it debt financed them).

The management and financial controls adopted by the REG Group's Management are as follows:

Management controls

In both the United Kingdom and Canada, the directors of the Core Subsidiaries refer any projects that they may have identified in their respective jurisdictions to the REG Power management board for consideration and approval. If the REG Power management board approve any such projects, they will then refer them to the Board for consideration and approval. If the Board approves any such projects, they are signed off by the Core Subsidiaries, as appropriate. In the case of opportunistic projects which are not invested in through the Core Subsidiaries, like the REG Group's investment in the Tymien 1 wind project in Poland, projects are referred to the REG Power management board for their consideration and approval and then on to the Board for final approval.

The REG Group's Management believes that this structured process of obtaining approvals ensures a consistency of approach towards implementing the REG Group's business model.

Financial controls

The REG Group's Management implements a set of investment criteria when considering potential projects for acquisition or development. The REG Group's Management considers a range of factors when determining the financial feasibility of potential projects, including strength of wind resource, distance from the distribution and transmission networks, regulatory and political environments and costs of construction.

Since the Company is developing a number of projects, it is able to benchmark the crucial capital costs associated with the wind turbines including installation and the costs to connect to the electricity network against recent project lender information. The prices for power generated, and the associated ROCs, are similarly benchmarked against recent wholesale market prices. These are the most sensitive factors in wind farm project evaluation and, after taking account of capital allowances and tax, projects proceed if they deliver a post-tax nominal rate of return of greater than or equal to 15 per cent.

In respect of projects in the United Kingdom and Canada, the directors of the Core Subsidiaries prepare monthly financial reports for consideration and approval by the REG Power management board. If approved, these reports are then sent for consideration and approval by the Board. In the case of opportunistic projects which are not invested in through the Core Subsidiaries, monthly financial reports are prepared by local partners who have access to all the relevant financial data. These reports are passed to the REG Power management board for consideration and approval and then on to the Board for final approval.

Sections 9 and 10 of this Part IV demonstrate how this overarching strategy has been, and is expected to continue to be, implemented in the United Kingdom through CLP, and in Canada through APG.

8. Target renewable energy technologies for the REG Group

The REG Group's Management intends to focus the REG Group's business primarily on wind power projects. Since 2000, total annual global wind power generation has more than doubled in output from almost 5,000 MW per year to 12,000 MW per year. BTM Consult Aps, an independent renewable energy consultancy, anticipates that, by 2010, this figure will be almost 25,000 MW. Whilst wind power is the only renewable energy technology that the REG Group's Management is currently focusing on, it does not discount the possibility of investment in other renewable energy technologies should there prove to be a strong investment case.

Wind power generation

Power generation through wind technology

Wind can be used to generate electricity by making use of wind turbines that face the prevailing wind. When the wind blows, large rotor blades on the wind turbines are rotated, generating energy which is then converted into electricity and transferred to the distribution and transmission networks. Most wind turbines consist of a rotor mounted on a shaft connected to a speed increasing gearbox and high speed generator. Sophisticated computer monitoring systems are commonly employed to control the angle of, and power output from, the rotor blades to ensure that the rotor blades are turned to face the wind direction, and generally to monitor all wind turbines installed at a wind power facility. Wind turbines range in capacity from several kW to approximately 3 MW. The crucial parameter is the diameter of the rotor blades. The longer the blades, the larger the area swept by the rotor and the greater the energy output. The trend is moving towards larger machines as capital and operational efficiencies are realised by using larger, and a greater number of, machines at a wind site. Most wind turbines start operating at a wind speed of 3 to 5 metres per second.

Advantages of wind power

(a) Ease of construction

Wind power facilities are relatively simple to construct. For example, a 50 MW wind power facility can, subject to receiving the requisite consents, generally be constructed within 6 to 12 months of its commencement date.

(b) Low operating costs

Wind power facilities do not have any material fuel costs, which can be significant and highly volatile for fossil fuel power plants. In addition, a single person from a central monitoring system can monitor many wind power plants at the same time. Combined with proper maintenance to ensure reliability of equipment, the operating expenses of a wind power facility are typically low during the expected lifespan of such a facility, which the REG Group's Management believes may be up to twenty years.

(c) Operational flexibility

Wind turbines are modular and, as such, can quickly be added to an existing site to increase overall system reliability and performance. Wind power facilities are compatible with agricultural uses, thereby permitting sites to be erected in areas where traditional technologies would cause substantial agricultural harm. As wind power facilities use an insignificant amount of fuel, the logistical problem of supplying fuel to remote locations is eliminated.

(d) Reliability

The ability to operate whenever the wind is available is an indication of a wind turbine's reliability. According to the American Wind Energy Association, modern wind turbines are typically able to operate 98 per cent. or more of the time that wind is available.

(e) Environmentally preferred

Once constructed and operational, wind power facilities produce virtually no greenhouse gas emissions or emissions that create acid rain, both of which have significant negative impacts on the environment. Wind power generation minimises thermal, chemical, radioactive, water and air pollution as compared to fossil-fuelled and nuclear generated power. In addition, livestock situated near wind farms are generally unconcerned by the presence of wind turbines.

Factors affecting performance of wind technology

The power available in the wind is a function of the cube of the wind speed. Therefore, a doubling of the wind speed theoretically gives eight times the power output from the wind turbine. In practice, as the wind turbines are not 100 per cent. efficient at converting energy into electricity, the increase in electricity yield is less than the cubic law suggests. Nonetheless, relatively small increases in wind speed produce disproportionately large increases in electricity generated.

Wind turbines must be carefully arranged to gain the maximum energy from the wind. Failure to align wind turbines properly can result in some wind turbines sheltering others from the prevailing wind. Optimisation of generating capacity of a wind farm not only addresses the way in which topographical features affect the local wind flow, but also how wind turbines will interact with each other.

The wind is an intermittent energy resource and does not produce power at an even rate. Electricity demand is constantly fluctuating, and supply and demand has to be matched on a second-by-second basis, 24 hours a day, every day of the year. The fluctuation caused by the introduction of wind power to the system is not discernible above these normal fluctuations, and is unlikely to impact system reliability until electricity generated from wind turbines reaches approximately 20 per cent. of the total system supply.

9. The REG Group's strategy in the United Kingdom

Background

Legislative and regulatory framework in the United Kingdom in relation to renewable energy

A number of recent changes to legislation and regulation in the United Kingdom have encouraged private investment in the renewable energy sector.

The Utilities Act 2000 introduced new powers into the Electricity Act 1989 to implement the Renewables Obligation. The Renewables Obligation requires licensed electricity suppliers to source specified percentages of the electricity they supply from renewable sources. The percentage target is set to increase each year from 4.9 per cent. in 2004/2005 to a level of 10.4 per cent. by 2010/2011.

In December 2003, the government of the United Kingdom announced its intention for the Renewables Obligation percentage targets to continue to rise beyond 2010/2011 to reach 15.4 per cent. by 2015/2016. These percentage targets were officially set on 1 April 2005. It is expected that the Renewables Obligation, together with the exemption from the Climate Change Levy (a tax on the non-domestic use of energy in the United Kingdom) for electricity from renewable energy, as provided in the Finance Act 2000, will require investment of £1 billion per year by 2010. More recently, there has been a government proposal for an extension of the Renewables Obligation to reach 20 per cent. by 2027 if there is sufficient industry growth in the intervening period. Licensed electricity suppliers have to comply with the Renewables Obligation by meeting specified targets that are set for them in relation to renewable energy usage.

In order to comply with the Renewables Obligation, licensed electricity suppliers must either:

- (a) produce the specified proportion of renewable electricity from their own renewable energy sources; or
- (b) purchase ROCs (which are certificates awarded for compliance with the Renewables Obligation) direct from an accredited renewable electricity generator such as CLP; or
- (c) purchase ROCs from other suppliers or traders who have purchased more than they require (through the trading of ROCs); or
- (d) pay Ofgem the "buy out price" for each unit the supplier needs to make up any shortfall between its obligation and the number of ROCs presented. The "buy out price" is adjusted each year to reflect changes in the retail prices index.

CLP is able to take advantage of the requirements of the Renewables Obligation by selling ROCs that it has been granted to electricity suppliers on an opportunistic basis.

The Renewables Obligation is expected to last until 2027, thereby providing comfort to those deciding whether to invest now in renewable energy that this regulatory environment is likely to last the lifetime of a project. Investor confidence is also maintained through direct price support in the form of the "buy-out price", which currently underpins the market value of renewable energy. The Renewables Obligation currently treats all renewable energy sources in the same way, irrespective of their relative costs or stage of commercial development.

Operating environment in the United Kingdom in relation to wind projects

The operating environment in the United Kingdom in relation to wind projects is such that it is difficult to predict at the outset the outcome of potential projects (for example, whether planning consents can be obtained) and the time by which such projects can be completed. A wind project in the United Kingdom may take from 6 months to several years to develop. All facets of the wind project need to be fully developed in order for the project to be operational. However, CLP adopts a careful evaluation process

when considering potential projects, and will only seek to invest in projects which it is confident that it will be able to complete within a short time frame.

For a wind project to be brought to fully installed operational capacity in the United Kingdom, the following factors typically need to be considered:

(a) Land

Available land is the key to developing a successful wind project. Developers, such as CLP, will tend to seek option agreements which lead to the grant of a lease upon the completion of various specific conditions like, for example, planning consents being obtained.

(b) Meteorology

As the United Kingdom is a relatively small country, and is well served by meteorological stations, its wind resources are well documented. The DTI has undertaken a project to integrate the data from a large number of stations into a model that will cover all parts of the United Kingdom. This model is known as NOABL. The assets in the Windworks Portfolio were all assessed by CLP against the NOABL model, as well as CLP's own criteria.

(c) Interconnection agreements

Each wind project requires interconnection agreements, providing the developer, such as CLP, with the wires to export the electricity and the right to use those wires and have them maintained. In projects of moderate scale, such as those typically undertaken by CLP, the interconnection agreements are with the local distribution network operator (the "DNO"). The DNO is responsible for the cables that distribute electricity to end users from the main nation "spine" of the national grid. There is a lengthy process which must be followed in order to settle interconnection agreements. This generally starts with a feasibility study and progresses through cost quotations to final contracts. This process varies in cost and timing according to the DNO involved and the complexity of the issues involved.

(d) Planning consents

In the United Kingdom, for wind projects under 50 MW, an application for planning permission needs to be made to the relevant local planning authority ("LPA"). For those projects over 50 MW, an application for planning consent needs to be made directly to the Secretary of State for Trade and Industry (the "Secretary of State") under the Electricity Act 1989.

For larger wind farms over 5 MW, or those projects sited in sensitive areas, it will normally be necessary to comply with relevant Environmental Impact Assessment ("EIA") or equivalent procedures, including the preparation of an environmental statement. The overall EIA process is, therefore, expensive and time consuming. Currently, wind projects of less than 5 MW tend to fall outside the EIA requirements provided that they are not in sensitive areas such as the United Kingdom's national parks or other designated protected areas. Most of CLP's projects are less than 5 MW in scale.

The time taken to complete the planning application process can range from a few months to several years. If the application is approved, a variety of conditions are normally attached. If an application is refused by the LPA, the developer can appeal to the Secretary of State in one of three ways. Firstly, the appeal may be made by written representations which may take up to a year. Secondly, a public inquiry may be required if either the developer or the LPA requests this, which is handled by the planning inspectorate on behalf of the Secretary of State. Thirdly, an informal hearing may be requested, at which the developer and LPA discuss the application in front of a planning inspector, commissioner or reporter. Once a determination has been reached by any of these methods, opportunities for further challenges to be heard are very limited and do not normally allow re-consideration of the substantial merits of the project. However, approximately one in three appeals result in planning permission actually being granted.

(e) PPAs

The electricity that is generated must be sold to a suitably licensed and regulated entity. Such an entity may be a utility or an independent operator. In order to qualify for ROCs, the electricity must be sold to a buyer who is a qualified "supplier". PPAs can be as short as 6 months or as long as 10 years, sometimes more. To negotiate and document, a PPA can take a matter of weeks or months. Levy Exemption Certificates ("LECs") (which are evidence of Climate Change Levy exempt electricity supply generated

from qualifying renewable sources) are commonly sold with the electricity, normally with a pre-determined price as they have a set value in the marketplace. Other elements of smaller value may also be covered by a PPA. These include Triad payments and Renewable Energy Guarantees of Origin (“REGOs”). Triad payments reward generators which contributed to supply during the three half hourly periods of highest demand in the year. They are thus difficult to predict, and are paid retrospectively with the value calculated on a national formula. REGOs provide a European standard “provenance” for the electricity. They currently have no market. ROCs which are awarded to electricity generators, and which are not typically covered under a PPA, can be sold forward or held in the Ofgem ROC Register and sold at a later date.

(f) Construction contracts

There are typically three elements to construction: (i) the wind turbines; (ii) the civil works; and (iii) the on-site electrical works. The latter two are commonly placed with one entity, usually a large construction contractor. Contracts are usually based upon a standard set of construction industry terms and conditions. Costing and negotiation may take a few months. The wind turbine element, however, is different. Firstly, this element accounts for some 70 to 80 per cent. of the total development and construction costs. Secondly, there are a limited number of reputable suppliers in the world. Thirdly, there has been a global shortage of supply for a year or more.

REG Group has strong contacts with these limited suppliers and, as a cash buyer, has in the past been able to procure sufficient wind turbines. The REG Group’s Management are confident that they will be able to secure further wind turbines, as required, and in a timely manner, in the future.

Construction contracts are normally placed when the project has the necessary planning consents, and there is a reasonable expectation of the conditions being discharged.

(g) Operations contracts

A developer will need to know that adequate resources can be deployed post-construction in order to ensure that the wind farm is operated properly. The wind turbine supplier will normally insist on having a service and maintenance contract on the machines for a period as long as the warranty. However, high voltage electrical contracts must be put in place, along with adequate administration and the ability to discharge planning, environmental, and other regulatory responsibilities.

These contracts are normally placed when the project enters construction.

Strategy of the REG Group in the United Kingdom through its operating subsidiary, CLP

The United Kingdom has characteristics that make it a challenging market for implementing wind power projects. As the United Kingdom is densely populated, gaining planning permission for developing wind farms is often difficult, especially for larger scale, or more controversial developments. This has historically prevented the United Kingdom from taking full advantage of its wind resources, although recent planning guidance from the government of the United Kingdom in its *Planning Policy Statement 22: Renewable Energy* is supportive, particularly of smaller projects. An additional difficulty that arises in the case of Scotland is that the Scottish electrical grid is largely inadequate to support wind developments, so delays and costs tend to be significant.

Whilst the United Kingdom may be considered a difficult market for renewable energy, the REG Group’s Management believes that the legislative and regulatory framework for renewable energy means that it can be profitable one. CLP, therefore, has a strategy of deploying its network, knowledge, experience and capital to acquire small, strategic sites and developing them quickly into operational projects. By being open to opportunities, responsive and focused, CLP aims to build up an operating portfolio of highly profitable, small-scale projects in the United Kingdom. Smaller sites are relatively abundant in the United Kingdom, however not all are suitable for wind projects. By a process of careful selection by the REG Group’s Management, small sites of approximately 2 or 3 wind turbines are identified that are considered by the REG Group’s Management to be economically attractive. The REG Group’s Management believes that a portfolio of small sites, which are often overlooked by larger utility developers should generate attractive returns for the REG Group. In line with the overarching REG Group strategy set out in section 7 of Part IV of this document, the REG Group’s Management envisages building up its portfolio without the use of project and debt finance. In this way, CLP will not be required by lenders to enter into longterm PPAs which offer significantly less value per MWh of generation. For this reason, CLP seeks to maximise its income by selling power under short-term, rather than longterm arrangements.

Financing strategy in the United Kingdom

The REG Group's Management intends to on balance sheet finance its smaller wind projects in the United Kingdom. This should afford the REG Group flexibility in terms of wind turbine procurement. Once the REG Group's projects have been constructed, the REG Group's Management intends to run them for a set period of time. This will allow the REG Group to utilise a portion of the capital allowances permitted for wind farms in the United Kingdom and will also allow wind data to be gathered. In this way, the REG Group's Management believes that the projects will be de-risked and that maximum value will be created for Shareholders.

After a period of up to 2 years, the REG Group's Management then anticipates refinancing its smaller United Kingdom projects with debt. The source of this debt may be from banks, insurance companies and other financial institutions such as pension funds that seek longterm, relatively stable cash flows. In doing so, the REG Group's Management intends to bundle a number of wind projects together. The REG Group's Management believes that this will provide some attenuation of bank, engineering and other costs, which would otherwise affect the economic feasibility of a small individual wind project. It may also provide some diversification of wind so that the overall production of the small portfolio that is being refinanced is more stable, thus attracting a higher valuation.

Once projects have been refinanced, the capital will be recycled into new projects thus creating further value for Shareholders. It is the belief of the REG Group's Management that at present, in the United Kingdom it is possible, as a minimum, to return all of the capital invested in a wind project and still be able to retain ownership of that project. This recycling of capital allows for efficient capital management, and thus optimal financing of projects which the REG Group's Management believes should maximise the returns on each project and therefore returns to shareholders.

Implementation of the REG Group's strategy in the United Kingdom to date

In June 2005, when the Company acquired CLP, its principal asset was the Goonhilly Downs wind farm in Cornwall. When erected in 1993, Goonhilly Downs wind farm was one of the first wind farms in the United Kingdom. It comprises 14 Windane 34 wind turbines with a capacity of 5.6 MW. Shortly after purchasing this project, CLP replaced the existing PPA with a new two and a half year agreement.

In August 2005, the Company purchased the Windworks Portfolio from nPower Renewables for approximately £4 million. CLP's strategy in relation to the Windworks Portfolio is to gain planning consents and construct these projects as quickly as possible in order to take advantage of the high prices for power, ROCs, LECs and Triads in the United Kingdom.

CLP has also purchased South Sharpley Farm at the site of High Sharpley, a CLP project which is currently under construction. The REG Group's Management believes that the area is favourable for the deployment of further wind turbines identical to those that will shortly be erected at CLP's existing project at High Sharpley, which is near to South Sharpley Farm. The REG Group's Management believes that, subject to relevant planning and environmental permits, a further 12 MW of wind turbines may be erected on the wind farm. This would materially improve the economic returns from the existing site as it is well served by electrical interconnection. A scoping request has been sent to the local planning authority, and the REG Group's Management intends to develop this project within the same timeframe as the Goonhilly Downs wind farm is to be re-powered. CLP is actively pursuing opportunities on land targeted for regional renewable energy initiatives and also "brownfield" industrial sites. It is anticipated that these will be actively pursued in 2007, as the REG Group's Management believes that planning consents may be more readily available on sites which have already been used for industrial or business activities. CLP has also agreed to acquire the rights to two wind projects in Cambridgeshire from KPR. Each is suitable for a 2 MW or larger wind turbine and each have the benefit of planning consent.

The REG Group's Management envisages that, subject to the relevant planning and environmental consents, CLP's existing operating wind farm at Goonhilly Downs will be re-powered. This involves removing the existing wind turbines and replacing them with new, more modern machines. CLP's adviser, PEP, believes that up to 12 MW may be accommodated on the current site. This would materially enhance the project's output as the new wind turbines are more efficient and will make better use of the wind conditions available at the site. A feasibility assessment for the cost of interconnecting the site to the local distribution and transmission network has already been received from the distribution network operator and CLP has already started to engage with other relevant authorities. This will presage a formal planning application followed by an environmental impact study. If this is successful, construction is expected to commence in 2008.

CLP's original business plan envisaged that 5 MW of projects would start construction during 2006. CLP is ahead of this plan with 10.4 MW currently under construction and due to be completed by June 2007. These projects are as follows:

Site	Size	Location
High Sharpley	2.6 MW	County Durham
Braich Ddu	3.9 MW	Gwynedd
High Pow	3.9 MW	Cumbria

Four further projects have planning consent and are currently having planning conditions discharged. These projects are as follows:

Site	Size	Location
Roskrow Barton	1.7 MW	Cornwall
Cheverton Down	1.8 MW	Isle of Wight
KPR Whittlesea	2.5 MW	Cambridgeshire
KPR Ramsey	2.5 MW	Cambridgeshire

One project is currently at public appeal in the planning process. This project is as follows:

Site	Size	Location
Penpell	2.6 MW	Cornwall

Five projects are in the late stages of the planning process. These projects are as follows:

Site	Size	Location
Beech Tree Farm	3.9 MW	Devon
Loscar	3.9 MW	Derbyshire
Steadfold Lane	2.6 MW	Rutland
Pentre Tump	3.9 MW	Powys
Cricket St Thomas	3.9 MW	Somerset

A further 17 projects are in the process of being evaluated and prepared for the planning process. These projects are as follows:

Site	Size	Location
Sancton	3.9 MW	East Riding of Yorkshire
Cragg Lott	3.9 MW	Lancashire
Hannah Moor	3.9 MW	Cumbria
Langthwaite	2.6 MW	Cumbria
Orchard End	3.9 MW	Lancashire
Oxheys Farm	3.9 MW	Cheshire
Barlborough	3.9 MW	Derbyshire
Grange Farm	3.9 MW	Wiltshire
Combe Farm	2.6 MW	Devon
Redland	1.3 MW	Cornwall
Mendennick	2.6 MW	Cornwall
Four Winds	2.6 MW	Cornwall
Uglow 2	2.6 MW	Cumbria
Goonhilly Repower	12 MW	Cornwall
CC Initiative	12 MW	SW
Brownfield/Industrial	20 MW	SW
South Sharpley	12 MW	Co. Durham

Not all of the sites which are currently in the planning permission stages and which could theoretically provide up to 18.2 MW of rated operating capacity will receive the requisite approval. By way of illustration, CLP recently received a planning permission rejection from the local council dealing with an application for the project at Uglow 2. The REG Group's Management is currently considering its options in relation to Uglow 2. The REG Group's Management factors these issues into its business model and remains confident that it will be able to achieve its stated goal of attaining additional installed generating

capacity of 10.4 MW by June 2007. Depending on sufficiency of funds, the REG Group's Management aims to achieve its stated goal of 44.2 MW by June 2008 and 53.2 MW by June 2009.

In addition to those wind farms listed above, new wind farm projects are being offered to CLP, by land owners and which the REG Group's Management is considering. These projects are rapidly evaluated for their potential, and will be added to the portfolio if deemed suitable and a landowner agreement has first been signed.

10. The REG Group's strategy in Canada

Background

Legislative and regulatory framework in Canada in relation to renewable energy

Given Canada's size, there is currently limited east/west flow of electricity across provincial boundaries. However, there are major connections to states in the United States which are immediately adjacent to the southern provinces of Canada, albeit with limited capacity.

Wind power currently represents less than 1 per cent. of production both nationally and provincially. According to the Canadian Wind Energy Association ("CanWEA"), annual growth of installed wind capacity between 2000 and 2005 was 38 per cent., with 54 per cent. growth alone in 2005 and 83 per cent. growth in 2006 to date. Nationally there is currently 1,251 MW of wind farm capacity in operation in Canada. According to CanWEA, five provinces account for 95 per cent. of capacity being Ontario representing 26 per cent., Alberta representing 31 per cent., Québec representing 17 per cent., Saskatchewan representing 14 per cent. and Manitoba representing 7 per cent.

There is, however, significant scope for growth of the wind energy sector in Canada owing to certain incentives being offered to wind power generators by the federal government and some provincial governments of Canada.

In Canada the usual process for tendering bids for renewable energy projects is for interested electricity suppliers to respond to a request for proposal issued by provincial governments or provincial government-backed agencies ("RFP"). In addition, in Ontario, where APG intends to focus the majority of its operations, there is also an initiative by the provincial government to implement a Standard Offer Program, whereby renewable energy companies may bid for fixed term contracts for projects of up to 10 MW.

The federal government of Canada's role in the wind power industry lies primarily in granting accelerated capital allowances and production incentives such as the Wind Power Production Incentive ("WPPI"). The reinstatement of WPPI next year is expected to provide a payment of CAN \$10 per MWh to wind power generators for a period of 10 years.

Canada's ten provincial governments have the legislative authority over the generation, transmission and distribution of electricity within their jurisdiction. Each province has determined its policy in this area based on its assessment of its unique regional circumstances and issues and each should therefore be considered as a separate market.

The table below indicates the 7 Canadian provinces which announced targets for wind powered electricity generation. The remaining 3 provinces have all stated an intention to invest in wind powered energy, but have not fixed their targets to date.

Province	Target	Target Date
Québec	4,000 MW	2015
Ontario	2,100 MW	2010
Manitoba	1,000 MW	2018
Alberta	900 MW	—
New Brunswick	400 MW	2016
Nova Scotia	380 MW	2014
Prince Edward Island	200 MW	2015

Source: CanWEA

Provincial aspirations exceed approximately 9,000 MW of capacity generated by wind power by 2018 which represents a nine-fold increase from current installed capacity in the provinces outlined above.

The different policies of Canada's ten provinces in relation to wind power are set out below:

(a) Ontario

The provincial government of Ontario has made a clear commitment to renewable energy targets of having 1,350 MW of new renewable generating capacity to be in service by 2008 and 2,700 MW to be in service by 2010. To date, approximately 1,300 MW of new renewable power has been contracted of which the vast majority is wind power. The government of Ontario also plans to implement a Standard Offer Program for wind farms not larger than 10 MW that are connected to low voltage distribution lines which will be entitled to a 20 year SOC paying CAN \$110 per MWh.

The Ontario Power Authority has been mandated to develop a longterm electricity supply plan (the "**Integrated Power System Plan**") over the next 12 to 18 months. Preliminary documents which have been published require up to 5,000 MW of new renewable power by 2025. The REG Group's Management believes that the bulk of this target will be met by wind power. This plan should give longterm certainty around the market for wind power in Ontario, and this is one of the reasons why the REG Group's Management intends to focus its operations in Ontario.

(b) Manitoba

Manitoba has significant, large-scale renewable energy power plants and has a very profitable export relationship with the US states of North Dakota and Minnesota. A RFP has been issued to private wind power developers for 1,000 MW of supply. An initial RFP for 300 MW of new wind power has also been announced and is scheduled to be issued in the last quarter of 2007. APG has two sites suitable for bidding into this RFP. It has also been announced that RFPs for an additional 700 MW of wind power will be issued in future years depending on the success of the first RFP.

(c) Newfoundland and Labrador

Newfoundland (the island portion of the province) is one of the windiest places in Canada. A 25 to 27 MW RFP was issued to private wind developers last year and closed in August 2006. A second RFP for 25 MW of wind power closed on 31 October 2006. A comprehensive energy plan is to be completed by the government, but an initial draft called for as much as 150 MW of wind power.

APG bid a 27 MW first phase of a 50 MW project into an RFP with an outcome expected towards the end of 2006.

(d) Saskatchewan

Saskatchewan has 171 MW of wind power facilities installed, including a 150 MW project recently completed by SaskPower, the government owned utility. SaskPower is currently considering integrating more wind power into its network including internal proposals for an additional 200 MW. REG Group's Management believes that this could be expanded further as much of about 1,500 MW of coal fired generating stations, representing almost half of the province's installed capacity, reach the end of their design life between 2010 and 2015. APG has approximately 80,000 acres under option agreement in this province and has been collecting wind data since late 2005.

(e) Alberta

With a well established electricity pool, a deregulated electricity sector, an excellent wind resource and vast, open prairie land, Alberta has witnessed more wind power development than any other province in Canada. Alberta has issued a temporary cap of 900 MW on wind power development in the province and is working actively with the wind power sector to determine mitigation measures that will allow up to 2,000 MW of wind to be integrated. Wind power development in the province is also being delayed by transmission upgrades which are due to take place in 2008 and 2009. APG is in partnership with another developer on a site in south-eastern Alberta.

(f) Prince Edward Island

A 2015 target to have 200 MW of wind power has been passed by the legislature although implementation plans are currently unclear. A 15 per cent. 2010 renewable power target is expected to be met by an existing project and three projects under construction representing over 54 MW (of which 30 MW is a government project). The government has indicated it would like to facilitate the development of 500 MW

of wind power on the island through an expanded network connection to the mainland and have a government corporation aggregate power for export into the lucrative US north east electricity system. APG is currently in the early stages of assessing potential sites in Prince Edward Island.

(g) New Brunswick

New Brunswick Power, the provincial government-owned utility, is seeking 400 MW of wind power by 2016 and has recently issued a RFP.

(h) Nova Scotia

Under a renewable portfolio standard, the provincial government of Nova Scotia is mandating the private provincial utility to add 100 MW to 200 MW of new wind power in the coming years, of which 100 MW is already built or contracted. Nova Scotia has indicated an intention of seeking 380 MW of wind power by 2014.

(i) British Columbia

BC Hydro, the provincial government-owned utility, issued a RFP for new, clean power supply earlier this year. Under this RFP, wind projects totalling over 200 MW were awarded longterm contracts. Wind industry stakeholders are anticipating another RFP next year.

(j) Québec

Hydro Québec, the provincial government-owned generation, transmission and distribution utility, is a significant exporter of hydro-electric power to New York state. Québec has set a goal of securing 4,000 MW of wind power by 2015 and views this opportunity as a means to maximise its hydro-electric facilities and drive rural economic development. To date, just under 1,200 MW of PPAs have been awarded to private wind power developers and a 2,000 MW RFP will close in spring 2007. Both RFPs have included a requirement for local content in equipment manufacturing which General Electric was able to meet in last year's RFP. It is anticipated that Hydro Québec will manage, but not participate in, future RFP as has been the case so far. APG has no sites in Québec but continues to approach potential partners.

Operating environment in Canada in relation to wind projects

Whilst there are some differences in the development process of wind projects across Canada, most of the major milestones in the process are the same.

The timing for development of a wind project can typically be anywhere between 2 to 6 years from commencement to completion. Given the scale of wind projects in Canada (many of which have a capacity of more than 100 MW), the greatest challenge is accumulating options on a large enough contiguous package of land.

With effectively two levels of government, both federal and provincial, obtaining planning consents can sometimes prove administratively difficult. However, obtaining planning consents is generally achievable due to a favourable regulatory regime in relation to wind power projects. For example, municipal planning permits in Ontario are governed by an overarching directive from the provincial government to municipalities which encourage renewable power.

To date, only one wind project has ever been abandoned in Canada due to permitting challenges and none has been denied planning permission. Projects in northern Québec, northern Ontario and Newfoundland and Labrador are typically sited on government owned land and have even fewer land option accumulation and permitting hurdles. However, these are often more challenging from a grid interconnection perspective. Projects in the western provinces of Alberta, Saskatchewan and Manitoba enjoy very strong wind resources and have an abundant supply of available land. However, opportunities are limited due to less overall demand for power and limited grid infrastructure.

In all markets except Alberta, wind projects are typically built by way of a government, or government agency, backed PPA which is usually competitively tendered. As a result, much of the environmental and some municipal permitting is done after a project receives a PPA.

In Canada, for potential wind projects to be successful, the following factors typically need to be considered:

(a) Land accumulation

Once a site has been deemed promising due to meteorological data, site observations, land availability and access to the grid, a developer will begin negotiating land option agreements with local landowners. APG's standard form option agreement includes the form of lease or easement that will be used if the option is exercised. APG registers all of its land options in due course and all private land is listed on a land registry system.

(b) Wind resource assessment

With such a large land mass and large-scale projects, on-site meteorological test towers are essential in Canada as third party data is generally too far from the site to be reliable. APG will typically erect a first meteorological test tower as the first pockets of land options are signed. As the project proceeds, APG will add further test towers that can then be referenced to the first tower. On the 99 MW Erie Shores Wind Farm, which has now been sold, APG erected a total of six towers, including one 80 metre tower at wind turbine hub height. It also placed anemometers on a 100 metre coast guard tower and acquired data from another developer's test tower. Whilst the complexity of terrain at the Erie Shores project required a relatively large number of test towers, APG will typically pursue a comprehensive wind resource assessment plan in respect of potential projects.

(c) Preliminary permitting activities

A number of the permitting processes have a long lead time. A developer will typically initiate some of these processes at a relatively early stage in the project development process. These activities include:

(i) *Initial grid connection application*

Although varying slightly from province to province, the initial grid connection application involves the submission of an electrical diagram of the project's design and proposed grid interconnection to the provincial government or government-backed utility and initiates the utility's work in determining the method and cost of interconnection.

(ii) *Environmental assessment*

A notice of commencement of an environmental assessment needs to be issued to all local landowners. This sets out the framework for the environmental assessment process and helps the developer assess what, if any, resistance there might be. In addition, bird migratory studies can take at least 1 full year. APG begins environmental assessments early in the project development process.

(iii) *Introductions to local municipalities and conservation authorities*

Meetings with the local municipal planner, clerk and councillors set out the process for obtaining official plan amendments and zoning by-laws. Conservation authorities in the area need to be consulted early in the process and kept informed of the project's development.

(d) Final permitting

In the final permitting stage, permission to connect to the grid is received, including the connection cost recovery agreement and any permits necessary for higher voltage transmission interconnection, the federal or provincial environmental impact assessment is completed, the passage of zoning by-laws and any easements required for the power collector system are secured, and any permissions from transport authorities are obtained (which may include conditions around aircraft lighting of wind turbines).

(e) PPAs

If the wind resource assessment confirms the viability of the project and sufficient land has been accumulated under the process described in (a) above, a PPA will be secured either by way of competitive tender through an RFP or, in the case of Ontario for projects of up to 10 MW, by way of a SOCs.

(f) Construction Contracts

Projects can be built either through a single EPC contract or, more commonly, through multiple contracts managed by an in-house or contracted construction manager. A cost-risk analysis drives the decision on the method of contracting. APG prefers fewer contracts in order to minimise risk of conflict and cost-overruns due to items being deemed out of scope of supply.

(g) Operations Contracts

Typically the wind turbine vendor will provide wind turbine operation and maintenance during the wind turbine warranty period but operation contracts are still required for the electrical collection and interconnection system. Post-warranty wind turbine maintenance must either be contracted to a third party or managed in-house.

Strategy of the REG Group in Canada through its operating subsidiary, APG

Whilst APG has interests in several markets and provinces, Ontario is regarded as the optimum market in light of its already established process for procurement of large amounts of wind power, the Standard Offer Program, the creation of a permanent procurement agency (the Ontario Power Authority), the system operators' familiarity with wind power, the demand for large amounts of new power supply and the firm renewable power targets that are being set by the government of Ontario.

APG's primary focus is the construction of approximately 570 MW of projects in Canadian provinces which favour wind power projects. These projects are currently in the advanced stages of development, although no PPAs or SOCs have yet been put in place, nor has construction commenced. A secondary focus for APG is continuing the development of the balance of the 2,150 MW portfolio of projects which it owns in Canada. APG was also directly involved in the development and construction of the 99 MW Erie Shores wind farm in Canada which has now been sold.

In competitive markets, APG will compete with other bidders in responding to RFPs and it will aim to leverage its relationship with wind turbine vendors and its ability to fund project construction internally to ensure that its bids are competitive.

In Ontario, APG intends to develop 10 MW projects under the Standard Offer Program and intends to maximise returns by aggregating wind turbine procurement, contractor selection and post-construction financing across several projects.

Finally, APG aims to pursue partnerships with junior wind project developers which own good sites but who are in need of capital and project development expertise.

Key drivers towards implementation of APG's strategy will be its effectiveness in respect of permitting projects, securing grid connection and successfully bidding into tenders, the availability of wind turbines and the timely issuance of tenders.

Financing strategy in Canada

In Canada, the REG Group's Management intends that APG's small wind projects, typically the SOC projects, will be on balance sheet financed. The same process in relation to the financing of these small projects will apply as in the United Kingdom, whereby projects will be built and then run for a period of time. In this way capital allowances, which are more attractive in Canada than in the United Kingdom, may be utilised such that no tax is paid by the REG Group on the cash flows generated from these projects. After a period of time, a number of projects will be bundled together and refinanced using bank debt or other forms of financing. The prevalence of longterm finance in Canada means that potentially attractive equity returns may be generated for Shareholders.

The REG Group's Management intends that APG's larger projects in Canada, which are typically the RFP projects, will be project financed from the outset. This will require the REG Group to invest a proportion of its own equity, the remaining capital being sourced from a range of banks and other financial institutions.

Implementation of the REG Group's strategy in Canada to date

The information below represents approximately a quarter of the total projects pipeline of APG and those that the REG Group's Management believes will be constructed first.

The following projects are currently at the land accumulation stage:

Site	Size	Location
Opeongo Ridge	99 MW	Ontario
Mud Flats	9.9 MW	Ontario
Lurgan 1	9.9 MW	Ontario
Lurgan 2	9.9 MW	Ontario

The wind resource assessment is currently being carried out in relation to the following two projects:

Site	Size	Location
Lighthouse Cove	9.9 MW	Ontario
Colchester	9.9 MW	Ontario
Pointe-aux-Roches	98.4 MW	Ontario

The following six further projects are currently at the initial permitting stage:

Site	Size	Location
Ericau	98.4 MW	Ontario
Top Pond	27 MW	Newfoundland
Mohawk Point	9.9 MW	Ontario
Byng	9.9 MW	Ontario
Dominion City	98.4 MW	Manitoba
Blenheim	9.9 MW	Ontario

Three projects are currently at the final permitting stage of the project pipeline. They are:

Site	Size	Location
Frogmore	9.9 MW	Ontario
Cultus	9.9 MW	Ontario
Erie Shores Wind Farm (51 MW Expansion)	51 MW	Ontario

Whilst there can be no certainty that APG will reach its targets, APG is aiming to achieve additional installed capacity of 39.6 MW by June 2008 and 127.5 MW by June 2009, in each case depending on the sufficiency of funds.

11. Other REG Group Investments

The Tymien 1 Wind Project

The initial strategy of the REG Group contemplated some investment in EU accession countries. In line with this strategy, a direct investment was made by the Company in the Tymien 1 wind project, a 50 MW wind project in north west Poland and one of eastern Europe's largest wind farms. The Tymien 1 wind project comprises 25 Vestas V80 wind turbines, and became operational in March 2006. The project sells power under a 14 year PPA. The Company retains certain rights to participate in future, related developments with the other investors in the Tymien 1 wind project.

Whilst the REG Group's Management may decide to consolidate the Company's investment by participating in related developments, the REG Group's Management does not currently intend to concentrate further resources or operations of the Company or the REG Group in Poland in the near future.

Investment by the REG Group in the Dominican Republic

The Dominican Republic is currently enjoying strong economic growth and an increasingly stable political environment. One result of this is the demand for more public infrastructure, including power projects. With prevailing concerns over air quality, the government of the Dominican Republic has indicated a preference for renewable power.

APG has been approached to participate in an investment opportunity in a wind power project in Pedernales, in the Dominican Republic, a site with a wind resource and which is potentially capable of a rated operating capacity of 100 MW. A test tower application has been received and a "concession" application is likely to be submitted shortly. A 50 MW first phase is scheduled to be constructed in 2009, subject to permitting and sufficiency of funding.

PART V

DIRECTORS, MANAGEMENT ARRANGEMENTS, CORPORATE GOVERNANCE, PRINCIPAL SHAREHOLDERS AND DIVIDEND POLICY

1. Board of Directors of the Company

The Company has a board of six non-executive directors which retains full control of all of the Company's business and operations.

Michael Liston (Chairman)

Mike Liston, aged 55, is a Fellow of the Royal Academy of Engineering, with more than 30 years experience in the United Kingdom and overseas electricity supply industries. He is currently Chief Executive of the Jersey Electricity Group of Companies and holds Chairmanships at the postal utility, Jersey Post, and the Jersey Appointments Commission. Mike joined the Board as its Chairman on the date of the Company's incorporation.

George Cardona

George Cardona, aged 55, is the founding chief executive officer of Cardona Lloyd & Co Limited, which specialises in providing bespoke corporate finance and asset management advice. George has acted as special adviser to the United Kingdom Treasury and was Chairman of the Hong Kong Private Sector Committee on the Environment. George joined the Board on the date of the Company's incorporation.

Tod Kersten

Tod Kersten, aged 44, is a partner of Enterprise Investors in Warsaw, the largest private equity group in Poland. He has more than 19 years of professional experience in Central Europe, primarily in Poland. Tod joined the Board on the date of the Company's incorporation.

Nigel Le Quesne

Nigel Le Quesne, aged 45, is the managing director of the Jersey Trust Company Group which specialises in the formation and administration of offshore structures for corporate and private clients. Nigel joined the Board on the date of the Company's incorporation.

John Donelan

John Donelan, aged 58, joined Probyn in 2000 as a financial adviser to its corporate clients and institutional lenders. John joined the Board on the date of the Company's incorporation.

Andrew Whalley

Andrew Whalley, aged 42, is head of utility investment at PAM. He is a fund manager in the utility sector with more than 12 years experience in utility investment. Andrew is also the fund manager to European Utilities Trust plc. Andrew joined the Board on the date of the Company's incorporation.

Further details about the Directors are set out in Part X of this document.

2. Management arrangements

The Company has entered into various advisory and management arrangements with several external industry experienced companies and individuals for and on behalf of itself and the REG Group as a whole. The following paragraphs detail these arrangements. Reference should also be made to the operational and management structure chart for the REG Group set out in section 5 of Part IV of this document.

The role of REG Power

REG Power has three major functions: (i) managing investment and reinvestment opportunities for the REG Group's renewable energy assets; (ii) overseeing the development of the REG Group's renewable energy assets generally; and (iii) monitoring the various REG Group pipelines of wind projects. The details of these responsibilities are set out in the Renewable Energy Management Agreement. The Renewable Energy Management Agreement is explained in more detail in section 3 of this Part V below.

REG Power was incorporated in the United Kingdom in July 1997 and is jointly owned by PAM and Probyn—both of which own 50 per cent. of its issued share capital. REG Power is managed by PAM and Probyn pursuant to the Shareholders' Agreement. PEP also provides management services to REG Power. Through their network of contacts and industry expertise, REG Power and PEP provide the REG Group with access to expert contractors, independent engineers and wind turbine manufacturers.

The role of Probyn

Probyn is a 50 per cent. owner of REG Power and is contractually required to provide suitable resources and support to meet its management obligations under the Renewable Energy Management Agreement.

The Probyn Group, of which Probyn is a wholly owned subsidiary, has more than 18 years' experience of sourcing, appraising and investing in renewable energy projects and has arranged or directly invested in approximately CAN \$3 billion in the independent power sector, primarily in renewable energy. The Probyn Group manages or owns some 485 MW of power facilities, all of which include renewable technologies.

Key individuals at Probyn providing advice to the Company include Stephen Probyn, Stephen Somerville and Mike Kosiancic.

Stephen Probyn

Stephen Probyn, aged 55, is the founder and Chairman of the Probyn Group and is also the chief executive officer of Clean Power Income Fund. Stephen is experienced in advising on and investing in renewable energy power projects, particularly wind, biomass, natural gas and landfill gas.

Stephen Somerville

Stephen Somerville, aged 41, is responsible for overseeing business development and acquisition strategy at the Probyn Group. He has more than 6 years industry experience and currently represents the Probyn Group on the board of directors of the Association of Power Producers of Ontario.

Mike Kosiancic

Mike Kosiancic, aged 43, has worked at the Probyn Group since 1996. He is experienced in advising on and investing in renewable energy power projects, particularly wind, biomass, natural gas and landfill gas.

The role of PAM

PAM is an asset management company traded on AIM and incorporated in the United Kingdom in 1995. PAM has assets under management of over £1.4 billion. The infrastructure team at PAM has over 12 years' experience in investments in publicly quoted power companies. PAM, which owns 50 per cent. of the share capital of REG Power pursuant to the Renewable Energy Management Agreement, is directly responsible for co-ordinating the financial and operating activities of the Company through REG Power and for the presentation of investment opportunities to the Board.

Mike O'Shea

Mike O'Shea, aged 44, is the chief executive officer of PAM. He has over twenty years' experience in the asset management industry and is Chairman of REG Power.

The role of PEP

PEP was incorporated in the United Kingdom in 1989 and advises renewable energy companies on raising capital and structuring investments for the purposes of their renewable energy projects. PEP is a permanent adviser to the REG Group. Pursuant to various consulting agreements with: (i) REG Power; and (ii) CLP, PEP oversees REG Power and CLP's operations and business and provides the REG Group with wind industry expertise through Bruce Woodman and a developed network of overseas contacts. PEP is experienced in the development, financing and deployment of renewable energy in the United Kingdom and Europe and has advised on the deployment of extensive due diligence teams, including lawyers, tax advisers, accountants and technical specialists.

Bruce Woodman

Bruce Woodman, aged 51, a co-founder of PEP, has been responsible for the operational performance of more than 2,000 wind turbines. He has advised on potential wind investments across more than a dozen countries and has led partnerships with large utility investors as well as private developers.

The role of PFM

The treasury function of the REG Group is provided by Premier Fund Managers Limited ("PFM") pursuant to the Regulatory Management Agreement, details of which are set out in section 11 of Part X of this document.

The role of other advisers

Northern Trust International Fund Administration Services (Guernsey) Limited

The administration of the REG Group can essentially be divided into two distinct areas: (i) accounting and financial administration; and (ii) company secretarial administration.

The company secretarial function is contracted to Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator"). By way of an administration agreement dated 6 December 2006, Premier Asset Management (Guernsey) Limited (a wholly owned subsidiary of PAM) undertakes certain financial administration.

Premier Fund Managers Ltd

PFM is a wholly owned subsidiary of PAM. The team is seconded to REG Power (as required) and is responsible for: (i) co-ordinating the sourcing and evaluation of renewable energy acquisitions for the Company; (ii) presenting investment opportunities to the Board in conjunction with Probyn and PEP; and (iii) liaising with the Company's shareholders.

CLP's arrangements with individual expert advisers

Additionally, CLP has entered into separate support contracts with a number of individual expert advisers, each retained to work on projects on a twelve month contract. These advisers receive a retainer per month plus expenses as well as fees based upon the successful development and construction of the particular project upon which they are working.

Wind & Wave

Dr Mike Patching of Wind & Wave was originally retained in the context of the Goonhilly Downs wind farm project but his work has subsequently been extended to other projects as well as contractual and technical project management. Mike is experienced in renewable energy technology and particularly in the areas of project management, project development, resource monitoring and sustainable development.

Nth Power Limited

Neil Harris of Nth Power Limited is a specialist in the development and construction of wind power projects. He has been active in the United Kingdom renewable energy industry since its inception. Neil, aged 53, has advised on a wide range of wind projects, both in the United Kingdom and abroad. He has advised the DTI on wind turbine towers and foundations and holds patents for a number of specialist structural solutions.

All Wind (UK) Limited

Tristan Mackie of All Wind (UK) Limited, aged 51, is a mechanical engineer with experience in the development of wind power projects. He specialises in land owner negotiations, communications with LPAs and overall project management.

Green Peninsula Co. Ltd.

CLP also uses staff and resources from Green Peninsula Co. Ltd., which assists CLP in relation to business development, planning, design, project management and construction.

3. Key remuneration arrangements

REG Power

Under the terms of the Renewable Energy Management Agreement, REG Power receives an annual management fee equal to 1.25 per cent. of the NAV of the Company, together with longterm borrowings. It also receives a transaction (incentive) fee equating to 1.5 per cent. of the cash invested by the Company in renewable energy projects that it completes successfully.

Upon incorporation of the Company, it was also agreed that 5 per cent. of the fully diluted share capital (as defined in the Renewable Energy Management Agreement and the Warrant Instrument) of the Company would be under option to REG Power at an exercise price of 100p, which aligned the interests of REG Power with Shareholders and allowed REG Power, where appropriate, to incentivise individuals working on projects for the Company.

The Company and REG Power (amongst others) have entered into the Framework Agreement under which it has been agreed that, conditional upon the Placing completing:

- (a) the annual management fee will be 1.25 per cent. of the NAV of the Company but not together with longterm borrowings, and the incentive fee shall be reduced to 1 per cent. of the equity invested by the Company in renewable energy projects which reach substantial completion (subject to a cap of £750,000 per annum);
- (b) the Warrants, granted pursuant to the Warrant Instrument, will cease to provide a right to subscribe at £1 per share in respect of such number of shares as was equal to 5 per cent. of the Company's fully diluted share capital and, instead, will provide a right to subscribe at £1 per share for 5 per cent. of the Company's issued share capital following the Placing and the exercise, if any, of the Over-Allotment Option;
- (c) the Company will grant a Warrant to REG Power to subscribe at the relevant issue price for such number of shares as equals 5 per cent. of any further shares issued by the Company pursuant to any further fundraisings that occur after the Placing; and
- (d) the Renewable Energy Management Agreement will be amended so that the parties to it may terminate it on 18 months' notice, such notice not to expire prior to 17 May 2009.

APG

Under the terms of the APG Share Purchase Agreement, pursuant to which the Company acquired the entire issued share capital and all outstanding options and warrants to subscribe for shares in the capital of APG, the management of APG was entitled to 10 per cent. of EBITDA over CAN \$300,000. This has been amended such that APG receives ongoing one-off cash payments in respect of completed projects of: (i) £22,000 per MW installed up to the 620 MW that were envisaged under the REG Group's business model; and (ii) £11,000 per MW installed thereafter, up to 1,000 MW.

Further details in relation to the Renewable Energy Management Agreement, the Framework Agreement, the Warrant Instrument and the APG Share Purchase Agreement are set out in section 11 of Part X of this document.

4. Corporate governance statement

The Directors recognise and value the importance of high standards of corporate governance and intend to observe the requirements of the Combined Code to the extent that they consider it appropriate in light of the Company's size, the nature of its business and its development. In this regard, the Company has established an audit committee, comprising two of the Directors, under the Chairmanship of Nigel Le Quesne. The audit committee is responsible for: (i) ensuring that the financial performance of the Company is properly reported on and monitored; and (ii) meeting the Auditors and reviewing the reports from the auditors relating to accounts and internal control systems. The audit committee has formally delegated duties and responsibilities.

The Company does not, however, consider it necessary to establish remuneration and nomination committees as it has no executive Directors. The Board as a whole will review annually the level of the Directors' fees.

The Company complies with the AIM Rules and in particular with Rule 21 of the AIM Rules regarding dealings in its shares and takes all reasonable steps to ensure compliance by the Directors and applicable employees. The Directors are satisfied that the Company has adopted a share dealing code appropriate for a company admitted to trading on AIM.

5. Principal shareholders

The table below shows a breakdown of the Company's principal Shareholders, being holders of more than 3 per cent. of its issued share capital, as at 30 November 2006.

Shareholder	Number of shares	Percentage of share capital
New Star Asset Management	9,250,000	15.77
Morley Fund Management	7,351,063	12.53
MPC Investors	5,115,000	8.72
Invesco Perpetual	4,275,000	7.29
Fidelity Investments	4,000,000	6.82
Artemis Investment Management	3,900,000	6.65
Utilico (F&C Asset Management)	3,100,000	5.29
Premier Asset Management	2,295,000	3.91
IIMIA Investment Group	2,190,000	3.73
Lehman Brothers (as principal)	2,054,626	3.50
UBS Global Asset Management	2,000,000	3.41
Brooks Macdonald Asset Management	1,886,977	3.22

6. Dividend Policy

The Company has a dividend policy that is linked to its success in generating cash flow and earnings for its investors. Dividends paid to investors in the Company's first year since incorporation totalled 4p and, in future years, the Company intends to increase dividend payments in line with the expansion of its portfolio of wind projects and the overall success of its core operational strategies.

PART VI

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read together with: (i) the financial information contained in Part VIII relating to the REG Group, the Company and CLP. Historical results are not indicative of the results to be expected in the future. Certain statements in this section are “forward-looking” statements that involve risks and uncertainties. Actual results could differ materially from those expressed or implied by such forward-looking statements as a result of various factors. Additional information regarding some of the risks and uncertainties that affect the REG Group, the REG Group’s business and the New Ordinary Shares can be found in Part I of this document.

1. Overview

The Company has two operating subsidiaries. These are: (i) CLP based in Cornwall in the United Kingdom, which was acquired, together with its holding company in June 2005 for approximately £5.1 million; and (ii) APG based in Toronto in Canada, which was acquired in August 2006 for approximately CAN \$29.1 million.

The core business of the REG Group is the generation of electricity from wind energy which is carried out by the Core Subsidiaries. The activities carried out by the Core Subsidiaries generated all of the REG Group’s sales revenues during the period from 25 April 2005 to 30 June 2006.

The results of CLP and the REG Group include costs associated with the development of the United Kingdom project pipeline which have been expensed through the income statement. These costs are described in more detail in section 7 of this Part VI of this document entitled “Administrative expenses”. There is no revenue attributable to these costs.

2. Presentation of results

In respect of CLP, the 2006 period is nine months ending on 30 September 2006 as opposed to the 2003, 2004 and 2005 periods which are all twelve months ending on 31 December. It is difficult to draw a direct comparison between the 2006 and 2005 periods. Therefore, the narrative description which follows the tables only includes comparisons in respect of CLP’s figures for 2004 as against 2003 and 2005 as against 2004, but considers 2006 on a stand-alone basis. In addition, as the Company’s and the REG Group’s results cover a fourteen month period beginning on 25 April 2005 and ending on 30 June 2006, narrative descriptions given for them are also on a stand-alone basis.

The financial statements of CLP are prepared in accordance with UK GAAP and the financial statements of the Company and the REG Group are prepared in accordance with IFRS.

3. Summary income statement and balance sheet

Summary income statement

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Sales and other operating income	680.8	700.6	619.4	734.8	—	743.8
Cost of sales	(273.2)	(301.6)	(333.3)	(249.0)	(341.2)	(804.1)
Gross profit / (loss)	407.6	399.0	286.1	485.8	(341.2)	(60.3)
Other income	—	—	—	—	855.6	390.6
Administrative expenses ...	(152.2)	(251.4)	(237.0)	(283.6)	(754.4)	(1,118.6)
Other operating expenses ..	(3.4)	(5.6)	(5.0)	(4.1)	—	(5.2)
Finance income	2.8	9.9	6.1	9.4	1,367.3	1,377.4
Profit before tax	254.8	151.9	50.2	207.5	1,127.3	583.9
Tax	(112.4)	(25.3)	(99.9)	(60.2)	(0.6)	(60.7)
Profit for the period	142.4	126.6	(49.7)	147.3	1,126.7	523.2

Summary balance sheet

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
ASSETS						
Non-current assets	1,824.3	1,633.4	1,441.0	7,015.8	13,606.5	19,131.7
Current assets	472.4	513.6	840.8	4,817.2	39,677.5	34,441.7
Total assets	2,296.7	2,147.0	2,281.9	11,833.0	53,284.0	53,573.4
EQUITY						
Capital and reserves						
attributable to the						
Company's equity holders						
Share capital	1.0	0.8	0.8	0.8	5,500.0	5,500.0
Share premium	626.3	626.3	626.3	626.3	36,850.3	36,850.3
Other reserves	424.7	424.9	424.9	424.9	10,125.0	10,125.0
Retained earnings	821.2	646.2	491.1	173.4	576.8	(26.8)
Total equity	1,873.2	1,698.2	1,543.1	1,225.4	53,052.1	52,448.5
LIABILITIES						
Non-current liabilities	371.1	352.9	394.5	357.6	—	617.9
Current liabilities	52.4	95.9	344.3	10,250.0	231.9	507.0
Total liabilities	423.5	448.8	738.8	10,607.6	231.9	1,124.9
Total equity and liabilities . .	2,296.7	2,147.0	2,281.9	11,833.0	53,284.0	53,573.4

4. Sales

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Generation revenues	171.5	171.9	191.9	383.9	—	408.2
ROC revenues	441.6	467.0	386.4	307.2	—	286.5
LEC revenues	42.8	39.2	37.8	28.3	—	33.7
Triad revenues	24.9	22.5	3.3	15.4	—	15.4
Total revenues	680.8	700.6	619.4	734.8	—	743.8
MWh	11,081.4	9,924.6	8,981.0	7,869.5	—	9,227.1

Wind fluctuations throughout the year vary greatly. It is difficult to predict, with any certainty, the short-term variability of the wind resource at CLP's sites. Between 2003 and 2006 there has been a decline in total output MWh which is due, in large part, to a reduction in wind strengths during this period.

2004 compared to 2003

CLP

The decrease in output of 10.4% led to reduced revenues of £71.1k. An increase of 9.7% in the combined average price helped to offset the output variance by £59.5k. A wind turbine was damaged and inoperative for a considerable period giving rise to a loss of income. A successful insurance claim was made and an insurance receipt of £31.4k compensating CLP for loss of income was included as part of the generation revenue.

2005 compared to 2004

CLP

The decrease in output of 9.5% led to reduced revenues of £63.6k. An increase of 2.3% in the combined average price helped to offset the output variance by £13.8k. The ROC revenues are stated after writing

down the carrying value of ROCs held and sold during the year. The write down of ROCs amounted to £86.5k

The reduction in Triad revenues is due to lower output during the three Triad periods occurring during the financial year.

2006

CLP

The revenue for the nine months is higher than the previous twelve months despite the lower output figures. This is because of a significant increase in electricity prices following the signing of a two and a half year PPA.

The ROC revenue figure is stated after a £7.9k write down in the valuation of ROCs generated during the 2005 period.

5. Cost of sales

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Management fees	—	—	—	—	341.2	341.2
Depreciation	192.0	192.0	192.0	144.0	—	328.1
Operations and maintenance	81.2	109.6	141.3	105.0	—	134.8
Total cost of sales	<u>273.2</u>	<u>301.6</u>	<u>333.3</u>	<u>249.0</u>	<u>341.2</u>	<u>804.1</u>

Note: Management fees within the cost of sales represent the annual management fee of 1.25% payable to RPM.

2004 compared to 2003

CLP

The cost of sales increased in 2004 by £28.4k over 2003. The increase is due to an increase in operations and maintenance costs in 2004. Operations and maintenance costs are subject to annual variations and will depend on scheduled and unscheduled maintenance carried out during the period. A wind turbine was damaged and rendered inoperative for a considerable period of time giving rise to a loss of income and additional repair costs. A successful insurance claim was made and the insurers reimbursed the company for repair costs of £53.7k. Operations and maintenance costs also increase as the wind turbines age.

2005 compared to 2004

CLP

The cost of sales increased in 2005 by £31.7k over 2004. This is due to an increase in operations and maintenance costs in 2005. Additional costs were incurred both pre- and post- acquisition of the Goonhilly Downs wind farm in order to ensure that the wind turbines were fully operational.

2006

CLP

The cost of sales decreased in 2006 by £84.3k over 2005. The decrease is due to the period ending 30 June 2006 being a nine month period, instead of twelve months, and a change in the provider of operations and maintenance services. On 1 April 2006 the operations and maintenance contract was terminated with Vestas and awarded to B9 Operations & Maintenance. The REG Group's Management believes that the contract with B9 Operations & Maintenance represents better value for CLP. The 2006 figures also include one-off costs of £17.9k relating to the purchase of a meteorological test mast and additional health and safety equipment. The meteorological mast has been sited on the Braich Ddu wind site which is currently under construction and is not generating revenue.

The Company

The cost of sales figure was £341.2k in 2006. The figure of £341.2k represents management fees payable to REG Power. REG Power receives an annual management fee of 1.25 per cent. of NAV from the Company for managing the Company's investments.

The REG Group

The cost of sales was £804.1k in 2006. The REG Group figure is the consolidated cost of sales and includes CLP from the date of acquisition and the Company from the date of incorporation. The REG Group figures include an additional depreciation charge of £120.1k. This additional charge arises on consolidation and is due to the additional depreciation chargeable on the re-valuation, to fair value, of assets acquired from CLP. Assets acquired from CLP were re-valued to their fair value in accordance with IFRS 3—Business Combinations.

6. Other income

	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Unrealised gains	297.8	297.8
Realised gains	92.8	92.8
Total other income	390.6	390.6

2006

The Company / the REG Group

Unrealised gains of £297.8k represent the gain on revaluation of the Tymien 1 wind project investment. The investment in Tymien is held as an investment at fair value through profit or loss. The investment was re-valued to its fair value, based on its value-in-use, using a discounted cash flow model. At the end of each accounting period, the investment in Tymien is written down or up according to its fair value.

Realised gains represent the actual gain on the sale of bonds during the period.

7. Administrative expenses

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Administration and audit . . .	9.6	12.2	23.2	18.4	240.7	273.0
Legal and professional fees . . .	5.7	6.0	82.7	30.4	121.8	209.2
Share based payment expense	—	—	—	—	191.4	191.4
Directors' fees	46.4	46.2	59.5	12.6	143.5	157.6
Management fees	—	—	—	141.7	—	131.4
Travel & subsistence	0.2	0.3	1.6	27.4	18.7	46.1
Insurance	20.1	23.6	24.3	16.0	14.4	37.0
Rent	56.6	148.8	31.5	25.3	—	33.3
Investment committee expenses	—	—	—	—	20.0	20.0
Rates	13.3	13.6	13.8	11.2	—	15.1
Bank charges	—	0.1	0.1	0.3	11.3	11.5
Depreciation	0.3	0.6	0.3	0.3	—	0.4
Foreign exchange gains	—	—	—	—	(7.4)	(7.4)
Total administrative expenses	<u>152.2</u>	<u>251.4</u>	<u>237.0</u>	<u>283.6</u>	<u>754.4</u>	<u>1,118.6</u>

Note: "Management fees" within administrative expenses represent the annual advisor fees payable to PEP, Wind & Wave, All Wind (UK) Limited and Nth Power Limited.

2004 compared to 2003

CLP

The administrative expenses in 2004 increased by £99.2k over 2003. £92.2k of the increase is due to additional rent charged during 2004. During the year, CLP made a settlement payment of £126k to redeem the ongoing right to an additional rent payment of 3.5 per cent. of turnover. Charges in respect of the additional rent in the profit and loss account amounted to £117.9k.

2005 compared to 2004

CLP

The administrative expenses in 2005 decreased by £14.4k over 2004. The decrease is mainly due a reduction in rent costs following the additional rent that was paid in 2004. After making adjustments for the one-off £117.9k additional rent charge in 2004 there was an increase in administrative expenses in 2005 of £103.5k. The main areas of increase are legal and professional fees and Directors' fees. Legal and professional fees increased by £76.7k due mainly to pre-acquisition costs associated with the sale of CLP which amounted to £30.9k, post acquisition costs associated with the operation and management of the wind farm which amounted to £45.8k. Directors' fees increased by £13.3k due to an increase in salaries.

2006

CLP

The administrative expenses in 2006 increased by £46.6k over 2005. The period ending 30 June 2006 was a nine month period and this explains the decrease in costs that can be seen in insurance, rent and rates. The legal and professional fees of £30.4k contain £28k relating to the due diligence of various United Kingdom projects. The management fees of £141.7k cover the ongoing operation of the Goonhilly Downs wind farm and CLP business (£54k), the ongoing development of the 30 wind projects (£73.5k) and general business advisory fees (£13.9k). Travel and subsistence costs have increased in line with CLP's development team's need to visit the 30 project sites and also due to the increased geographical spread of the REG Group's operations.

The Company

The administrative expenses in 2006 were £754.4k. The main areas of cost were administration and audit of £240.7k, legal and professional fees of £121.8k, share-based payments of £191.4k and director's fees of £143.5k. The administration and audit fees of £240.7k can be broken down into administration, company secretarial and accountancy services which were outsourced to the Administrator during the period of £150.8k, audit and taxation advice fees of £39.6k, printing expenses of £14.7k and other general expenses of £35.6k.

The foreign exchange gain of £7.4k was the result of forward foreign exchange contracts which were put in place to hedge the US \$ and CAN \$ bonds held during the period.

8. Other operating expenses

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Utilities	3.4	5.6	5.0	4.1	—	5.2
Total other operating expenses	3.4	5.6	5.0	4.1	—	5.2

The other operating expenses represent the cost of electricity used to position the wind turbines at the Goonhilly Downs wind farm.

9. Finance income

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Other interest receivable . . .	—	—	—	—	317.5	317.5
Bank interest receivable . . .	2.8	9.9	6.1	9.4	1,049.8	1,059.9
Total other income	<u>2.8</u>	<u>9.9</u>	<u>6.1</u>	<u>9.4</u>	<u>1,367.3</u>	<u>1,377.4</u>

Note: Other interest of £317.5k represents the interest receivable on bonds held during the period. As at the 30 June 2006 the Company held bonds with a bid value of £4,913.1k.

The bank interest receivable within the Company in 2006 was interest receivable on the un-invested cash held during the period.

10. Taxes

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Current tax	3.5	43.5	58.3	97.1	0.6	113.2
Deferred tax	108.9	(18.2)	41.6	(36.9)	—	(52.4)
Total taxes	<u>112.4</u>	<u>25.3</u>	<u>99.9</u>	<u>60.2</u>	<u>0.6</u>	<u>60.8</u>

2004 compared to 2003

CLP

The taxation expense in 2004 decreased by £87.1k over 2003. The 2003 tax charge included £56.4k resulting from changes in the tax rate used, compared to 2002, to estimate the deferred tax liability. The 2004 deferred tax liability was estimated using the same 24 per cent. tax rate as 2003.

2005 compared to 2004

CLP

The taxation expense in 2005 increased by £74.6k over 2004. The 2005 deferred tax charge included £78.9k resulting from changes in the tax rate used, compared to 2004, to estimate the deferred tax liability. The 2005 deferred tax liability was estimated using a 30 per cent. tax rate. The increase in the current tax charge is mainly due to 100 per cent. of historic tax losses having been used in previous years. There was no offsetting of tax losses in the 2005.

2006

CLP

The taxation expense in 2006 decreased by £39.7k over 2005. Despite the period being only 9 months the current taxation charge increased due to increased trading profits. The deferred tax charge was estimated using a 30 per cent. tax rate.

The Company

The taxation expense in 2006 was £0.6k and represents the tax exemption fees payable to The States of Guernsey.

11. Balance sheet

Assets

Non-Current Assets

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Property, plant and equipment	1,824.3	1,633.4	1,441.0	2,859.4	—	3,607.1
Goodwill	—	—	—	—	—	3,009.9
Development costs	—	—	—	4,156.4	—	4,156.4
Investment in subsidiary . . .	—	—	—	—	5,248.2	—
Investments at fair value through profit or loss	—	—	—	—	8,358.3	8,358.3
Total non-current assets	<u>1,824.3</u>	<u>1,633.4</u>	<u>1,441.0</u>	<u>7,015.8</u>	<u>13,606.5</u>	<u>19,131.7</u>

2005 compared to 2004 compared to 2003

CLP

The movements in property, plant and equipment were due to the annual depreciation of the Goonhilly Downs wind farm's assets.

2006

CLP

In 2006, £1,562.7k was invested in CLP in terms of property, plant and equipment developing wind projects in the United Kingdom. There was no corresponding increase in depreciation charges during the period. These assets will be depreciated over the same period as electricity is generated starting when the wind projects commence generation.

The development costs of £4,156.4k in 2006 represent the consideration paid, plus costs, for the wind projects purchased from nPower Renewables during the period.

The Company

The investment in subsidiary in 2006 represents the consideration paid, plus costs, for CLP during the period.

The investments at fair value through profit or loss represents the investment in the Tymien 1 wind farm. The £8,358.3k figure includes the fair value adjustment of £297.8k which has gone through other income.

The REG Group

The REG Group's 2006 property, plant and equipment figure includes a £747.7k write up in value. This is a consolidation adjustment and represents the re-valuation of assets acquired in the CLP acquisition to fair value. The fair value has been estimated using a discounted cash flow model which includes assumptions made on future electricity prices and output. The re-valuation to fair value has been made in accordance with IFRS 3—Business Combinations.

In 2006, the acquisition of CLP by the Company for £5,248.2k resulted in a positive goodwill figure of £3,009.9k. Goodwill has not been depreciated during the period. The goodwill is attributable to the ability to access considerably higher electricity prices, the power output performance of the Goonhilly Downs wind farm and the potential to re-power the Goonhilly Downs wind farm in order to considerably improve the power output.

The investment at fair value through profit or loss represents the investment in the Polish wind farm at Tymien. The £8,358.3k figure includes the fair value adjustment of £297.8k which has gone through other income.

Current assets

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Inventories	—	—	—	16.8	—	16.8
Trade and other receivables	294.9	306.6	241.1	779.2	10,173.9	900.1
Available-for-sale investments	—	—	—	—	4,913.1	4,913.1
Cash and cash equivalents	177.5	207.0	599.7	4,021.2	24,590.6	28,611.7
Total current assets	<u>472.4</u>	<u>513.6</u>	<u>840.8</u>	<u>4,817.2</u>	<u>39,677.6</u>	<u>34,441.7</u>

2004 compared to 2003

Trade and other receivables consist largely of trade debtors and accrued income from ROCs and LECs.

2006

CLP

The increase in trade and other receivables of £538.1k is due to an increase in accrued income from ROCs, LECs, Triads and generation not yet billed (£330.0k) and partly due to there being a VAT debtor (£267.2k) at the period end. The period end includes accrued income of £492.4k. The majority of the accrued income relates to ROCs which were sold in October 2006. The VAT debtor of £267.2k is the result of reclaimable VAT resulting from the investment in development costs during the period.

The increase in cash and cash equivalents in CLP is due to inter-company movements of cash from the Company to CLP to fund project development costs.

The Company

The trade and other receivables figure of £10,173.9k is mainly due to an inter-company balance owing from CLP to the Company of £9,510.0k. The inter-company balance is due to cash movements between CLP and the Company to fund the development of United Kingdom projects.

The available-for-sale investments of £4,913.1k represent the carrying value of bonds held at the period end measured at bid-price.

Liabilities

Non-Current Liabilities

	CLP 2003 (12 months) £000s	CLP 2004 (12 months) £000s	CLP 2005 (12 months) £000s	CLP 2006 (9 months) £000s	Company 2006 (14 months) £000s	REG Group (consolidated) 2006 (14 months) £000s
Deferred tax liabilities	371.1	352.9	394.5	357.6	—	617.9
Total non-current liabilities	<u>371.1</u>	<u>352.9</u>	<u>394.5</u>	<u>357.6</u>	<u>—</u>	<u>617.9</u>

Note: The deferred tax liability represents all timing differences that have originated but not reversed at the balance sheet dates.

CLP

Deferred tax liabilities arise due to the capital allowances that are available on CLP's assets being in excess of the annual depreciation charge for assets.

The REG Group

The deferred tax liability includes a £260.3k consolidation adjustment in order to recognise a tax liability on the re-valuation of property, plant, and equipment assets acquired with the acquisition of CLP. The tax is not payable and will be written over the remaining useful life of the assets acquired from CLP.

Current Liabilities

	CLP 2003	CLP 2004	CLP 2005	CLP 2006	Company 2006	REG Group (consolidated) 2006
	(12 months) £000s	(12 months) £000s	(12 months) £000s	(9 months) £000s	(14 months) £000s	(14 months) £000s
Trade and other payables	52.5	52.6	276.0	10,152.8	232.0	409.8
Tax payable	—	43.3	68.2	97.2	—	97.2
Total current liabilities	<u>52.5</u>	<u>95.9</u>	<u>344.2</u>	<u>10,250.0</u>	<u>232.0</u>	<u>507.0</u>

2004 compared to 2003

CLP

The tax payable in 2004 has increased by £43.3k over 2003. The reason for the increase is that prior to 2004 accumulated tax losses were available to offset against taxable profits. The remainder of accumulated tax losses were utilised in 2004.

2005 compared to 2004

CLP

The trade and other payables in 2005 increased by £229.4k over 2004. The increase is mainly due to an increase in trade creditors and accruals associated with the development of United Kingdom wind projects.

2006

CLP

The trade and other payables in 2006 increased by £9,870.8k over 2005. The increase is mainly due to an inter-company balance owing to the Company of £9,510k. The inter-company balance is the result of cash movements between the Company and CLP to fund project development costs. The other area of notable increase is trade creditors and accruals which were higher due to increased project development costs.

The Company

The trade and other payables in 2006 was £232k. The period end balance includes £181.6k of accrued costs of which £98.3k are for management fees payable to REG Power.

12. Outlook

This section includes forward looking statements which, although based on assumptions that the REG Group considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to materially differ from those expressed or implied by the forward looking statements.

Outlook for 2007

United Kingdom

(a) Project consents

The timing of project consents is difficult to determine with any accuracy. If projects are refused by LPAs, CLP will usually appeal the decision. This requires the appointment of a government inspector. The appeals process is relatively costly and time consuming and may take many months to complete. CLP believes that, due to the small size of its projects, a number of projects will be successful in the initial planning phase.

(b) Electricity prices

Electricity prices of the Goonhilly Downs wind farm are fixed under contract until March 2008. However, the three projects currently under construction at Braich Ddu, High Pow and High Sharpley are due to be completed by June 2007. On completion, the price of electricity output from the three sites will be fixed under contract. The price at which the output is fixed will have a bearing on the outturn for the year for the Company. The REG Group's Management believes that the forward electricity curves are still strong and CLP expects that contracting the output at acceptable prices will be successful.

(c) ROC prices

CLP's short-term strategy is to sell the ROCs produced by its United Kingdom wind farms on an opportunistic basis to take advantage of attractive short term pricing in the ROC market. CLP recently sold a number of ROCs from its Goonhilly Downs wind farm. These were sold with a large component of the price being fixed, the balance being based on the recycle price of ROCs. The recycle component of the price will have a bearing on the outturn for 2007, but at present CLP expects the prices achieved to be in line with, or above, budget. In addition, the sale of ROCs from the three wind farms under construction will be made on an opportunistic basis.

Canada

(a) Procurement processes

With the exception of Alberta, the various Canadian provinces either do not have open power markets/pools or, where they exist, prices are too low for wind projects to be built based simply on selling into such markets. As a result, the market is dependent on procurement processes driven by the utility, government or associated agencies. In 2007, a competitive tender for wind power has been announced in Manitoba for 300 MW and in Québec for 2,000 MW. A tender for more than 500 MW is widely anticipated for British Columbia, but will include a broad range of technologies in addition to wind. In Ontario, a Standard Offer Program will be in effect allowing developers to secure PPAs with the Ontario Power Authority for projects under 10 MW. In addition, discussions are currently being held in relation to another renewable energy tender in Ontario in 2007. APG intends to bid two projects into the Manitoba tender, is in discussions with potential partners for the Québec and British Columbia tenders, and has several projects in Ontario which it hopes to secure SOCs for. If there is an Ontario tender in 2007, APG has approximately 400 MW to bid across several sites.

(b) Permitting

APG will be pursuing its Ontario Standard Offer Program projects through the municipal and environmental permitting processes in 2007, in addition to its larger Ontario and Manitoba projects. If APG is successful in its late 2006 Newfoundland tender bid, it will also finalise the permitting on this project.

(c) Construction

APG anticipates constructing approximately 40 MW of Standard Offer Program projects in the third and fourth quarter of 2007.

PART VII

DETAILS OF THE PLACING

1. Placing

The New Ordinary Shares will represent approximately 41 per cent. of the issued ordinary share capital of the Company immediately after Admission (assuming no exercise of the Over-Allotment Option). Application will be made to the London Stock Exchange for all of the New Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and trading to commence on 12 December.

The New Ordinary Shares will be placed only with institutional investors. The New Ordinary Shares will not be offered and sold to investors in the United States and will be offered and sold outside the United States in reliance on Regulation S. For the purposes of section 29 of the Companies (Guernsey) Law, the minimum subscription of the Placing will be two Ordinary Shares. In Canada, the Placing is being made only in the Canadian Provinces.

Further details of selling restrictions are set out in section 6 of this Part VII.

2. Underwriting agreement

The Company, the Directors, REG Power, PAM, PEP, Probyn and Merrill Lynch have entered into the Underwriting Agreement pursuant to which Merrill Lynch has agreed, subject to the fulfilment of certain conditions, to procure subscribers or, failing which, itself to subscribe for the New Ordinary Shares at the Placing Price. The issue of the New Ordinary Shares is conditional, *inter alia*, upon Admission and the Underwriting Agreement becoming unconditional in all respects.

The Underwriting Agreement contains provisions entitling the Underwriter to terminate the Underwriting Agreement in certain circumstances prior to Admission (including certain *force majeure* type events).

If this right is exercised, the Underwriting Agreement will lapse and any monies received in respect of the Placing will be returned to investors without interest. The Underwriting Agreement also contains certain warranties and indemnities from the Company, the Directors, REG Power, PAM, PEP and Probyn all in favour of the Underwriter.

3. Stabilisation and over-allotment

In connection with the Placing, Merrill Lynch, as stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the New Ordinary Shares at a level higher than that which might otherwise prevail in the open market. Merrill Lynch is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken during the period 7 December 2006 up to and including 8 January 2007. Save as required by law or regulation, Merrill Lynch does not intend to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Placing.

In connection with the Placing, Merrill Lynch, as stabilising manager, may for stabilisation purposes over-allot New Ordinary Shares up to a maximum of 6.7 per cent. of the total number of New Ordinary Shares offered in the Placing. The Company has granted to Merrill Lynch, as stabilising manager, the Over-Allotment Option pursuant to which Merrill Lynch may require the Company to issue additional New Ordinary Shares at the Placing Price to cover over-allotments, if any, made in connection with the Placing and to cover any short positions resulting from such over-allotments and/or from sales of New Ordinary Shares effected by it during the stabilising period. The number of New Ordinary Shares subject to the Over-Allotment Option is, in aggregate, equal to approximately 7.2 per cent of the Company's ordinary share capital to be issued in the Placing (before any exercise of the Over-Allotment Option). The Over-Allotment Option may be exercised from the date of commencement of conditional trading for a period of 30 calendar days thereafter.

4. Remuneration of financial advisers

Merrill Lynch

Under the terms of the Underwriting Agreement, pursuant to which Merrill Lynch has agreed, subject to certain conditions, to procure subscribers for the New Ordinary Shares or, failing which, to subscribe itself at the Placing Price, the Company has agreed that Merrill Lynch may deduct from the proceeds of the Placing a commission of an amount equal to up to 80 per cent. of 3.5 per cent. of the aggregate value (together with an amount equal to any value added tax chargeable thereon).

Numis

Under the terms of an engagement letter from Numis to the Company pursuant to which Numis is appointed as nominated adviser and corporate broker to the Company in respect of the Placing, the Company has agreed to pay Numis a corporate finance fee of £200,000 and a placing commission of 20 per cent. of 3.5 per cent. of the total value of the proceeds of the Placing. Numis will also be entitled to a nominated adviser fee of £75,000 per annum.

Further details in relation to the Underwriting Agreement and the engagement letter with Numis are set out in Section 11 of Part X of this document.

5. Admission, settlement and dealings

Application has been made for the New Ordinary Shares to be admitted to trading on AIM and it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on 12 December 2006. All dealings in the New Ordinary Shares prior to the commencement of unconditional dealings will be solely at the risk of the parties concerned.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares in CREST. The Company has applied for the New Ordinary Shares to be admitted to CREST with effect from Admission.

Accordingly, the settlement of transactions in the New Ordinary Shares following Admission may take place within CREST if any Shareholder so wishes. CREST is a voluntary system and holders of New Ordinary Shares who wish to receive and retain share certificates will be able to do so. An investor applying for New Ordinary Shares in the Placing may, however, elect to receive New Ordinary Shares in uncertificated form if such investor is a system member (as defined in the CREST Regulations) in relation to CREST.

It is expected that the relevant New Ordinary Shares will be delivered to the relevant CREST accounts on the day of Admission and that share certificates for the New Ordinary Shares, to be held in certificated form, will be despatched within ten Business Days of Admission. No temporary documents of title will be issued.

6. Lock-up arrangements

The Company

Pursuant to the Underwriting Agreement, the Company undertakes to the Underwriter that, during a period of 360 days from the date of Admission it will not, without the prior written consent of the Underwriter, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the above restrictions shall not apply in respect of: (i) the issue of New Ordinary Shares; or (ii) Ordinary Shares issued pursuant to the exercise of the warrants under the Warrant Instrument.

The Directors, REG Power, PEP, PAM, Probyn, Bruce Woodman and Michael Crawley

Pursuant to the Underwriting Agreement, each of the Directors, REG Power, PEP, PAM, Probyn, Bruce Woodman and Michael Crawley undertake to the Underwriter that, during a period of 360 days from the

date of Admission he or it (as the case may be) will not, without the prior written consent of the Underwriter, directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the above restrictions shall not apply in respect of Ordinary Shares issued pursuant to the exercise of the Warrants under the Warrant Instrument, or prohibit a Director, PEP, PAM, Probyn, Bruce Woodman and Michael Crawley from:

- (a) selling or otherwise disposing of Ordinary Shares pursuant to any offer by the Company to purchase its own Ordinary Shares which is made on identical terms to all holders of Ordinary Shares in the Company; or
- (b) taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company.

7. Use of proceeds

The REG Group's Management intends to use the net proceeds of the Placing receivable by the Company (which are estimated to be £40,285,000) primarily to further the development and expansion of the REG Group's existing portfolio of wind projects including the procurement of further wind turbines and also for general business purposes. Specifically, the REG Group's Management intends to use part of the proceeds to continue with the development of APG's pipeline of projects in Canada and CLP's development of the Windworks Portfolio.

8. Selling restrictions

The distribution of this document and the offer of New Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions, including, but not limited to, those that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

European Economic Area

In relation to each Relevant Member State an offer to the public of New Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of New Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the Global Co-ordinator to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances following within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares shall result in a requirement for the publication by the Company or Merrill Lynch of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Merrill Lynch and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this exemption, the expression an "offer to the public" in relation to any New Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Placing and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed to and with Merrill Lynch and the Company that: (i) the New Ordinary Shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, or in circumstances in which the prior consent of the Global Co-ordinator has been obtained to each such proposed offer or resale; or (ii) where New Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons. The Company and Merrill Lynch and each of its respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement.

Notwithstanding the above, a person who is not a qualified investor and who has notified the Global Co-ordinator of such fact in writing may, with the consent of the Global Co-ordinator, be permitted to subscribe for or purchase New Ordinary Shares.

United Kingdom

This document is being distributed only to, and is directed only at, persons: (i) who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); (ii) falling within Article 49(2) (a) to (d) of the Order; and (iii) to whom it may otherwise lawfully be distributed (all such persons together with qualified investors (as defined above) being referred to as “**relevant persons**”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only in the United Kingdom to relevant persons, and will be engaged in only with such persons.

United States

The New Ordinary Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to registration under the Securities Act or in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each purchaser of the New Ordinary Shares who is not a US person, by accepting delivery of this document and the New Ordinary Shares, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used in this document as defined in Regulation S):

- (a) the purchaser is not a US person and is located outside the United States;
- (b) the purchaser understands that: (i) the New Ordinary Shares are being offered and sold in an offshore transaction in accordance with Regulation S and not in a transaction involving any offering in the United States; (ii) that the New Ordinary Shares have not been and will not be registered under the Securities Act; and (iii) that if in the future it decides to offer, resell, pledge or otherwise transfer any of the New Ordinary Shares, such New Ordinary Shares may be offered, resold, pledged or otherwise transferred only in compliance with the Securities Act and other applicable securities laws outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such New Ordinary Shares into the United States);
- (c) the purchaser acknowledges and agrees that the New Ordinary Shares may not be resold in the United States absent a registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act; and
- (d) the Company and Merrill Lynch and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the New Ordinary Shares who is a US person (as defined in Regulation S), by accepting delivery of this document and the New Ordinary Shares, will be deemed to have represented and agreed as

follows (terms used in this paragraph that are defined in Regulation S are used in this document as defined in Regulation S):

- (a) the purchaser is a person who, at the time the buy order for the New Ordinary Shares was originated, was outside the United States;
- (b) the purchaser is acquiring the New Ordinary Shares for its own account or for the account of one or more non US persons, each of which is acquiring beneficial interests in the New Ordinary Shares for its own account. If the purchaser is acquiring New Ordinary Shares for the account of one or more other persons, it has the full power and authority to make these representations, warranties and agreements on behalf of each such account;
- (c) the purchaser is aware that the Company has not been and will not be registered as an “investment company” under the Investment Company Act;
- (d) the purchaser understands that: (i) the New Ordinary Shares are being offered and sold in an offshore transaction in accordance with Regulation S and not in a transaction involving any offering in the United States; (ii) that the New Ordinary Shares have not been and will not be registered under the Securities Act; and (iii) that if in the future it decides to offer, resell, pledge or otherwise transfer any of the New Ordinary Shares, such New Ordinary Shares may be offered, resold, pledged or otherwise transferred only in compliance with the Securities Act and other applicable securities laws outside the United States in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such New Ordinary Shares into the United States); and
- (e) the purchaser was not formed for the purpose of investing in the New Ordinary Shares.

Canada (Ontario, Québec, British Columbia, Alberta and Manitoba only)

Canadian Resale Restriction

The Placing is being made on a private placement basis in the Canadian Provinces and is therefore exempt from the requirement that the Company prepare and file a prospectus (or similar document) with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the New Ordinary Shares must be made: (i) through an appropriately registered dealer or pursuant to an exemption from the dealer registration requirements of applicable provincial securities laws; and (ii) in accordance with, or pursuant to an exemption from, the prospectus requirements of applicable provincial securities laws. These resale restrictions may in some circumstances apply to resales made outside Canada. Canadian purchasers are advised to seek legal advice prior to any resale of the New Ordinary Shares. Canadian purchasers are advised that the Company currently does not intend to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the New Ordinary Shares to the public in any province or territory of Canada in connection with the Placing in Canada.

Representations of Purchasers

Each Canadian purchaser who purchases New Ordinary Shares will be deemed to have represented to the Company and the applicable dealer participating in the sale of the New Ordinary Shares that such purchaser and any ultimate purchaser for which such initial purchaser is acting as agent: (i) is entitled under applicable provincial securities laws to purchase such New Ordinary Shares without the benefit of a prospectus qualified under such securities laws; (ii) is basing its investment decision solely on this document and not on any other information concerning the Company or the Placing; (iii) has reviewed and acknowledges the terms referred to above under the heading “Canadian Resale Restrictions”; and (iv) is in compliance with the following:

- (a) the purchaser is resident in or otherwise subject to the laws of one of the Canadian Provinces;
- (b) the purchaser is an “accredited investor” as defined in National Instrument 45-106—Prospectus and Registration Exemptions (“NI 45-106”), is not a person created or being used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of “accredited investor” in section 1.1 of NI 45-106 and if resident in or subject to the laws of Ontario, is not an individual unless it is purchasing the New Ordinary Shares from or through a dealer that is registered as a limited market dealer under the Securities Act (Ontario) or from or through a dealer that is a fully registered dealer within the meaning of Section 204 of the Regulations under the Securities Act (Ontario);

- (c) the purchaser is either purchasing New Ordinary Shares as principal for its own account, or is deemed to be purchasing the New Ordinary Shares as principal for its own account in accordance with the applicable securities laws of the province in which such purchaser is resident, by virtue of being either:
 - (i) a trust company or trust corporation as further described in subsection (p) of the definition of “accredited investor” in section 1.1 of NI 45-106; or
 - (ii) a person acting on behalf of a fully managed account managed by that person as further described in subsection (q) of the definition of “accredited investor” in section 1.1 of NI 45-106;
- (d) the purchaser acknowledges and agrees that the Placing in the Canadian Provinces was made exclusively pursuant to this document;
- (e) the purchaser acknowledges that the New Ordinary Shares are being distributed in Canada on a private placement basis only and that any resale of New Ordinary Shares must be in accordance with the requirements of applicable securities laws, which will vary depending on the relevant jurisdictions; and
- (f) the purchaser acknowledges and agrees that its name and other specified information, including the amount of New Ordinary Shares purchased, will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws. The purchaser consents to the disclosure of such information where required by applicable laws. If required by applicable securities laws or stock exchange rules, the purchaser agrees to execute, deliver and file or assist the applicable dealers in obtaining and filing such reports, undertakings and other documents relating to the purchase of the New Ordinary Shares by the purchaser as may be required by any securities commission, stock exchange or other regulatory authority.

Other jurisdictions

The New Ordinary Shares have not been and will not be registered under the applicable securities laws of Australia, the Republic of Ireland, the Republic of South Africa or Japan. Subject to certain exceptions, the New Ordinary Shares may not be offered or sold in Australia, the Republic of Ireland, the Republic of South Africa or Japan or to, or for the account or benefit of, any resident of Australia, the Republic of Ireland, the Republic of South Africa or Japan.

9. Other information for Canadian Purchasers

Indirect Collection of Personal Information (Ontario Purchasers)

By purchasing these New Ordinary Shares, each purchaser acknowledges that personal information such as the purchaser's name will be delivered to the Ontario Securities Commission (“OSC”) and that such personal information is being collected indirectly by the OSC under the authority granted to it in securities legislation for the purposes of the administration and enforcement of the securities legislation of Ontario. By purchasing these New Ordinary Shares, the purchaser shall be deemed to have authorised such indirect collection of personal information by the OSC where such information is required under applicable laws. Questions about such indirect collection of personal information should be directed to the OSC's Administrative Assistant to the Director of Corporate Finance, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario, M5H 3S5 or to the following telephone number: (416) 593 8086.

Rights of Action (Ontario Purchasers)

Purchasers resident in Ontario who purchase the New Ordinary Shares offered by this document, and any amendment thereto, during the period of distribution will have a statutory right of action for damages, or, while still the owner of the New Ordinary Shares, for rescission, against the Company in the event that this document, or any amendment thereto, contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made (hereinafter referred to as a “misrepresentation”) without regard to whether the purchaser relied on the misrepresentation. This statutory right of action is subject to the following:

- (a) if the purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company;

- (b) no action may be commenced to enforce a right of action for rescission more than 180 days after the date on which payment for the New Ordinary Shares is made by the purchaser;
- (c) no action may be commenced to enforce a right of action for damages after the earlier of: (i) 180 days after the purchaser of the New Ordinary Shares first had knowledge of the facts giving rise to the cause of action; and (ii) three years after the date on which payment for the New Ordinary Shares is made by the purchaser;
- (d) the Company will not be liable if it proves that the purchaser purchased the New Ordinary Shares with knowledge of the misrepresentation;
- (e) in the case of an action for damages, the Company will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the New Ordinary Shares as a result of the misrepresentations relied upon; and
- (f) in no case will the amount recoverable in such action exceed the price at which the New Ordinary Shares were sold to the purchaser.

The rights described above are applicable to a purchaser resident in Ontario unless the purchaser is:

- (a) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;
- (b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorised by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (c) a Schedule III bank, meaning an authorised foreign bank named in Schedule III of the Bank Act (Canada);
- (d) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (e) a subsidiary of any person referred to in paragraphs (a), (b), (c) or (d), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The statutory rights of action described above are in addition to and without derogation from any other right or remedy that the purchaser might have at law.

Enforcement of Legal Rights

The Company, its directors and officers, as well as the experts named herein may be located outside Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or such persons. All or a substantial portion of the assets of the Company and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside of Canada.

Taxation and Eligibility for Investment

This document does not address the Canadian tax consequences of ownership of the New Ordinary Shares. Prospective purchasers of the New Ordinary Shares should consult their own legal and tax advisors with respect to the Canadian and other tax considerations applicable to them and with respect to the eligibility of the New Ordinary Shares for investment by the purchaser under relevant Canadian federal and provincial legislation and regulations.

Exchange Rate Information

The offering price and other financial information contained in this document are presented in Pounds Sterling. The following table sets forth, for the periods and dates indicated, the annual average and year-end nominal noon exchange rate as reported by the Bank of Canada for £ expressed as £ per CAN \$:

<u>Year</u>	<u>Average</u>	<u>Year-end</u>
2003	0.4370	0.4335
2004	0.4194	0.4336
2005	0.4531	0.4991
2006 (through 5 December 2006)	0.4816	N/A

The daily noon rate of exchange rate as reported by the Bank of Canada for the Pound Sterling/Canadian Exchange Rate on 5 December 2006 was £0.4436 per CAN \$1. No representation is made that the £ could have been or could be converted into CAN \$ at the rates set forth above for the periods indicated.

Language of the Documents

Each purchaser of New Ordinary Shares in Canada hereby agrees that it is such purchaser's express wish that all documents evidencing or relating in any way to the sale of such New Ordinary Shares be drafted in the English language only. *Chaque souscripteur de billets au Canada reconnaît par les présentes avoir expressément demandé que soient rédigés en anglais uniquement tous les documents qui, de quelque façon que ce soit, attestent la vente de ces billets ou y ont trait.*

PART VIII
ACCOUNTANTS' REPORTS

(A) Pro forma Statement of Net Assets of the REG Group

The unaudited pro forma statement of net assets set out below is provided to show the effect of inclusion of the net assets of APG at 30 June 2006. The pro forma addresses a hypothetical situation which may not give a true picture of the financial position of the enlarged REG Group. The unaudited pro forma statement of net assets is prepared on the basis of the net assets of the REG Group as at 30 June 2006 extracted without material adjustment from the audited financial information, and the pro forma net assets of APG as at 30 June 2006 extracted without material adjustment from the management financial information translated into Pounds Sterling at the rate of £1 = CAN \$ 2.03440 (being the exchange rate prevailing on 30 June 2006).

	REG Group as at 30 June 2006	APG as at 30 June 2006	Pro forma adjustments	Note	Pro forma net assets
	£'000	£'000	£'000		£'000
Fixed Assets					
Tangible assets	7,763	179	527	1	8,469
Intangible assets	3,010	—	14,025	2	17,035
Investments	8,358	—	—		8,358
	<u>19,131</u>	<u>179</u>	<u>14,552</u>		<u>33,862</u>
Current Assets					
Debtors	900	263	—		1,163
Inventories	17	—	—		17
Available-for-sale investments	4,913	—	—		4,913
Cash at bank and in hand	28,612	7	(9,759)	2	18,860
	<u>34,442</u>	<u>271</u>	<u>(9,759)</u>		<u>24,954</u>
Creditors—amount falling due within one year	(507)	(124)	—		(631)
Net Current Assets/(Liabilities)	<u>33,935</u>	<u>146</u>	<u>(9,759)</u>		<u>24,323</u>
Total Assets less Current Liabilities	<u>53,066</u>	<u>325</u>	<u>4,793</u>		<u>58,184</u>
Creditors—amount falling due after more than one year	(618)	—	—		(618)
Provisions for liabilities and charges	—	—	—		—
Net Assets	<u>52,448</u>	<u>325</u>	<u>4,793</u>		<u>57,566</u>

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The capitalisation of development expenses of CAN \$1,091,000 (£527,000) incurred by APG from 1 July 2005 to be consistent with the accounting policies of the Company from this date.
2. Acquisition of APG for CAN \$29,058,000 (£14,283,000) with consideration in the form of the issuance of 3,645,721 shares valued at CAN \$9,204,000 (£4,524,000) and CAN \$19,854,000 (£9,579,000) in cash for net assets of CAN \$525,000 (£258,000) and goodwill of CAN \$28,532,000 (£14,025,000) translated into Pound Sterling at the rate of £1 = 2.03440 CAN \$ (being the exchange rate prevailing on 30 June 2006).
3. No adjustment has been made to reflect the net assets of the REG Group since 30 June 2006.

(B) Pro forma Income Statement of the REG Group

The unaudited pro forma income statement set out below is provided to show the effect of inclusion of APG for the 12 months ended 30 June 2006 assuming it was acquired on 1 July 2005. The pro forma addresses a hypothetical situation which may not give a true picture of the financial position of the enlarged REG Group. The unaudited pro forma income statement is prepared on the basis of the income statement for the REG Group for the period from the 25 April 2005 to 30 June 2006. No material transactions occurred during the period between 25 April 2005 and 1 July 2005 and therefore the pro forma twelve months ended 30 June 2006 has been extracted without material adjustment from this income statement. The unaudited pro forma income statement of the APG for the twelve months ended 30 June 2006 has been extracted without material adjustment from the management financial information for this period and translated into Pounds Sterling at the rate of £1 = CAN \$ 2.07005 (being the average exchange rate over the 12 months period to 30 June 2006).

	REG Group period ended 30 June 2006 £'000	APG 12 months ended 30 June 2006 £'000	Pro forma adjustments £'000	Note	Pro forma income statement £'000
Sales and other operating income	744	—	—		744
Cost of sales	(804)	—	—		(804)
Gross profit/(loss)	(60)	—	—		(60)
Other income	391	206	—		597
Administrative and development expenses	(1,119)	(1,115)	152	1	(1,555)
			527	2	
Other operation expenses	(5)	—	—		(5)
Finance income	1,377	—	—		1,377
Profit before tax	584	(909)	679		354
Tax expense	(61)	—	—		(61)
Profit for the period	523	(909)	679		293

Notes:

The pro forma income statement has been prepared on the following basis:

- 1. The reversal of the stock based compensation expense CAN \$314,000 (£152,000) in respect of APG with warrants are assumed to be converted and paid out at 1 July 2005.*
- 2. The capitalisation of development expenses of CAN \$1,091,000 (£527,000) incurred by APG from 1 July 2005 to be consistent with the accounting policies of the Company from this date.*
- 3. No adjustment has been made to reflect the position of the REG Group since 30 June 2006.*

(C) Financial information on the Company

Renewable Energy Generation Limited Financial Statements

For the period from 25 April 2005 to 30 June 2006

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Chairman's Statement

Dear Shareholder,

Our Operating Environment

Since its creation in April 2005, your Company has benefited from a fundamental shift in the global economics and politics of energy supply and use. Governments worldwide have prioritised energy security in their development of economic policy and industrialised nations have united against climate change, through binding obligations to reduce atmospheric emissions of carbon—principally through regulatory and fiscal measures which incentivise the progressive displacement of fossil fuels with renewable energy. World oil and gas prices have quadrupled in the past four years and renewable energy has entered the mainstream energy sector with wind in particular, benefiting from a combination of very substantial premiums for traded renewable energy, paid over and above historically high market prices which are widely expected to remain. This situation, together with the falling cost per MW of capacity being achieved as wind technology matures, has significantly increased the returns above those generally available from low risk investments.

Notwithstanding the well established and favourable conditions for investors in proven renewable energy applications, growing evidence of rapid climate change combined with the heightened desire for energy independence have strengthened the global policy imperatives for renewable energy expansion. This imperative has been demonstrated particularly well within Europe, in the UK and in North America. We have good insights into both these markets, having built through acquisitions and alliances, strong teams of energy professionals. We acquired Cornwall Light & Power in the UK last year and Canada's AIM PowerGen (AIM) in August 2006. Our alliance with Probyn & Co. in Canada has also provided valuable expertise to support our overseas activities.

Our Strategy

Renewable energy is a fast developing sector and our competitive advantage comes from a timely combination of supportive global energy policy, strength of support from institutional investors and the passion and seasoned professionalism which binds our network of renewables experts in the UK and North America. These resources provide us with the capacity to act quickly in identifying and closing opportunities in a market where otherwise well-endowed utilities often struggle with the interface between corporate process and the entrepreneurial world of land owners and wind energy developers.

Although our expertise embraces a wide range of renewable technologies, including land-fill and biomass, the sustained, favourable conditions for wind energy have focused our early investments in this sector. The UK has become one of Europe's most attractive territories for the development of wind energy, offering good wind resources, strong policy support and reliable trading markets for carbon-free power, driven by regulatory obligations placed on electricity suppliers. Whereas some European markets such as Germany's are becoming saturated, the UK's offers continued high growth opportunities. The UK government's recently published report of its Energy Review commits to further strengthening of the market for carbon credits, simplifying planning procedures and extending the existing regulatory obligation on suppliers, to source 20% of electricity from renewable sources by 2020. This target is projected to remain unsatisfied and will therefore support income from trading in Renewable Obligation Certificates.

We have acted quickly to secure an attractive pipeline of projects in the UK at various stages of development. We have exploited the pressure on utilities to build scale ahead of inevitable consolidation in on-shore wind markets, by acquiring smaller projects which they had secured as early movers in some of the UK's most favourable wind locations. Our strong balance sheet and in-depth knowledge of the UK energy sector has provided the advantage needed to successfully compete with other developers, independent power producers and venture capitalists entering this market.

Our main strategy is to "develop and hold" wind projects. This offers more reliable, recurring revenues from our assets and exploits our team's proven expertise in evaluating, consenting, building, connecting, operating and maintaining wind projects. It is we believe a strategy particularly suited to high growth markets where saturation will eventually limit opportunities for "pure-play" developers. We will however use the "develop and sell" model when it optimises development funding for our overall portfolio of power generation assets. Although we aim to strengthen our position as a wind-based Independent Power Producer our growth strategy embraces prudent diversification of geography, whilst focussing principally on wind technology, on-shore. Our risk management strategies favour territorial expansion only where we

can replicate our model in the UK, of local expertise positioned to understand regulatory environments, wind potential, site availability, consents procedures and competitor activity. We seek to establish such local presence in high growth territories by partnership and where appropriate, acquisition.

Strategy Implementation—Our First Year

In June 2005, following our Initial Public Offering, we purchased the Goonhilly Downs wind farm in Cornwall for £5.2m. This is one of the oldest wind farms in the UK having been erected in 1992. It comprises 14 turbines and generates sufficient electricity to power in excess of 2,400 homes. Soon after the wind farm was acquired a two and a half year power purchase agreement (“PPA”) was put in place under which power from the project (but not the renewable obligation certificates (“ROCs”) which the project generates) is sold to Smartest Energy, a subsidiary of Marubeni Corporation of Japan. The ROCs are sold on the spot market where values are likely, at least in the short term, to be better. The PPA lifted EBITDA from the project by over 50% from the point at which it was purchased. The duration of the PPA is designed to enhance income whilst the opportunity is explored for re-powering the site. This involves the removal of the existing turbines and their replacement with larger, more efficient machines. This process is proceeding satisfactorily but is subject to rigorous planning and environmental approvals.

During the period REG invested £8.1m into the 50MW Tymien Project in Poland. This is the largest operating wind project in Eastern Europe and REG is the project's largest investor. The project utilises 25 Vestas V80 machines and construction of the project was completed in March 2006 within budget and some eight weeks ahead of schedule.

In October REG, via its subsidiary CLP, purchased 24 potential wind projects for £4m from NPower Renewables of the UK. These projects were part of NPower's “WindWorks” portfolio, on sites spread across England and Wales. These wind farms are all under 5MW and benefit from their status as dispersed generation, enjoying simplified planning procedures and easier connection to local, rather than national, electricity networks.

All of REG's UK wind projects are managed by its UK operating subsidiary, the Cornwall Light and Power Co. (CLP) based not far from several of our projects in south-west England. Its high profile activities in getting key projects quickly consented within the portfolio acquired from NPower have elicited significant interest from neighbouring landowners interested in CLP developing wind projects for them.

Our potential portfolio in the UK comprises more than 100MW. In May 2006 we announced that construction would commence on the first three projects in the CLP Wind Projects portfolio—Braich Ddu in Gwynedd with an installed capacity of 3.9MW; High Pow in Cumbria with a capacity of 3.9MW and High Sharpley in County Durham, 2.6MW. The projects will use Nordex 1.3MW machines and delivery of these turbines is contracted to commence in late November 2006. Planning on the other projects is progressing satisfactorily under the management of our experienced team at CLP.

Following the acquisition of the wind projects from NPower a further £30m of equity was raised from investors, many of whom were the original backers of the business. Since REG's inception the shares have appreciated from 100p to 127p as at the time of writing.

Since the end of its first year your Company has announced the purchase of AIM PowerGen Corporation, one of Canada's largest independent wind developers. The purchase price of £13.6m has secured not only a development pipeline of over 2600MW in Canada and a further 100MW in the Dominican Republic but also a highly experienced team which has since its creation in 2001 secured some of the most attractive wind sites in the country and developed Canada's largest project, Erie Shores. This acquisition further strengthens our human resource in Canada, hitherto represented by our partners Probyn & Co.—one of Canada's leading renewables companies.

Financial Overview

The enclosed Manager's report for the period shows income slightly ahead of expectation mainly as a result of higher revenues from Goonhilly Downs and also due to higher than expected interest income. Next year the commissioning of Braich Ddu, High Pow and High Sharpley will help to offset the running costs of AIM. Once 40MW of projects have been constructed in Canada which we anticipate will be during 2007, this cash outflow should cease and AIM will start making a positive contribution to REG's earnings.

Our Human Assets

Since its launch in April 2005, REG has brought together some of the industry's most respected professionals who, although remunerated under periodic retainers, have demonstrated impressive commitment and loyalty. Our corporate governance, risk management and control processes have been effectively applied by the Manager, Premier Asset Management, but the scope and pace of the Company's development is now such that your Board proposes to reinforce the executive function. I am pleased to announce the recent recruitment of Nigel McManus to REG's Power Management team, as its Chief Operating Officer. Joining from NPower Renewables, Nigel has many years experience in wind development with particular skills in contract negotiation and project team management. He will have operational responsibility for co-ordinating the work of our international teams.

Outlook

Our main objective over the next few years is to develop and operate the most attractive projects within the wind project portfolio secured during our first year. By early 2007 we should have 16MW of fully operational plant in the UK, with build-out of a further 15-20MW later in the year and the 50MW Tymien project in Poland will be generating the anticipated income.

AIM plans to build 40-60MW next year, comprising projects of 10MW or less, to take immediate advantage of those of the "Standard Offer Contracts" scheme designed by government to promote such projects. Simultaneously we will be preparing to develop some of the much larger projects in our newly acquired Canadian portfolio, in response to the "Request For Proposals" expected to be announced in late 2007 or early 2008 by the Ontario Government.

Our Thanks

Whilst bringing our project pipeline into operation will remain our main priority, we will continue to respond to opportunities to acquire new projects which meet the investment criteria necessary to achieve sustainable shareholder value. The confidence demonstrated by shareholders has been fundamental to the commitment your Company enjoys from its team of professionals, its suppliers and its partners in the industries and communities it engages with. Your Board is confident it can reward that confidence with solid performance and responsible behaviour, consistent with society's expectations from the environmental sector.

Mike Liston
Chairman

Manager's report

Renewable Energy Generation's objectives and strategy

REG is a renewable energy company which aims to plan, build and construct a portfolio of mainly wind generation projects, diversified by technology, geographical location and income stream. REG's shareholders benefit from the rising value of renewable energy created by the World's commitment to a low carbon future.

REG invests in projects, which are capable of providing returns, which exceed the Company's cost of capital by a margin higher than that necessary to accommodate risk. REG aims for its investments to provide increasing returns to its shareholders through earnings-driven dividend growth.

REG has a strong team based in the UK and in Canada and is committed to investment in projects at all stages of development. REG benefits from the experience of its Manager, REG Power Management. This consolidates the experience of The Probyn Group of Canada and Premier Asset Management and Pure Energy Professionals both based in the UK.

Over the last year REG has progressed from being an owner operator of renewable energy projects to a developer/operator of wind plant. We believe that this is where much of the value in renewables projects lies notwithstanding the considerable uncertainties of achieving project consents. However, in smaller wind projects we have found a unique niche in the UK, and one that we will continue to exploit.

Our task is, in essence quite simple. We aim to build as many good projects with high equity IRRs as we can, whilst at the same time considering other operating projects that may be available for purchase. We believe that the combination of experience and expertise within the REG team makes us unique in the market. The fact that we have had many approaches from other landowners is testament to the highly experienced nature of CLPWP in the UK and we are optimistic that we can create significant value for our shareholders within our domestic marketplace.

In Canada where, post the period end, we have purchased one of the largest independent wind developers, we also have an interesting opportunity. Once again our methodology, and the significant experience of the management team, confer a unique status within that marketplace. We have a large portfolio of potential wind projects and once again our business plan is to drive project build as hard as we can. The SOC tariff will help on the smaller projects, but on the larger projects we are more reliant on the RFP process. However, we have amongst the windiest sites in Canada and this does confer an advantage for REG when it comes to the business of achieving high returns for our shareholders.

Operational overview

CLP Wind Projects ("CLPWP")

Goonhilly Downs

The Goonhilly Downs wind farm is located on the Lizard Peninsula in South West Cornwall. It consists of 14 Windane 34 machines and has been operating since 1993. With a rated capacity of 5.6 MW and an excellent wind resource it produces an average annual electricity output of over 11,000 MWhrs which is enough to power in excess of 2,400 homes and provide a CO2 saving of 10,000 tonnes per annum.

Production at the Goonhilly Downs wind farm has exhibited significant volatility of output due to unseasonable wind patterns. December, January and February were all below expectations. However, output from the plant in March was the highest ever recorded with virtually no down time or outages registered due to equipment failure. This is testament to the ruggedness of the Windane 34 machines that are installed and availability through the period that we have owned the plant has exceeded 98%.

We have recently changed the operation and maintenance on the plant from Vestas to B9 who have done a good job so far in reorganising maintenance schedules and installing new equipment, notably health and safety.

The PPA put in place with Smartest Energy has proved timely, lifting EBITDA significantly, compared to the original model used in the purchase due diligence. The contract is a seasonal time of day tariff ("STOD") under which we derive more income during the winter months—1 October to 31 March—than the summer months, and more during the working week daytime than at night. This suits the production profile of the plant well and as a result our average achieved price for electricity sales has been £44.24 per MWh. Under our contract with Smartest we have, in addition to electricity, also sold forward our levy

exemption certificates and any triads that we may derive. However, we retain the right to sell the Renewable Obligation Certificates ("ROCs") generated by the plant on the spot market. We believe that, at least for the next three years, the build of renewable generation plant in the UK will fall short of Government targets. Therefore we are optimistic that ROC prices will be slightly better than we had budgeted for and accordingly, we are likely to maintain the flexibility to sell our ROCs from Goonhilly on an opportunistic basis.

The purchase of Goonhilly was made on an "as is" basis. That is to say the plant, in a highly energetic location on the South West Coast, utilises particularly sound equipment, well maintained by its previous owner. Despite this, the turbines are probably 50% of the way through their operating life and wind generation technology has improved markedly, particularly over the last five years or so. With this in mind we have been engaging with the relevant authorities in order to assess the feasibility of repowering the site with new equipment. This will be subject to onerous planning and environmental permitting however, if successful, a repowering could substantially enhance REG's project return.

Construction projects

Following a period of intense work by the CLP Wind Projects team, based in St Austell Cornwall, we were able to discharge all of the planning consents for High Pow (3.9MW), High Sharpley (2.6MW) and Braich Ddu (3.9MW). Construction has now commenced on all three sites with the first project at High Sharpley envisaged to be operational before the end of 2006. Thereafter High Pow is expected to be in production in January 2007, Braich Ddu following soon after. The projects will use Nordex N60 turbines each of 1.3MW, three at High Pow and Braich Ddu and two at High Sharpley. Once in operation, these projects should generate enough energy, in aggregate, to supply over 5,700 homes with green electricity whilst saving an annual 23,000 tons of CO2 emissions.

As yet we have not made a decision on whether to sell the output from these three sites under short or long-term contracts, our propensity being to exploit the high prices in the short-term marketplace. However, we will continue to explore all options in order to maximise shareholder value.

Projects in planning and at appeal

Progress on the other projects in the CLP Wind Projects portfolio has been rapid and a number of these projects are moving towards the latter stages of planning. Two projects, Penpell and Uglow, both of 2.6MW, have been heard at public appeal and a decision from the Government appointed inspector on Uglow is expected in the next few weeks.

The project at Cricket St Thomas has been resubmitted using a different turbine configuration, which should alleviate any concerns over radar interference. Several other projects are being reconfigured to use a slightly larger turbine than the standard 1.3MW unit being deployed at the three lead projects. This should increase output from the sites by virtue of the machines' larger size and also greater efficiency.

It is also worth noting that the total pipeline within the CLPWP portfolio is now well over 100MW. This is because landowners adjacent to existing CLPWP sites, either in planning or under construction, have approached us with a view to our developing wind projects on their land. We believe that CLPWP is establishing a good reputation for delivery of projects in the UK and this bodes well for future developments.

Tymien

The Tymien Project, located on the Baltic Coast, is 50MW in capacity and is the largest operating wind project in Poland and indeed in Eastern Europe. The project uses state of the art Vestas V80 machines each of 2MW. Construction on the project was finished some two months ahead of schedule in March and has operated reliably since that point. It will start making a contribution to REG's profitability this year.

AIM PowerGen Corp ("AIM")

After the end of the period, we announced the acquisition, for \$29.1 Cdn, of AIM, one of the largest independent wind developers in Canada. AIM was founded in 2001 and is based in Toronto Ontario. AIM has over 2,600MW of wind projects in various stages of development with a particular focus on Ontario. Its other projects are in Manitoba, Saskatchewan, Alberta, Newfoundland, Labrador and Prince Edward Island.

We believe that Canada is on the verge of substantial growth in wind power led by the province of Ontario. AIM has amongst the most energetic sites in Canada within its portfolio, conferring on us a natural advantage when competing for new projects. It is likely that a large programme of new Requests for Proposals ("RFPs") for projects will take place in Ontario late 2007 or early 2008 and AIM has a number of good sites that will be bid into this process. However, Ontario is also introducing a new tariff structure, known as Standard Offer Contracts ("SOCs") designed to stimulate the build of small scale wind farms of 10MW and under. The SOC legislation is in the final phases of implementation and AIM intends to build a number of small SOC contracted projects in 2007, providing 21 year index linked returns. We believe that these will be in excess of our stated target of a 15% return on equity. By building these small projects REG will start to achieve a return on its investment in AIM whilst we await the larger potentially more profitable RFPs.

Resources

REG has achieved a lot in its short life, and has grown more rapidly than was envisaged at launch. The opportunities for achieving returns in excess of REG's cost of capital are significant. To help us achieve our objectives we have recently recruited Nigel McManus from NPower Renewables. Nigel has many years experience in the wind power sector in particular. He joins REG as our Chief Operating Officer and we are delighted to welcome him to the Company.

Without the hard work and enthusiasm of the REG development team the Company will not meet its ambitions. Our team has worked unstintingly for REG in a year that has seen enormous progress towards achieving our ambitions. We owe a significant debt of gratitude to these people.

Outlook

REG remains focused on enhancing and creating value for its shareholders from investing in renewables projects that offer sustained returns above REG's cost of capital. Our challenge is to consolidate the projects that we have bought, particularly CLPWP and post the period AIM and this is likely to be the main driver of REG's growth over the next two years.

Financial review by management

Headline figures

	2006
	£
Revenue from continuing operations	743,830
Total revenue for the period	743,830
Gross loss from continuing operations	(60,288)
Gross margin from continuing operations	(8.1)%
EBITDA (loss from continuing operations before finance costs, tax, depreciation and amortization)	(147,347)
Net profit from continuing operations	523,237
Total net profit for the period	523,237
Average monthly number of employees	0
Earnings per share	
• basic, for profit for the period attributable to ordinary equity holders of the parent	1.26p
• diluted, for profit for the period attributable to ordinary equity holders of the parent . . .	1.18p
Debt ratio (total liabilities/total assets)	0.10

Dividend

The Board has proposed a second interim dividend of 3p per share. The Board has already declared an interim dividend of 1p per Ordinary share, which was paid to shareholders on the 6th of April 2006. So, dividends in respect of the reporting period will total 4p per Ordinary share.

Corporate activity

REG completed three transactions during the period. These were:

The Cornwall Light & Power Co. Limited ("CLP")

REG bought CLP in June 2005. CLP owns the Goonhilly Downs wind farm on the Lizard Peninsula in Cornwall. The project is mature and consists of 14 Windane 34 machines each of 400KW output, making a total project capacity of 5.6MW. The project is situated on one of the better wind sites in the UK and has the potential, should all of the necessary consents be forthcoming, to be repowered for increased production capacity. This would substantially increase an already acceptable return from the project.

Subsequent to purchasing CLP, the REG management team put in place a two and a half year power purchase agreement ("PPA") for the project. Under this agreement, power from the site, including climate change levy exemption certificates and peak demand benefits but excluding any renewable obligation certificates ("ROCs"), are sold to Smartest Energy under fixed terms. REG will sell the ROCs produced by Goonhilly into the marketplace on a spot basis. The PPA commenced on 1 October 2005 and runs to the end of March 2008.

Tymien—Poland

Tymien, located approximately 5 km from the Baltic Coast, has a renewable generation capacity of 50 MW and is Poland's largest wind project to date. It has been developed by EEZ Sp.z.o.o. ("EEZ") of Poland. The project is ahead of schedule and has already sent its first power to the Polish grid. Tymien will utilise 25 Vestas V80 2MW turbines, which have a proven track record of production.

REG has its investment in Tymien with Invenergy Wind, a highly regarded power developer. Under the agreement with Invenergy Wind, REG is entitled to share in the returns received from the investment in EEZ until a 15% target Internal Rate of Return has been achieved. Following which, REG will receive an ongoing residual cash return. This investment will be in-line with REG's policy of investing in EU accession countries where it believes there is selective potential for more attractive returns than in mainstream EU countries.

In addition, through its agreement with Invenergy Wind, REG will have the potential to invest in other wind projects in Poland, which are anticipated to constitute approximately 140 MW.

CLP Wind Projects

In October REG, via its subsidiary CLP, purchased 24 potential wind projects in the UK from NPower Renewables Limited, a wholly owned subsidiary of The RWE Group of the UK.

The total portfolio exceeds 75MW and the assets are spread throughout England and Wales. The projects comprise distributed or "embedded" generation in rural locations, typically utilising 2 or 3 modern turbines. This approach is directly in line with the government's aim to make electricity supply less dependent upon centralised large power stations. By generating closer to the end-user, power losses in overhead lines are reduced and greater value is gained per unit of generation. In addition, a more diverse national power supply is created. Each project should typically produce enough electricity to meet the annual needs of several thousand people in the surrounding area.

The portfolio contains projects at various stages of planning consent. A number have already gained planning consent, and the majority are well advanced in the process. REG intends to commence construction on the consented sites as soon as is practicable. Each of the projects should enjoy a well above average wind resource and hence, REG believes, can generate electricity very competitively over the next two decades making a positive contribution to the UK's requirement for environmentally sound energy production.

Investor Timetable for 2006

27 September	Shares ex dividend for dividend
29 September	Record date for interim dividend
11 October	Dividend sent to shareholders
November	Annual General Meeting

Segment performance

The results reflect the significant impact of finance income from the un-invested funds raised during the period.

Energy generation

Sales in the energy generation sector stood at £743,830. The sales and other operating income figure includes £286,519 relating to the valuation at fair value of ROCs. ROCs are fair valued on the balance sheet and sold at appropriate times to take advantage of market conditions and pricing. A full breakdown of the sales figure can be seen in Note 9 of the financial statements and the Revenue Recognition policy can be seen in Note 3.3 of the financial statements.

During the period under review output from the Goonhilly Downs wind farm was 9,227 MWh which was down 5.4% compared to the same period the previous year. Availability of the wind farm during the period was excellent and above 98% so the reduced output is assumed to be down to weather conditions.

The PPA that was signed in October 2005 has resulted in an increase in the average price charged for generation over the period (excluding LECs, ROCs and TRIADS) of 101%. This boosted sales during the period by circa £200,000. The PPA runs until the end of March 2008.

The segment net loss for the period was £78,371. Other factors which influenced the result include:

- management fees relating to the development of potential wind projects, expensed £130,320
- the revaluation of 12,661 ROCs from £49.83 to £43.00, non-recurring expense of £86,475
- the revaluation of 11,188 ROCs from £43.00 to £40.62, non recurring expense of £26,627

Financial investment management

Income from the financial investment management segment was £1,757,917. This represents finance income of £1,367,291 and other income of £390,626. Finance income is interest receivable on cash deposit and other income includes interest receivable on bonds held, un-realised gains on the revaluation of the Tymien investment and realised gains on the sale of bonds.

The investment in Tymien has been designated as an investment at fair value through profit or loss. The re-valuation of REG's investment in Tymien to its fair value, based on its value in use, led to a gain of £297,761 which has been included in other income.

REG also held various bond investments designated as available-for-sale investments during the period. Interest of £317,527 and realised gains on the sale of bonds amounting to £92,865 have also been included in other income.

Income tax

An analysis of the income tax expense is set out in Note 13 of the consolidated financial statements.

Earnings per share

Diluted earnings per share is 1.18p. The weighted average number of shares in issue in the period was 44,256,912.

Financial condition

Liquidity and capital resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the period to 30 June 2006 of £28.6m.

The two funding raising exercises generated net cash of £52.35m after transaction costs of £2.65m. During the period REG invested £17.2m in 3 renewable projects. The acquisition of CLP, the 24 wind projects purchased from Npower Renewables and the wind farm in Tymien. A further £1.7m cash has been spent on developing the 24 UK wind projects. Of the £1.7m cash spent the 3 lead projects, due to be constructed in late 2006, have consumed £1.5m.

Operating activities used £0.5m of cash and cash equivalents. The Group's subsidiaries generated cash and cash equivalents of £0.1m. This was largely due to a reduction in trade and other receivables brought about by the sale of 9,340 ROCs in September 2005, generating £0.4m. The Company's operating activities used cash and cash equivalents of £0.6m. An analysis of the expenses is shown in Note 10 of the financial statements.

Capital expenditure

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations. The amount of capital expenditure during the period was £18.9m. There were capital commitments amounting to £4.9m at 30 June 2006 relating to the purchase of wind turbines.

RENEWABLE ENERGY GENERATION LIMITED

Company information

Registered no.	43099
Directors	M. J. Liston Chairman G. S. Cardona J. C. Donelan T. A. Kersten N. A. Le Quesne A. N. Whalley The directors were appointed on 25.04.05.
Registered office	Trafalgar Court Les Banques St. Peter Port Guernsey, Channel Islands GY1 3QL
Secretary	Northern Trust International Fund Administration Services (Guernsey) Limited Trafalgar Court Les Banques St. Peter Port Guernsey, Channel Islands GY1 3QL
Bankers	Bank of Scotland 155 Bishopsgate Exchange London EC2M 3YB
Auditors	Ernst & Young LLP 14 New Street St. Peter Port Guernsey, Channel Islands GY1 4AF

Report of the Directors

The Directors present their report and the audited financial statements of Renewable Energy Generation Limited (the Company) for the period ended 30 June 2006.

Principal activity

The principle activity of the Company and its subsidiaries (the Group) is to provide investors with an opportunity to participate in the growth of the global renewable energy market through investment in wind energy and other renewable energy projects.

Directors' responsibilities for the Financial Statements

The Directors are required by The Companies (Guernsey) Law, 1994, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit and loss of the Group for that year. In preparing these 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 confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The results for the year are shown on page 22.

Dividend

A second interim dividend of 3 pence has been proposed.

Directors and their interests

The directors in office during the period and their interests in the share capital of the Company are shown in the table below.

	Ordinary share of 10p each	
	30 June 2006	Latest date prior to publication
Mike Liston	—	—
Andrew Whalley	30,000	30,000
George Cardona	73,164	73,164
Tod Kersten	—	—
Nigel Le Quesne	—	—
John Donelan	—	—

Substantial shareholdings

Up to 6 October 2006 the Company had been notified of the following disclosable interests which amounted to 3 per cent or more of the issued share capital of the Company:

	Number	Percentage held
New Star Asset Management	8,750,000	14.92%
Morley Fund Management	7,854,605	13.39%
MPC Investors	5,350,000	9.12%
Invesco Perpetual	4,525,000	7.71%
Fidelity Investments	4,000,000	6.82%
F&C Asset Management	3,000,000	5.11%
Premier Asset Management	2,295,000	3.91%
UBS Global Asset Management	2,000,000	3.41%
IIMIA Investment Group	1,965,000	3.35%
Millennium Management	1,940,000	3.30%

Payment policy

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

Insert name
Director
Dated

Directors' Remuneration Report

The directors present a Directors' Remuneration Report for the period ended 30 June 2006.

A resolution to approve this Director's Remuneration Report will be proposed at the Company's forthcoming Annual General Meeting.

Remuneration committee

The remuneration committee is made up of Tod Kersten as Chairman of the committee, Mike Liston and George Cardona. The committee meets at least once a year and is charged with advising on the remuneration policy for the non-executive directors.

Non-executive directors

The non-executive directors do not have service contracts. The non-executive directors have letters of appointment concerning, amongst other things, the initial terms for which they are appointed, a general statement of their role and the duties and the fees they will receive as a director.

Service contracts and letters of appointment

The letters of appointment of the non-executive directors who served during the period ended 30 June 2006 include the following terms:

	Date of letter of appointment	Unexpired term (months)	Notice period (months)
Mike Liston	26 April 2006	10	None
Andrew Whalley	26 April 2006	10	None
George Cardona	26 April 2006	10	None
Tod Kersten	26 April 2006	10	None
Nigel Le Quesne	26 April 2006	10	None
John Donelan	26 April 2006	10	None

Non-executives are generally appointed for one year terms. The letters of appointment do not contain notice periods or provision for termination payments, other than for the unexpired period of the appointment.

Directors' remuneration

	Total fees for period ended 30 June 2006 £
Mike Liston	50,724
Andrew Whalley	—
George Cardona	25,362
Tod Kersten	25,362
Nigel Le Quesne	25,362
John Donelan	16,680
Aggregate remuneration	143,490

Directors' warrants

The following rights to subscribe to warrant shares were held by directors during the period to 30 June 2006.

	Granted	Exercise price	Date from which exercisable	Expiry date
Andrew Whalley	392,968	100.00	16 May 2008	16 May 2010

Approval

The Directors' Remuneration Report was approved by the Board on 20 November 2006 and signed on its behalf by:

Director
Dated

Corporate Governance

The Company has its listing on AIM and therefore does not need to comply with the Combined Code. However, we have chosen to report on Corporate Governance and the Combined Code because in our view it constitutes best practice.

Combined Code

The directors are committed to maintaining a high standard of Corporate Governance, in accordance with Section 1 of the Principles of Good Governance of the Combined Code as incorporated within The Listing

Rules issued by the Financial Services Authority. The Board is of the opinion that it has complied with the Provisions of the Code throughout the period.

Directors

The Board of directors comprises the non-executive Chairman and five other non-executive directors.

The Board is responsible to the Company's shareholders for the proper management of the Company. It meets regularly, usually 4 times a year. All directors receive written reports prior to each Board meeting which enable them to make an informed decision on the corporate and business issues under consideration.

The Company Secretary is responsible to the Board for ensuring that board procedures are followed and all directors have access to his advice and services.

The Board has considered the need to appoint a senior non-executive director but does not feel that such an appointment is necessary at this point in time.

Board Committees

The Board has established a number of committees, each with defined terms of reference, procedures, responsibilities and powers. The minutes of committee meetings are normally sent to all directors and verbal updates are given at Board meetings.

Audit Committee

The audit committee is made up of Mike Liston and is chaired by Nigel Le Quesne. The audit committee meets at least twice a year to consider the annual and interim financial statements and is charged with monitoring the adequacy and effectiveness of the systems of internal control and risk assurance function, reviewing the scope and results of the work carried out by external auditors and reviewing the financial statements and related policies and assumptions. The scope of the non-audit services provided are reviewed by the audit committee before engagement of the services.

The terms of reference of the audit committee will be available for inspection at the AGM.

Nomination Committee

The nomination committee is made up of Mike Liston, George Cardona and is chaired by Tod Kersten. The committee meets at least once a year and keeps under review the composition of the board and makes recommendations to the board concerning appointments.

Remuneration Committee

The remuneration committee is currently chaired by Tod Kersten. The committee meets at least once a year and is charged with advising on the remuneration policy of the non-executive directors.

Relationships with shareholders

The Company has a policy of maintaining an active dialogue with institutional shareholders, fund managers and analysts with regular dialogue together with general presentations at the time that the financial results are announced. The Annual General Meeting is used as an opportunity to communicate with shareholders. All shareholders are given due notice of the Annual General Meeting and are welcome to participate.

Going Concern

After making enquiries the directors believe that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

20 November 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENEWABLE ENERGY GENERATION LIMITED

We have audited the group financial statements of Renewable Energy Generation Limited for the period ended 30 June 2006 which comprise the Consolidated income statement, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the related notes 1 to 30. These group financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law 1994. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards as 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 group financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law 1994. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report, and consider whether it is consistent with the audited group financial statements. The other information comprises only the Chairman's statement, the Manager's report, the Company Information, the Report of the Directors, the Directors' remuneration report and Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 group financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the group's affairs as at 30 June 2006 and of its profit for the period then ended; and have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

Ernst & Young LLP

Guernsey

RENEWABLE ENERGY GENERATION LIMITED

Consolidated income statement for the period ended 30 June 2006

<u>Continuing operations</u>	<u>Notes</u>	<u>25 April 2005 to 30 June 2006</u>
		£
Sales and other operating income	9	743,830
Cost of sales	10	(804,118)
Gross loss		(60,288)
Other income	11	390,626
Administrative expenses	10	(1,118,568)
Other operating expenses	10	(5,183)
Finance income	12	1,377,405
Profit before tax		583,992
Tax	13	(60,755)
Profit for the period		523,237
Attributable to:		
Equity holders of the Company		523,237
Earnings per share for profit attributable to the equity holders of the Company during the period		
—basic	14	1.26p
—diluted	14	1.18p

RENEWABLE ENERGY GENERATION LIMITED

Consolidated balance sheet as at 30 June 2006

	Notes	30 June 2006 £
ASSETS		
Non-current assets		
Property, plant and equipment	15	3,607,118
Goodwill	16	3,009,914
Development costs	16	4,156,424
Investments at fair value through profit or loss	17	8,358,253
		<u>19,131,709</u>
Current assets		
Inventories	18	16,831
Trade and other receivables	19	900,074
Available-for-sale investments	20	4,913,062
Cash and cash equivalents		28,611,764
		<u>34,441,731</u>
Total assets		<u>53,573,440</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	29	5,500,000
Share premium	29	36,850,250
Special reserve	29	10,000,000
Fair value reserve	21	(66,308)
Share-based payment reserve	22	191,368
Retained earnings		(26,763)
Total equity		<u>52,448,547</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	23	617,922
		<u>617,922</u>
Current liabilities		
Trade and other payables	24	409,812
Tax payable		97,159
		<u>506,971</u>
Total liabilities		<u>1,124,893</u>
Total equity and liabilities		<u>53,573,440</u>
Net asset value (NAV) per share		
—basic	30	95.36p
—diluted	30	95.58p

The financial statements were approved on behalf of the Board of Directors on 20 November 2006 and signed on its behalf by

Mike Liston
Chairman

Andrew Whalley
Director

RENEWABLE ENERGY GENERATION LIMITED

Consolidated cash flow statement for the period ended 30 June 2006

	Notes	25 April 2005 to 30 June 2006 £
Cash flows from operating activities		
Cash used in operations	25	(794,458)
Net cash used in operating activities		(794,458)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	26	(5,155,221)
Purchases of property, plant and equipment (PPE)	15	(1,562,583)
Development costs	16	(4,156,424)
Purchases of investments at fair value through profit or loss	17	(8,060,492)
Purchases of available-for-sale investments	20	(16,830,767)
Proceeds from sale of available-for-sale investments	11 & 20	11,994,054
Interest received	12	1,377,405
Net cash used in investing activities		(22,394,028)
Cash flows from financing activities		
Proceeds from issue of shares		55,000,000
Transaction costs from issue of shares		(2,649,750)
Dividends paid to Company's shareholders		(550,000)
Net cash generated from financing activities		51,800,250
Net increase in cash and cash equivalents		28,611,764
Cash at beginning of period		—
Cash at end of period		28,611,764

RENEWABLE ENERGY GENERATION LIMITED

Consolidated statement of changes in equity for the period ended 30 June 2006

	Attributable to equity holders of the Company					Total equity
	Share capital	Share premium account	Fair value and other reserves	Special reserve	Retained earnings	
	£	£	£	£	£	£
Balance at 25 April 2005	—	—	—	—	—	—
Issue of share capital	5,500,000	39,500,000	—	10,000,000	—	55,000,000
Transaction costs from issue of shares	—	(2,649,750)	—	—	—	(2,649,750)
Fair value losses, net of tax: —available-for-sale investments	—	—	(66,308)	—	—	(66,308)
Warrants: —fair value of warrants	—	—	191,368	—	—	191,368
Net income/(expenses) recognised directly in equity .	5,500,000	36,850,250	125,060	10,000,000	—	52,475,310
Profit for the period	—	—	—	—	523,237	523,237
Dividend	—	—	—	—	(550,000)	(550,000)
Balance at 30 June 2006	5,500,000	36,850,250	125,060	10,000,000	(26,763)	52,448,547

RENEWABLE ENERGY GENERATION LIMITED

Notes to the consolidated financial statements

1. General Information

Renewable Energy Generation Limited (the Company) and its subsidiaries (the Group) provides investors with an opportunity to participate in the growth of the global renewable energy market through investment in wind energy and other renewable power projects.

The Company is a limited liability company incorporated and domiciled in Guernsey. The address of its registered office is Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL. The Group has no employees.

The Company has its listing on the Alternative Investment Market.

The consolidated financial statements were approved by the Board of Directors on 20 November 2006.

2. Statement of Compliance

These consolidated financial statements of the Group are for the period from 25 April 2005 to 30 June 2006.

These consolidated financial statements have been prepared in accordance with those International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as at the time of preparing these statements. The IFRS and IFRIC interpretations that will be applicable at 30 June 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these consolidated financial statements.

IFRSs and IFRIC interpretations not yet effective

The Group has not applied the following IFRSs and IFRIC interpretations that have been issued but are not yet effective:

IFRS 6 Exploration for and Evaluation of Mineral Resources

This standard does not apply to the activities of the Group.

IFRS 7 Financial Instruments: Disclosures

This standard is required to be applied for annual periods beginning on or after 1 January 2007, but is not expected to impact the results of the Group. However, further disclosures will be required.

IFRIC 4 Determining whether an arrangement contains a lease.

This interpretation is required to be applied for annual periods beginning on or after 1 January 2006, but is not expected to be relevant for the activities of the Group.

IFRIC 5 Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

This interpretation is required to be applied for annual periods beginning on or after 1 January 2006, but is not expected to be relevant for the activities of the Group.

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

This interpretation is required to be applied for annual periods beginning on or after 1 March 2006, but is not expected to be relevant for the activities of the Group.

IFRIC 8 Scope of IFRS 2

This interpretation is required to be applied for annual periods beginning on or after 1 June 2006.

IFRIC 9 Reassessment for embedded derivatives

This interpretation is required to be applied for annual periods beginning on or after 1 June 2006, but is not expected to be relevant for the activities of the Group.

IFRIC 10 Interim financial reporting and impairment

This interpretation is required to be applied for annual periods beginning on or after 1 November 2006.

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at fair value or renewable obligation certificates, investments at fair value through profit or loss and available-for-sale investments. The financial statements are presented in sterling. This is the Group's first reported period of trading and therefore no comparative information has been disclosed.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2006.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The acquisition of Cornwall Light and Power Co. Ltd and CLP Holdings Limited on 23 June 2005 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of Cornwall Light & Power Co. Ltd and CLP Holdings Limited for the period from their acquisition on 23 June 2005.

3.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

a) Generation revenue

Revenue from the sale of electricity represents the invoice value, pre sales tax, of electricity provided to third parties and is recognised when the risks and rewards of ownership are substantially transferred.

b) ROCs, LECs revenue

Renewables Obligation Certificates (ROCs) are issued to qualifying renewables generators as evidence that a licensed electricity supplier has supplied qualifying electricity to their customers in Great Britain. These certificates may be traded separately from the electricity to which they relate through a system of limited banking and borrowing in order to give individual suppliers more flexibility as to how they meet the demands of the Obligation.

Renewable energy generators who meet Customs & Excise conditions for exemption will be issued with Levy Exemption Certificates (LECs) for their generation. The LECs transfer along with the electricity and can be used by business consumers to claim levy exemption.

The fair value of Renewable Obligation Certificates are recognised in the profit and loss account as operating income when qualifying electricity is generated.

c) Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

d) Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

3.4 Share-based payment transactions

Warrant holders of the Group receive remuneration in the form of share-based payment transactions, whereby warrant holders render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with warrant holders is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a binomial model, further details of which are given in Note 27.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant warrant holder becomes fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning end of that period.

The dilutive effect of outstanding warrants is reflected as additional share dilution in the computation of earnings per share (see Note 14).

3.5 Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets/liabilities are carried on an undiscounted basis.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.6 Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated as follows:

- Wind turbines—straight line basis over 20 years
- Other equipment—straight line basis over 5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3.7 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units to which it relates, or groups of cash-generating units, that are expected to generate future cash flows, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the

cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss in disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.8 Development costs

Renewable energy project development costs

An intangible asset arising from the development expenditure on an individual renewable energy project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

A summary of the policies applied to the Group's intangible assets is as follows:

Useful life	Development costs
	Finite
Method used	Amortised over the period of expected future sales from the related project on a straight-line basis
Internally generated or acquired	Both
Impairment testing/recoverable amount testing	Annually for assets not yet in use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the assets is derecognised.

3.9 Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

As assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in

which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.10 Investments

Financial assets in the scope of IAS 39 are classified as either investments at fair value through profit or loss, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Investments at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those assets designated at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in income.

The Group's investment in the Tymien wind project, via Invenergy Wind US LLC, has been classified as a financial asset at fair value through profit or loss. The Group has applied the exemption set out in IAS 31 Interests in Joint Ventures and elected not to consolidate the results of Invenergy Wind US LLC.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the categories set out in IAS 39. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity and unrealised foreign exchange gains or losses taken through the income statement, until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and option pricing models.

3.11 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred assets and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit and loss.

3.12 Impairment of financial assets

The Group assesses at each balance sheet date whether a financial assets or group of financial assets is impaired.

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit and loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit and loss.

3.13 Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The fair value of trade and other receivables is equal to the carrying amount.

3.14 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand and deposits held at call with banks.

3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the share premium account.

3.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.17 Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Company's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.18 Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from the changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit and loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

4. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance until further investment opportunities are entered into. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's investments.

The main risks arising from the Group's financial instruments are foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 3.20.

Foreign currency risk

As a result of investments at fair value through profit or loss, the Group's balance sheet can be affected by movements in the Polish Zloty/GBP exchange rate. During the period the Group did not seek to hedge the exposure in investments at fair value through profit or loss.

The Group also has transactional currency exposures. Such exposures arise from sales and purchases of available-for-sale investments in currencies other than the Group's functional currency. 100% of the Group's available-for-sale investments are denominated in currencies other than the functional currency. At 31 December 2005 approximately 100% of the Group's transactional currency exposure from available-for-sale investments was hedged, although hedge accounting was not applied. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

Credit risk

The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's available-for-sale investments which have fixed interest rates.

4.1 Financial instruments—credit risk

There are no significant concentrations of credit risk within the Group.

4.2 Financial instruments—forward currency contracts

The Group had six forward currency contracts outstanding at 30 June 2006 designated as hedges of future bond maturities denominated in US\$ and Canadian \$. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

	Maturity	Exchange rate	Fair value £
Forward contracts to hedge future sales			
US\$2,710,000	31 August 2006	1.8726	1,519
CAD\$3,505,000	31 August 2006	2.0578	11,126
			<u>12,645</u>
Forward contracts to hedge future purchases			
US\$3,375,000	26 July 2006	1.8714	83,746
			<u>83,746</u>

4.3 Financial instruments—effective interest rates, maturity dates and fair value

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

	Maturity	Effective interest rate %	Carrying value and fair value £	Nominal value in foreign currency
Non-current assets				
Investments at fair value through profit or loss	Long term investment, no fixed maturity	15.0	8,358,253	
Current assets				
Available-for-sale investments ..	31 July 2006	2.75	1,080,749	US\$ 2,000,000
Available-for-sale investments ..	21 November 2006	4.125	538,173	US\$ 1,000,000
Available-for-sale investments ..	28 December 2006	6.0	541,399	US\$ 1,000,000
Available-for-sale investments ..	29 December 2006	2.75	533,944	US\$ 1,000,000
Available-for-sale investments ..	19 March 2007	5.125	539,450	US\$ 1,000,000
Available-for-sale investments ..	11 December 2007	5.0	232,565	CAD\$ 478,000
Available-for-sale investments ..	15 March 2008	4.4	968,944	CAD\$2,000,000
Available-for-sale investments ..	22 May 2008	3.75	477,838	CAD\$1,000,000
Total			<u>4,913,062</u>	
Cash	On demand	4.25	24,590,592	
Cash	On demand	2.7	<u>4,021,172</u>	
Total			<u>28,611,764</u>	

4.4 Fair value estimation

The fair value of PPE from the acquisition of Cornwall Light & Power Co. Ltd is based on the value in use. The value in use is calculated using the latest budgeted/forecast cash flows of the cash generating

unit or units and a risk adjusted discount rate. The value in use was calculated using a discount rate of 10%.

The fair value of joint ventures accounted for as investments at fair value through profit or loss is based on the value in use. The value in use is calculated using the latest budgeted/forecast cash flows of the cash generating unit or units and a risk adjusted discount rate. The value in use was calculated using a discount rate of 15%.

Renewable Obligation Certificates (ROC) unsold and held on the register operated by Ofgem are valued at the last sale price achieved.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Investment in Tymien

The fair value of joint ventures accounted for as investments at fair value through profit or loss is based on the value in use. The value in use is calculated using the latest budgeted/forecast cash flows of the cash generating unit or units and a risk adjusted discount rate.

b) Electricity prices

The Group has signed a 2.5 year power purchase agreement (PPA) with Smartest Energy covering the metered output generated by the Goonhilly Downs wind farm. Estimated income from wind farms currently under development is not covered by an existing PPA. A 10% increase/(reduction) in price will increase/(decrease) gross profit by £42,183, assuming that estimated output is achieved.

c) ROC prices

The fair value of ROCs is recognised on the balance sheet using the current market price. The market price assumed in the next financial year is £43.00 per ROC. A 10% increase/(reduction) in price will increase/(decrease) gross profit by £75,444, assuming that estimated output is achieved.

6. Operating lease commitments

Cornwall Light & Power Co. Ltd has entered into a 25 year lease agreement dated 14 December 1992 in respect of land on which the wind turbines, at Goonhilly Downs, are situated. The current rent is £32,900 per annum.

Future minimum rentals under non-cancellable operating leases as at 30 June 2006 are as follows:

—within one year	£32,900
—after one year but not more than five years	£131,600
—more than five years	£213,850

7. Related party disclosures

The consolidated financial statements include the financial statements of Renewable Energy Generation Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	% equity interest
CLP Holdings Limited	UK	100
Cornwall Light & Power Co. Ltd	UK	100

Renewable Energy Generation Limited is the ultimate parent entity.

The following table provides the total amount of transactions, which have been entered into with related parties for the reported period.

<u>Related Party</u>	<u>Purchases from related parties £</u>	<u>Owed to related parties £</u>
Entity with a director in common (Andrew Whalley—REG director):		
REG Power Management Limited	341,199	—
Entity with a director in common (Neil Harris—Nth Power):		
Nth Power Limited	73,770	—
Entity with a director in common (Bruce Woodman—CLP director):		
Pure Energy Professionals Limited	122,380	11,296
	<u>537,349</u>	<u>11,296</u>

As disclosed in Note 27, the Company granted 2,750,000 warrants to REG Power Management Limited.

As disclosed in Note 10, the Company incurred Directors' fees of £157,574 during the period.

Joint venture in which the parent is a venturer

Invenergy Wind Europe LLC

The Group has a 50% interest in Invenergy Wind Europe LLC (Note 17).

8. Contingent liabilities

As mentioned in Note 26 the Company has entered into transactions that involve deferred consideration being paid; the value and subsequent payment of which are contingent on certain conditions being met. As at 30 June 2006 the Company has not recognised a contingent liability in relation to this transaction.

9. Segment information

a) Primary reporting format—business segments

At 30 June 2006, the Group is organised on a worldwide basis into two main business segments: energy generation and financial investment management.

The segment results for the period ended 30 June 2006 are as follows:

	Energy generation	Financial investment management	Group
	£	£	£
Total gross segment sales and other operating income	743,830	—	743,830
Sales and other operating income	743,830	—	743,830
Operating loss	(88,485)	(1,095,554)	(1,184,039)
Other income	—	390,626	390,626
Finance income	10,114	1,367,291	1,377,405
(Loss)/profit before income tax	(78,371)	662,363	583,992
Income tax expense	(60,155)	(600)	(60,755)
(Loss)/profit for the period	(138,526)	661,763	523,237

Energy generation income is broken down as follows:

Electricity sales	408,186
ROC sales	286,519
LEC sales	33,737
TRIAD sales	15,388
	<u>743,830</u>

Other segment items included in the income statement are as follows:

	Energy generation	Investment management	Group
	£	£	£
Depreciation	328,449	—	328,449

The segment assets and liabilities at 30 June 2006 and capital expenditure for the period then ended are as follows:

	Energy generation	Financial investment management	Group
Assets	15,512,622	38,060,818	53,573,440
Liabilities	632,571	231,974	864,545
Capital expenditure	10,874,228	8,060,492	18,934,720

Segment assets consist primarily of property, plant and equipment, intangible assets, receivables and operating cash.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

b) Secondary reporting format—geographical segments

The Company is domiciled in Guernsey.

	30 June 2006 2005 £
Sales	
UK	743,830

Sales are allocated based on the country in which the customer is located.

	At 30 June 2006
	£
Total Assets	
UK	45,215,187
Poland	<u>8,358,253</u>
	53,573,440

Total assets are allocated based on where the assets are located.

	Period ended 30 June 2006
	£
Capital expenditure	
UK	10,874,228
Poland	<u>8,060,492</u>
	18,934,720

Capital expenditure is allocated based on where the assets are located.

	Period ended 30 June 2006
	£
Analysis of sales by category	
Sales of energy	743,830
Investment income	—
Dividend income	<u>—</u>
	743,830

10. Expenses by nature

	25 April 2005 to 30 June 2006
	£
Management fees	472,615
Depreciation	328,449
Administration & audit	273,034
Legal & professional fees	209,183
Share based payment expense	191,368
Director's fees	157,574
Operations & maintenance	134,849
Travel & subsistence	46,067
Insurance	36,919
Rent	33,316
Investment committee expenses	20,000
Rates	15,160
Bank charges & interest	11,594
Utilities	5,183
Foreign exchange gains	(7,442)
Total	<u>1,927,869</u>
Classified as:	
—cost of sales	
Management fees	341,199
Depreciation	328,070
Operations & maintenance	134,849
Total	<u>804,118</u>
—administrative expenses	
Administration & audit	273,034
Legal & professional fees	209,183
Share based payment expense	191,368
Director's fees	157,574
Management fees	131,416
Travel & subsistence	46,067
Insurance	36,919
Rent	33,316
Investment committee expenses	20,000
Rates	15,160
Bank charges & interest	11,594
Depreciation	379
Foreign exchange gains	(7,442)
Total	<u>1,118,568</u>
—other operating expenses	
Utilities	<u>5,183</u>
Total	<u>5,183</u>

11. Other income

	25 April 2005 to 30 June 2006
	£
Realised gains	
—realised gain on available-for-sale investments (Note 20)	92,865
Fair value gains on financial instruments:	
—unrealised gain on investments at fair value through profit and loss (Note 17) . . .	297,761
	<u>390,626</u>

12. Finance income

	25 April 2005 to 30 June 2006
	£
Interest income:	
—bond interest	317,527
—bank interest	1,059,878
	<u>1,377,405</u>

13. Tax

	30 June 2006
	£
Current	113,221
Deferred tax (Note 23)	(52,466)
	<u>60,755</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	30 June 2006
	£
Profit before tax	583,992
Tax calculated at domestic tax rates applicable to profits in the respective countries	213,968
Effects of:	
—tax exempt profits from Guernsey based Company	(201,459)
—small companies relief	(23,850)
—change in tax rate	—
—excess of depreciation over capital allowances	403
—notional Guernsey tax charge	600
—tax effect of fair value adjustment on acquisition of subsidiary	59,043
—non-deductible expenses	12,050
Tax expense	<u>60,755</u>

The weighted average applicable tax rate was 10.4%. This is caused by the Renewable Energy Generation Limited being domiciled in Guernsey and not being subject to tax.

14. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	30 June 2006
Profit attributable to equity holders of the Company	£523,237
Weighted average number of ordinary shares in issue	41,658,986
Basic earnings per share	1.26p

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: warrants.

The calculation is performed for the warrants to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscriptions rights to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

	30 June 2006
Profit attributable to equity holders of the Company	£523,237
Weighted average number of ordinary shares in issue	41,658,986
Adjustment for warrants	2,597,926
Weighted average number of ordinary shares for diluted earnings per share	44,256,912
Diluted earnings per share	1.18p

15. Property, plant and equipment

	Wind turbines	Fixtures, fittings and equipment	Total
	£	£	£
Opening net book amount at 25 April 2005	—	—	—
Acquisition of subsidiary (Note 26)	2,371,826	1,158	2,372,984
Additions	1,562,583	—	1,562,583
Disposals	—	—	—
Depreciation charge	(328,070)	(379)	(328,449)
Closing net book amount at 30 June 2006	3,606,339	779	3,607,118
At 30 June 2006			
Cost or valuation	8,078,334	5,401	8,083,735
Accumulated depreciation	(4,471,995)	(4,622)	(4,476,617)
Net book amount	3,606,339	779	3,607,118

Wind turbines includes £1,562,583 relating to assets under construction. This represents costs which have been incurred in the course of developing wind projects. All expenditure that is capitalised is amortised over the period of expected future sales from the related project. During the period to 30 June 2006 there were no sales from development projects and therefore no amortisation has been expensed during the period.

16. Development costs and Goodwill

	Development costs	Goodwill	Total
	£	£	£
Opening net book amount at 25 April 2005	—	—	—
Acquisition of subsidiary (Note 26)	—	3,009,914	3,009,914
Additions (Note 3.8)	4,156,424	—	4,156,424
Closing net book amount at 30 June 2006	<u>4,156,424</u>	<u>3,009,914</u>	<u>7,166,338</u>
At 30 June 2006			
Cost or valuation	<u>4,156,424</u>	<u>3,009,914</u>	<u>7,166,338</u>
Net book amount	<u>4,156,424</u>	<u>3,009,914</u>	<u>7,166,338</u>

Development costs includes the acquired cost of £4,156,424 for 24 wind projects in the UK. The total portfolio, which exceeds 75MW, comprises of nationally distributed projects utilising 2 or 3 turbines. Any expenditure that is capitalised is amortised over the period of expected future sales from the related project. During the period to 30 June 2006 there were no sales from development projects and therefore no amortisation has been expensed during the period.

17. Investments at fair value through profit or loss

	30 June 2006
	£
At 25 April 2005	—
Additions	8,060,492
Fair value gain (Note 5.1)	297,761
At 30 June 2006	<u>8,358,253</u>

On 24 August 2005 the Group entered into a 50% joint venture with Invenenergy Wind LLC, a Delaware limited liability company. The investment in the wind farm at Tymien, Poland has been made via Invenenergy Wind Europe LLC. The Group has elected to treat the interest in the joint venture as an investment at fair value through profit or loss and has therefore not consolidated the results of Invenenergy Wind Europe LLC in these consolidated financial statements.

Additions during the period represents the investment in Tymien, a Polish wind project with a capacity of 50MW.

The investment in Tymien has been revalued to its fair value, being the recoverable amount, determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 20 year period.

18. Inventories

	30 June 2006
	£
Stock	<u>16,831</u>
	<u>16,831</u>

Stock consists of spare parts valued at historical cost.

19. Trade and other receivables

	30 June 2006
	£
Forward exchange contracts (Note 4.2)	83,746
Prepayments and accrued income	547,650
Trade receivables	1,496
Social security and other taxes	267,182
	<u>900,074</u>
In the period to 30 June 2006 accrued income has been included as follows:	
—bond interest receivable	94,163
—LECs, TRIADS and generation not yet billed	37,908
	<u>132,071</u>

Trade receivables are non-interest bearing and are generally on 30 day terms.

20. Available-for-sale investments

	30 June 2006
	£
At 25 April 2005	—
Additions	16,830,767
Disposals	(11,901,189)
Fair value adjustment, unrealised loss taken to equity	(66,308)
Unrealised foreign exchange gain	49,792
At 30 June 2006	<u>4,913,062</u>
Bonds:	
—Corporate investment grade	2,863,369
—Securitised/collateralised/mortgage backed securities	1,080,749
—Quasi and foreign government	968,944
	<u>4,913,062</u>
The carrying amounts of the above financial assets are classified as follows:	
Available-for-sale	<u>4,913,062</u>
	<u>4,913,062</u>

21. Fair value reserve

	30 June 2006
	£
Available-for-sale investments	
—fair value adjustment, unrealised loss taken to equity	(66,308)
	<u>(66,308)</u>

The fair value loss on available-for-sale investments represents the unrealised loss on the revaluation of bonds held at the bid price as at 30 June 2006. The loss has been taken to equity.

22. Share-based payment reserve

	30 June 2006
	£
Warrants:	
—fair value of warrants (Note 27)	191,368
	<u>191,368</u>

23. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	<u>30 June 2006</u>
	<u>£</u>
—deferred tax asset	—
Deferred tax liabilities:	
—deferred tax liability	<u>357,574</u>

The gross movement on the deferred income tax account is as follows:

At 25 April 2005	—
Acquisition on subsidiary (Note 26)	670,388
Income statement charge (Note 13)	<u>(52,466)</u>
At 30 June 2006	<u>617,922</u>

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

	<u>Accelerated tax depreciation</u>	<u>Total</u>
	<u>£</u>	<u>£</u>
Deferred tax liabilities		
At 25 April 2005	—	—
Charged/(credited) to income statement	(52,466)	(52,466)
Acquisition of subsidiary	670,388	670,388
At 30 June 2006	<u>617,922</u>	<u>617,922</u>

24. Trade and other payables

	<u>30 June 2006</u>
	<u>£</u>
Forward exchange contracts (Note 4.2)	12,645
Accrued expenses	215,250
Other related parties	11,296
Trade payables	<u>170,621</u>
	<u>409,812</u>

Other related parties refers to REG Power Management Limited, Pure Energy Professionals Limited and Nth Power Limited (Note 7).

25. Cash generated from operations

	30 June 2006
	£
Profit before tax for the period	583,992
Adjustments for:	
—depreciation (Note 15)	328,449
—unrealised gain on investments at fair value through profit and loss (Note 17)	(297,761)
—realised gain on available-for-sale investments (Note 11)	(92,865)
—unrealised foreign exchange gain on available-for-sale investments (Note 20)	(49,792)
—charge in respect to warrants (Note 22)	191,368
—interest income (Note 12)	(1,377,405)
Changes in working capital:	
—trade and other receivables	(347,067)
—inventories	(16,831)
—trade and other payables	352,194
—income tax paid	(68,740)
Cash used in operations	(794,458)

26. Business combinations

On 23 June 2005, the Group acquired 100% of the share capital of CLP Holdings Ltd and The Cornwall Light & Power Co. Ltd, an independent power generator. The acquired business contributed revenues of £743,830 and net loss of (£18,456) to the Group for the period from 23 June 2005 to 30 June 2006.

Details of net assets acquired and goodwill are as follows:

	£
Purchase consideration:	
—cash paid	5,071,939
—direct costs relating to the acquisition	176,292
Total purchase consideration	5,248,231
Fair value of net assets acquired	2,238,317
Goodwill	3,009,914

The goodwill is attributable to the following factors:

- significant emphasis was placed on the power output performance of the Goonhilly Downs wind farm
- the potential to re-power the Goonhilly Downs site improving the power output
- the ability to access materially higher electricity prices

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
	£	£
Cash and cash equivalents	93,010	93,010
Property, plant and equipment	2,372,984	1,505,158
Receivables	553,008	631,075
Payables	(110,297)	(168,619)
Net deferred tax liabilities	(670,388)	(410,040)
Net assets acquired	2,238,317	1,650,584

The fair value of property, plant and equipment is based on the value in use. The value in use is calculated using the latest budgeted/forecast cash flows, covering the remaining 8 year useful life of the underlying assets of the cash generating unit or units and a discount rate of 10%.

Purchase consideration settled in cash	5,248,231
Cash and cash equivalents in subsidiary acquired	(93,010)
Cash outflow on acquisition	<u>5,155,221</u>

A deferred payment of £500,000 will be due in the event that the Goonhilly Downs site is re-powered and the re-powering of the site results in turbines being constructed with an aggregate output of more than 6MW. As at 30 June 2006 managements intention is to re-power the site but no agreements have been formally entered into.

On 3 August 2006, the Group acquired 100% of the share capital of AIM PowerGen Inc a Canadian wind developer.

Details of net assets acquired and goodwill are as follows:

	£
Purchase consideration:	
—cash paid	9,395,507
—shares issued at fair value	4,355,907
—direct costs relating to the acquisition	<u>266,090</u>
Total purchase consideration	14,017,504
Fair value of net assets acquired	<u>248,158</u>
Goodwill	<u>14,265,662</u>

The goodwill is attributable to the following factors:

- the pipeline of Canadian wind projects
- the expertise of the development team

The assets and liabilities arising from the acquisition are as follows:

	Fair value £	Acquiree's carrying amount £
Cash and cash equivalents	133,362	133,362
Property, plant and equipment	172,257	172,257
Receivables	22,042	22,042
Payables	<u>(79,503)</u>	<u>(79,503)</u>
Net assets acquired	<u>248,158</u>	<u>248,158</u>
Purchase consideration settled in cash		9,395,507
Cash and cash equivalents in subsidiary acquired		<u>(133,362)</u>
Cash outflow on acquisition		<u>9,262,245</u>

27. Share-based payments

The Group operates a warrant program that is equity-settled and is without market conditions attached. The fair value of the granted warrants is reported as an administration expense with a corresponding increase in shareholders' equity. Fair value is calculated at the grant date and allocated over the period during which the benefit is earned. The estimate of the level of vesting is reviewed at

least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the market value of the award as at the date of grant.

	2006	
	Average exercise price (per warrant)	Outstanding warrants
At 25 April 2005	—	—
Granted	1.000	2,750,000
Exercised	—	—
At 30 June 2006	1.000	2,750,000

The fair value of warrants granted during the period was determined using the Binomial model and was 16.7012p. The significant inputs into the model were share price of 102.50p at the grant date, exercise price shown above, volatility of 10%, expected vesting period of 36 months and 4.5% risk-free rate (10 year gilts). The volatility is the expected future volatility based on the history of the utilities sector.

There are no vesting conditions attached to the warrants.

The expense recognised in the period to 30 June 2006 is £191,368

The warrants were initially granted to REG Power Management (RPM) Limited.

28. Dividends per share

	2006 £
Declared and paid during the period	
Equity dividends on ordinary shares:	
First interim dividend declared and paid—1p	550,000
Proposed (not recognised as a liability at 30 June 2006)	
Equity dividends on ordinary shares:	
Second interim dividend declared—3p	1,759,372

A dividend of 3p per share, amounting to a total dividend of £1,759,372 was proposed by the directors at their meeting on 19 September 2006. The proposed dividend has not been recognised as a liability as at 30 June 2006.

29. Share capital

During the period, the issued share capital was increased by £5,500,000 by the creation of 55,000,000 ordinary shares of 10p each. The total consideration received was £55,000,000. Issue costs of £2,649,750 have been offset against the share premium account.

	30 June	
Authorised		
Ordinary shares of 10p each	55,000,000	
	30 June No. of shares	£
Ordinary shares		
Issued and fully paid at 22 April 2005	25,000,000	2,500,000
Issued and fully paid at 1 November 2005	30,000,000	3,000,000
	55,000,000	5,500,000

The Company has one class of ordinary shares which carry no right to fixed income.

A resolution to reduced the Share Premium account by £10,000,000 was proposed and passed at an Extraordinary General Meeting on 3 April 2006. The application to reduce the Share Premium account was approved by the Royal Court of Guernsey on 21 April 2006.

30. Net asset value (NAV)

Basic

Basic NAV per share is calculated by dividing the total assets less total liabilities of the Company by the total number of ordinary shares in issue at the end of the accounting period.

	30 June 2006
Total assets less total liabilities	£52,448,547
Total number of ordinary shares in issue at the end of the period	55,000,000
Basic NAV per share	95.36p

Diluted

Diluted NAV per share is calculated by adjusting the total assets less total liabilities of the Company by adding the consideration received from conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: warrants.

	30 June 2006
Total assets less total liabilities as above	£52,448,547
Consideration receivable from the exercising of outstanding warrants*	£2,750,000
	£55,198,547
Total number of ordinary shares in issue at the end of the period	55,000,000
Adjustment for warrants	2,750,000
Weighted average number of ordinary shares for diluted earnings per share	57,750,000
Diluted NAV per share	95.58p

* Exercise price of £1 per share.

(D) Financial information on CLP

Cornwall Light & Power Co Limited Short Form Report

30 June 2006

6 December 2006

The Directors
Eastgate Court
High Street
Guildford
Surrey
GU1 3DE

Dear Sirs

Cornwall Light and Power Company Limited

We report on the Financial Information set out in the paragraphs 1 to 5. This Financial Information has been prepared for inclusion in the AIM admission document dated 6 December 2006 of Renewable Energy Generation Limited on the basis of the accounting policies set out in paragraph 5(2) and 5(3). This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities

The Directors of Cornwall Light and Power Company Limited are responsible for preparing the Financial Information on the basis of preparation set out in paragraph 5(2) and 5(3) to the Financial Information.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purposes of the AIM admission document dated 6 December 2006, a true and fair view of the state of affairs of Cornwall Light and Power Company Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in paragraph 5(3) to the Financial Information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Ernst & Young LLP

1. Income statement

		1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
<u>Continuing operations</u>					
	Notes	£	£	£	£
Sales and other operating income	9	680,821	700,594	619,376	734,774
Cost of sales	10	(273,222)	(301,608)	(333,272)	(249,037)
Gross profit		407,599	398,986	286,104	485,737
Administrative expenses	10	(152,218)	(251,424)	(237,039)	(283,550)
Other operating expenses	10	(3,416)	(5,589)	(5,021)	(4,067)
Operating profit	8	251,965	141,973	44,044	198,120
Finance income	11	2,788	9,947	6,112	9,381
Profit before tax		254,753	151,920	50,156	207,501
Tax	12	(112,358)	(25,348)	(99,973)	(60,157)
Profit/(loss) for the period attributable to equity holders of the parent		<u>142,395</u>	<u>126,572</u>	<u>(49,817)</u>	<u>147,344</u>
Earnings per share for profit/(loss) attributable to the equity holders of the Company during the period—basic	13	<u>147.67</u>	<u>148.63</u>	<u>(63.12)</u>	<u>186.68</u>

2. Balance sheet

	Notes	30 September 2003 £	30 September 2004 £	30 September 2005 £	30 June 2006 £
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	14	1,824,283	1,633,388	1,441,042	2,859,363
Development costs	15	—	—	—	4,156,424
		<u>1,824,283</u>	<u>1,633,388</u>	<u>1,441,042</u>	<u>7,015,787</u>
<i>Current assets</i>					
Inventories		—	—	—	16,831
Trade and other receivables	16	294,904	306,603	241,119	779,231
Cash and cash equivalents		177,544	207,042	599,712	4,021,170
		<u>472,448</u>	<u>513,645</u>	<u>840,831</u>	<u>4,817,232</u>
Total assets		<u>2,296,731</u>	<u>2,147,033</u>	<u>2,281,873</u>	<u>11,833,019</u>
EQUITY					
<i>Capital and reserves attributable to the Company's equity holders</i>					
Share capital	21	964	789	789	789
Share premium		626,305	626,305	626,305	626,305
Capital redemption reserve		424,712	424,887	424,887	424,887
Retained earnings		821,194	646,266	491,123	173,467
Total equity		<u>1,873,175</u>	<u>1,698,247</u>	<u>1,543,104</u>	<u>1,225,448</u>
LIABILITIES					
<i>Non-current liabilities</i>					
Deferred tax liabilities	17	371,099	352,885	394,521	357,574
<i>Current liabilities</i>					
Trade and other payables	18	42,885	42,767	276,051	10,152,838
Tax payable		9,572	53,134	68,197	97,159
		<u>52,457</u>	<u>95,901</u>	<u>344,248</u>	<u>10,249,997</u>
Total liabilities		<u>423,556</u>	<u>448,786</u>	<u>738,769</u>	<u>10,607,571</u>
Total equity and liabilities		<u>2,296,731</u>	<u>2,147,033</u>	<u>2,281,873</u>	<u>11,833,019</u>

3. Cash flow statement for the period

		1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	19	285,693	322,786	535,158	(310,773)
Income taxes paid		—	—	(43,274)	(68,142)
Net cash generated from operating activities		<u>285,693</u>	<u>322,786</u>	<u>491,884</u>	<u>(378,915)</u>
Cash flows from investing activities					
Purchases of property, plant and equipment	14	—	(1,735)	—	(1,562,584)
Development costs	15	—	—	—	(4,156,424)
Interest received	11	<u>2,788</u>	<u>9,947</u>	<u>6,112</u>	<u>9,381</u>
Net cash generated/(utilised) from investing activities		<u>2,788</u>	<u>8,212</u>	<u>6,112</u>	<u>(5,709,627)</u>
Cash flows from financing activities					
Repurchase of shares		(200,000)	(301,500)	(50,000)	—
Dividends paid to Company's shareholders		—	—	(55,326)	—
Increase in inter-company loan		—	—	—	9,510,000
Net cash (used in)/generating from financing activities		<u>(200,000)</u>	<u>(301,500)</u>	<u>(105,326)</u>	<u>9,510,000</u>
Net increase in cash and cash equivalents		88,481	29,498	392,670	3,421,458
Cash at beginning of period		<u>89,063</u>	<u>177,544</u>	<u>207,042</u>	<u>599,712</u>
Cash at end of period		<u><u>177,544</u></u>	<u><u>207,042</u></u>	<u><u>599,712</u></u>	<u><u>4,021,170</u></u>

4. Statement of changes in equity

	Attributable to equity holders of the Company				
	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
Balance at 1 October 2002	964	626,305	224,712	878,799	1,730,780
Redemption of preference shares	—	—	200,000	(200,000)	—
Profit for the period	—	—	—	142,395	142,395
Balance at 30 September 2003	964	626,305	424,712	821,194	1,873,175
Redemption of ordinary shares	(175)	—	175	(301,500)	(301,500)
Profit for the period	—	—	—	126,572	126,572
Balance at 30 September 2004	789	626,305	424,887	646,266	1,698,247
Additional payment ordinary shares	—	—	—	(50,000)	(50,000)
Loss for the period	—	—	—	(49,817)	(49,817)
Dividend	—	—	—	(55,326)	(55,326)
Balance at 30 September 2005	789	626,305	424,887	491,123	1,543,104
Profit for the period	—	—	—	147,344	147,344
Dividend	—	—	—	(465,000)	(465,000)
Balance at 30 June 2006	<u>789</u>	<u>626,305</u>	<u>424,887</u>	<u>173,467</u>	<u>1,225,448</u>

5. Notes to the financial statements

1. General information

The Company is a private limited company and is incorporated in the United Kingdom with its registered office at Eastgate Court, High Street, Guildford, Surrey, GU1 3DE.

The principal activity of the Company is the generation of electrical power using wind turbine machinery.

The Company was acquired by Renewable Energy Generation Limited, an AIM listed Guernsey incorporated company, on 23 June 2005.

The immediate parent company is CLP Holdings Limited.

2. Statement of compliance

The Financial Information of the Company is for the period from 1 October 2002 to 30 June 2006.

On 23 February 2006 the Company changed its year end to 30 June to coincide with that of the ultimate parent undertaking. The period from 1 October 2005 to 30 June 2006 therefore only covers a 9 month period. The comparative amounts for the income statement, statement of changes in equity, cash flow statement and the related notes are therefore not entirely comparable.

The Financial Information has been prepared in accordance with those International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as at the time of preparing this Information. The IFRS and IFRIC interpretations that will be applicable at 30 June 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this Financial Information.

IFRSs and IFRIC interpretations not yet effective

The Company has not applied the following IFRSs and IFRIC interpretations that have been issued but are not yet effective:

IFRS 6 exploration for and evaluation of mineral resources

This standard does not apply to the activities of the Company.

IFRS 7 financial instruments: disclosures

This standard is required to be applied for annual periods beginning on or after 1 January 2007, but is not expected to impact the results of the Company. However, further disclosures will be required.

IFRIC 5 right to interests arising from decommissioning, restoration and environmental rehabilitation funds

This interpretation is required to be applied for annual periods beginning on or after 1 January 2006, but is not expected to be relevant for the activities of the Company.

IFRIC 4 determining whether an arrangement contains a lease

This interpretation is required to be applied for annual periods beginning on or after 1 January 2006, but is not expected to have any impact on the Company.

IFRIC 7 applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies

This interpretation is required to be applied for annual periods beginning on or after 1 March 2006, but is not expected to be relevant for the activities of the Company.

IFRIC 8 scope of IFRS 2

This interpretation is required to be applied for annual periods beginning on or after 1 May 2006, but is not expected to have a material impact on the Company.

IFRIC 9 reassessment for embedded derivatives

This interpretation is required to be applied for annual periods beginning on or after 1 June 2006, but is not expected to be relevant for the activities of the Company.

IFRIC 10 interim financial reporting and impairment

This interpretation is required to be applied for annual periods beginning on or after 1 November 2006, but is not expected to be relevant for the activities of the Company.

IAS 1 Presentation of Financial Statements

Capital disclosure—applicable for periods beginning on or after 1 January 2007

IAS 39—Financial Instruments: Recognition and Measurement

Amendment for hedges of forecast intragroup transactions—applicable for periods beginning on or after 1 January 2006

IAS 39—Financial Instruments: Recognition and Measurement

Amendment for fair value option—applicable for periods beginning on or after 1 January 2006

IAS 39—Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts—applicable for periods beginning on or after 1 January 2006

3. Summary of significant accounting policies

Basis of preparation

The financial Information has been prepared on a historical cost basis. The financial Information are presented in sterling.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

a) Generation revenue

Revenue from the sale of electricity represents the invoice value, pre sales tax, of electricity provided to third parties and is recognised when the risks and rewards of ownership are substantially transferred.

b) ROCs, LECs revenue

Renewables Obligation Certificates (ROCs) are issued to qualifying renewables generators as evidence that a licensed electricity supplier has supplied qualifying electricity to their customers in Great Britain. These certificates may be traded separately from the electricity to which they relate through a system of limited banking and borrowing in order to give individual suppliers more flexibility as to how they meet the demands of the Obligation.

Renewable energy generators who meet Customs & Excise conditions for exemption will be issued with Levy Exemption Certificates (LECs) for their generation. The LECs transfer along with the electricity and can be used by business consumers to claim levy exemption.

The fair value of ROCs are recognised in the income statement as other operating income when qualifying electricity is generated.

c) Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Property, plant and equipment

Plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making assets capable of operating as intended. Depreciation is provided at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Wind turbines — straight line basis over 20 years

Other equipment — straight line basis over 5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Development costs

Renewable energy project development costs

An intangible asset arising from the development expenditure on an individual renewable energy project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Development costs</u>
Useful life	Finite
Method used	Amortised over the period of expected future sales from the related project on a straight-line basis
Internally generated or acquired	Both
Impairment testing/ recoverable amount testing .	Annually for assets not yet in use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the assets is derecognised.

Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

As assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the

recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred assets and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit and loss.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial assets or group of financial assets is impaired.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand and deposits held at call with banks.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the share premium account.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial Information in the period in which the dividends are approved by the Company's shareholders.

Foreign currency translation

The financial Information are presented in sterling, which is the Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. Financial risk management objectives and policies

The Company's principal financial instruments comprise cash and short-term deposits. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk. The board reviews and agrees policies for managing this risk and they are summarised below.

Credit risk

The Company trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Financial instruments—effective interest rates, maturity dates and fair value

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial Information.

	<u>Maturity</u>	<u>Effective interest rate %</u>	<u>Carrying value and fair value £</u>
October 2002 to September 2003			
Cash On demand		4.25	177,544
October 2003 to September 2004			
Cash On demand		4.25	207,042
October 2004 to September 2005			
Cash On demand		4.25	599,712
October 2005 to June 2006			
Cash On demand		4.25	4,021,170

Fair value estimation

Renewable Obligation Certificates (ROC) unsold and held on the register operated by Ofgem are valued at the current market price.

Trade receivables and trade payables are carried at their approximate fair value.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Electricity prices

The Company has signed a 2.5 year power purchase agreement (PPA) with Smartest Energy covering the metered output generated by the Goonhilly Downs wind farm. Estimated income from wind farms currently under development is not covered by an existing PPA.

b) ROC prices

Income from the sale of ROCs is accrued on the balance sheet using the current market price. The market price is assumed to be the later of 1) the most recent sale price; 2) the most recent public auction average price as shown on the Non-Fossil Fuel Purchasing Agency (NFFA) web site.

Critical judgements in applying the entity's accounting policies

Revenue recognition

The Company has recognised revenue for sales of Renewable Obligation Certificates (ROC) during the period from October 2002 to June 2006. This is accrued income. As at 30 June 2006 the amount of £454,457 is included within trade receivables which represents 11,188 ROCs valued at £40.62 each. ROCs are held on the balance sheet until they are sold.

6. Operating lease commitments

The Company has entered into a 25 year lease agreement dated 14 December 1992 in respect of land on which the wind turbines, at Goonhilly Downs, are situated. The current rent is £32,900 per annum.

Future minimum rentals under non-cancellable operating leases as at 30 September 2003 are as follows:

	£
Operating leases which expire:	
within one year	—
after one year but not more than five years	—
more than five years	286,226

Future minimum rentals under non-cancellable operating leases as at 30 September 2004 are as follows:

	£
Operating leases which expire:	
within one year	—
after one year but not more than five years	—
more than five years	264,180

Future minimum rentals under non-cancellable operating leases as at 30 September 2005 are as follows:

	£
Operating leases which expire:	
within one year	—
after one year but not more than five years	—
more than five years	240,750

Future minimum rentals under non-cancellable operating leases as at 30 June 2006 are as follows:

	£
Operating leases which expire:	
within one year	—
after one year but not more than five years	—
more than five years	213,850

7. Related party disclosures

During the periods the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and balances outstanding at the period ends with other related parties as follows:

- a) The Company has entered into an agreement with Windelectric Management Limited, a company in which P D Edwards is a director, to provide consultancy services in connection with the operation and management of the wind farm. An annual fee of £nil (2005—£11,552; 2004—£6,000; 2003—£6,000) being payable under this agreement. There were no amounts outstanding at the period ends.
- b) The Company entered into a twenty five year lease agreement dated 14 December 1992 with R A W Lyle in respect of the land on which the wind turbines are situated. The current rent is £32,900 per annum and this is payable to the new landlords following the sale of the land in September 1999. Additional rent of 3.5% of turnover was payable to R A W Lyle. During 2004 the Company made a settlement payment of £126,000 to redeem the ongoing right to this additional rent. Charges in respect of the additional rent in the income statement during 2004 amounted to £117,913 (2003—£26,521) and the unpaid amount included in accruals in 2004 is £nil (2003—£8,087).
- c) The Company has incurred management fees of £67,895 (2005—£21,350) with Pure Energy Professionals Limited, a company of which B V Woodman is a director and consultancy fees of £28,500 (2005—£3,605) with nth Power, a company of which N T Harris is a director. Amounts of £11,296 (2005—£18,502) and £nil (2005—£3,605) were due to these companies respectively at the period end.
- d) As disclosed in Note 10, the Company incurred Directors' fees of:

	£
October 2002 to September 2003	46,435
October 2003 to September 2004	46,205
October 2004 to September 2005	51,066
October 2005 to June 2006	12,584

- e) The company has an inter-company loan from its ultimate parent undertaking. The loan is interest free and has no specific repayment terms. The balance due to the ultimate parent undertaking as at 30 June 2006 amount to £9,975,000 (2005—£11,852).

8. Operating profit

This is stated after charging:

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Auditors' remuneration	2,300	2,500	8,000	6,000
Depreciation	192,283	192,630	192,346	144,263
Operating lease rentals	<u>51,294</u>	<u>30,961</u>	<u>31,602</u>	<u>25,291</u>

The company had no employees during the periods except for the directors. Details about the directors emoluments are disclosed in note 7.

9. Sales and other operating income

Segment information

The Company is organised into one business segment: energy generation and one geographical segment: United Kingdom. Sales are allocated based on the country in which the customer is located and all sales are made in the UK.

Energy generation income is broken down as follows:

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Electricity sales	171,493	140,510	191,877	383,872
ROC sales	441,643	466,953	386,371	307,225
LEC sales	42,804	39,175	37,774	28,290
TRIAD sales	24,881	22,515	3,354	15,387
Insurance claim—loss of income	—	31,441	—	—
	<u>680,821</u>	<u>700,594</u>	<u>619,376</u>	<u>734,774</u>

10. Expenses by nature

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Depreciation	192,283	192,630	192,346	144,263
Operations and maintenance	81,222	109,608	141,272	105,037
Rent	56,651	30,961	31,602	25,291
Directors' fees	46,435	46,205	51,066	12,584
Insurance	20,064	23,591	24,308	15,964
Rates	13,282	13,562	13,769	11,175
Management fees including Consultancy ...	—	—	34,300	141,701
Administration and audit	9,587	130,065	31,689	18,570
Legal and professional fees	5,697	6,000	48,305	30,438
Utilities	3,416	5,589	5,021	4,067
Travel and subsistence	182	337	1,559	27,241
Bank charges and interest	37	73	95	323
Total	<u>428,856</u>	<u>558,621</u>	<u>575,332</u>	<u>536,654</u>
	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Classified as:				
—cost of sales:				
Depreciation	192,000	192,000	192,000	144,000
Operations and maintenance	<u>81,222</u>	<u>109,608</u>	<u>141,272</u>	<u>105,037</u>
Total cost of sales	<u>273,222</u>	<u>301,608</u>	<u>333,272</u>	<u>249,037</u>
—administrative expenses:				
Administration and audit	9,587	161,062	31,629	18,569
Management fees	—	—	34,300	141,701
Bank charges and interest	37	37	95	324
Directors' fees	46,435	46,205	51,066	12,584
Depreciation	283	630	346	263
Legal and professional fees	5,697	6,000	48,365	30,438
Insurance	20,064	23,591	24,308	15,964
Rent	56,651	—	31,602	25,291
Rates	13,282	13,562	13,769	11,175
Travel and subsistence	<u>182</u>	<u>337</u>	<u>1,559</u>	<u>27,241</u>
Total administrative expenses	<u>152,218</u>	<u>251,424</u>	<u>237,039</u>	<u>283,550</u>
—other operating expenses:				
Utilities	<u>3,416</u>	<u>5,589</u>	<u>5,021</u>	<u>4,067</u>
Total other operating expenses	<u>3,416</u>	<u>5,589</u>	<u>5,021</u>	<u>4,067</u>
Total	<u>428,856</u>	<u>558,621</u>	<u>575,332</u>	<u>536,654</u>

11. Finance income

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Interest income:				
—bank interest	2,788	7,464	6,112	9,381
—other interest	—	2,483	—	—
	<u>2,788</u>	<u>9,947</u>	<u>6,112</u>	<u>9,381</u>

12. Tax

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
<i>Current income tax</i>				
—UK Corporation tax	3,459	43,562	58,337	97,104
<i>Deferred tax (Note 17)</i>				
—Origination and reversal of timing differences	108,899	(18,214)	41,636	(36,947)
Tax charge in the income statement	<u>112,358</u>	<u>25,348</u>	<u>99,973</u>	<u>60,157</u>

The tax expense in the income statement for the year is different than the standard rate of corporation tax in the UK of 30% (2003 – 19%; 2004 – 19%; 2005 – 30%). The differences are reconciled below:

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Profit before tax	<u>254,753</u>	<u>151,920</u>	<u>50,156</u>	<u>207,501</u>
Accounting profit multiplied by the UK standard rate of corporate tax of 30% (2003 – 19%; 2004 – 19%; 2005 – 30%; 2006 – 30%)	48,404	28,865	15,047	62,250
<i>Effects of:</i>				
Excess of depreciation over capital allowances	23,411	262	88,611	255
Change in tax rate	56,459	(3,794)	5,708	—
Non-deductible expenses	14	15	3,722	8,387
Small companies relief	—	—	(13,115)	(10,735)
Utilisation of losses brought forward	<u>(15,930)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Tax expense	<u>112,358</u>	<u>25,348</u>	<u>99,973</u>	<u>60,157</u>

13. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	1 October 2002 to 30 September 2003	1 October 2003 to 30 September 2004	1 October 2004 to 30 September 2005	1 October 2005 to 30 June 2006
	£	£	£	£
Profit/(loss) attributable to equity holders of the Company	<u>142,395</u>	<u>126,572</u>	<u>(49,817)</u>	<u>147,344</u>
Weighted average number of ordinary shares in issue	<u>96,429</u>	<u>85,158</u>	<u>78,929</u>	<u>78,929</u>
Basic earnings/(loss) per share	<u>147.67</u>	<u>148.63</u>	<u>(63.12)</u>	<u>186.68</u>

14. Property, plant and equipment

	Wind turbines	Fixtures, fittings and equipment	Total
	£	£	£
Opening net book amount at 1 October 2002	2,016,000	566	2,016,566
Depreciation charge	<u>(192,000)</u>	<u>(283)</u>	<u>(192,283)</u>
Opening net book amount at 1 October 2003	1,824,000	283	1,824,283
Additions	—	1,735	1,735
Depreciation charge	<u>(192,000)</u>	<u>(630)</u>	<u>(192,630)</u>
Opening net book amount at 1 October 2004	1,632,000	1,388	1,633,388
Depreciation charge	<u>(192,000)</u>	<u>(346)</u>	<u>(192,346)</u>
Opening net book amount at 1 October 2005	1,440,000	1,042	1,441,042
Additions	1,562,584	—	1,562,584
Depreciation charge	<u>(144,000)</u>	<u>(263)</u>	<u>(144,263)</u>
Closing net book amount at 30 June 2006	<u>2,858,584</u>	<u>779</u>	<u>2,859,363</u>
At 30 September 2003			
Cost or valuation	5,647,925	3,666	5,651,591
Accumulated depreciation	<u>(3,823,925)</u>	<u>(3,383)</u>	<u>(3,827,308)</u>
Net book amount	<u>1,824,000</u>	<u>283</u>	<u>1,824,283</u>
At 30 September 2004			
Cost or valuation	5,647,925	5,401	5,653,326
Accumulated depreciation	<u>(4,015,925)</u>	<u>(4,013)</u>	<u>(4,019,938)</u>
Net book amount	<u>1,632,000</u>	<u>1,388</u>	<u>1,633,388</u>
At 30 September 2005			
Cost or valuation	5,647,925	5,401	5,653,326
Accumulated depreciation	<u>(4,207,925)</u>	<u>(4,359)</u>	<u>(4,212,284)</u>
Net book amount	<u>1,440,000</u>	<u>1,042</u>	<u>1,441,042</u>
At 30 June 2006			
Cost or valuation	7,210,509	5,401	7,215,910
Accumulated depreciation	<u>(4,351,925)</u>	<u>(4,622)</u>	<u>(4,356,547)</u>
Net book amount	<u>2,858,584</u>	<u>779</u>	<u>2,859,363</u>

Wind turbines includes £1,562,584 relating to assets under construction. This represents costs which have been incurred in the course of developing wind projects. All expenditure that is capitalised is amortised over the period of expected future sales from the related project.

During the period to 30 June 2006 there were no sales from development projects and therefore no amortisation has been expensed during the period.

15. Intangible assets

	Development costs
	£
Opening net book amount at 1 October 2002 and 1 October 2003	—
Additions	4,156,424
Closing net book amount at 30 June 2006	<u>4,156,424</u>
At 30 June 2006	
Cost or valuation	4,156,424
Accumulated amortisation and impairment	—
Net book amount	<u>4,156,424</u>

Development costs include the acquired cost of £4,156,424 for the right to develop 24 wind projects in the UK. The total portfolio, which exceeds 75MW, comprises nationally distributed projects utilising 2 or 3 turbines. Any expenditure that is capitalised is amortised over the period of expected future sales from the related project. During the period to 30 June 2006 there were no sales from development projects and therefore no amortisation has been expensed during the period.

16. Trade and other receivables

	30 September 2003	30 September 2004	30 September 2005	30 June 2006
	£	£	£	£
Prepayments and accrued income	174,571	270,116	229,542	512,050
Trade receivables	115,396	36,487	11,577	—
Social security and other taxes	<u>4,937</u>	<u>—</u>	<u>—</u>	<u>267,181</u>
	<u>294,904</u>	<u>306,603</u>	<u>241,119</u>	<u>779,231</u>
Accrued income has been included as follows:				
—ROCs, LECs, TRIADS and generation not yet billed	<u>156,098</u>	<u>162,481</u>	<u>162,393</u>	<u>492,365</u>

Trade receivables are non-interest bearing and are generally on 30 day terms.

17. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 September 2003	30 September 2004	30 September 2005	30 June 2006
	£	£	£	£
Deferred tax liabilities:				
—Accelerated capital allowances	<u>371,099</u>	<u>352,885</u>	<u>394,521</u>	<u>357,574</u>

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

	Accelerated tax depreciation
	£
Deferred tax liabilities:	
At 1 October 2002	262,200
Charged to income statement	108,899
At 30 September 2003	371,099
Credited to income statement	(18,214)
At 30 September 2004	352,885
Charged to income statement	41,636
At 30 September 2005	394,521
Credited to income statement	(36,947)
At 30 June 2006	<u>357,574</u>

18. Trade and other payables

	30 September 2003	30 September 2004	30 September 2005	30 June 2006
	£	£	£	£
Trade payables	15,562	33,770	149,291	144,249
Other taxes	2,806	2,730	62,179	—
Accrued expenses	24,517	6,267	52,729	33,589
Other related parties				
—Intercompany	—	—	11,852	9,975,000
	<u>42,885</u>	<u>42,767</u>	<u>276,051</u>	<u>10,152,838</u>

19. Cash generated from operations

	30 September 2003	30 September 2004	30 September 2005	30 June 2006
	£	£	£	£
Profit for the year/period	254,753	151,920	50,156	207,501
Adjustments for:				
—depreciation (Note 14)	192,283	192,630	192,346	144,263
—interest income (Note 11)	(2,788)	(9,947)	(6,112)	(9,381)
Changes in working capital:				
—trade and other receivables	674	(11,699)	65,484	(538,114)
—inventories	—	—	—	(16,831)
—trade and other payables	(159,229)	(118)	233,284	(98,211)
Cash generated from operations	<u>285,693</u>	<u>322,786</u>	<u>535,158</u>	<u>(310,773)</u>

20. Dividends per share

	30 September 2003	30 September 2004	30 September 2005	30 June 2006
	£	£	£	£
Declared and paid during the period				
Equity dividends on ordinary shares:				
Dividend declared and paid—70p				
(2006 – 589p)	<u>—</u>	<u>—</u>	<u>55,326</u>	<u>465,000</u>

21. Share capital

Authorised	30 September 2003	30 September 2004	30 September 2005	30 June 2006
	£	£	£	£
Ordinary shares of 1p each	574,536	574,536	574,536	574,536
'A' ordinary shares of 1p each	289	289	289	289
'B' ordinary shares of 1p each	175	175	175	175
'A' and 'B' preference shares of £1 each	425,000	425,000	425,000	425,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	30 September 2003 No.	30 September 2004 No.	30 September 2005 No.	30 June 2006 No.
Allotted, called up and fully paid				
Ordinary shares of 1p each	50,000	50,000	50,000	50,000
'A' ordinary shares of 1p each	46,429	28,929	28,929	28,929
	<u>96,429</u>	<u>78,929</u>	<u>78,929</u>	<u>78,929</u>
	£	£	£	£
Ordinary shares of 1p each	500	500	500	500
'A' ordinary shares of 1p each	464	289	289	289
	<u>964</u>	<u>789</u>	<u>789</u>	<u>789</u>

Except for specific pre-emptions right provisions the rights attaching to the 'A' and 'B' ordinary shares were the same.

The 'A' and 'B' preference shares are non-equity. The 'A' preference shares were redeemed during the year ended 30 September 2003.

22. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Renewable Energy Generation Limited, a company incorporated in Guernsey. Copies of the group financial statements that is the smallest and largest group that incorporate the company can be obtained from Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands, GY1 3QL.

The immediate parent undertaking is CLP Holdings Limited.

23. Transition to International Financial Reporting Standards

For periods up to and including the year ended 30 September 2005, the company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). This Financial Information is prepared in accordance with International Financial Reporting Standards ("IFRS").

The company has prepared Financial Information which complies with IFRS applicable for periods beginning on or after 1 October 2005 and the significant accounting policies meeting those requirements are described in paragraph 5(3).

In preparing this Financial Information, the company has started from the opening balance sheet as at 1 October 2002, the company's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRSs. This note explains the principle adjustments made by the company in restating its UK GAAP balance sheet as at 1 October 2002 and its previous published UK GAAP financial information for the year ended 30 September 2005.

Exemptions applied

IFRS 1 allows first time adopters of IFRS certain exemptions from the general requirement to apply IFRS retrospectively.

Certain items of property, plant and equipment were carried at the balance sheet at valuations performed in 2002. As allowed under IFRS 1, the company has elected to regard these fair values as deemed cost as at the date of revaluations.

Reconciliation of equity as at 1 October 2002

Equity as previously reported under UK GAAP	1,704,717
IFRS adjustment for unsold ROC (note 1 below)	<u>26,063</u>
Equity under IFRS	<u>1,730,780</u>

There were no UK GAAP and IFRS differences for the year ended 30 September 2005.

Note 1

Previously under UK GAAP the company measured unsold ROC at the year end at the buy-out price. Under IFRS the ROC's are measured for at their market value.

Restatement of cash flow statement from UK GAAP to IFRS

The transition from UK GAAP to IFRS has no effect upon reported the cash flows generated by the Company. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities—operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

PART IX

TAXATION

1. General

The following statements are of a general and non-exhaustive nature based on the Directors' understanding of the current tax legislation and practices of the tax authorities in Guernsey and the United Kingdom (which are subject to change, possibly with retrospective effect) and may not apply to certain Shareholders in the Company, such as dealers in securities, insurance companies and collective investment schemes. They relate to persons who are resident or ordinarily resident in the United Kingdom for United Kingdom tax purposes, who beneficially own Ordinary Shares and who hold them as an investment.

An investment in the Company involves a number of complex tax considerations. Changes in tax legislation may occur in any of the countries in which the Company or any of its subsidiaries are located or have investments. Changes may also be made to tax treaties negotiated by such countries. Any such changes may affect the returns from the Company to its investors.

Prospective investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence whether the United Kingdom or elsewhere.

2. Guernsey Taxation

The Company

Confirmation has been sought and obtained from the Administrator of Income Tax that, under current law and practice in Guernsey, the Company will qualify for exempt status and only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest. A fee, currently £600 per annum, is payable to the States of Guernsey Income Tax Office in respect of the Company's exempt status. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

In November 2002, the Advisory and Finance Committee (now the Policy Council) of the States of Guernsey announced a proposed framework for a structure of corporate tax reform within an indicative timescale. The proposals, which were approved by the States at the end of June this year, confirm the earlier recommendations that the general rate of income tax paid by Guernsey companies (save for a few specified types of regulated business) would be reduced to 0% in respect of the tax year 2008 and subsequent years, and that exempt status would be abolished for the majority of companies. However, the States of Guernsey Administrator of Income Tax has advised that it is intended that collective investment schemes and close ended investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007. The Company will therefore be able to continue to apply for exempt status. Legislation in respect of the proposals has yet to be enacted.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent. of the authorised share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

The Policy Council has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Shareholders

Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Ordinary Shares owned by them. Shareholders who are resident for tax purposes in Guernsey will incur Guernsey tax on any dividends paid on Ordinary Shares owned by them. Whilst the Company is no longer required to deduct Guernsey income tax from dividends on any share paid to Guernsey residents, the Company is required to file tax returns with the Administrator of Income Tax, on an annual basis, when renewing the Company's exempt tax status, as described above, containing the names, addresses and gross amounts of income distributions paid to Guernsey resident Shareholders during the previous year.

EU Savings Tax Directive

Although not a Member State of the EU, Guernsey in common with certain other jurisdictions has agreed to apply equivalent measures to those contained in the EU Savings Tax Directive (2003/48/EC), with the exception that the EU resident individual to whom interest is paid will suffer a retention tax on such payment (currently set at a rate of 15 per cent.) where they have not agreed to exchange certain information about their identity, residence and savings income with the tax authorities in their Member State of Residence.

As the Company will not be regarded as an undertaking that is equivalent to a UCITS authorised in accordance with EC Directive 85/611/EEC, no retentions or exchanges of information under the EU Savings Tax Directive as implemented in Guernsey are expected to apply to holdings of Shares where payment in respect of such holdings are made by a Guernsey paying agent.

3. United Kingdom taxation

The Company

The Directors intend to conduct the affairs of the Company in such a manner so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the Company will not be subject to United Kingdom income tax or corporation tax other than on United Kingdom source income.

Shareholders

Disposal of Shares

The Company is a closed-ended company incorporated in Guernsey and therefore the Company should not, as at the date of Admission, be a “collective investment scheme” within the meaning of the FSMA. Accordingly, the provisions of sections 756A to 764 of the Income and Corporation Taxes Act 1988 (the “**Taxes Act**”) should not apply. For so long as the Company is not a collective investment scheme, any gain on disposal of Ordinary Shares by a Shareholder should not be subject to tax as income under that legislation but may be a chargeable gain for United Kingdom tax purposes.

A disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant United Kingdom tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation on chargeable gains depending on the Shareholder's circumstances, subject to any available exemption or relief. For Shareholders who are individuals, taper relief, and for Shareholders within the charge to UK corporation tax, indexation allowance, may reduce any chargeable gain but not create or increase any allowable loss.

If an individual shareholder ceases to be resident or ordinarily resident in the UK and subsequently disposes of Ordinary Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that shareholder becoming once again resident or ordinarily resident in the UK.

A Shareholder who is not resident in the United Kingdom for tax purposes, but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency or in the case of a company, a permanent establishment in the United Kingdom, may be liable to United Kingdom taxation on chargeable gains on a disposal of Ordinary Shares which are used or acquired for the purposes of the trade, profession or vocation or for the purposes of the branch, agency or permanent establishment.

Income from the Company

According to their personal circumstances, Shareholders resident in the United Kingdom for tax purposes, or Shareholders carrying on a trade in the United Kingdom through a branch or agency, or in the case of a company, a permanent establishment in connection with which the Ordinary Shares are held, will be liable to income tax or corporation tax in respect of dividend or other income distributions of the Company. For such Shareholders who are individuals and are liable to income tax at the starting rate or basic rate, dividends received from the Company will be liable to income tax at the dividend ordinary rate, currently 10 per cent. of the gross dividend paid. For individual Shareholders who are liable to income tax at the higher rate, dividends received from the Company will be subject to income tax at the dividend upper rate, currently 32.5 per cent. of the gross dividend paid.

Stamp duty and stamp duty reserve tax

The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers or intermediaries or where the Ordinary Shares are issued to a depositary or clearing system or its nominee or agent. No United Kingdom stamp duty or stamp duty reserve tax should be payable on the issue of the New Ordinary Shares. No United Kingdom stamp duty will be payable on the transfer of the Ordinary Shares, provided that any instrument of transfer is not executed in the United Kingdom and does not relate to any property situated, or to any matter or thing done or to be done in the United Kingdom. Provided that the Ordinary Shares are not registered in any register by or on behalf of the Company kept in the United Kingdom and that the Ordinary Shares are not paired with shares issued by a company incorporated in the United Kingdom, any agreement to transfer the Ordinary Shares should not be subject to United Kingdom stamp duty reserve tax.

Other United Kingdom Tax Considerations

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them (or in aggregate to them and to persons connected or associated with them), may be liable to United Kingdom corporation tax in respect of their share of the Company's undistributed profits, if any, in accordance with the provisions of Chapter IV of Part XVII of the Taxes Act relating to controlled foreign companies. These provisions only apply if the Company is controlled by United Kingdom residents. The legislation is not directed towards the taxation of chargeable gains.

Individuals ordinarily resident in the United Kingdom shall note that Chapter II of Part XVII of the Taxes Act, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of and undistributed income and profits of the Company.

The attention of Shareholders resident or ordinarily resident and, if an individual, domiciled in the United Kingdom, is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares.

Individual Savings Accounts ("ISA"), Personal Equity Plans, Self Invested Personal Pension Schemes ("SIPP") and Small Self-Administered Schemes ("SSAS").

Ordinary Shares will not be eligible to be held in the stocks and shares component of an ISA or an existing Personal Equity Plan. Ordinary Shares may be held for the purposes of a SIPP or SSAS provided that they are considered suitable investments by the relevant scheme administrator.

PART X

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Directors, whose names appear in Part III of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. 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 there is no omission likely to affect the import of such information.
- 1.2 Ernst & Young LLP, reporting accountants to the Company, has given and not withdrawn its written consent to the inclusion of the accountant's report in Part VIII of this document and the references thereto, and its name in the form and context in which they are included in this document and accepts responsibility for such report. Ernst & Young LLP has no material interest in the Company.

2. THE COMPANY

- 2.1 The Company was incorporated with limited liability in Guernsey on 25 April 2005 with registered number 43099 as a closed-ended investment company under the Companies (Guernsey) Law. The principal legislation under which the Company operates is the Companies (Guernsey) Law, and related subordinate legislation made thereunder. The Company is domiciled in Guernsey.
- 2.2 The registered office and principal place of business of the Company is Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL.
- 2.3 The Company does not have a limited duration.
- 2.4 The International Security Identification Number (ISIN) for the Ordinary Shares is GB00B0717F94.

3. THE REG GROUP AND ITS PRINCIPAL ACTIVITIES

- 3.1 The Company is the ultimate parent company of the REG Group comprising the Company and the subsidiaries set out below.
- 3.2 Immediately following Admission, the Company will have the following subsidiaries within the meaning of section 15 of The Amalgamation of Companies Ordinance, 1997:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Activity</u>	<u>Percentage of share capital held by the Company and (if different) percentage of voting power held</u>
The Cornwall Light & Power Holdings Limited	United Kingdom	Holding company	100%
The Cornwall Light & Power Co. Limited	United Kingdom	Renewable energy developer in the United Kingdom	100%
AIM PowerGen Limited	United Kingdom	Holding company	100%
AIM PowerGen Corporation	Canada	Renewable energy developer in Canada	100%

4. ACCOUNTS

The Company's accounting reference date is 30 June.

5. SHARE CAPITAL

- 5.1 The Company was incorporated with an authorised share capital of £30,000,000 divided into 300,000,000 Ordinary Shares of 10p each of which two Ordinary Shares were issued as subscriber

shares to the two subscribers to the Memorandum and Articles of the Company. Since incorporation the following alterations to the Company's share capital have occurred:

- (a) pursuant to a Directors' resolution dated 13 May 2005, 25,000,000 Ordinary Shares of 10p each were issued fully paid;
- (b) pursuant to a Directors' resolution dated 1 November 2005, 30,000,000 Ordinary Shares of 10p each were issued fully paid; and
- (c) pursuant to a Directors' resolution dated 31 July 2006, 3,645,721 Ordinary Shares of 10p each were issued fully paid.

5.2 The authorised and issued share capital of the Company as at the date hereof and as it will be following Admission is set out below:

	Authorised number of Ordinary Shares	Amount	Issued and fully paid number of Ordinary Shares	Amount
At 6 December 2006	300,000,000	£30,000,000	58,645,721	£5,864,572.10
At Admission	300,000,000	£30,000,000	100,145,721	£10,451,721

Note: The figures in the above table assume that all of the New Ordinary Shares are issued and allotted and that there has been no exercise of the Over-Allotment Option.

5.3 The Company has applied for the New Ordinary Shares to enter the CREST system from the date of Admission to enable them to be traded in uncertificated form.

6. THE COMPANY'S MEMORANDUM AND ARTICLES OF ASSOCIATION

The Articles contain provisions, *inter alia*, to the following effect:

6.1 Voting

Members have the right to receive notice of, and to vote at, general meetings of the Company. Each member who is present in person at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person or by proxy has one vote in respect of each share held.

6.2 Shares

- (a) The special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). The special rights conferred upon the shares or any shares or class of shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.
- (b) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, who may allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions as they determine.
- (c) The Company may also pay such brokerages and/or commissions as may be lawful.
- (d) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

6.3 Power to require disclosure

- (a) The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any

information in response to such notice to be given within such reasonable time as the Directors shall determine.

- (b) If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may at any time thereafter serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the shares in respect of which a default has occurred represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

6.4 Transfer of and transmission of shares

- (a) Subject to the Companies (Guernsey) Law, the Board may issue shares as certificated shares and/or as uncertificated shares in its absolute discretion.
- (b) The Articles are consistent with CREST membership and, *inter alia*, allow for the holding and transfer of shares in uncertificated form.
- (c) Any member may transfer all or any of his shares by instrument of transfer in any form which the Board may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor.
- (d) The Board may refuse to register any transfer of shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.
- (e) The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis.
- (f) The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

6.5 Alteration of capital

- (a) The Company may from time to time, subject to the provisions of the Companies (Guernsey) Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Companies (Guernsey) Law.
- (b) The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the Memorandum; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; convert all or any fully paid up shares into stock and reconvert that stock into paid up shares of any denomination; and convert its fully paid shares into shares expressed in a different currency.
- (c) The Company may by special resolution reduce its share capital, any redemption reserve fund or any stated capital account in any manner permitted by and with and subject to any consent required by the Companies (Guernsey) Law.

6.6 Powers and duties of the Board

- (a) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).

- (b) Subject to the Companies (Guernsey) Law, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
 - (iv) a contract, arrangement, transaction or proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
 - (v) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (vi) a contract, arrangement, transaction or proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.
- (c) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

6.7 Remuneration of Directors

- (a) The Directors shall be entitled to receive by way of fees for their services such sum as the Board shall determine, provided that the aggregate amount of such fees shall not exceed £300,000 per annum (or such greater sum as may be determined from time to time by ordinary resolution of the Company). The Directors shall also be entitled to be paid all reasonable out of pocket expenses properly incurred by them in attending general meetings, Board or committee meetings or otherwise in connection with the performance of their duties.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to be holder of any executive office including the office of managing director on such terms and for such periods as they may determine.

6.8 Retirement of Directors

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.

6.9 Dividends and distribution of assets on a winding up

- (a) Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Board.
- (b) The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the position of the Company.

- (c) No dividend or other amount payable to any Shareholder shall bear interest against the Company.
- (d) All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 5 years after having been declared or become due for payment shall be forfeited and shall revert to the Company.
- (e) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits as they think proper.
- (f) If the Company should be wound up the liquidator may with the authority of a special resolution, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

6.10 Borrowings

The Directors may exercise all and any powers of the Company to borrow money.

6.11 Register of Shareholders

The Company shall keep the register at its registered office, in accordance with the Companies (Guernsey) Law.

7. Directors' interests and related party transactions

7.1 The Directors of the Company are:

Name	Function	Age	Date of Appointment
Michael Liston	Non-Executive Director (Chairman)	55	25 April 2005
George Cardona	Non-Executive Director	55	25 April 2005
Tod Kersten	Non-Executive Director	44	25 April 2005
Nigel Le Quesne	Non-Executive Director	45	25 April 2005
John Donelan	Non-Executive Director	58	25 April 2005
Andrew Whalley	Non-Executive Director	42	25 April 2005

all of the Company's registered office.

Further details relating to the Directors are disclosed in paragraphs 7.2 to 7.9 (inclusive) of this Part X below.

- 7.2 No Director has agreed to subscribe for any New Ordinary Shares. Cardona Lloyd & Co Limited holds 73,204 Ordinary Shares in payment of its fee under the Corporate Finance Advisory Agreement, details of which are set out in section 11 of this Part X of this document. As at the date of this document, a trust of which the family of George Cardona, a Director of the Company, are beneficiaries, holds 52 per cent. of the share capital of Cardona Lloyd & Co Limited, representing a beneficial interest of 0.29 per cent. in the share capital of the Company. Save in respect of this paragraph 7.2 of this Part X of this document and the Warrants granted to REG Power under the Warrant Instrument, a proportion of which have been transferred to Andrew Whalley (details of which are set out in section 11 of this Part X), no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by each Director) an interest in the share capital of the Company or with any options in respect of such capital.

7.3 The Directors hold, or have held within the period of five years prior to the date of this document, the following directorships and partnerships in which they have been partners in addition to their directorships of the Company:

Director	Current directorships	Past directorships
Mike Liston	The Jersey Electricity Company Ltd Channel Islands Electricity Grid Ltd Foreshore Holdings Ltd Foreshore Ltd Jersey Post International Ltd	Newtel Ltd
George Cardona	Close Finsbury Eurotech Trust plc Cardona Lloyd & Co Limited Cardona Lloyd (Guernsey) Ltd Cardona Lloyd Hedge Portfolio Ltd Martin Currie Pacific Trust plc MDM Holding AG MDM Bank OAO Linebrook Ltd Cardona Lloyd Europe Ltd	
Tod Kersten	Lazard & Co., Limited	
Nigel Le Quesne	12a Yeomans Row Limited 14 Yeomans Row Limited 55 OBS 1 Limited 55 OBS 2 Limited 5-7 Yeoman's Row Limited 9 Yeomans Row Limited Alborada Limited Allegretto Limited Alligator Investments Limited Alpheus Limited Altiplano II Finance Limited Amedis Commercial Finance Limited Amirati Investments Limited Ammar Holdings Limited Antalis US Funding Corp. April Point Properties Limited Aragrove Investment (Shawlands) Limited Aragrove Investments Limited Arrowhead Holdings Limited Ashes Property Limited Aspire Ventures Limited Austra Corp Avalanche Investments Limited Axis Sports & Entertainment Limited Baligay Limited Balmaha Investments Limited Balzac Consultants Northern Europe Limited Bannerman (Capital) Limited Bansko Mezz Fin General Partner Limited Barnwood Properties Limited Basildon Trustee 1 Limited Basildon Trustee 2 Limited Bath Holdings Limited Beast Shipping Limited Berkely Limited Bespoke Investments Limited Blue Diamond Management Limited Blue Ribbon Asset Management Limited Blue Swan Insurance (Jersey) Limited Borric Properties Limited Boston Devonshire Holding Limited BrightWater Aquatics Limited BrightWater Enterprises Limited BW Investments Limited Cadenza Management Limited Cadenza Equestrian Services L Cadenza International Limited Camrose Properties Limited	5 Aldford Street Limited Abbotsham Limited ACE Overseas Corp ACE Overseas Limited AEP 2003 Ltd Aldermanbury Square Trustee 1 Limited Aldermanbury Square Trustee 2 Limited Altiplano Finance Limited Amber Holdings Limited Appliancezone Limited Arbrook Properties Limited Armstrong Swift Consultants Limited Arrowhead Marktplaats B.V. Arrowhead Properties Limited ASCOM Consulting Limited Bainbridge Investments Limited Barisan Properties Nv Barlee Properties Nv Bay Queen Holdings Limited Bear Foot Properties Limited Beaton Associates Limited Berkely Limited Blue and White Management Limited Bridgehead Limited Broadstone Limited Cant Enterprises Ltd. Carte Blanche Holdings Limited CET (Marketing) Limited CET (Montebre) Limited CET Capital Limited CET E-xcell Limited CET Management Services Limited Chequered Flag Limited Church Limited City Pavilion Limited Coalport Investments Limited Colehill Properties Limited Coreda Properties Limited Cutland Enterprises Ltd. Dalame Resources S.A. Dauphin Management Ltd Davenport Management Services Limited Dayann II Investments Limited Dayann Investments Limited Daytona Management Limited DBG UK Management Limited Debours Management Limited Dermalcol Limited

Director**Current directorships**

Cantel Investments Limited
Caribe Entertainment Limited
Carmin Invest SA
Carrera Limited
CBW Investments Limited
CEDCO Enterprises Limited
Certain Funding Corp.
Certain Funding Limited
CET (New Europe) Limited
Chakalak Limited
Chalk Hill Holdings Limited
Chantelys Investments Limited
Cherry Tree Trustee One Limited
Cherry Tree Trustee Two Limited
Chester Terrace Limited
Cheval Noir Investments Limited
Churchill & Carr Limited
CMS Holdings Limited
Coatbridge Retail Limited
Commerzbank I T (Jsy) Limited
Commerzbank International Trust (Jersey) Limited
Connaught House Limited Convergence Aviation Limited
Copernicus Diagnostics Group Limited
Coral International Resources Inc
Corporate Real Estate Equity Capital Limited
Corsaire Limited
Corston Holdings Limited
Creake Limited

CREEC (Bedford) Limited
Crumpton Hill Properties Limited
Curzon Three Limited
Curzon Two Limited
Cuvette Investments Limited
Cyclone Limited
DBG Development Capital Eastern Europe Limited
DCLW Consulting Limited
Declaron Trustee Limited
Defiant Productions Limited
Dervis Management Limited
Deux Pas Investments Limited
Ditco Vehicles Limited
DNA Holdings Limited
Dr Pooter Limited
Draco (St.Andrews) Limited
Draco Herbrand Limited
Draco Kings Chase Limited
Draco Maidenhead Limited
Draco Southampton Limited
Drayton Park Limited
Eden Street Trustee 1 Limited
Eden Street Trustee 2 Limited
Egyptinvest One Limited
Ellisfield Investments Limited
Emory Properties Limited
Enzo Properties Limited
ERRAF (GP) Limited
Esplanade Property Services Limited
Etna Range Limited
European Capital Solutions Limited
European Financial Partners Limited
Exchange House Management Limited
Exchange Place Limited
Ezyrik Holdings Limited
Fabian One SRL
Fabian Romania Property Fund Limited

Past directorships

DGC Group Limited
Dilkush Limited
Diola Limited
DJH Associates Ltd
Dourostan Holding B.V.
Dunkelly Investments Limited
Eastern Area Consulting Limited
Elgan Investments Limited
Embassy Court Trustee 2 Limited
Embassy Court Trustee Limited
Emperor Trustee One Limited
Emperor Trustee Two Limited
EPW Finance Limited
Equiby Limited
Equinox Investments Limited
ESP Investment Limited
EuroBeat Company Limited
Exchange House Management Limited
Fergana Holdings Limited
First Combined Trust (C.I.) Limited
First Light Capital Ltd.

Frimley Holdings Limited G.H. S.A.

Gangestan Holding B.V.
Gangestan Properties B.V.
Gloucester Estates (Fliegerstrasse) Limited
Gloucester Estates (Kudamm 110) Limited
Gloucester Estates (Kudamm 73) Limited
Gloucester Estates (Schulterblatt) Limited
Hamsah Holdings Limited
Hughestone Development Limited
Humbestan Holding B.V.
Humbestan Properties B.V.
IBS Limited
Imroz Investments Limited
Industan Holding B.V.

Inkontex Limited
Invco
Inveresk Consulting Limited
Iorganics (Jersey) Limited
Jablanica Investment Incorporated
Jeeves Enterprises Ltd.
Jestey Holdings Limited
JTC (BVI) Limited
JWS (Jersey) Limited
Karakoram Properties N.V.
Karastan B.V.
Karew Properties Limited
Keimomm S.A.
Kingston (Offshore) Ltd.
Kingsway Estates Limited
Kirkdale Consulting Limited
Kopet Properties N.V.
La Hanse Consultants Limited
Landmark Holdings Limited
Liffeystan Holding B.V.
Liffeystan Properties B.V.
Lincoln Films Limited
Linthor Holdings Ltd
Linthor Holdings Ltd
Lionheart Films Limited
Locaciti Limited
Location Unlimited Jersey Ltd
LOGGIAS Finance (Jersey) Limited
Lomond Springs Limited
Longford Property Trustees 1 Limited

Director**Current directorships**

Fabian Three SRL
Fabian Two SRL
Fern Trustee 1 Limited
Fern Trustee 2 Limited
Fernando Holdings Limited
Firefly Limited
First Canary Limited
First Mezzanine Limited
Fitzpain Limited
Flintstone Finance Limited
Florestan Holding B.V.
Gate Investments Limited
GFF Limited
Glenview Property Hldgs Ltd
Global Foundation Holdings Limited
Global Residential Developments Limited
Global Residential Properties Limited
Gloucester Estates (Holdings) Limited
Gloucester Estates (Landsberger) Limited
Gloucester Estates (Wandsbeker) Limited
Glow-Worm Properties Limited
Gulf Mezzanine Limited
Haiku Releasing Limited
Hawkwood Fund Limited
Hernando Investments Limited
Hero Football Fund Limited
Hero Football Holdings Limited
Highgrove Trustee Limited
Holcroft Limited
Hong Kong Mortgage Financing Limited
Hudson Investment Holdings Limited
Humber Land (Grimsby) Trustee One Limited
Humber Land (Grimsby) Trustee Two Limited
Ikcon Lighting Limited
Infinite End Limited
Interport Limited
Inveresk Consulting Limited
Investors In Arabia Limited
Ioanna Shipping Limited
Irongame Holdings Limited
Jalta S.A.
Jersey Trust Company Limited
Jessop Avenue Trustee 1 Limited
Jessop Avenue Trustee 2 Limited
Jetson Finance Limited
Jive Shipping Limited
JTC (BVI) Limited
JTC (UK) Limited
JTC Corporate Services (BVI) Limited
JTC Corporate Services (UK) Limited
JTC Corporate Services Limited
JTC Directors (BVI) Limited
JTC Fund Services Limited
JTC Group Limited
JTC Holdings Limited
JTC Management Limited
JTC Properties (Elizabeth House) Limited
JTC Securities Limited
JTC Trustees (BVI) Limited
JTC Trustees (Frontier) Limited
JTC Trustees (UK) Limited
JTC Trustees Limited
Karibu Limited
Karvelen Limited
Knoxville Finance Ltd
Lakeshore Entertainment Group Jersey Limited
Land Project and Development Limited
Liberation Capital Ltd.
Lincoln Investments Limited

Past directorships

Longford Property Trustees 2 Limited
MacArthur Enterprises Limited
Malachite Holding B.V.
Mantilla Enterprises Ltd
Marigot International Holdings Ltd
Matira Properties Corp
Mayfair Real Estate Ltd
Mayfair Real Estate Management Limited
Mercure Trade Finance Limited
Mercury Atlantic Ltd
Merrygate NL Limited
Merrygate Properties Limited
Messina Investments Limited
Minotaur Films Limited
Moluccastan B.V.
Natpos Holdings Limited
Natpos Limited
Nobena Limited
NSW (Jersey) Limited
Obsidian Holdings Limited
Ozonator Limited
Pacific Rim Alliance Ltd
Parsley Holdings Limited
Parsley Holdings Limited
Paradigm Logistics Ltd
Phoenix Films Limited
Pindus Properties N.V.
Pine Hills Ventures Limited
Pocklington Financial Limited
Poire Estates Limited
Polventures Limited
Pomme Properties Limited
Pontine Properties N.V.
Portia Limited
Power Lake Investments Limited
Pridian Properties Limited
Primedical International Limited
Primewell Investment Limited
Procession House Trustee 2 Limited
Procession House Trustee Limited
Quintus Consultants Limited
Quintus Management Limited
Rachelly Investments Limited
Rapier Films Limited
Ravensbeck Investments Ltd.
Recoto Holdings Limited
Revaro Limited
Richwood Overseas Corporation
Rock Designs Limited
Rosery Holdings Limited
Sagrus Properties N.V.
Salinger Properties Limited
Samarkand Films Limited
Sans Souci Properties Limited
Segura Properties N.V.
SelectInvest Egypt Limited
Sepia Finance S.A.
Setter International Holdings Ltd.
Sharlington Investments Limited
Sheriff Films Limited
Showmaxx Holdings Limited
Smicam (Jersey) Limited
Steel Finance Limited
Strawberry Fare Limited
Sugar Mezzanine Limited
Sugar Participation Limited
Telmil (Yeovil) Limited
Thornton Gate Limited
Times Square 1 Limited

Director**Current directorships**

Linden Heights Ltd
Lion Star Limited
Lion Star Properties Limited
Liquid Petroleum Gas Development Ltd
Logitech (Jersey) Limited
Lowndes Lodge Limited
Loxley Films Limited
Luba Primitive Limited
M & A International Investments Holdings Inc
M A Street Trustee 1 Limited
M A Street Trustee 2 Limited
Madara Bulgarian Property Fund Limited
Madara Holdings Limited
Manolete Limited
MasterSearch Management Consultants Limited
Mayfair Mezzanine Limited
Media Mix Ltd
Mercure Trade Finance Limited
MFB Films Limited
MFF Leasing Limited
MHL Investments Limited
Michellisa Properties Limited
Midlin Properties Limited
Ming Holdings Ltd
Mithras Holdings Limited
Mizaya Property Limited
MKMLongboat Capital Advisors (Jersey) Limited
Modena Cars Limited
Monkswood Way Trustee 1 Limited
Monkswood Way Trustee 2 Limited
Moorhurst International Investments Ltd
Morris Holdings Limited
Mostro Limited
MRD Limited
MSF Leasing Limited
N17 Limited
Newman Street Investments Limited
Newport Holdings Limited
Norris Mount Holdings Limited
Numology Limited
Ofuolst B.V.
Optimate Holdings Limited
Peak Development Limited
Perceptive Holdings Limited
Peregrine Finad Limited
Phoenix Films Limited
Pincon Investments Limited
Pinnata Limited
Polaris Investment Holdings Ltd
Precious Films Limited
Premier Asset Collateralized Entity Limited
PRG Capital Holdings Limited
Property Initiatives Limited
Pyrite Holding B.V.
Quadroon Holdings Limited
Raneen Properties Limited
Ringland Properties Limited
Ringwood Road Trustee 1 Limited
Ringwood Road Trustee 2 Limited
Roches Properties Limited
Rock Solid Limited
Root Holdings Limited
Rosery Estates Limited
Round Thorn N.V.
Sabot Investments Limited
Safety Net Limited
Sandford Farm Properties Limited

Past directorships

Times Square 2 Limited
Tinaca Investments Limited
Triennial Investments Limited
Tungrand Ltd
UBS Capital Americas Cayman, Ltd
UBS Capital Americas North Ltd
UBS Capital Americas South Ltd
UBS Capital Jersey Corporation I Ltd
UBS Capital Jersey Corporation II Ltd
Valderama Limited
Vander Real Estate Holdings N.V.
Veercroft Investments Limited
W.N.de Bruijn Inc
Watermark (Dalmore House) Limited
Watermark (Ecosse) Limited (UK Registered Office)
Wimborne Properties Limited
Windchill Investments Limited
xGlobal Preservation Inc.
Zifco.com Limited
Zircon Holdings Limited
Zone 888 Limited

Director**Current directorships****Past directorships**

Sauluna Invest Holding Ltd
Saville Real Estates Ltd
Savior Faire Properties Limited
Saxon Developments Limited
Scaramouche Investments Limited
SDH Trustee One Limited
SDH Trustee Two Limited
Sea Freedom Limited
Securitised Instantly Repackaged Perpetuals Limited
SES Limited
Shalot Properties Limited
Sharlington Investments Limited
Sherwood Films Limited
Shorething Limited
Showmaxx Rights Limited
Silver Reef Properties Limited
Slogo Investments Limited
Stark Equities Ltd
Strazo Investments Limited
SugarInvest Limited
Suncrest Profits Limited
Swan & Drake 1 Limited
Swan & Drake 2 Limited
Tabreed Project Finance One Limited
TAJRV LTD
Taltiesin Holdings Limited
Taltiesin One GmbH
Taltiesin Property Fund Limited
Tanlan Limited
Taunus Consultants Limited
TEMMACS Group Limited
Tepco UK Limited
Terrace Hill (Awdry) Limited
The Grojecka General Partner Limited
The Ludwig Wittgenstein Asset Company Limited
Thiyan Investments Limited
Tic Toc Films Limited
Trans-Baltica Container Line Ltd.
Truck Finance Limited
Tungsten Group (2) Limited
Tungsten Group Limited
Two Orchards Properties Limited
UK & European Investments (Bristol) Ltd
UK & European Investments (Chiswick) Ltd
UK & European Investments (Redhill) Ltd
Van Reijendam Investments Limited
Vesuvius Investment Hldgs Ltd
Victoria Services Inc
Visser Investments 1999 Limited
Volos Limited Warwick Square Limited
Watermark (Ecosse) Limited
Watermark CH AG
Watermark Holdings Limited
Watermark NL Limited
WCH Limited
Weedon Road Trustee 1 Limited
Weedon Road Trustee 2 Limited
Westside & City Developments Limited
Westside & City Holdings Limited
White Capricorn Limited
Whitecote Limited
Whitlow Holdings Limited
Wickets Investments Limited
Woking Participation Limited
Worcester Gate Limited
WorldNet Capital Management Limited
Worldwide Music Corporation

Director	Current directorships	Past directorships
John Donelan Andrew Whalley	WPFP Management Limited Yosemite Securities Company Ltd Zamora Limited Zebedhee Properties Limited Zingala 2 Investments Limited Zingala Investments Limited	
	REG Power Management Limited CLP Holdings Limited The Cornwall Light & Power Co. Limited AIM PowerGen Limited AIM PowerGen Corporation	Johnson Fry Second Utilities Trust Limited Johnson Fry Holdings plc Legg Mason Investments plc Legg Mason Investments (Europe) Limited Legg Mason Investment Funds Limited Legg Mason Investments Holdings Limited

7.4 Nigel Le Quesne is a director of Blue Swan Insurance (Jersey) Limited. The following is the text of a press release issued by the directors of that company on 27 April 2006:

"Blue Swan Insurance (Jersey) Limited was incorporated on 17th February 2004 at the instigation of, and on behalf of a UK based individual, who for confidentiality reasons we are unable to name. The Company closed to new business on the 21st November 2005 as it was experiencing serious financial difficulties which the directors of the Company established was caused by premium income being diverted away from the Company without their knowledge or consent. Legal proceedings were instigated in the UK by the directors for recovery of the missing premium income which is still ongoing. Furthermore, the directors of the Company have also instigated a police investigation into the actions of the beneficial owner and the Company's premium collection agent in the UK. The Company's current financial situation has resulted in a number of approved claims remaining unpaid. The board of the Company has worked with the Jersey Financial Services Commission ("JFSC") throughout and the JFSC have been fully supportive of the actions of the Company and the directors. As a result of ongoing legal proceedings in Jersey and in the UK the directors are unable to provide any further information at this time due to the risk of prejudicing the interest of the various parties concerned."

7.5 Save as disclosed in paragraphs 7.1 to 7.4 of this Part X of this document, none of the Directors:

- (a) is currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the five years immediately preceding the date of this document;
- (b) has any unspent convictions for any indictable offences or has been declared bankrupt or has made any voluntary arrangement with his creditors;
- (c) has been a director of a company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with its creditors generally or any class of its creditors;
- (d) has been a partner in a partnership at the time of or within the 12 months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- (e) has had any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within the 12 months preceding an asset of the partnership being subject to a receivership; or
- (f) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a Court from acting as a director of, or in the management or conduct of the affairs of any company.

7.6 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed save that George Cardona is a director of Cardona Lloyd & Co Limited which was appointed as financial adviser under a Corporate Finance Advisory Agreement, details of which are set out in section 11 of this Part X of this document; John Donelan is an employee of Probyn which has been appointed as adviser under the Power Advisory Agreement, details of which are set out in section 11 of this Part X of this document and Andrew Whalley is an employee and shareholder of PAM, the parent undertaking of PFM. PFM has been appointed as investment

manager under the Regulatory Management Agreement details of which are set out in section 11 of this Part X of this document.

- 7.7 No loans made or guarantees granted or provided by the REG Group to or for the benefit of any Director are outstanding.
- 7.8 Save as set out below, as at 30 November 2006, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company:

	Number of Ordinary Shares held	Overall percentage
New Star Asset Management	9,250,000	15.77
Morley Fund Management	7,351,063	12.53
MPC Investors	5,115,000	8.72
Invesco Perpetual	4,275,000	7.29
Fidelity Investments	4,000,000	6.82
Artemis Investment Management	3,900,000	6.65
Utilico (F&C Asset Management)	3,100,000	5.29
Premier Asset Management	2,295,000	3.91
IIMIA Investment Group	2,190,000	3.73
Lehman Brothers as principal	2,054,626	3.50
UBS Global Asset Management	2,000,000	3.41
Brooks Macdonald Asset Management	1,886,977	3.22

8. Directors' service agreements

- 8.1 No Director has a service contract with the Company, nor are any such contracts proposed. Each of the Directors entered into a letter of appointment with the Company on 26 April 2005 which provide for them to act as a non-executive director of the Company.
- 8.2 Pursuant to the terms of the appointments, the Chairman will receive a fee of £50,000 per annum. Each of the other Directors will receive a fee of £25,000 per annum. In addition, each Director will be reimbursed for their reasonable travelling and out of pocket expenses.
- 8.3 The estimated aggregate remuneration, including benefits in kind, to be paid to the Directors for the 12 month period ending 31 December 2007 is £175,000. This estimate is based on the contractual arrangements currently in place with each Director.

9. Options and Warrants

- 9.1 The Company has granted Warrants over the following number of Ordinary Shares pursuant to the terms of the Renewable Energy Management Agreement, as defined in section 11 of this Part X of this document and which have been transferred to the following Warrant holders:

Name of Warrant holder	Number of Ordinary Shares (assuming no exercise of the Over-Allotment Option)
REG Power	0
PAM	1,074,764
Probyn	2,149,529
PEP	708,229
Andrew Whalley	1,074,764

- 9.2 Save for the Warrants detailed in paragraph 9.1, as at 6 December 2006, the Company had not granted any options over any of the Ordinary Shares.

10. Working capital

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing and available bank facilities, the Company will from the time of Admission have sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission. Although the Company will have sufficient funding for projects that it currently intends to develop over the next 12 months, it will require additional funding in order to complete the development of its projects as described in Part IV of this document.

11. Material Contracts

The following contracts have been entered into by the REG Group, otherwise than in the ordinary course of business, during the two years preceding the date of this document and are or may be material:

Underwriting Agreement

An underwriting agreement dated 6 December 2006 between the Company, the Directors, REG Power, PAM, PEP, Probyn, Bruce Woodman, Michael Crawley and Merrill Lynch (the “**Underwriting Agreement**”), pursuant to which Merrill Lynch has agreed, subject to certain conditions, to procure subscribers for the New Ordinary Shares, or failing which, to subscribe itself at the Placing Price.

The underwriting agreement contains, amongst others, the following provisions:

- (a) the Company has appointed Merrill Lynch as Global Co-ordinator to the Placing;
- (b) the Company has agreed that the Global Co-ordinator may deduct from the proceeds of the Placing payable to the Company a commission of an amount equal to up to 80 per cent. of 3.5 per cent. the aggregate value at the Placing Price of the New Ordinary Shares together with an amount equal to any value added tax chargeable thereon;
- (c) the obligations of Global Co-ordinator to procure subscribers for New Ordinary Shares are conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the continuing accuracy of the representations and warranties under the Underwriting Agreement immediately prior to Admission and Admission occurring by not later than 08:00 on 12 December 2006 or such other time and/or date (not later than 19 December 2006) as the Global Co-ordinator may agree with the Company. The Global Co-ordinator may terminate the Underwriting Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature. These include certain changes in financial, political or economic conditions. If any of the above-mentioned conditions are not satisfied (or waived, where capable of being waived) by, or the Underwriting Agreement is terminated prior to, Admission then the Placing will lapse;
- (d) the Company has agreed to pay or cause to be paid (together with certain related value added tax) certain costs, charges, fees, expenses of, or in connection with, or incidental to, amongst other things, the Placing and/or Admission;
- (e) the Company, the Directors, REG Power, PAM, PEP, Bruce Woodman, Michael Crawley and Probyn have given certain representations and warranties to the Underwriter, subject to certain limitations. The Company, the Directors, REG Power, PAM, PEP, Bruce Woodman, Michael Crawley and Probyn have also given indemnities to the Underwriter; and
- (f) the Company, the Directors, REG Power, PAM, PEP, Bruce Woodman, Michael Crawley and Probyn have entered into a lock-up in respect of the Ordinary Shares over a period of 360 days from the date of Admission. Further details of the lock-up are set out in section 5 of Part VII.

Comfort Letter

A comfort letter dated 6 December 2006 between Probyn and the Company, pursuant to which Probyn undertook to the Company that, in consideration of the Company agreeing to terminate the Power Advisory Agreement, it would make available to REG Power personnel and secondees and additional support services so as to give the Company comfort that REG Power would be able to fulfil its obligations under the Renewable Energy Management Agreement.

Framework Agreement

A framework agreement dated 6 December 2006 between PAM, the Company, Probyn, REG Power, Andrew Whalley, Bruce Woodman, PEP and PFM (the "**Framework Agreement**"), pursuant to which a number of matters were agreed between those parties. First it was agreed that, subject to the Placing completing, the annual management fee will be 1.25 per cent. of the NAV of the Company, but not together with longterm borrowings and the incentive fee shall be reduced to 1 per cent. of the equity invested by the Company in renewable energy projects which reach substantial completion (subject to a cap of £750,000 per annum). Second it was agreed that, subject to the Placing completing, the Renewable Energy Management Agreement would be amended so that it could be terminated on 18 months' notice to expire not earlier than 17 May 2009. In addition, it was agreed that the Power Advisory Agreement would be terminated with immediate effect. The framework agreement also provides that the existing issued warrants of the Company would be cancelled and replaced by additional new warrants entitling the holders thereof to subscribe at £1 per share over such number of shares as equals 5 per cent. of the issued share capital of the Company following the Placing. Such warrants are exercisable on any Business Day between 5 May 2008 and 5 May 2011. In addition, it was agreed that following the Placing, in the event of an issue of further Ordinary Shares by the Company (otherwise than pursuant to a reconstruction or amalgamation or pursuant to the exercise of any warrants), REG Power would be entitled to additional warrants over such number of Ordinary Shares as represented 5 per cent. of the number of shares issued. The subscription price per share under such warrant would be equal to the issue price per share of the relevant issue.

Numis Engagement Letter

An engagement letter dated 1 December 2006 from Numis to the Company pursuant to which Numis is appointed nominated adviser and corporate broker to the Company in respect of the Placing and for a minimum initial period of one year. On Admission, the Company will pay Numis a corporate finance fee of £200,000 and a placing commission of 20 per cent. of 3.5 per cent. of the total value of the proceeds of the Placing. Numis will also be entitled to a nominated adviser fee of £75,000 per annum. The engagement is terminable by the Company by written notice at any time.

Administration Agreement

An administration agreement dated 6 December 2006 between the Company and Premier Asset Management (Guernsey) Limited ("**PAMG**"), pursuant to which PAMG is appointed to act as financial administrator of the Company. PAMG shall be entitled to receive an annual fee of £50,000. In consideration for its services, PAMG shall also be entitled to reimbursement of fees and expenses incurred by PAMG on behalf of the Company. The administration agreement contains an indemnity in favour of PAMG against claims by third parties in connection with its appointment as financial administrator except to the extent where the claim is due to some act or omission amounting to negligence, fraud or wilful default of PAMG. The administration agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, *inter alia*, if one of the parties goes into liquidation.

KP Renewables Project Agreement

A project agreement dated 27 October 2006 between CLP and KPR pursuant to which CLP have agreed to purchase all the rights, title and interests that KPR has in relation to two projects at Whittlesea wind farm and Ramsey wind farm, in Cambridgeshire. The development of the projects is subject to negotiation of leases with the relevant landlords. CLP and KPR are obligated to use their reasonable endeavours to procure that as soon as possible the project leases are entered into in a form which is substantially in accordance with the drafts provided to CLP prior to the date of the agreement and which are otherwise satisfactory to CLP acting reasonably. KPR has given certain limited warranties to CLP.

APG Share Purchase Agreement

A share purchase agreement dated 31 July 2006 (as amended) between APG, all of the selling security holders of APG and 2109340 Ontario Limited, an indirect wholly-owned subsidiary of the Company (the "**APG Share Purchase Agreement**"), pursuant to which 2109340 Ontario Limited acquired the entire issued share capital and all outstanding options and warrants to subscribe for shares in the

capital of APG. The consideration for the acquisition of each of the issued shares was CAN \$23, for each of the warrants was CAN \$23 less the exercise price of the relevant warrant and for each of the options was CAN \$23 less the exercise price of the relevant option. This amounted to CAN \$29,056,681 in aggregate. The consideration also included on-going one-off cash payments in respect of completed projects of (i) £22,000 per MW installed up to the 620 MW envisaged under the REG Group's business model; and £11,000 per MW installed thereafter up to 1,000 MW. Pursuant to the terms of the share purchase agreement, immediately following completion, a representative of the selling security holders was required, out of the sale proceeds, to subscribe for Ordinary Shares at their then current market value of a minimum of 30 per cent. of such proceeds, such Ordinary Shares to be distributed to the security holders designated by 2109340 Ontario Limited and APG. This was effected by way of the Subscription Agreement referred to below.

Subscription Agreement

A subscription agreement dated 3 August 2006 between the Company and several of the selling security holders of APG, pursuant to which such selling security holders subscribed in aggregate for 3,645,721 Ordinary Shares in the Company at a total price of CAN \$9,204,000. The subscription agreement includes lock-in provisions in respect of certain key employees under which the subscribed shares were to be released from the lock-in over a proportionate 3 year period from 3 August 2006.

Placing Agreement

A placing agreement dated 1 November 2005 between the Company, REG Power and Numis, pursuant to which Numis agreed to use its reasonable endeavours as agent for the Company to procure places for 30 million placing shares. In consideration for its services Numis was to be paid by the Company a corporate finance fee of 1 per cent. of the aggregate value, at the placing price, of the placing shares up to a maximum of £300,000 payable upon admission and a commission of 3 per cent. calculated on the aggregate value, at the placing price, of the placing shares issued pursuant to the placing, also payable upon admission.

The placing agreement contains certain warranties given by the Company and REG Power and certain indemnities given by the Company in favour of Numis. The placing agreement may be terminated in certain circumstances prior to admission, including by reason of *force majeure*.

Windworks Portfolio Sale and Purchase Agreement

A sale and purchase agreement dated 6 October 2005 between nPower Renewables and CLP, pursuant to which CLP acquired various equipment, contracts, land owner agreements, consents, project information and certain rights against third parties in connection with 24 wind farm development projects at different sites throughout the United Kingdom. The total consideration for the acquisition was £4 million (plus VAT), save that until certain consents are forthcoming, £400,000 of the consideration has been paid into an escrow account.

Limited Liability Company Agreement

A limited liability company agreement dated 24 August 2005 between the Company and Invenergy Wind Europe LLC, pursuant to which the Company and Invenergy Wind LLC became members of the limited liability company and agreed the basis on which the limited liability company would be regulated. Pursuant to the limited liability company agreement the Company contributed working capital which was then applied by the limited liability company's wholly owned subsidiary to purchase a controlling stake in EEZ Sp.z.o.o. Pursuant to the limited liability company agreement, the members are entitled to distributions pursuant to an agreed schedule. Under the schedule, the Company will be entitled to share in the returns received from the investment until a 15 per cent. target internal rate of return has been achieved, following which the Company will receive an ongoing residual cash return. This agreement provides for much of the day-to-day operation of the limited liability company to be undertaken by Invenergy Wind LLC, but the Company retains some basic rights of veto in certain circumstances.

Under the limited liability company agreement, Invenergy Wind LLC agrees to give the Company first offer rights in respect of a participation in any expansion of EEZ Sp.z.o.o.'s wind farm project and in an 18 MW wind farm project known as "Cisowo".

Loan Financing Agreement

A loan financing agreement dated 30 July 2005 between the Company and UAB "BNE" Baltic Natural Energy ("BNE"), pursuant to which the Company agreed, subject to certain conditions, to make available a loan of €150,000 in respect of a 15 MW wind energy development to be located near Klapedia, Lithuania. Under the loan financing agreement, BNE will provide the Company with the exclusive right to provide finance for any wind energy project undertaken by BNE or its affiliates or associated companies for a period of two years commencing on the date when the loan is actually advanced. The loan financing agreement is conditional, amongst other things, on the Company undertaking satisfactory legal and other due diligence, as well as agreeing documentation in final form.

CLP Share Purchase Agreement

A share purchase agreement dated 23 June 2005 between the Company and, amongst others, Theresa Lyle and Robert Lyle, pursuant to which the Company acquired the entire issued share capital of CLP Holdings Limited, the holding company of CLP, and that part of the issued share capital of CLP not owned by CLP Holdings Limited. The consideration for the acquisition of the shares was an initial payment of £5,071,939 in cash at completion (subject to post completion accounts adjustment) and potentially deferred consideration when the underlying wind farm projects meet certain output criteria, provided that these are satisfied by 23 June 2013.

Regulatory Management Agreement

A regulatory management agreement dated 5 May 2005 between the Company and PFM, pursuant to which PFM agreed to provide investment management services to the Company in relation to the bonds and cash assets held by it from time to time. In consideration for its services, PFM is entitled to be paid a quarterly fee in arrears at the rate of 0.5 per cent. per annum of the value of the cash and bond assets (including any hedging instruments relating thereto) as valued on the last Business Day of each quarter. The regulatory management agreement is terminable on 12 month's notice, such notice to expire not earlier than the second anniversary of the day on which the Ordinary Shares of the Company were first admitted to trading on AIM in May 2005. The regulatory management agreement may be terminated summarily in certain other circumstances including for material breach of contract. The regulatory management agreement contains an indemnity in favour of PFM from the Company for losses it may suffer in connection with its services under the agreement.

Renewable Energy Management Agreement

A renewable energy management agreement dated 5 May 2005 between the Company, REG Power (formerly Eastgate Power Management Limited) and PFM, pursuant to which REG Power agreed to provide investment management services to the Company in relation to the renewable energy generation portfolio of assets held by it from time to time. In consideration for its services, REG Power is entitled to be paid a quarterly fee in arrears at the rate of 1.25 per cent. per annum of the amount of cash or cash equivalents invested by the Company in each renewable energy project until such time as the Company is fully invested (being at least 90 per cent. in terms of value of the assets of the Company are invested in or committed to be invested in the renewable energy portfolio). Upon the Company being fully invested the fee payable will be equal to 1.25 per cent. per annum of the ongoing net asset value of the assets of the Company from time to time, together with the borrowings. In addition to the foregoing, REG Power shall be entitled to receive a transaction fee of 1.5 per cent. of the amount of cash or cash equivalent invested by the Company in renewable energy projects that it completes successfully. No transaction fee will become payable if a project aborts before completion. In addition, REG Power is entitled to receive warrants, the terms of which are set out below in the paragraph entitled "Warrant Instrument".

The renewable energy management agreement is terminable on 12 months' notice expiring on or at any time after the fourth anniversary of the day on which the Ordinary Shares of the Company were first admitted to trading on AIM in May 2005. The renewable energy management agreement may be terminated summarily or on shorter notice in certain other circumstances including for material breach of contract. The renewable energy management agreement contains an indemnity in favour of REG Power from the Company for losses it may suffer in connection with its performance of services

under the agreement. The renewable energy management agreement permits REG Power to delegate its functions to Probyn.

Power Advisory Agreement

A power advisory agreement dated 5 May 2005 between the Company, REG Power and Probyn, pursuant to which Probyn agreed to provide the Company and REG Power with investment management services delegated to it. REG Power agrees to pay Probyn a monthly fee of £10,000 as well as 50 per cent. of its profits as derived from its audited accounts at the end of each financial year. The agreement is terminable upon the termination of the Renewable Energy Management Agreement as well as on 12 months notice, such notice to expire not earlier than the fourth anniversary of the day on which the Ordinary Shares of the Company were first admitted to trading on AIM in May 2005. In addition, the agreement may be terminated summarily including for material breach of contract and in circumstances where the Board reasonably believes that Probyn is unable to discharge its duties due to its obligations to the Clean Power Income Fund ("CPIF"). The power advisory agreement contains an indemnity in favour of Probyn from the Company and REG Power for losses it may suffer in connection with its performance of services under the agreement. Pursuant to the Framework Agreement referred to above, the power advisory agreement was to be terminated with immediate effect.

Nominated Adviser Agreement

A nominated adviser agreement dated 5 May 2005 between the Company, the Directors and Collins Stewart Limited ("Collins Stewart"), pursuant to which Collins Stewart agreed, *inter alia*, to act as the Company's nominated adviser as required by the AIM Rules. Collins Stewart agreed to provide advice and guidance to the Company and the Directors to ensure compliance by the Company on an on-going basis with the AIM Rules.

Collins Stewart will receive an annual fee of £15,000 (plus VAT) for its services, payable quarterly in advance upon admission. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as nominated adviser. The nominated adviser agreement is terminable by either Collins Stewart or the Company on 1 month's notice.

Nominated Broker Agreement

A nominated broker agreement dated 5 May 2005 between the Company, the Directors and Collins Stewart, pursuant to which Collins Stewart agreed to act as the Company's broker on an on-going basis.

Collins Stewart will receive an annual fee of £15,000 (plus VAT) for its services, payable quarterly in advance. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as broker. The nominated broker agreement is terminable by either Collins Stewart or the Company on 1 month's notice.

Placing Agreement

A placing agreement dated 5 May 2005 between the Company, Collins Stewart, REG Power, Probyn and PAM, pursuant to which Collins Stewart agreed to use its reasonable endeavours as agent for the Company to procure placees at the placing price for up to 25 million placing shares. In consideration for its services Collins Stewart was to be paid by the Company a corporate finance fee of £250,000 and a commission of 3 per cent. of the aggregate value, at the placing price of the placing shares issued pursuant to the placing provided that if such sum were less than £50 million then the rate of commission will be 2 per cent. and not 3 per cent.

The placing agreement contains certain warranties and indemnities given by the Company (which are of a customary nature), REG Power and Probyn in favour of Collins Stewart.

The obligations of REG Power under the placing agreement are guaranteed by PAM.

Warrant Instrument

A warrant instrument dated 5 May 2005 between the Company and REG Power, pursuant to which the Company created warrants to subscribe for 5 per cent. of the fully diluted issued share capital of

the Company from time to time in favour of REG Power. More particularly, REG Power was entitled to subscribe for 5 per cent. of the highest fully diluted issued share capital of the Company from time to time and accordingly in the event of any buy-back of shares such shares were to be disregarded in calculating the highest fully diluted issued share capital although any shares bought back belonging to REG Power pursuant to the exercise of any warrant these were deemed to be part of its aggregate entitlement. The rights to subscribe for shares are at £1 each (subject to adjustment if there is any consolidation or subdivision of shares or a further issue out of reserves), and are exercisable on any day falling on the third anniversary of admission up to the fifth anniversary of admission. The warrant terms and conditions provide the warrant holder with the opportunity to exercise on an earlier date in the event of an offer for the Company's issued ordinary share capital. The warrants are not transferable otherwise than with the consent of the Company.

Corporate Finance Advisory Agreement

A corporate finance advisory agreement dated 5 May 2005 between the Company and Cardona Lloyd & Co Limited, pursuant to which Cardona Lloyd & Co Limited agreed to provide the Company with financial advice and other services in connection with its launch. In consideration for its services Cardona Lloyd & Co Limited were entitled to a fee of £50,000 and one per mille of the total amount raised on the initial flotation of the Company. Under the corporate finance advisory agreement the Company gives certain indemnities to Cardona Lloyd & Co Limited for losses it may suffer in connection with its appointment.

Administration Agreement

An administration agreement dated 5 May 2005 between the Company and Guernsey International Fund Managers Limited (the “**Administrator**”), pursuant to which the Administrator is appointed to act as administrator of the Company. The Administrator shall be entitled to receive an annual fee of £80,000. In consideration for its services the Administrator shall also be entitled to reimbursement of fees and expenses incurred by the Administrator on behalf of the Company. The administration agreement contains an indemnity in favour of the Administrator against claims by third parties in connection with its appointment as administrator except to the extent that the claim is due to some act or omission amounting to negligence, fraud or wilful default of the Administrator. The administration agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, *inter alia*, if one of the parties goes into liquidation.

Custodian Agreement

A custodian agreement dated 5 May 2005 between the Company and Northern Trust (Guernsey) Limited (the “**Custodian**”), pursuant to which the Custodian is appointed to provide a safekeeping service to the Company. In consideration for its services the Custodian shall be entitled to receive its reasonable fees and charges in force and as amended from time to time. The custodian agreement contains an indemnity in favour of the Custodian against claims by third parties in connection with its appointment as custodian except to the extent that the claim is due to the negligence, wilful default or fraud of the Custodian. The custodian agreement may be terminated by either party at any time by giving written notice of such termination.

Offshore Registrar Agreement

An offshore registrar agreement dated 5 May 2005 between the Company and Capita IRG (CI) Limited (the “**Registrar**”), pursuant to which the Registrar is appointed to act as registrar of the Company. In consideration for its services the Registrar shall be entitled to receive a fee from the Company at the basic fee of £2 per shareholder account per annum, subject to an annual minimum charge of £5,500, payable quarterly in arrears. Additional fees payable by the Company include, *inter alia*, fees in the sum of £2,000 per annum for maintenance of the register in Guernsey. The Registrar shall also be entitled to reimbursement of all reasonable out of pocket expenses properly incurred on behalf of the Company. The offshore registrar agreement contains an indemnity in favour of the Registrar against claims by third parties in connection with its appointment as registrar except to the extent that the claim is due to the fraud, negligence or wilful default of the Registrar or its agents, officers or employees. The offshore registrar agreement may be terminated by either party giving to the other not less than 3 months' written notice or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation.

Co-investment Agreement

A co-investment agreement dated 26 April 2005 between the Company, Clean Power Operating Trust ("CPOT") and CPIF (CPOT and CPIF together the "Fund"), pursuant to which the Fund agreed to offer co-investment rights to the Company in any renewable energy project identified by the Fund, excluding in the US or Canada. The Company was to offer rights of co-investment to the Fund in respect of all renewable energy projects identified by the Company. The initial term of the Agreement was one year automatically renewable for one year unless either party gave to the other not less than 90 days' notice prior to the end of such term. This agreement was terminated on 7 June 2006 and is of no further effect.

12. General

- 12.1 Save as disclosed in section 11 of this Part X of this document, there are no agreements that are of fundamental importance to the Company's business.
- 12.2 REG Power was incorporated with limited liability in the United Kingdom on 18 July 1997 with registered number 03405253 under the Companies Act 1985. REG Power is domiciled in England.
- 12.3 Save as disclosed in Part VI and Part VIII of this document, there has been no significant change in the financial or trading position of the companies forming the REG Group since the date to which the Accountant's Report set out in Part VIII of this document in respect of such companies has been drawn up.
- 12.4 The principal activities of the REG Group are as described in Part IV of this document. There are no exceptional factors which have influenced the REG Group's activities.
- 12.5 Ernst & Young LLP were appointed as requisitioned auditors to the Company on 25 April 2005.
- 12.6 The address of Ernst & Young LLP, the registered auditors of the Company is PO Box 9, 14 New Street, St. Peter Port, Guernsey GY1 4AF. The financial information contained in Part VIII of this document does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. Ernst & Young LLP has no material interest in the Company.
- 12.7 The Ordinary Shares are in registered form.

13. Documents available

- 13.1 Copies of this document which is dated 6 December 2006, will be available free of charge to the public at the offices of Stephenson Harwood, One St. Paul's Churchyard, London, EC4M 8SH and at the registered office of the Company at Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL during usual business hours on the date of Admission and for not less than one month thereafter on any weekday (excluding Saturdays, Sundays and public holidays).
- 13.2 Copies of the following documents may be inspected at the offices of Stephenson Harwood, One St. Paul's Churchyard, London EC4M 8SH during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document until Admission:
 - (a) the Memorandum and Articles of the Company;
 - (b) the reports contained in Part VIII of this document; and
 - (c) this document.

DEFINITIONS

“Administrator”	means Northern Trust International Fund Administration Services (Guernsey) Limited;
“Administrator of Income Tax”	means the administrator of income tax appointed under the Income Tax (Guernsey) Law 1975, as amended;
“Admission”	means the admission of the New Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM;
“AIM”	means AIM, a market of the London Stock Exchange;
“AIM Rules”	means the rules published by the London Stock Exchange governing admission to and the operation of, AIM;
“APG”	means AIM PowerGen Corporation;
“APG Share Purchase Agreement”	means the share purchase agreement dated 31 July 2006 (as amended) between APG, all of the selling securityholders of APG and 2109340 Ontario Limited, an indirect wholly-owned subsidiary of the Company;
“Articles”	means the articles of association of the Company;
“BNE”	means UAB “BNE” Baltic Natural Energy;
“Board”	means the board of Directors including a duly constituted committee thereof;
“Business Day”	means a day other than a Saturday or a Sunday on which banks are open for business in London and Guernsey;
“CAN \$” or “CAN ¢”	means the lawful currency of Canada;
“Canadian Provinces”	means collectively Ontario, Québec, British Columbia, Alberta and Manitoba;
“CanWEA”	means the Canadian Wind Energy Association;
“CDM”	means the Clean Development Mechanism, one of the “flexible mechanisms” introduced by the Kyoto Protocol;
“Companies (Guernsey) Law”	means Companies (Guernsey) Law 1994, as amended;
“Climate Change Levy”	means a tax on the non-domestic use of energy in the United Kingdom by industry, commerce and the public sector (with related employer National Insurance contribution reductions etc.);
“CLP”	means The Cornwall Light & Power Co. Limited;
“Collins Stewart”	means Collins Stewart Limited;
“Combined Code”	means the Principles of Good Governance and Code of Best Practice prepared by the Committee on Corporate Governance, published in June 1998;
“Company”	means Renewable Energy Generation Limited;
“Core Subsidiaries”	means APG and CLP, together;
“Corporate Finance Advisory Agreement”	means the agreement entered into between the Company and Cardona Lloyd & Co Limited dated 5 May 2005;
“CPIF”	means Clean Power Income Fund;
“CPOT”	means Clean Power Operating Trust;

“CREST”	means the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form;
“CREST Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001/3755) including: (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force;
“Custodian”	means Northern Trust (Guernsey) Limited;
“Directors”	means the non-executive directors of the Company, whose names appear in Part III of this document;
“DNO”	means distribution network operator;
“EBITDA”	means earnings before interest, taxes, depreciation and amortization;
“EC Linking Directive”	means EU Directive 2004/101/EC which came into force in November 2004;
“EIA”	means environmental impact assessment;
“EPC contract”	means Engineer, Procure, Construct contract;
“ET”	means Emission Trading, one of the “flexible mechanisms” introduced by the Kyoto Protocol;
“EU”	means the European Union;
“EU ETS”	means EU Emissions Trading Scheme, a scheme which sets a cap on the emission allowances of member states of the Kyoto Protocol and provides for these member states to trade their emission credits;
“EU Renewables Directive”	means EU Directive 2001/77/EC which came into force in October 2001;
“Existing Ordinary Shares”	means the 58,645,721 Ordinary Shares in the capital of the Company in issue as at the date of this document;
“Framework Agreement”	means the framework agreement dated 6 December 2006 between PAM, the Company, Probyn, REG Power, Andrew Whalley, Bruce Woodman, PEP and PFM;
“FSA”	means Financial Services Authority;
“FSMA”	means Financial Services and Markets Act 2000 (as amended);
“Fund”	means CPIF and CPOT together;
“Global Co-ordinator” or “Bookrunner” or “Underwriter” or “Stabilising Manager” or “Merrill Lynch”	means Merrill Lynch International;
“GW”	means gigawatts;
“IFRS”	means International Financial Reporting Standards;
“JI”	means Joint Implementation, one of the “flexible mechanisms” introduced by the Kyoto Protocol;
“KPR”	means KP Renewables plc;
“kW”	means kilowatts;
“kWh”	means kilowatt hours;

“Kyoto Protocol”	means the Protocol to the United Nations Framework Convention on Climate Change adopted on 11 December 1997;
“LEC”	means Levy Exemption Certificate;
“London Stock Exchange”	means London Stock Exchange plc;
“LPA”	means local planning authority;
“Luxco”	means Invenergy Wind 1 Europe S.a.r.l.;
“Mtoe”	means million tons of oil equivalent;
“MW”	means megawatts;
“MWh”	means megawatt hours;
“NAPs”	means the National Allocation Plans that each member state of the Kyoto Protocol must establish for each trading period setting out that member state’s allocation of carbon dioxide emission allowances under the EU ETS;
“NAV”	means the REG Group’s total assets minus its total liability;
“New Ordinary Shares”	means the 41,500,000 Ordinary Shares to be issued pursuant to the Placing;
“NI 45-106”	means National Instrument 45-106—Prospectus and Registration exemptions;
“nPower Renewables”	means nPower Renewables Limited;
“Numis” or “Co-manager”	means Numis Securities Limited;
“Official List”	means the official list of the UKLA;
“Ofgem”	means the Office for gas and electricity markets;
“Order”	means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;
“Ordinary Shares”	means ordinary shares of 10p each in the capital of the Company;
“OSC”	means the Ontario Securities Commission;
“Over-Allotment Option”	means the option granted to Merrill Lynch pursuant to the Underwriting Agreement to require the Company to issue up to 3,000,000 additional New Ordinary Shares at the Placing Price, to cover any over-allotments;
“PAM”	means Premier Asset Management plc;
“PEP”	means Pure Energy Professionals Limited;
“PFM”	means Premier Fund Managers Limited;
“Placing”	means the placing of the New Ordinary Shares at the Placing Price;
“Placing Price”	means 103 pence;
“Pounds Sterling”, “£”, “p” or “pence”	means the lawful currency of the United Kingdom;
“Power Advisory Agreement”	means the agreement entered into between the Company, REG Power and Probyn dated 5 May 2005;
“PPA”	means power purchase agreement, a longterm energy supply contract;
“Probyn”	means Probyn & Company, Inc., a member of the Probyn Group;
“the Probyn Group”	means Probyn Eastman Ltd and its subsidiaries;
“Prospectus Directive”	means EU Directive 2003/71/EC and including any implementing measure and any Relevant Member State;

“Prospectus Rules”	means the Prospectus Rules issued by the FSA pursuant to section 84 FSMA;
“Registrar”	means Capita IRG (CI) Limited;
“REG Group”	means the Company and the Core Subsidiaries;
“REG Group’s Management”	means the Directors and key advisers to the REG Group at each of REG Power, Probyn, PAM and PEP;
“REG Power”	means REG Power Management Limited;
“Regulatory Management Agreement”	means the agreement entered into between the Company and PFM dated 5 May 2005;
“Relevant Implementation Date”	means the date on which the Prospectus Directive was implemented in the Relevant Member State;
“Relevant Member State”	means any member state of the European Economic Area which has implemented the Prospectus Directive;
“Renewable Energy Management Agreement”	means the agreement entered into between the Company, REG Power and PFM dated 5 May 2005;
“Renewables Obligation”	means the legislation introduced by the United Kingdom government to incentivise the generation of electricity from renewable sources;
“ROC”	means Renewables Obligation Certificate;
“RFP”	means a Request for Proposal, an invitation for suppliers, through a bidding process, to bid on a specific product or service;
“Secretary of State”	means the Secretary of State for Trade and Industry;
“Securities Act”	means the United States Securities Act of 1933, as amended;
“Shareholder”	means a holder of Ordinary Shares;
“Shareholders’ Agreement”	means the shareholders’ agreement entered into between Probyn and PAM dated 6 December 2006;
“SOC”	means a Standard Offer Program contract, which permits the interconnection of renewable sources of electricity with the electric utility network and, in addition, specifies how much the renewable energy generator is to be paid for their electricity;
“Standard Offer Program”	means the Standard Offer Program established by the Ontario Power Authority and offered only in Ontario to support renewable energy companies in the sale of power to the electricity network;
“Taxes Act”	means the Income and Corporation Taxes Act 1988;
“UCITS”	means Undertaking for the Collective Investment of Transferable Securities;
“United Kingdom”	means the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	means the United Kingdom Listing Authority of the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“Underwriting Agreement”	means the underwriting agreement between the Company, the Directors, REG Power, PAM, PEP, Probyn, Bruce Woodman, Michael Crawley and Merrill Lynch dated 6 December 2006;
“US” or “United States”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US \$”	means United States Dollars, the lawful currency of the United States;

“Warrants”	means the unlisted warrants to subscribe for 5 per cent. of the highest amount of the issued share capital of the Company from time to time on a diluted basis (as more particularly set out in the Warrant Instrument);
“Warrant Instrument”	means the instrument constituting the Warrants dated 5 May 2005;
“Windworks Portfolio”	means 24 potential wind projects in the United Kingdom purchased by CLP from nPower Renewables pursuant to a sale and purchase agreement dated 6 October 2006; and
“WPPI”	means Wind Power Production Incentives, granted by the Federal government of Canada.

