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This document is an admission document required by the rules of the Alternative Investment Market of the London Stock Exchange plc ("AIM") and constitutes a prospectus pursuant to the Public Offers of Securities Regulations 1995 (as amended) (the "POS Regulations"). A copy of this document has been delivered to the Registrar of Companies of England and Wales for registration in accordance with regulation 4(2) of the POS Regulations. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH from the date of this document until one month from the date of Admission in accordance with Rule 3 of the AIM Rules.

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. A prospective investor should be aware of the potential 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. Further, the London Stock Exchange has not itself examined or approved the contents of this document. It is expected that Admission will take place, and dealings in the Ordinary Shares will commence on AIM, on 16 May 2005.

Your attention is drawn in particular to the section entitled "Risk Factors" in Part I of this document.

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# Renewable Energy Generation Limited

*(Incorporated and registered in Guernsey under the Companies (Guernsey) Law 1994 (as amended) with registered number 43099)*

**Placing of 25,000,000 ordinary shares of  
10p each at 100p per share**

**Admission to trading on  
the Alternative Investment Market**

**Financial Adviser, Nominated Adviser and Broker  
Collins Stewart Limited**

**Financial Adviser  
Cardona Lloyd & Co Limited**

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Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained for the issue of this document and the associated raising of funds. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or the opinions expressed with regard to it.

Collins Stewart, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and no one else in connection with the Placing and the proposed Admission. Collins Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart is not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, Republic of Ireland or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, Republic of Ireland or Japan. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

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## PLACING STATISTICS

Placing Price	100p
Number of Ordinary Shares being issued pursuant to the Placing	25,000,000
Estimated expenses of the Placing payable by the Company	£1,251,360
Estimated net proceeds of the Placing receivable by the Company	£23,748,640
Market capitalisation at the Placing Price	£25,000,000

## EXPECTED PLACING AND ADMISSION TIMETABLE

Trading to commence in the issued ordinary share capital on AIM	16 May 2005
CREST stock accounts credited (as applicable)	16 May 2005
Definitive share certificates despatched (as applicable)	23 May 2005

## DEFINITIONS

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the Rules of AIM
“Articles”	the articles of association of the Company
“Board” or “Directors”	the board of directors of the Company including a duly constituted committee thereof
“Cardona Lloyd & Co”	Cardona Lloyd & Co Limited
“Collins Stewart”	Collins Stewart Limited, the Company’s nominated adviser and broker
“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and published in June 1998
“the Company” or “REG”	Renewable Energy Generation Limited
“CPIF”	Clean Power Income Fund
“CREST”	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
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	The Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)
“EU”	European Union
“Eastgate Power” or “Manager”	Eastgate Power Management Limited
“FSA”	Financial Services Authority
“GW”	Gigawatts
“kWh”	kilowatt hours
“Kyoto Protocol”	Kyoto Protocol to the United Nations Framework Convention on Climate Change adopted on 11 December 1997
“Law”	the Companies (Guernsey) Law, 1994 (as amended) and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
“London Stock Exchange”	London Stock Exchange plc
“Mtoe”	million tons of oil equivalent
“MW”	Megawatts
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company

“Placing”	the placing by Collins Stewart of the Placing Shares at the Placing Price pursuant to the Placing Agreement and as described in this document
“Placing Agreement”	the conditional agreement dated 5 May 2005 between the Company, Eastgate Power, Probyn & Company, Premier Asset Management, and Collins Stewart relating to the Placing, as described in paragraph 7.6 of Part X of this document
“Placing Price”	100p per Ordinary Share
“Placing Shares”	up to 25,000,000 Ordinary Shares
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“PPA”	power purchase agreement, a long term energy supply contract
“Premier”	Premier Fund Managers Limited
“Premier Asset Management”	Premier Asset Management plc
“Probyn & Company”	Probyn & Company Inc., a member of the Probyn Group
“the Probyn Group”	Probyn Eastman Ltd. and its subsidiaries
“Pure Energy Professionals” or “PEP”	Pure Energy Professionals Limited
“Shareholders”	holders of Ordinary Shares
“TWh”	Terawatt hours
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part 8 of the Financial Services and Markets Act 2000
“US” or “United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia
“Warrants”	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”	the instrument constituting the Warrants dated 5 May 2005

## DIRECTORS AND ADVISERS

### Directors

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

all of:

Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3QL

### Company Secretary and Registered Office

Guernsey International Fund Managers Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3QL

### Manager

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Eastgate Court  
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Guildford  
Surrey GU1 3DE

### Specialist Advisers

Premier Fund Managers Limited  
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Helston  
Cornwall TR13 8EB

### Auditors and Reporting Accountants

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14 New Street  
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Guernsey GY1 4AF

### Custodian and Registrar

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Trafalgar Court  
Les Banques  
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GY1 3DA

### Financial Adviser, Nominated Adviser and Broker

Collins Stewart Limited  
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### Guernsey Legal Adviser

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Guernsey GY1 4BZ

### Administrator

Guernsey International Fund Managers Limited  
Trafalgar Court  
Les Banques  
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GY1 3QL

### Sub-Registrars

Capita IRG (CI) Limited  
2nd Floor, 1 Le Truchot  
St. Peter Port  
Guernsey GY1 4AE

## PART I

### Risk factors

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or its subsidiary companies operate or intend to operate as well as overall global financial conditions.

#### AIM

The Ordinary Shares will be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List.

#### Volatility of the value of the shares

Investors should be aware that the value of the 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 Ordinary Shares on AIM may have limited liquidity.

In addition, the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested.

#### No guarantee as to future performance

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

#### Potential currency exchange rates risk

The Company anticipates that its business may be conducted in jurisdictions which could generate revenue, expenses and liabilities in currencies other than Pounds Sterling. As a result, the Company will be subject to the effects of exchange rate fluctuations with respect to any of these currencies.

#### Possible adverse economic conditions and emerging market risks

The financial operations of the Company 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 Company.

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

#### Impact of law in governmental regulation

The Company and developers with whom the Company deals will need to comply with regulations relating to environmental, health and safety, land use and development standards. The institution and enforcement of such regulations could have the effect of increasing the expenditure relating to, in lowering the income or rate of return from, as well as adversely affecting the value of, the Company's assets. Changes in law relating to ownership of land could have an adverse effect on the value of the Ordinary Shares. New laws may be introduced, which may be retrospective and affect existing environmental planning, land use and development regulations.

## **Guernsey law**

The Company is a limited company incorporated under the Companies (Guernsey) Law, 1994 (as amended). 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 Act are not provided for under Guernsey law.

## **Tax related risks**

Certain countries may have tax regimes which may impose withholding tax on the profits or other returns derived from the projects in which the Company has an investment. 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 and adverse affect on the Company's performance.

The tax regimes applying in the UK and Guernsey may change, thereby affecting the Company's tax treatment in these jurisdictions.

## **Wind risk**

In the wind power sector, 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.

## **Resource availability and constancy**

Wind energy facilities may be affected by fluctuations in wind speeds between years and also by abnormal weather conditions and changing wind patterns. Biomass facilities may be affected by the availability, or lack of availability, of fuel. Landfill gas facilities may be affected by the composition of waste at a landfill site, including waste added over time, and the size, depth, age, moisture content, exposure to air and compaction of that waste and whether a landfill is "open" or "closed" and the condition of the collection system used to capture the gas. Revenues in respect of hydro-electric facilities may be significantly affected by hydrological events that impact the hydrological conditions of hydro-electric facilities such as low and high water flows within the watercourses on which the facilities are located. In the event of severe flooding, hydro-electric facilities may be damaged.

## **Counterparty risk**

Customers that purchase power generated by renewable energy facilities are typically large utilities which purchase power under PPAs or standard offer contracts. Although the Company 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 standard offer contracts, the returns to the Company could decline.

## **Regulatory regime and permits**

The profitability of renewable energy facilities will be in part dependent 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. States are continuing to negotiate and extend the international climate change regime established under the UN Framework Convention and the Kyoto Protocol. Any changes to the regime (dealing for instance with the legal status of emissions credits or their 'bankability' over different commitment periods) will need to be reflected as appropriate in both EU and domestic legislation. Projects which seek to take advantage of the 'flexible mechanisms' created under the Kyoto Protocol (including the Clean Development Mechanism ("CDM"), Joint Implementation and Emissions Trading) will need to comply with relevant international and domestic legal requirements, including the EU Emissions Trading Scheme and/or 'CDM-project-cycle' where relevant. Operations conducted under this ongoing international legislative process could give rise to political/sovereign 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 standard offer contracts 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 adversely affects renewable energy facilities or projects, including increases in taxes and permit fees, the returns to the Company may be adversely affected. The EU Renewables Directive explicitly requires member states to review existing legislative and regulatory frameworks in order to reduce regulatory and non-regulatory barriers to the increase in 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 delays caused in obtaining such consents due to objections from third parties regarding such issues as impact on amenity or nature conservation.

### **Operating risks**

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 UK has made regulations to promote the generation of electricity from renewable sources (the “Renewable Obligation”) to require licensed electricity suppliers to source specified percentages of supplied electricity from renewable sources. Should the current governmental regulations or incentive programs 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. 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 could adversely affect the returns to the Company. In the US, the operation of wind power facilities is also highly regulated. Government regulations and incentives such as Production Tax Credits in the United States and Emission Production Credits in some states of the United States currently have a favourable impact on wind power and landfill gas facilities. The owners of the wind power facilities currently receive production tax credits in the United States.

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 returns to the Company.

The operation of hydro-electric facilities is highly regulated. Water rights are generally owned by governments which reserve the right to control water levels. Biomass facilities are subject to government regulations, including environmental laws relating to emission levels, biomass supply agreements, and wood ash disposal agreements. Landfill gas facilities are also subject to government regulations, including environmental laws relating to types of waste, emission levels, by-product disposal and landfill gas condensate. Any new law or regulation could require significant additional expenditure to achieve or maintain compliance.

### **Equipment failure**

With respect to each renewable energy facility, there is a risk of equipment failure due to wear and tear, design error or operator error, among other things, which could adversely affect the returns to the Company.

### **Commodity prices**

Although large amounts of electricity generated by renewable energy facilities are expected to be sold pursuant to PPAs or standard offer contracts, excess power capacity of certain facilities may be

sold in the open market. As a result, returns will, in part, depend upon prices paid for energy sold in the open market. Such commodity pricing will vary over time. Over the long term, fluctuations in market prices may impact adversely the returns to the Company.

#### **Carbon trading credit risk**

It is not anticipated that REG will derive a significant proportion of its revenue from the sale or trade of carbon credits although it is expected that the sale of such credits will be a profitable source of income for REG and whilst there is no present reason to believe that the market price of credits will fall, their price is governed by market forces, which may lead to fluctuations in the price.

#### **Litigation risk**

Due to the relatively undeveloped legal systems in some of the jurisdictions in which REG may invest, REG may find it difficult, impossible or very costly to enforce the rights it may have under agreements it may enter into.

#### **Concentration risk**

Due to the relatively small size of the Company on Admission, the anticipated number of investments is initially not likely to be greater than between 4-6. Accordingly, each investment will likely represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will initially be more adversely affected if any one of the investments performs badly than would be the case if the Company's portfolio of investments was more diversified.

## PART II

### Introduction

#### **Introduction**

REG has been established 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 power projects.

The Renewable energy sector now represents an attractive investment opportunity that has previously only been accessible through investment in quoted utilities where the benefits of their renewable energy portfolios are generally significantly diluted by other areas of their business such as distribution, supply and fossil fuel energy generation.

Demand for electricity in Europe has grown much more rapidly than for any other type of energy. Environmental factors and the need to reduce greenhouse gas emissions, driven by the Kyoto Protocol, have imposed long-term governmental and legal commitments on countries around the world to promote the building of renewable energy facilities. Many countries are now introducing a range of policy measures to reduce greenhouse gas emissions, which include a variety of regulatory and financial support mechanisms. REG believes that these binding obligations, together with the growth in demand for energy and technological advances in wind energy production have created an attractive opportunity for investment in renewable energy generation facilities, particularly in the EU and EU accession regions. REG will provide investors with exposure to the renewable energy market through investments in wind energy projects and other renewable power projects with the principal focus being on EU and EU accession countries.

#### **Background to renewable energy**

A number of factors make the exploitation of renewable energy increasingly attractive.

##### *Environmental*

As the consequences of greenhouse gas emissions have become more widely understood, inter-governmental action has resulted in the signing of the Kyoto Protocol which has now been ratified by 146 states and international organisations. Under the Kyoto Protocol, these industrialised countries which have ratified the Kyoto Protocol have agreed to specific targets for cutting their emission of greenhouse gases, the principal sources of which are from heavy industry and fossil fuel electricity generation. This is expected to promote the development and usage of renewable energies as governments provide regulatory and financial support for renewable energy and at the same time penalise the producers of greenhouse gas emissions.

##### *Demand for Power*

Globally the demand for power is expected to continue to rise both from the industrialised nations and from growth in developing countries. A recent European Commission green paper has commented that the demand for electricity in Europe has grown much more rapidly than for any other type of energy and will continue to track GDP growth closely until 2020. In EU accession countries this demand is expected to grow even faster.

##### *Cost*

The cost of fossil fuels continues to rise as a consequence of rising global demand from both industrialised countries and developing countries and as a result of the depletion of fossil fuel reserves.

The increasing cost of fossil fuels and the improvement in renewable technology has resulted in renewable energy becoming increasingly competitive with other forms of energy production.

##### *Supply*

Europe currently imports approximately 50 per cent. of its energy needs, making its social and economic well-being vulnerable to events elsewhere in the world. With coal in decline and nuclear energy facing public resistance, this dependence on imported energy is increasing, so future generations will be even more at risk of supply disruption. For these reasons, indigenous, diversified renewable energy sources should be a key component of Europe's energy strategy.

## Strategy

Although REG may invest globally, its principal focus will be in EU and EU accession countries where EU renewable energy policy and the opportunities that exist in the renewable energy market are expected to provide attractive investment opportunities.

REG will consider investing in EU accession countries where project returns are likely to be more attractive on a risk adjusted basis than those in the mainstream EU. There is also an opportunity to benefit from economic, political and social convergence with EU countries which should result in the capital appreciation of the projects in which the Company is invested as economic returns converge.

REG can invest across all renewable energies. It is expected that it will initially invest primarily in wind generation as it is expected that this will offer the best opportunity for REG to earn an attractive and sustainable return on its capital relative to the likely risk in the deployment of its capital. Initially it is expected that the Company's portfolio will be concentrated with around five investments having been made once the proceeds of the Placing have been fully invested and assuming that the projects in which the Company invests are financed in part by debt. In practice, the actual number of investments will depend upon the size of each investment and the amount of debt involved in the project.

Probyn & Company, specialist advisers to REG and involved in sourcing investments, currently has 12 projects across Europe under consideration amounting in aggregate to approximately 480MW. Following Admission, further detailed work will be undertaken on these projects and other investment opportunities identified with a view to investing the proceeds in a timely fashion.

## Management

REG will be managed by Eastgate Power, which is a wholly owned subsidiary of Premier Asset Management, a fund management company quoted on the AIM market. Eastgate Power will utilise the expertise of three leading utility and renewables asset managers, Probyn & Company of Canada, with over 18 years experience of investments in renewable energy, Premier Asset Management with over 12 years experience in utilities investments and Pure Energy Professionals with over 15 year experience in wind energy investments. The principal persons involved are:

**Andrew Whalley:** Andrew is chief executive of Eastgate Power and has over 12 years experience of investing in power companies. He previously worked for Johnson Fry plc where he was a main board director. Upon Johnson Fry plc's acquisition by Legg Mason Inc, Andrew was appointed head of investments and chief operating officer. He had specific responsibility for Legg Mason's two utilities investment trusts. He moved to Premier Asset Management in 2003 and currently manages European Utilities Trust plc and Premier Utilities Trust plc.

**Stephen Probyn:** Stephen is one of Canada's leading experts in the power sector, project finance and renewable energy. He has been responsible for arranging approximately CAD3 billion in long term debt and equity investments for new power projects including natural gas, landfill gas, wind energy and biomass. He has served on a number of government and regulatory bodies and in 1999 he was appointed as an adviser to the G8 Nations Task Force on renewable energy.

**Bruce Woodman:** Bruce is the co-founder of Pure Energy Professionals Ltd, a renewable energy consultancy company launched in 1989. He was instrumental in the creation and management of M&N Wind Power, a successful joint venture between a Japanese trading house and a Danish wind turbine manufacturer, now part of Vestas. He has significant experience of investing in wind energy projects in Europe and North America.

## PART III

### Background to Renewable Energy Sector

#### Introduction

A recent European Commission green paper on energy supply has commented that in recent years, the demand for electricity in Europe has grown much more rapidly than for any other type of energy, and will continue to track GDP growth closely until 2020. In EU accession countries this demand is expected to grow even faster, with electricity demand projected to increase by 3 per cent. annually from 2000 to 2020. Despite the considerable progress made in tapping conventional energy reserves in Europe, their levels remain low and they are expensive to extract. The European Commission has further indicated that supplies of domestic fossil fuel resources are likely to decline quite sharply in the future.

Driven by the need to reduce greenhouse gas emissions due to the anticipated adverse environmental impacts caused by climate change, the Kyoto Protocol has imposed significant political policy and legal commitments on countries around the world. Many governments are now introducing a range of policy measures to reduce greenhouse gas emissions which include a variety of regulatory and financial support mechanisms. REG believes that these binding obligations, together with the growth in demand for energy supply has created significant opportunities for investment in renewable energy generation facilities, particularly in the EU and EU accession countries. REG will provide investors with direct exposure to the renewable energy market through investments in wind energy projects and other renewable power projects around the world, with the principal focus being on EU and EU accession countries.

#### Drivers for Renewable Energy Sector

##### *Supra-National and Governmental*

##### *The 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 146 states and international economic organisations. In order to come into force, the Protocol had to be ratified by not less than 55 state parties to the United Nations Framework Convention on Climate Change incorporating a significant number of industrialised countries to account for at least 55 per cent. of the total carbon dioxide emissions of such countries in 1990. This was achieved following Russia's recent ratification. The Kyoto Protocol encourages countries to move to more environmentally responsible ways of producing and using energy, including compliance with specific targets for emission 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 which have ratified the 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 2008-2012. More stringent targets for later periods will be the subject of further negotiations between the state parties, as part of which specific targets may well be extended to developing countries.

Under the Kyoto Protocol so-called "flexible mechanisms" (including the Clean Development Mechanism (CDM), Joint Implementation (JI) and Emissions Trading (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 to the regulatory requirements to achieve emission reductions. Where renewable energy projects provide inward investment from developed countries to developing countries (under the CDM), or between developing countries (under JI), the investor will be able to share in the emissions reduction credits which are created, and to trade these credits in the market place (ET). The detailed procedures and rules governing the use of the flexible mechanisms are still in the process of being finalised and applied under the Kyoto Protocol and the later Marrakesh Accords. However, the EU Emissions Trading Scheme has now been set up, and forward trading of emission credits has already taken place. EU member states are also in the process of applying their National

Allocation Plans (“NAPs”). These NAPs will set specific limits on carbon dioxide emissions by what will be an expanding group operators of industrial installations. These operators are likely to need to buy such emission credits if they fail to comply with their emission reduction limits.

#### *European Union Directive*

The purpose of the European Renewables Directive 2001/77/EC (the “Directive”), which came into force in October 2001, is to promote an increase in the contribution of renewable energy sources in the energy supply. The Directive aims to increase the consumption of energy from renewable energy to 12 per cent. of gross national energy consumption, and in particular, to increase the indicative share of electricity from renewable sources to 22.1 per cent. of total community electricity consumption by 2010. This overall target has been broken down and allocated among member states. The Directive does not include mandatory targets but imposes obligations on member states to adopt national indicative targets consistent with the EU’s overall objective. The Directive also recognises the need to maintain investor confidence through national support mechanisms (including feedlaw direct price support schemes and others such as the UK’s Renewables Obligation) and makes it compulsory for member states to ensure access to the grid system for renewable power producers subject to usual technical requirements.

The table below demonstrates the global contribution from the renewable energy technologies listed below in 1995 and the target for 2010.

Energy Source	Contribution in 1995	Contribution in 2010
Wind	2.5GW	40GW
Hydro	92GW	105GW
– large	(82.5GW)	(91GW)
– small	(9.5GW)	(14GW)
Photo Voltaics	0.03GWp	3GWp
Biomass	44.8Mtoe	135Mtoe
Geothermal		
– electricity	0.5GW	1GW
– heat (incl. heat pumps)	1.3GW	5GW
Solar thermal collectors	6.5 million m <sup>2</sup>	100 million m <sup>2</sup>
Passive solar	—	35Mtoe
Others	—	1GW

*Source: Department of Trade and Industry, [www.dti.gov.uk](http://www.dti.gov.uk)*

On 1 May 2004 10 countries joined the EU including Poland and the Baltic states of Latvia, Lithuania and Estonia. One of the obligations these countries undertook when acceding to the Treaty on European Union was to achieve alignment of relevant domestic legislation with EU legislation. This includes the requirements of the Directive mentioned above, and therefore the need to increase the proportion of their power requirements obtained from renewable sources. Further countries are preparing to join the EU including Bulgaria, Romania and Croatia, and it can be expected that similar obligations will be imposed on these countries.

Guaranteed price systems, feed-in tariffs and preferential rates are all terms for tariffs at above-market rates and are examples of measures adopted by various governments to encourage renewable energy production. Generally the government sets a premium price to be paid for power generated from renewable energy sources. The price is usually differentiated by technology and is paid either by consumers or taxpayers through the utility. Guaranteed price systems have been adopted in a number of International Energy Agency countries. The United States initiated the first system with passage of the Public Utilities Regulatory Policies Act (PURPA) in 1978.

Germany, Italy and Spain have introduced feed-in tariff schemes based on avoided costs. A guaranteed price system is often supported by complementary rules. For example, electric utilities may be required to provide interconnection and non-discriminatory backup power to qualifying facilities. Feed-in tariffs, combined with other policy support, are considered to be the main impetus behind the development of 12,000MW of wind energy capacity in Germany and of 4,830MW in Spain.

### *Renewables Obligation*

The Utilities Act 2000 introduced new powers to make regulations in the UK to promote the generation of electricity from renewable sources (the “Renewables Obligation”). The Renewables Obligation (introduced by secondary legislation in 2002 and replaced in April 2005) 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 its current level of 4.9 per cent in 2004/05 to reach 10.4 per cent by 2010/11.

In December 2003, the UK Government announced its intention for the Renewables Obligation percentages to continue to rise beyond 2010/11 to reach 15.4 per cent. by 2015/16. A consultation on this proposal and other changes closed on 1 December 2004, and the changes came into effect on 1 April 2005. It is expected that the Renewables Obligation, together with exemption from the Climate Change Levy for electricity from renewable energy, as provided in the Finance Act 2000, will require investment of £1 billion per year by 2010.

The Renewables Obligation requires power suppliers to derive a specified proportion of the electricity they supply to their customers from renewable energy. Most renewable energy sources are eligible under the Renewables Obligation although there are restrictions on large hydro and co-firing with fossil fuels.

Renewables Obligations Certificates (ROCs) will be issued to accredited generators for eligible renewable electricity generated in the UK in compliance with the Renewables Obligations.

Under the Renewables Obligation, electricity suppliers can comply by

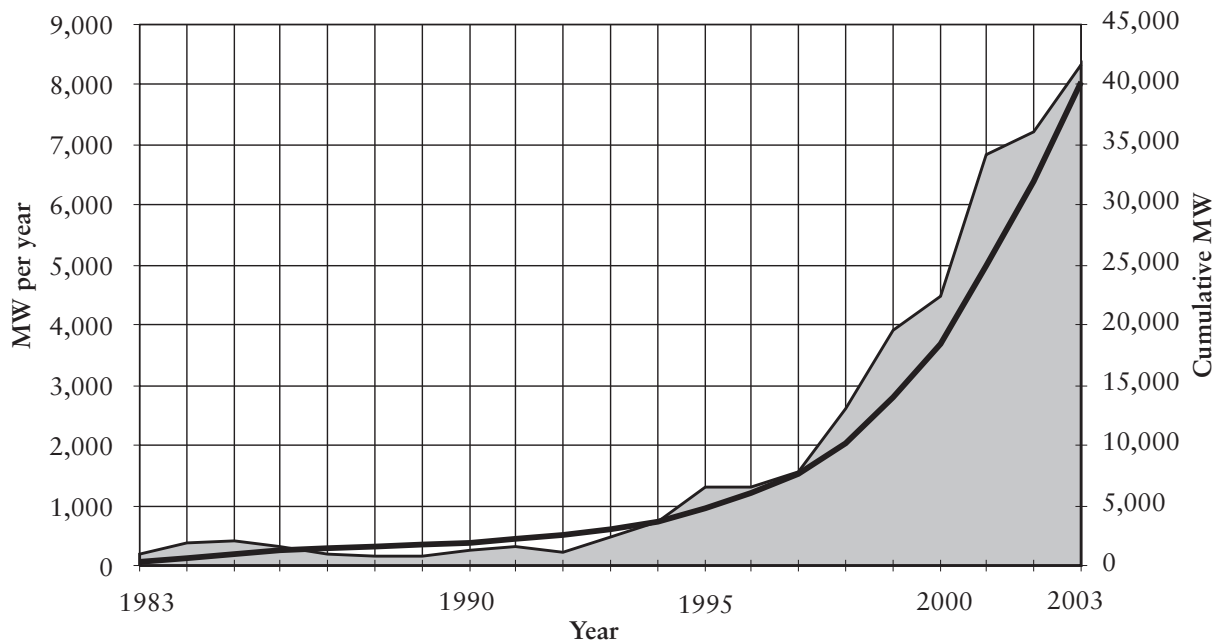
- Producing the specified proportion of renewable electricity from their own renewable power sources;
- Buying ROCs (in the UK or Northern Ireland) direct from an accredited renewable electricity generator;
- Buying ROCs from other suppliers/traders who have bought more than they need (through the trading of ROCs); or
- Paying the Office for Gas and Electricity Markets (“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.

The Renewables Obligation is expected to remain in place until 2027, providing comfort to those deciding whether to invest now in renewable energy that the support mechanism will 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 treats all renewable energy sources in the same way, irrespective of their relative costs or stage of commercial development.

As illustrated above, the frameworks that have been put in place provide a favourable investment climate within the EU for investment in renewable energy projects.

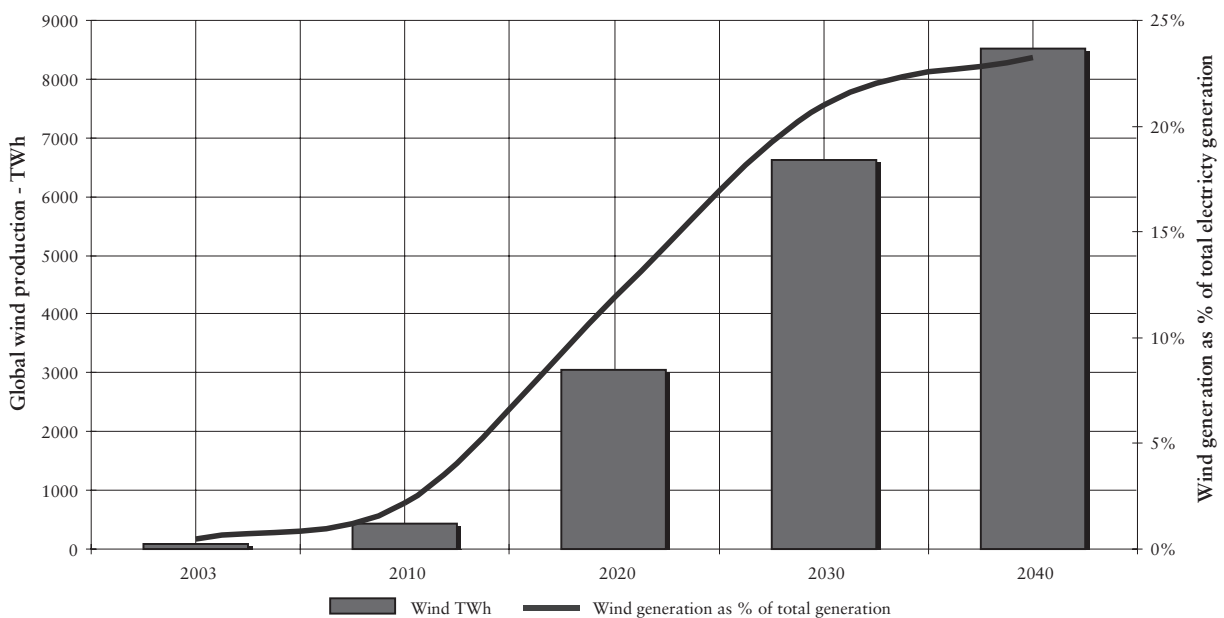
### Production Growth

The graph below shows the growth to date in global wind energy production.



Source: BTM Consult ApS – March 2004

The graph below indicates the projected growth in global wind energy production over the next thirty five years. Whilst the long term demand profile is difficult to ascertain, it is likely that the economic, social and political conditions favour the continued building of renewable generating plants and to this extent the long term trend exhibited below does provide a sound climate for long term and sustained renewable energy growth.



Source: European Wind Energy Association – May 2004

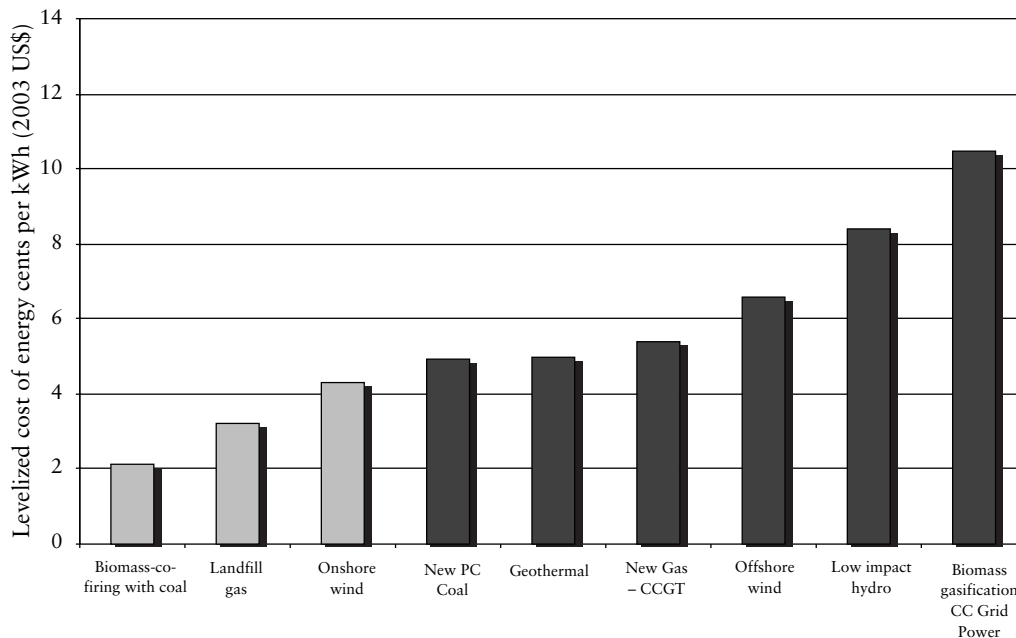
### Supply Problems and Environmental Constraints

Europe currently imports approximately 50 per cent. of its energy needs, making its social and economic well-being vulnerable to events elsewhere in the world. With coal in decline and nuclear energy facing public resistance, this dependence on imported energy is growing, so future generations will be even more at risk of supply disruption. For these reasons, indigenous, diversified renewable energy sources should be a key component of Europe’s energy strategy.

In addition to the price volatility of raw materials used in energy generation, the use of older electricity generating plants will come under increasing pressure due to stricter environmental regulations. In particular, the Kyoto Protocol and regulations governing the release into the atmosphere of ‘acidifying’ nitrous oxide and sulphur dioxide (including the EU National Emissions Ceilings Directive under the Clean Air for Europe (“CAFÉ”) Programme) will mean the forced retirement of older generating plants. It is expected that these will be replaced by more fuel efficient and cleaner generating plants such as combined cycle gas turbines, together with renewable energy sources that do not release such pollutants into the atmosphere.

### Cost Benefits

Renewable energy is now considered to be an efficient means of producing electricity. As a result of technological improvements over the last five years coupled to a rise in the price of fossil fuels such as oil, gas and coal, wind energy and other forms of renewables are now cost effective with other main types of electricity production such as combined cycle gas turbine and coal plants.



*N.B. The cost competitiveness of renewable energy may be further enhanced by supra-national and governmental financial incentive schemes.*

*Source: Navigant Consulting and British Wind Energy Association*

### Energy Security

Renewable energy facilities which utilise local renewable energy sources are less vulnerable to political factors that may affect the supply or cost of more traditional energy sources on the world market. Due to the favourable characteristics of renewable energy power, these facilities are more likely to operate in a more supportive regulatory environment.

### Growth in Renewable Power

The Manager anticipates the relative commercial cost advantages of renewable power generation together with the ongoing political pressures and legal commitments on states under the Kyoto Protocol will lead to a substantial increase in both the absolute amount and proportion of electricity generated from renewable sources. The Kyoto Protocol is seen by many states (and the EU) as only the necessary first step towards achieving the main objective under the UN Framework Convention on Climate Change of stabilising the impacts of climate change, with discussions already having started on setting higher and extended targets for the period beyond 2012.

Wind power continues to lead the way as the mainstay of renewable energy. 2003 and 2004 were record years for wind investment with some 8000MW of new capacity installed in more than 24 countries in each year respectively. In 2003 wind investment totalled over US\$9bn, an increase of 22 per cent. on the US\$7bn installed in 2002. The annualised global wind industry growth rate has been approximately 26 per cent. over the last five years and total world wind capacity now stands at over 47,000MW representing a cumulative investment of over €50 bn. Europe is still the driving force in the global wind energy market accounting in 2004 for approximately 70 per cent. of the capacity installed worldwide.

## PART IV

### Investment strategy and process

#### Investment strategy

The Company will seek to invest globally in a range of renewable energies but it is intended that not less than 50 per cent. by value of the Company's investments will be invested in EU and EU accession countries. The geographical location of investments will largely be driven by deal flow although the Company will look to have a geographical spread of investments so that once fully invested it will not be concentrated on any particular country or geographical area. This is particularly important when considering investments in wind farms as wind regimes vary from region to region.

At this time it is considered that EU countries including those countries that joined the EU in 2004 and those who are expected to accede to the EU shortly represent potentially attractive areas in which to invest. The countries that acceded to the EU in 2004 and those expected to accede to the EU shortly are considered by the Manager to be relatively inefficient in terms of capital allocation and the capital available for renewable energy projects is not currently sufficient to meet demand. REG will invest in this area where project returns are considered to be more attractive on a risk adjusted basis than those in the mainstream EU. There is also an opportunity to benefit from economic, political and social convergence with EU countries which should result in the capital appreciation of the projects in which the Company is invested as economic returns converge.

As stated above, the Company will seek to invest in a range of renewable energies, however it is expected that initially the Company will concentrate on small and medium sized wind energy investments where the Manager believes that they offer relatively attractive returns while still providing the economies of scale necessary to compete effectively in the wind energy market. Initially it is expected that the Company's portfolio will be concentrated with around five investments having been made once the proceeds of the Placing have been fully invested and assuming that the projects in which the Company invests are financed in part by debt. In practice, the actual number of investments will depend upon the size of each investment and the amount of debt involved in the project.

Investment in renewable energy projects can take place generally on three occasions:

- At an early stage where REG would work with a developer in planning the entire project;
- At a later stage, shortly before construction, where the project has been under development for some time by a developer; and
- By acquiring a completed project.

#### *Early Stage*

It is not expected that the Company will become involved in any early stage development until it has secured a number of later stage developments.

#### *Later Stage*

It is at this stage where the Company is most likely to become involved. At this time the bulk of appropriate agreements, authorities and permits are likely to be in place to enable construction and tests will have taken place to provide data on the wind regime to ensure that a wind farm is viable.

Once all or most of the necessary agreements and permits are in place to allow construction of a wind energy facility to proceed, REG may provide construction capital in return for equity or some other return.

By committing to projects prior to completion which require capital, the Company will effectively provide a form of early stage finance for project developers. REG may invest capital alongside the developer (REG would seek to obtain a first charge for these funds which would typically be advanced as a loan prior to closing) in order to secure such items as interconnection agreements and turbine supply agreements and appropriate project financing. Although typically the amount of capital committed before construction of a project will be relatively small, it will allow REG to work in tandem with a developer in order to complete a project on attractive terms.

### *Completed projects*

The Company may also seek to take advantage of opportunities to buy renewable energy projects that are already established and producing energy. The Manager believes that these opportunities will arise due to one or more of a number of factors:

- A developer who is capital constrained;
- A developer who wants to recycle capital into another project;
- A project that is in need of refinancing; and
- A project that needs mezzanine finance.

### *Disposal*

Although the Company may hold its investments in projects, REG may sell existing projects and recycle the capital raised into new renewable energy projects. REG will do this where:

- The Board of REG believes that full value has been extracted from a project; or
- A better risk adjusted opportunity for the redeployment of that capital has emerged.

### **Investment process**

The investment process undertaken by Eastgate Power will be broadly as follows:

#### *Investment screening*

The investment screening will begin with an assessment of the country or region where a potential project is located. Key criteria will include:

- Political and/or regulatory stability;
- Legal and tax structure;
- State of energy market – is it or will it be under or over supplied;
- Post construction supplier support; and
- Currency.

#### *Project assessment*

Project specific factors will then be assessed:

- Quality of equipment supplier;
- Credit worthiness of energy offtaker providing either the PPA or standard offer contracts, if appropriate;
- Experience of project operator;
- Fuel supply security – for biomass or landfill;
- Wind assessment; and
- Carbon credit position.

Once a project has been through the screening process a comprehensive project assessment will be compiled for the Directors of REG and the approval of the Board will be necessary before Eastgate Power can move to the next stage. Upon approval by the Board, the Company will be responsible for all third party costs including engineers reports and legal fees necessary to complete its investment regardless of whether completion actually takes place.

#### *Board approval*

At the time any investment proposal is presented to the Board for approval, Eastgate Power will have considered the following project-specific areas:

- Land – agreement to lease, or lease, signed;
- Meteorology/fuel – report from an accepted industry expert that adequate local data exists and has demonstrated a quantifiable resource, with a quantification of inter-annual variations or other risks;
- Permits – all material permits including construction and operational permits adequate to build and operate the facility, or reasonable expectation that these can be made available;
- Design – an outline layout of the facility and its infrastructure such as to enable both an indicative output estimate, and construction cost estimate to be provided;

- Construction – an estimated construction cost, along with construction timetable, and list of available and qualified contractors and suppliers;
- Interconnection – evidence that the facility can be connected to the local electrical infrastructure such that reliable long term exports can be achieved, allied to an estimate on capital and operating costs;
- Power sales – evidence that either a reasonable term PPA is likely with a suitable credit worthy counter-party, or that a regulatory environment exists under which long term sales of electricity can be sold within acceptable pricing limits;
- Operation – a plan explaining how suitably skilled personnel and adequate equipment can be made available during the operational phase of the facility, along with initial budgets;
- Economics – an investment appraisal providing indicative capital costs, operating costs and calculation of project internal rates of return;
- Finance – an estimate of sources and costs of project debt from suitable lenders; and
- Legal – a list of legal agreements that will be required to complete the transaction, along with a suitable list of advisers and indications of cost.

### **Ongoing project monitoring**

Eastgate Power will monitor the construction process to ensure timely completion and the attainment of agreed specifications. After project completion there will be a commissioning period, again monitored by Eastgate Power, following which the project will begin energy production.

Once projects are producing power, Eastgate Power will undertake monitoring of the project to report to the Board on:

- the technical performance of the machinery and enforcement of warranty provisions;
- as to the power production and whether revenues match expectations;
- project expenses; and
- any other issues that arise.

This will typically involve the scrutiny of management accounts and reports, attendance where necessary at project shareholder meetings and exception reporting to ensure that anticipated project output matches or exceeds expectations.

### **Cash management**

Prior to investment in renewable energy generation projects, Premier will be responsible for managing the investment of cash held by REG in a cash and bond portfolio, the initial management of which will be delegated to First International Advisors, LLC. The portfolio will focus on high quality credits (for example, OECD, government, supranational, sovereign and government agency) predominantly in AAA and AA credits. Up to 25 per cent. of the portfolio can be in corporate credits of at least AA. The duration of the bond portfolio will be approximately 1.2 years matching the anticipated investment profile of REG's renewable energy portfolio.

### **Dividend policy**

Subject to the Company's performance and assuming the placing is subscribed in full, the Board is targeting an annual dividend for payment of 4 pence in the Company's first full financial year, rising to 6 pence in the Company's second full financial year. Thereafter, once all the proceeds of the Placing have been fully invested, the Board anticipates the Company will pay a regular annual dividend subject to the availability of profits for distribution.

### **Gearing**

Once the Company is fully invested the Company will consider utilising gearing to enhance returns to Shareholders. The Board and the Manager will consider at the time that the gearing is put in place the best way to introduce such gearing. However, the amount of gearing when introduced will not exceed 25 per cent. of the Company's gross assets.

## PART V

### Information on renewable technologies

#### Wind

##### *Wind generation process*

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 converted to electricity. 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. Turbines range in capacity from several kilowatts to five megawatts. 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 machines 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*

###### *Construction flexibility*

Wind power facilities are relatively simple to construct. A 50MW wind power facility can be constructed within 6 to 12 months of its start date.

###### *Low operating costs*

Wind power facilities do not have any material fuel costs, which can be a significant and highly volatile cost for fossil fuelled plants. In addition, many wind power plants can be monitored by a single person from a central monitoring system. Combined with proper maintenance to ensure reliability of equipment, operating expenses are low over the expected twenty year lifespan of the wind power facility.

###### *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 harm. As wind power facilities use no significant amount of fuel, the logistical problem of supplying fuel to remote locations is eliminated.

###### *Reliability*

The capability to operate when the wind is available is an indication of a turbine’s reliability. According to the American Wind Energy Association (“AWEA”), this is typically 98 per cent. or more for modern machines.

###### *Environmentally preferred*

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 minimizes thermal, chemical, radioactive, water and air pollution as compared to fossil-fuelled and nuclear generated power.

###### *Factors affecting performance*

The instantaneous 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 turbine. In practice, as the 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.

Turbines in wind farms must be carefully arranged to gain the maximum energy from the wind. Failure to properly align turbines can result in turbines sheltering other turbines from the prevailing wind. Optimisation of generating capacity of a wind farm not only addresses how the topographic features affect the local wind flow, but also how the 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 minute to minute basis, 24 hours of the 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 according to various bodies it should not impact system reliability until electricity generated from wind turbines reaches approximately 20 per cent. of the total system supply.

## Hydro-electric

### *The hydro-electric generation process*

Hydro-electric power is generated by harnessing the force created as water falls from a higher elevation of the headpond to the lower elevation of the downstream tailrace. The difference in elevation between the headpond and the tailrace is referred to as “head” or “operating head”. The energy in the moving water is ultimately converted into electric energy. The water generally flows through an intake pipe or tunnel (known as the penstock) to a turbine, which is essentially a water wheel. The turbine spins a shaft attached to a generator which converts the mechanical energy of the spinning shaft into electricity. The electricity is then sent through a transformer where its characteristics are adjusted so that it can be sent along the transmission system. The water, after going through the turbine, exits the generating station through the draft tube and the tailrace where it rejoins the main stream of the river.

### *Advantages of Hydro-electric Generation*

#### *Reliability*

The equipment involved in producing hydro-electric power has relatively few moving parts. This contributes to long life and low maintenance requirements.

#### *Low operating costs*

Other than water royalties or license fees paid to governmental authorities, hydro-electric facilities have minimal fuel costs and therefore minimize the volatility of their cost structures compared to fossil-fuelled plants. Additionally, most hydro-electric facilities can be operated remotely by a single person from a centralised control centre.

#### *High Operational flexibility*

Hydro-electric facilities can adjust quickly to changes in demand and, depending on the flow of the river or headponds, a hydro-electric facility can service both the base power requirements of its customers as well as their peak power requirements.

#### *Environmentally preferred*

Hydro-electric generation produces virtually no greenhouse gas emissions or emissions that create acid rain, both of which have significant negative impacts on the environment. Hydro-electric generation creates none of the thermal, chemical, radioactive, water and air pollution produced by fossil-fuelled and nuclear generated power. Instead of producing substantial amounts of residual wastes during the power generation process, hydro-electric generation simply returns the water to its source.

#### *Factors affecting performance*

The performance of hydro-electric facilities is primarily affected by available water flows, which can be projected based on the hydrological information available for a particular site. Hydrology is usually measured using gauges which record water flows over a period of time. Statistical principles

are then applied to this information to permit reasonable projections of production. Notwithstanding the typical accuracy of hydrological projections, revenues at hydro-electric facilities are significantly affected by low and high water flows within the watercourses on which the facilities are located. Low water flows typically result in a decrease in power production from a hydro-electric facility, as can extremely high water flows if they result in severe flooding which damages facilities. Available water flows are affected by climatic factors such as precipitation and temperatures.

## **Biomass**

### ***Biomass generation process***

The principal technology for the conversion of biomass for electricity production is combustion. The combustion process generates hot flue gases which in turn produce steam in the heat exchange sections of boilers. The steam is used to generate electricity in the turbine/generator. Electricity production from biomass is being used, and is expected to continue to be used, as base load power. Much of this is associated with the wood and wood products industries that obtain electricity and thermal energy from biomass.

### ***Advantages of Biomass Generation***

#### ***Reduction of greenhouse gases***

Sources of biomass such as wood waste would otherwise have to be disposed of by either incineration or dumping at a landfill site. As a result, a biomass facility contributes no additional carbon dioxide emissions from those that would otherwise have been produced at incineration facilities or from decay in landfill sites (in which leachates would also be produced).

#### ***Fuel costs***

Biomass facilities have minimal fuel costs and therefore minimize the volatility of their cost structures compared to fossil fuelled plants.

## **Landfill Gas**

### ***Gas collection process and power generation***

Landfill gas results from the decomposition of organic materials that occurs over a period of time. Landfill gas consists mainly of methane and carbon dioxide generally in roughly equal proportions. Methane gas may be used for electrical power generation and other industrial applications. The rate, quantity and quality of methane gas produced as a result of this decomposition is dependent on the landfill's size, depth, age, moisture content, exposure to air, and compaction. Once certain conditions are met, landfill gas is typically produced at a landfill site on a continual basis for a period of time with production generally increasing while the landfill is "open" or accepting more waste and for a short period after the landfill is "closed".

Once a landfill is closed, gas production generally diminishes over time. Methane gas production at a landfill is estimated using specially developed models. Landfill gas is collected by drilling gas wells into the landfill at predetermined separations. Horizontal trenches may also be used in conjunction with, or in lieu of, vertical wells. The wells are connected by a series of pipes that deliver the gas to the processing and conversion stations. The piping system is under a partial vacuum causing gas in the landfill to migrate toward the wells. Once the gas is collected it is delivered to a central processing facility, where it is filtered to remove any particles, trace contaminants and condensate that may be suspended in the gas stream. Landfill gas can then be carried to a flare, to a pipeline for sale or to a conversion station for power generation. Several types of equipment can be used to generate electricity from landfill gas. The most common pieces of equipment are reciprocating engines or internal combustion engines, which are customised to run on landfill gas. Where there is a high gas flow, steam turbines or combined cycle gas and steam turbines can also be used rather than reciprocating or internal combustion engines.

### ***Advantages of Landfill Gas Power Generation***

#### ***Readily Available***

Proper disposal that results in the containment and consolidation of solid waste into landfill sites is common practice worldwide. The containment results in decomposition of the organic waste, which in turn produces landfill gas. The proper disposal of landfill gas continues to grow in

importance as does the opportunity to convert landfill gas to other forms of energy such as space heating and cooling, industrial processing or mechanical energy and electricity.

*Environmentally Preferred*

Methane produced in landfills has been described as one of the largest contributors to the “greenhouse” effect. It has been estimated that the global warming potential of methane is over twenty times greater than that of carbon dioxide. The production of electricity through combustion of methane dramatically reduces the contribution to global warming.

## PART VI

### Management, advice and administration

#### Company structure

##### *Manager*

REG will have a board of non-executive directors, which will delegate all of its executive functions to Eastgate Power. Eastgate Power has been established to utilise the expertise of Premier, Probyn & Company and Pure Energy Professionals. Eastgate Power is a wholly owned subsidiary of Premier Asset Management, is based in the UK and will report directly to the Board of REG. Eastgate Power will be responsible for sourcing and appraising investments which it will then present to the Board of REG in order that they may approve REG's investment in the project. Eastgate Power will also be responsible for the ongoing monitoring of REG's investment portfolio. In order to satisfactorily carry out its responsibilities, Eastgate Power will be able to draw on the expertise of a wide range of industry experts including independent engineers and wind turbine manufacturers. The Probyn Group and Pure Energy Professionals have long established relationships with such experts. Andrew Whalley will be responsible for reviewing all acquisitions for the Company and will act as chief executive of Eastgate Power. Mike O'Shea, joint chief executive of Premier Asset Management, will be chairman of Eastgate Power.

##### *Premier*

The team at Premier, a wholly owned subsidiary of Premier Asset Management, is led by Andrew Whalley who has over twelve years investment experience in the global power sector. The team will be responsible for co-ordinating the sourcing and evaluation of renewable energy acquisitions for REG, for presenting investment opportunities to the Board of REG in conjunction with Probyn & Company and PEP and for liaising with REG's shareholders. The team will also be responsible for liaising with REG's tax advisers to ensure that investments are made in the most tax efficient manner possible and for monitoring REG's renewables investments in conjunction with Probyn & Company and PEP.

The team currently run two investment trusts, Premier Utilities Trust Plc and European Utilities Trust Plc and have established an industry wide reputation in the management of utility and infrastructure investments.

##### *Probyn & Company*

Probyn & Company, a member of the Probyn Group, will be involved in sourcing and evaluating acquisitions for the Company. Probyn & Company will advise on the investment of the Company's assets and will prepare investment recommendations for the Board in conjunction with the Manager.

Founded in 1987 by Stephen Probyn, the Probyn Group has over seventeen years experience of sourcing, appraising and investing in renewable energy projects and has arranged or directly invested in approximately CAD 2 billion in the independent power sector, the majority of this being in renewable energy. The Probyn Group has acted as arranger for project financing undertaken by a syndicate of insurance company lenders led by Sun Life Financial. The Probyn Group also manages or owns some 550MW of power facilities, all of which include renewable technologies, and totalling 42 projects throughout North America. The Probyn Group is also one of North America's leading landfill gas operators.

Stephen Probyn has acted as adviser to the G8 Renewables Task Force and is past president of the Association of Ontario Power Producers and is current chairman of the Canadian Association of Income Trusts. As one of the most experienced investors in renewable energy and as a consequence of its longstanding position in the sector, Probyn & Company attracts investment opportunities in renewable power projects throughout the world.

##### *Pure Energy Professionals*

Pure Energy Professionals has entered into an agreement with Eastgate Power under which it will provide advisory services through the consultancy of Bruce Woodman. Further information on

Bruce Woodman is set out on page 28. The Manager will utilise the industry expertise of PEP in the development, financing and deployment of renewable energy in the UK and Europe. PEP, a UK-based company founded in 1989, advises renewable energy companies on raising and structuring investments and also advises investors on renewable energy projects. PEP has advised a range of companies including FTSE 100 multi-nationals.

PEP has been active in wind and other renewable energy investments across Europe. PEP has been responsible for the selection and deployment of extensive due diligence teams, including lawyers, tax advisers, accountants and carefully chosen technical specialists.

### **Board of Directors**

The Board comprises six non-executive directors.

#### *Michael Joseph Liston – Chairman, Non-Executive Director*

Mike Liston is a 53 year-old chartered, graduate electrical engineer, with more than 30 years experience of the UK's and overseas' power industries. He held senior technical posts at some of the UK's largest power stations before being appointed technical adviser to the Director General of the Central Electricity Generating Board, then joining its commercial arm, with responsibility for power station fuel procurement.

Mike moved to Jersey in 1986 as chief engineer of the Jersey Electricity Co. Ltd, a public company listed on the main London Stock Exchange. He was responsible for several major power generation, transmission and distribution infrastructure projects before being appointed chief executive in 1992. Since then he has successfully diversified the business into telecommunications, internet data centres and energy consultancy services.

He is chairman of Channel Islands Grid Company Ltd, which builds, owns and operates high voltage power networks between Guernsey, Jersey and Continental Europe, manages power purchase agreements and schedules 300MW of power plant in the Channel Islands, soon to include renewable generators.

Mike is a Fellow of The Royal Academy of Engineering and is a Fellow of The Institution of Electrical Engineers, a member of its Audit Committee and past member of its governing Council, Public Affairs Board and Professional Disciplinary Board. He has been appointed to many honorary roles by the government of Jersey and is currently chairman of the Jersey Appointments Commission, which ensures probity in public sector appointments.

#### *George Spyridon Cardona – Non-Executive Director*

George Cardona, aged 53, is the founding chief executive officer of Cardona Lloyd & Co, which provides corporate finance advisory and asset management services. He is a past general manager of HSBC Bank and has held non-executive directorship positions with numerous banks and financial services companies. He has also acted as special adviser to the UK Treasury and was chairman of the Hong Kong Private Sector Committee on the Environment.

#### *Tod Alan Kersten – Non-Executive Director*

Tod Kersten, aged 43, is a partner of Enterprise Investors in Warsaw, Poland. He has over 19 years of professional experience in Central Europe, primarily in Poland. Previously Tod Kersten worked for the Polish-American Enterprise Fund, was the US Treasury adviser to Poland's Minister of Finance and a director at the investment bank, Lazard.

#### *Nigel Anthony Le Quesne – Non-Executive Director*

Nigel Le Quesne, aged 44, is the managing director of the Jersey Trust Company Group. He holds a number of directorships across several business sectors in both private and quoted companies.

Nigel was admitted as an Associate in 1989 and a Fellow in 1999 of the Institute of Chartered Secretaries and Administrators and as a Fellow of the Chartered Management Institute. He is also a member of The Society of Trust and Estate Practitioners, The Jersey Taxation Society, The Institute of Directors and a committee member of the Jersey Association of Trust Companies (JATCo).

#### *John Clarkson Donelan – Non-Executive Director*

John Donelan is aged 56. Since joining Probyn & Company in 2000, his responsibilities have included structuring, negotiating and executing debt transactions as financial adviser to corporate

clients and institutional lenders. John has over 15 years of experience in all aspects of originating, structuring and managing over CAD\$1 billion of private placements for institutions, both in a senior management role with a major Canadian life insurance company and on an externally managed basis. John has also served in the treasury department of a major Canadian bank, and as a financial analyst with a major industrial corporation listed on the Toronto Stock Exchange. John is a member of the Association of Professional Engineers of Ontario and holds the C.F.A. designation.

*Andrew Nicholas Whalley – Non-Executive Director*

Andrew Whalley, aged 40, is head of utility investment at Premier Asset Management plc. He is a leading fund manager in the utility sector with over 12 years experience in utility investment and has been the fund manager of Premier Utilities Trust and its previous company, Legg Mason International Utilities Trust since 1993. He is also the fund manager to European Utilities Trust plc. Prior to working at Premier Asset Management, he was head of investment at Legg Mason Investments plc and was a main board director of Johnson Fry plc prior to the takeover by Legg Mason Inc.

### **Corporate governance**

The Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies, as soon as practicable and so far as possible given the Company's size and nature of business, with the Combined Code.

The Board has established an audit committee, which has formally delegated duties and responsibilities.

The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The Board will review the level of fees paid to non-executive Directors.

### **Other key individuals**

*Stephen Probyn*

Stephen Probyn, aged 54, is president and chief executive officer of Clean Power Inc., the manager of Clean Power Income Fund. Stephen is regarded as one of Canada's leading experts in the power sector, project finance and renewable energy. He is founder and chairman of the Probyn Group, which he established in 1987 to pioneer in all three fields.

As president and chief executive officer of Probyn & Company, Stephen Probyn has been responsible for arranging close to CAD3 billion in long-term debt and equity investment for new power projects, including natural gas, landfill gas, wind energy and biomass.

Prior to his career in the private sector, Stephen served for 15 years as an adviser to Canadian government and energy industry, and held the position of senior adviser to the Minister of Energy, Mines & Resources Canada. He has testified before numerous government and regulatory bodies. In 1998, he was appointed by the Ontario Government to the Electricity Market Design Committee, charged with the restructuring of Ontario's power market. He has since served on government committees on market regulation and environmental issues such as the federal Electricity Table of the National Climate Change Process; the NUG Advisory Committee to Ontario's Minister of Finance; and the federal Guideline Review Committee, Environmental Choice Program, which will develop national "Green Power" standards for Canada's electricity industry.

Stephen has served the renewable energy industry in a number of capacities. In 1999, he was appointed as an advisory to the G8 Nations Task Force on renewable energy. He is the past president of the Independent Power Producers Society of Ontario and was awarded the Headley Palmer Award, for services to Ontario's independent power utility. Stephen is also a member of the Legislative Committee of the American Wind Energy Association.

Educated at Queen's University, the London School of Economics and Harvard's John F. Kennedy School of Government, Stephen served as president of the Couchiching Institute of Public Affairs. He is a director of United Corporations Limited and chairman of the Canadian Association of Income Funds, a national organization established to provide a consistent, reliable source of information concerning Canadian income funds.

#### *Stephen Somerville*

Stephen Somerville is a member of the Probyn & Company team and is responsible for business development, acquisitions, 'Requests for Proposals', and monetising the "green" attributes of renewable energy facilities owned and/or operated by the Probyn Group and CPIF. Stephen was also recently part of a successful bid team for a 99 MW wind project in Ontario.

Stephen has extensive experience in all aspects of the independent power industry, including market evaluation, acquisition negotiating, financial modelling, equipment procurement, performance evaluation, asset management, risk mitigation, contracting and government relations.

Stephen received his Honours degree in Economics from the University of Waterloo and his MBA degree from the University of Toronto.

Stephen represents the Probyn Group on the Board of Directors of the Association of Power Producers of Ontario (formerly, IPPSO) and was a participant in the IPPSO Taskforce on Distributed Generation. He also served as a member of the Renewable Portfolio Standard implementation-working group and of the Canadian Electrical Association Taskforce – "Capital Cost Allowances (CCA) Rates For The Electric Power Industry".

#### *Bruce Woodman*

Bruce is a co-founder of Pure Energy Professionals Ltd., formed as a renewable energy company in 1989. He was instrumental in the creation and management of M&N Wind Power, a highly successful joint venture between a large Japanese trading house and a Danish wind turbine manufacturer, now part of Vestas. He has been responsible for the operational performance of over 2,000 wind turbines, ranging from new units to the successful operation of 15 year old equipment. He has qualified potential wind investments across more than a dozen countries and has led partnerships with the largest utility investors and smallest private developers.

Bruce has served as managing director of M&N Wind Power Ltd., latterly Ecowind 2002 Ltd.; chief operating officer and executive vice president of M&N Wind Power B.V., the overall M&N group holding company; executive vice president and chief operating officer of M&N Wind Power Inc., the US operating company; director, officer, and company secretary of various M&N project companies in Canada, USA, UK and Europe; director of Micon Turbines UK Ltd. and twice director of the British Wind Energy Association.

#### **Co-investment Agreement**

REG and CPIF have entered into a co-investment agreement under which, CPIF has agreed to offer co-investment rights on a 50/50 basis to REG (excluding the US and Canada) in any renewable energy project identified by CPIF. In return REG will offer an equal right of co-investment to CPIF in respect of all of its investment opportunities. The agreement has a term of 1 year and is renewed automatically unless either of the parties serves notice of termination.

The management agreement between CPIF and an affiliate of Probyn & Company provides that Probyn & Company may not enter into contracts regarding renewable energy without CPIF having the right of first review in respect of such projects. In the event that in the reasonable opinion of the Directors of REG, Probyn & Company is unable to discharge its duties as investment adviser because of its prior obligations to CPIF, then REG shall have the right to terminate the Power Advisory Agreement, details of which are set out in paragraph 7.3 on pages 48 and 49.

#### **Management fee and incentivisation**

The Manager will receive an annual management fee of 1.25 per cent. of the cash assets invested in renewable energy projects. Once 90 per cent. of the Company's assets have been invested in renewable energy projects, the annual management fee shall instead be equal to 1.25 per cent. of the

net asset value of the Company together with long term borrowings. There shall be a reduced management fee payable to Premier charged on the bond and cash assets held by REG pending investment, which shall equate to 0.5 per cent. of the value of such investments.

5 per cent. of the fully diluted share capital (as defined in the Power Management Agreement and the Warrant Instrument details of which are contained on pages 48 and 49 respectively) of REG will be under option to the Manager at an exercise price of 100p, which will align the interests of the Manager with Shareholders and will allow the Manager, where appropriate, to incentivise individuals working on projects for the Company.

The Manager will also receive a transaction fee equating to 1.5 per cent. of the cash invested in renewable energy projects that complete in accordance with their terms.

The Manager will pay Probyn & Company and PEP's fees out of its management fee.

#### **Reasons for Admission and use of proceeds**

The Placing will raise approximately £23,748,640, net of expenses, for the Company. These proceeds will be used to invest in wind energy projects and other renewable energy projects in the EU and around the world and pending such investment will be held in cash and/or bonds.

## PART VII

### Placing, admission and related matters

#### The Placing

Collins Stewart has undertaken to use its reasonable endeavours to place with investors up to 25 million Ordinary Shares, as agent for the Company, at the Placing Price.

The Placing, which is not being underwritten, is conditional upon the admission of the Ordinary Shares to trading on AIM by 16 May 2005, or such later time as Collins Stewart and the Company may agree, but in any event not later than 31 May 2005.

The Placing of the Ordinary Shares on behalf of the Company is intended to raise approximately £25 million before expenses. The expenses of Admission and the Placing payable by the Company are estimated at approximately £1,251,360, assuming the Placing is fully subscribed, so that the net proceeds of the Placing of the Ordinary Shares on behalf of the Company are estimated to be approximately £23,748,640.

The Company intends to use the net proceeds of the Placing of the Ordinary Shares to provide working capital for the operations of the Company.

Proceeds of the Placing should be received by Collins Stewart on or before 16 May 2005. CREST accounts will be credited on the date of Admission and it is anticipated that certificates in respect of the Ordinary Shares will be despatched within 10 business days of such date. Pending receipt by Shareholders of definitive share certificates, the Company's registrars will certify any instruments of transfer against the register.

#### CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Articles of the Company permit the holding of Ordinary Shares under the CREST system. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 16 May 2005. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

#### Administration and custody

Information regarding the administration and custody arrangements of the Company are set out in the Material Contracts section on page 50.

#### Risk factors

Certain risk factors in relation to the Company and its business are brought to your attention in Part I of this document.

#### Taxation

Information regarding United Kingdom and Guernsey taxation with regard to potential Shareholders is set out in Part IX of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

#### Further information

Your attention is drawn to the additional information set out in Part X of this document.

**PART VIII**  
**Accountants' Report**



Ernst & Young LLP

The Directors,  
Renewable Energy Generation Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3QL

The Directors,  
Collins Stewart Limited  
9th Floor  
88 Wood Street  
London EC2V 7QR

5 May 2005

Dear Sirs,

**1. Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 5 May 2005 for Renewable Energy Generation Limited (the "Company").

*Basis of preparation*

The Company was incorporated on 25 April 2005 and has not yet prepared statutory accounts. The financial information set out in paragraphs 2 to 3 is based therefore on the audited non-statutory financial statements of the Company from incorporation to 5 May 2005, to which no adjustments were considered necessary.

*Responsibility*

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the AIM admission document dated 5 May 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

*Basis of opinion*

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. 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 judgements made by those responsible for the preparation of the financial statements underlying 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 5 May 2005, a true and fair view of the state of affairs of the Company as at 5 May 2005.

*Consent*

We consent to the inclusion in the AIM admission document dated 3 May 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1, Part VII to the Public Offers of Securities Regulations 1995.

**2. Balance Sheet**

	<i>Note</i>	<i>At 5 May 2005 £</i>
<b>Current Assets</b>		
Debtors		0.2
		<u>0.2</u>
<b>Capital and Reserves</b>		
Called up share capital	(ii)	0.2
Equity shareholders' funds		<u>0.2</u>

**3. Notes to the Financial Information**

(i) *Accounting policies*

*Basis of preparation*

The financial information has been prepared under the historical cost convention.

The financial information is prepared in accordance with applicable International Financial Reporting Standards.

*Capital instruments*

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

(ii) *Share capital*

	<i>At 5 May 2005 £</i>
<b>Authorised</b>	
Ordinary shares of 10p each	30,000,000
	<u>30,000,000</u>
<b>Allotted, called up and fully paid</b>	
Ordinary shares of 10p each	0.2
Equity shareholders' funds	<u>0.2</u>

On incorporation on 25 April 2005 as a limited liability company, 2 ordinary shares were issued at 10 pence each.

(iii) *Post balance sheet event*

Apart from the issue of shares described in note (ii) the Company has not traded, paid a dividend or entered into any other transactions since incorporation.

Yours faithfully,

Ernst & Young LLP

## PART IX

### Taxation

*The following information is based on the law and practice currently in force in the UK and Guernsey. The information is not exhaustive and, if potential investors are in any doubt as to the taxation position, they should consult their professional advisers. Investors should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and it may alter the benefits of investment in the Company.*

#### UK Taxation

##### *The Company*

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains.

##### *UK Shareholders*

- (a) Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax in respect of dividends paid by the Company.
- (b) In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on a disposal of Ordinary Shares. Taper relief may be available to reduce the amount of any chargeable gain on disposal. No indexation allowance will be available to such Shareholders. Individual Shareholders are entitled to an annual exemption from capital gains. Shareholders within the charge to corporation tax may claim indexation allowance to reduce any chargeable gain on disposal of the Shares.

It is not intended that the Company would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company should not be attributed to Shareholders under Section 13 of the Taxation of Chargeable Gains Act 1992.

- (c) The Directors intend to manage the Company's affairs such that it should not be regarded as a collective investment scheme for the purposes of Section 235 of the Financial Services and Markets Act 2000. On this basis a shareholding in the Company should not be regarded as a material interest in an offshore fund for the purposes of Section 757 of the Income and Corporation Taxes Act 1998 (the "Taxes Act"). On this basis, gains realised on such holdings should not be subject to tax as income under that legislation.
- (d) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions of the controlled foreign companies legislation contained in Section 747 of the Taxes Act.
- (e) The attention of individuals ordinary resident in the UK is drawn to the provisions of Sections 739 and 740 of the Taxes Act which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

##### *UK Shareholders – Taper Relief*

In certain circumstances, individual Shareholders may be able to claim business asset taper relief ("BATR") thereby reducing the effective rate of taxation for UK individuals on disposal of Ordinary Shares in the Company, after a minimum period of two years, to 10 per cent. BATR is greater in amount and faster to accrue, than normal taper relief.

The Company does not make any representation as to whether the investment will be, or will continue to be, one in respect of whether BATR will be available.

### *Non-UK Shareholders*

Shareholders who are not resident or ordinarily resident in the UK (or temporarily non-resident) and do not carry on a trade, profession or vocation through a branch or agent in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of the Ordinary Shares.

### *Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)*

Shares in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

### *Self-Invested Personal Pension Schemes (“SIPPs”)*

The Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are dealt in on AIM.

### **Guernsey Taxation**

The Company is exempt from liability to Guernsey Income Tax. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that the Company continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify. No capital gains or similar taxes are levied in Guernsey on realised or unrealised gains resulting from the Company’s investment activities.

Shareholders (unless they are resident in Guernsey for tax purposes) will not suffer any income tax in Guernsey on any income distributions to them.

No Guernsey stamp duty or stamp duty reserve tax should be payable on the issue, transfer, conversion or redemption of Ordinary Shares.

On 25 November 2002, the Advisory & Finance Committee of the States of Guernsey (“A&F”, now the States of Guernsey Policy Council) announced the proposed framework for a structure of corporate tax reform within an indicative timescale. In the announcement, the A&F stated that any specific recommendations for change would only be placed before the Guernsey States of Deliberation after further consultation with local businesses and review of taxation in other financial centres.

The relevant parts of the announcement are as follows:

- (a) The general rate of income tax paid by Guernsey companies will be reduced to 0 per cent. in respect of the tax year 2008 and subsequent years.
- (b) It is intended that personal income tax will be maintained at 20 per cent. and VAT will not be introduced.
- (c) The A&F has stated that there is no intention to introduce capital gains tax, inheritance, gift or other wealth taxes.

The foregoing summary does not address tax considerations which may be applicable to certain shareholders under the laws of jurisdictions other than Guernsey. The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

## PART X

### Additional information

#### 1. Directors' responsibility

The Directors, whose names are set out on page 6 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 1994 (as amended) with registered number 43099 on 25 April 2005.
- 2.2 The Company's registered office and its principal place of business are in Guernsey and are located at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL.
- 2.3 Save for its entry into the material contracts summarised in paragraph 7 of this Part X and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred borrowings.
- 2.4 For statutory purposes under the provisions of the Law, and in accordance with the Articles, the Company may not proceed to allotment unless a minimum of two shares has been subscribed for.

#### 3. Share capital

- 3.1 At incorporation the authorised share capital of the Company was £30,000,000 divided into 300,000,000 Ordinary Shares of 10p each of which two were issued as subscriber shares to the two subscribers to the Memorandum and Articles. The Companies (Guernsey) Law, 1994 (as amended) and the Articles do not impose pre-emption rights on the issue of new shares. Accordingly, at incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power was not limited in duration.
- 3.2 The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as follows:

	<i>Authorised</i>		<i>Issued*</i>	
	<i>No. of Shares</i>	<i>£ Nominal</i>	<i>No. of Shares</i>	<i>£ Nominal</i>
Ordinary Shares	300,000,000	30,000,000	25,000,000	2,500,000

\* Assuming 25 million Ordinary Shares are issued under the Placing.

- 3.3 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held.
- 3.4 The Ordinary Shares carry the right to vote at general meetings, dividends, and the surplus assets of the Company on a winding-up.
- 3.5 Save pursuant to the Placing, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.6 Save in respect of the Warrants granted to Eastgate Power under the Warrant Instrument, details of which are set out in paragraph 7.7 on page 49, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.7 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.

- 3.8 On the assumption that the Placing is fully subscribed at the Placing Price, the Company will have on Admission 25 million Ordinary Shares in issue and share capital of £30 million.
- 3.9 Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained for the issue of this document and the associated raising of funds. Neither the Guernsey Financial Services Commission or the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or the opinions expressed with regard to it.

#### **4. Directors' and other interests**

- 4.1 The maximum amount of remuneration payable to the Directors permitted under the Articles is £300,000 per annum.
- 4.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which none is to be made)) of the Directors for the period ending 30 June 2006 will amount to no more than £150,000.
- 4.3 There are no existing or proposed service contracts between any of the Directors and the Company. There are no contracts entered into by the Company in which the Directors have a material interest save that George Cardona is a director of Cardona Lloyd & Co, which has been appointed as financial adviser under a Corporate Finance Advisory Agreement, details of which are set out in paragraph 7.8 of this Part X; John Donelan is an employee of Probyn & Company which has been appointed as adviser under the Power Advisory Agreement, details of which are set out in paragraph 7.3 of this Part X and Andrew Whalley is an employee and shareholder of Premier Asset Management, the parent undertaking of Premier. Premier has been appointed as investment manager under the Regulatory Management Agreement and the Power Management Agreement, details of which are set out in paragraphs 7.1 and 7.2 of this Part X.
- 4.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 4.5 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 which has been appointed as financial adviser under a Corporate Finance Advisory Agreement, details of which are set out in paragraph 7.8 of this Part X; John Donelan is an employee of Probyn & Company which has been appointed as adviser under the Power Advisory Agreement, details of which are set out in paragraph 7.3 of this Part X and Andrew Whalley is an employee and shareholder of Premier Asset Management, the parent undertaking of Premier. Premier has been appointed as investment manager under the Regulatory Management Agreement and the Power Management Agreement, details of which are set out in paragraphs 7.1 and 7.2 of this Part X.
- 4.6 No Director (nor any member of a Director's family) has had a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares.
- 4.7 No Director has agreed to subscribe for any Ordinary Shares under the Placing. Cardona Lloyd & Co Limited have agreed to subscribe for 73,204 Ordinary Shares in payment of its fee under the Corporate Finance Advisory Agreement, details of which are set out in paragraph 7.8. 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 4.7 and the Warrants granted to Eastgate Power under the Warrant Instrument, details of which are set out in paragraph 7.7 on page 49, 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.

- 4.8 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company.
- 4.9 The Company is not aware of any person holding directly or indirectly more than 3 per cent. of the Company's issued share capital or any person who will hold, directly or indirectly, more than 3 per cent. of the Company's issued share capital after Admission.
- 4.10 The Company will purchase directors and officers liability insurance for the benefit of the Directors.
- 4.11 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.
- 4.12 None of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. None of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.
- 4.13 None of the Directors has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.14 Stephen Probyn is a director of Probyn & Company Inc. and a majority shareholder of Probyn Eastman Ltd. the parent undertaking on Probyn & Company.
- 4.15 The directorships held by each of the Directors over the five years preceding the date of this document and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Mike Liston	The Jersey Electricity Company Ltd Channel Islands Electricity Grid Ltd Foreshore Holdings Ltd Foreshore Ltd	Newtel Ltd
George Cardona	Close Finsbury Eurotech Trust plc Cardona Lloyd & Co Ltd Cardona Lloyd (Guernsey) Ltd Cardona Lloyd Hedge Portfolio Ltd Martin Currie Pacific Trust plc	HSBC Asset Management Ltd HSBC Bank Armenia cjsc British Arab Commercial Bank Ltd Argentina Private Development Trust Co. Ltd The Peru Privatisation & Development Fund Ltd CIP Services Ltd Banco Santiago HSBC Financial Services (Cayman) Ltd The Tower Fund LP HSBC Latin America BV HSBC International Financial Services (UK) Ltd Grupo Financiero Serfin Mid-Med Bank plc HSBC Europe BV

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Tod Kersten	—	Lazard & Co., Limited
Nigel Le Quesne	JTC Group Limited	5 Aldford Street Limited
	Jersey Trust Company Group Limited	ACE Overseas Corp
	JTC Management Limited	ACE Overseas Limited
	JTC Trustees Limited	Amber Holdings Limited
	JTC Corporate Services Limited	Appliancezone Limited
	JTC Fund Administration Limited	Armstrong Swift Consultants Limited
	JTC Holdings Limited	Arrowhead Properties Limited
	JTC Securities Limited	Bay Queen Holdings Limited
	JTC Properties (Elizabeth House) Limited	Bear Foot Properties Limited
	JTC BVI Limited	Bear Foot Properties Limited
	JTC Directors (BVI)Limited	Bosworth Germany Limited
	JTC Corporate Services (BVI) Limited	Bosworth Germany Limited
	JTC Trustees (BVI) Limited	Bridgehead Limited
	JTC Mayfair Limited	Cant Enterprises Ltd.
	JTC Corporate Services (UK) Limited	Chequered Flag Limited
	JTC Trustees (UK) Limited	Church Limited
	JTC Trustees (Frontier) Limited	Coalport Investments Limited
	Alborada Limited	Colehill Properties Limited
	Alligator Investments Limited	Coreda Properties Limited
	Altiplano Finance Limited	Cutland Enterprises Ltd.
	Altiplano II Finance Limited	Dalame Resources S.A.
	Amedis Commercial Finance Limited	Dauphin Management Ltd
	Amirati Investments Limited	Davenport Management Services Limited
	Ammar Holdings Limited	Dayann II Investments Limited
	Antalis US Funding Corp.	Dayann Investments Limited
	April Point Properties Limited	DGC Group Limited
	Aragrove Investment Limited	Diese I Investments Limited
	Arbrook Properties Limited	Dilkush Limited
	Arrowhead Holdings Limited	Diola Limited
	Arrowhead Marktplain B.V.	Diola Limited
	ASCOM Consulting Limited	DJH Associates Ltd
	Austra Corp	Echelon Holdings Ltd
	Avalanche Investments Limited	Echelon Holdings Ltd
	Bainbridge Investments Limited	Elgan Investments Limited
	Baligay Limited	Equinox Investments Limited
	Balmaha Investments Limited	ESP Investment Limited
	Balzac Consultants Northern Europe Limited	Estate Consultants Limited
	Bannerman (Capital) Limited	Estate Consultants Limited
	Barisan Properties Nv	First Combined Trust (C.I.) Limited
	Barlee Properties Nv	G.H. S.A.
	Barnwood Properties Limited	Global Preservation Inc.
	Bath Holdings Limited	Gloucester Estates (Fliegerstrasse) Limited
	Beast Shipping Limited	Gloucester Estates (Kudamm 110) Limited
	Beaton Associates Limited	Gloucester Estates (Kudamm 73) Limited
	Bespoke Investments Limited	Gloucester Estates (Schulterblatt) Limited
	Blue and White Management Limited	

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Nigel Le Quesne (continued)	Blue Ribbon Asset Management Limited	Humbestan Holding B.V.
	Blue Swan Insurance (Jersey) Limited	Humbestan Properties B.V.
	Borric Properties Limited	IBS Limited
	Boston Devonshire Holding Limited	Imroz Investments Limited
	BW Investments Limited	Invco
	Cadenza Management Limited	Iorganics (Jersey) Limited
	Cadenza Equestrian Services L	Jablanica Investment Incorporated
	Cadenza International Limited	Jestey Holdings Limited
	Camrose Properties Limited	JTC (BVI) Limited
	Cantel Investments Limited	Karakoram Properties N.V.
	Carmin Invest SA	Karew Properties Limited
	Carrera Limited	Keimomm S.A.
	Carte Blanche Holdings Limited	Kingsway Estates Limited
	CEDCO Enterprises Limited	Kipalifi Limited
	Certain Funding Corp.	Kipalifi Limited
	Certain Funding Limited	Kirkdale Consulting Limited
	CET (Montebre) Limited	Kopet Properties N.V.
	CET (New Europe) Limited	La Hanse Consultants Limited
	CET Capital Limited	Liffeystan Holding B.V.
	CET E-xcell Limited	Liffeystan Properties BV.
	CET Management Services Limited	Lincoln Films Limited
	Chakalak Limited	Linthor Holdings Ltd
	Chantelys Investments Limited	Lionheart Films Limited
	Cheval Noir Investments Limited	Locaciti Limited
	Churchill & Carr Limited	Location Unlimited Jersey Ltd
	City Pavilion Limited	LOGGIAS Finance (Jersey) Limited
	CMS Holdings Limited	Matira Properties Corp
	Coatbridge Retail Limited	Mayfair Real Estate Ltd
	Commerzbank International Trust (Jersey) Limited	Mayfair Real Estate Management Limited
	Convergence Aviation Limited	Mercure Trade Finance Limited
	Coral International Resources Inc	Mercury Atlantic Ltd
	Corporate Real Estate Equity Capital Limited	Merrygate Properties Limited
	Corsaire Limited	Messina Investments Limited
	Corston Holdings Limited	Natpos Holdings Limited
	Creake Limited	Natpos Limited
	CREEC (Bedford) Limited	Nobena Limited
	Curzon Three Limited	Pacific Rim Alliance Ltd
	Curzon Two Limited	Paradigm Logistics Ltd
	Cuvette Investments Limited	Paradigm Logistics Ltd
	Daytona Management Limited	Parsley Holdings Limited
	DBG Development Capital Eastern Europe Limited	Pindus Properties N.V.
	DBG UK Management Limited	Pocklington Financial Limited
	DCLW Consulting Limited	Pontine Properties N.V.
	Debours Management Limited	Power Lake Investments Limited
	Declaron Trustee Limited	Pridian Properties Limited
	Dermalcol Limited	Primewell Investment Limited
	Dervis Management Limited	Ravensbeck Investments Ltd.
	Deux Pas Investments Limited	Recoto Holdings Limited
	DNA Holdings Limited	Revaro Limited
		Richwood Overseas Corporation
		Salinger Properties Limited
		Sans Souci Properties Limited
		Segura Properties N.V.
		SelectInvest Egypt Limited

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Nigel Le Quesne (continued)	Dourostan Holding B.V. Dunkelly Investments Limited Eastern Area Consulting Limited Egyptinvest One Limited Ellisfield Investments Limited Emory Properties Limited Enzo Properties Limited EPW Finance Limited Esplanade Property Services Limited EuroBeat Company Limited European Capital Solutions Limited European Financial Partners Limited Exchange House Management Limited Exchange Place Limited Ezyrik Holdings Limited FBL Consulting Limited Fernando Holdings Limited Firefly Limited First Canary Limited First Light Capital Ltd. First Mezzanine Limited Fitzpain Limited Florestan Holding B.V. Frimley Holdings Limited Gangestan Holding B.V. Gangestan Properties B.V. Gate Investments Limited GFF Limited Gloucester Estates (Holdings) Limited Gloucester Estates (Landsberger) Limited Gloucester Estates (Wandsbeker) Limited Gulf Mezzanine Limited Haiku Releasing Limited Hamsah Holdings Limited Hernando Investments Limited Highgrove Trustee Limited Holcroft Limited Hong Kong Mortgage Financing Limited Hudson Investment Holdings Limited Ikcon Lighting Limited Industan Holding B.V. Inkontex Limited Interport Limited Inveresk Consulting Limited Ioanna Shipping Limited Irongame Holdings Limited	

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Nigel Le Quesne (continued)	Dourostan Holding B.V. Dunkelly Investments Limited Eastern Area Consulting Limited Egyptinvest One Limited Ellisfield Investments Limited Knoxville Finance Ltd Land Project and Development Limited Landmark Holdings Limited Liberation Capital Ltd. Lincoln Investments Limited Linden Heights Ltd Lion Star Limited Liquid Petroleum Gas Development Ltd Logitech (Jersey) Limited Lomond Springs Limited Loxley Films Limited M & A International Investments Holdings Inc MacArthur Enterprises Limited Malachite Holding B.V. Mantilla Enterprises Ltd MasterSearch Management Consultants Limited Media Mix Ltd Merrygate NL 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 Modena Cars Limited Moluccastan B.V. Morris Holdings Limited Mostro Limited N17 Limited Newman Street Investments Limited Newport Holdings Limited NSW (Jersey) Limited Obsidian Holdings Limited Ofuolst B.V. Optimate Holdings Limited Peak Development Limited Perceptive Holdings Limited Peregrine Finad Limited Phoenix Films Limited Pincon Investments Limited Pine Hills Ventures Limited Poire Estates Limited Polaris Investment Holdings Ltd	

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Nigel Le Quesne (continued)	Pomme Properties Limited Portia Limited Premier Asset Collateralized Entity Limited Property Initiatives Limited Pyrite Holding B.V. Quadroon Holdings Limited Quintus Consultants Limited Quintus Management Limited Raneen Properties Limited Rapier Films Limited Ringland Properties Limited Rock Solid Limited Root Holdings Limited Round Thorn N.V. Safety Net Limited Sagrus Properties N.V. Sauluna Invest Holding Ltd Scaramouche Investments Limited Sea Freedom Limited Securitised Instantly Repackaged Perpetuals Limited SES Limited Shalot Properties Limited Sherwood Films Limited Shorething Limited Showmaxx Holdings Limited Showmaxx Rights Limited Silver Reef Properties Limited Slogo Investments Limited Stark Equities Ltd Strawberry Fare Limited Sugar Mezzanine Limited Sugar Participation Limited SugarInvest Limited Suncrest Profits Limited Tabreed Project Finance One Limited TAJRV LTD Tanlan Limited Tepco UK Limited Thiyan Investments Limited Tic Toc Films Limited Tinaca Investments Limited Triennial Investments Limited Truck Finance Limited Tungsten Group Limited UK & European Investments (Awdry) Ltd. UK & European Investments (Bristol) Ltd UK & European Investments (Chiswick) Ltd UK & European Investments (Redhill) Ltd	

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Nigel Le Quesne (continued)	Van Reijendam Investments Limited Vander Real Estate Holdings N.V. Victoria Services Inc Visser Investments 1999 Limited Warwick Square Limited Watermark (Ecosse) Limited Watermark CH AG Watermark Holdings Limited Watermark NL Limited Whitecote Limited Wickets Investments Limited Woking Participation Limited Wombat Investments Limited Worcester Gate Limited WorldNet Capital Management Limited Worldwide Music Corporation WPPF Management Limited Yosemite Securities Company Ltd Zamora Limited Zebedhee Properties Limited Zingala 2 Investments Limited Zingala Investments Limited Zone 888 Limited	
John Donelan	—	—
Andrew Whalley	Johnson Fry Second Utilities Trust Limited	Johnson Fry Holdings plc Legg Mason Investments plc

## 5. Articles of association

The Articles of Association of the Company contain provisions, inter alia, to the following effect:

### 5.1 *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.

### 5.2 *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.

### 5.3 *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 (the “default shares”) and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares 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.

### 5.4 *Transfer of and transmission of shares*

- (a) Subject to the 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.

### 5.5 *Alteration of capital*

- (a) The Company may from time to time, subject to the provisions of the Law, purchase its own shares (including any redeemable shares) in any manner authorised by the 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 Law.

## 5.6 *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 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.

## 5.7 *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.

#### 5.8 *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.

#### 5.9 *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.

#### 5.10 *Borrowing*

The Directors may exercise all and any powers of the Company to borrow money.

#### 5.11 *Register of Shareholders*

The Company shall keep the register at its registered office, in accordance with the Law.

### 6. Overseas investors

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

The Company is not registered with the US Securities Exchange Commission under the US Investment Companies Act of 1940, as amended (the "1940 Act"). In addition, the Ordinary Shares are not registered under the US Securities Act of 1933, as amended (the "1933 Act"). Therefore, the Ordinary Shares may not be publicly offered or sold in the US or directly or

indirectly to or for the benefit of a “US Person” as defined herein. A “US Person” as used herein means a “US Person” as defined under Regulation S of the 1933 Act, as well as the following (1) a citizen or resident of the US; (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside the US and not effectively connected with the conduct of a trade or business within the US; or (4) any estate or trust which has a US person as its executor, administrator, or trustee. Ordinary Shares will be offered or sold within the United States only to Qualified Purchasers, as defined under the 1940 Act.

## 7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

7.1 A Regulatory Management Agreement dated on or around 5 May 2005 between the Company and Premier pursuant to which Premier has 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 thereunder, Premier 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 agreement is terminable on 12 months notice expiring on or at any time after the second anniversary of the agreement or summarily in the event that the Company becomes fully invested (namely 90 per cent. of its assets are invested in the renewable energy generation portfolio). The agreement may be terminated summarily in certain other circumstances including for material breach of contract. The agreement contains an indemnity in favour of Premier from the Company for losses it may suffer as a result of providing discretionary fund management services to it.

7.2 A Power Management Agreement dated on or around 5 May 2005 between the Company, Eastgate Power and Premier pursuant to which Eastgate Power has 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 thereunder, Eastgate 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. of the launch proceeds). 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 borrowings. The assets will be valued as at the last business day of each quarter. In addition to the foregoing the Manager shall be entitled to receive a transaction fee of 1.5 per cent. of the amount of cash or cash equivalents invested by the Company in each renewable energy project which completes in accordance with its terms or which is the subject of financial close. No transaction fee will become payable if a project aborts before completion. In addition Eastgate Power is entitled to receive Warrants the terms of which are set out in paragraph 7.7 below.

The agreement is terminable on 12 months notice expiring on or at any time after the fourth anniversary of the agreement. The agreement may be terminated summarily or on shorter notice in certain other circumstances including for material breach of contract. The agreement contains an indemnity in favour of Eastgate Power from the Company for losses it may suffer in connection with its performance of services under the agreement. The agreement permits Eastgate Power to delegate its functions to Probyn & Company.

7.3 A Power Advisory Agreement dated on or around 5 May 2005 between the Company, Eastgate Power and Probyn & Company pursuant to which Probyn & Company agrees to provide the Company and the Manager with investment management services delegated to it pursuant to the agreement. Pursuant to the agreement the Manager agrees to pay Probyn & Company 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 Power Management Agreement as well as on 12 months notice, such

notice to expire not earlier than the fourth anniversary of the agreement. In addition, the agreement may be terminated summarily including for material breach of contract and in circumstances where the Board reasonably believes that Probyn & Company is unable to discharge its duties due to its obligations to CPIF. The agreement contains an indemnity in favour of Probyn & Company from the Company for losses it may suffer in connection with its performance of services under the agreement.

- 7.4 A Nominated Adviser Agreement dated on or around 5 May 2005 between the Company, the Directors and Collins Stewart under which Collins Stewart has agreed, *inter alia*, to act as the Company's nominated adviser as required by the AIM Rules. Collins Stewart has agreed to provide such advice and guidance to the Company to ensure compliance by the Company on an on-going basis with the AIM Rules as the Directors may reasonably request from time to time.

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. This agreement is terminable by either Collins Stewart or the Company on one month's notice, such notice not to expire earlier than the first anniversary of the date of this agreement.

- 7.5 A Nominated Broker Agreement dated on or around 5 May 2005 between the Company, the Directors and Collins Stewart under which Collins Stewart has 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, upon Admission. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as broker. This agreement is terminable by Collins Stewart or the Company on one month's notice, such notice not to expire earlier than the first anniversary of the date of this agreement.

- 7.6 A Placing Agreement dated 5 May 2005 between the Company, Collins Stewart, the Manager, Probyn & Company and Premier Asset Management under which Collins Stewart has agreed to use its reasonable endeavours as agent for the Company to procure places at the Placing Price for up to 25 million Placing Shares. In consideration for its services Collins Stewart will 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 is 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), the Manager and Probyn & Company in favour of Collins Stewart. The Placing Agreement may be terminated in certain circumstances prior to Admission including by reason of force majeure.

Premier Asset Management guarantees the obligations of the Manager, its wholly-owned subsidiary, under the Placing Agreement.

- 7.7 Pursuant to a Warrant Instrument dated 5 May 2005, the Company has 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 Eastgate Power. More particularly, the Manager is 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 will be disregarded in calculating the highest issued share capital although any shares bought back belonging to the Manager pursuant to the exercise of any Warrant will be 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 (such consent not to be unreasonably withheld or delayed).

- 7.8 A Corporate Finance Advisory Agreement between the Company and Cardona Lloyd & Co dated 5 May 2005 pursuant to which Cardona Lloyd & Co agrees to provide the Company with financial advice and other services in connection with its launch. Pursuant to the agreement Cardona Lloyd & Co is entitled to a fee of £50,000 and one per mille of the total amount raised on the launch of the Company. Under the agreement the Company gives certain indemnities to Cardona Lloyd & Co for losses it may suffer in connection with its appointment.
- 7.9 An Administration Agreement dated 5 May 2005 between the Company and Guernsey International Fund Managers Limited (“the Administrator”), whereby the Administrator is appointed to act as Administrator of the Company. The Administrator shall be entitled to receive an annual fee of £80,000 for the first year of the agreement, which sum will be reviewed on the first anniversary following Admission. The Administrator shall also be entitled to reimbursement of fees and expenses disbursed by the Administrator on behalf of the Company. The Agreement contains an indemnity in favour of the Administrator against claims by third parties 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 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.
- 7.10 A Custodian Agreement dated 5 May 2005 between the Company and Barings (Guernsey) Limited (the “Custodian”), whereby the Custodian is appointed to provide a safekeeping service to the Company. The Custodian shall be entitled to receive its reasonable fees and charges in force and as amended from time to time. The Agreement contains an indemnity in favour of the Custodian against claims by third parties except to the extent that the claim is due to the negligence, wilful default or fraud of the Custodian. The Agreement may be terminated by either party at any time by giving written notice of such termination.
- 7.11 An Offshore Registrar Agreement dated 5 May 2005 between the Company and Capita IRG (CI) Limited (the “Registrar”) whereby the Registrar is appointed to act as registrar of the Company. 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 £5,000, 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 their 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 Agreement contains an indemnity in favour of the Registrar against claims by third parties except to the extent that the claim is due to the fraud of the Registrar or its agents, officers or employees. The Agreement may be terminated by either party giving to the other not less than 6 months’ written notice expiring on or after the second anniversary of the date of the Agreement or otherwise in circumstances where one of the parties goes into liquidation.
- 7.12 A Co-investment Agreement dated 26 April 2005 between the Company and CPIF pursuant to which CPIF has agreed to offer co-investment to rights on a 50/50 basis to the Company, excluding the US and Canada in any renewable energy project identified by CPIF. REG shall offer an equal right of co-investment to CPIF in respect of all investment opportunities. The initial term of the Agreement shall be one year which is renewed automatically for one year unless either party gives to the other not less than 90 days notice prior to the end of such term.

## 8. Working Capital

In the Directors’ opinion, having made due and careful enquiry, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

## 9. Miscellaneous

- 9.1 The Company will be applying to CRESTCo for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the admission of the Ordinary Shares to CREST as a participating security will be effective from or soon after Admission. Shareholders who are direct or sponsored members of CRESTCo will be able to dematerialise the Ordinary Shares in accordance with the rules and practices instituted by CRESTCo.

- 9.2 The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- 9.3 None of the Ordinary Shares available under the Placing is being underwritten.
- 9.4 The Company has no subsidiaries.
- 9.5 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 1 above and that, save for its entry into the material contracts described in paragraph 7 above, the Company has not traded, no accounts have been made up and no dividends have been declared.
- 9.6 There has been no significant change in the financial or trading position of the Company since the date of its incorporation or any factors which have influenced its activities. The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.
- 9.7 The minimum amount, which, in the opinion of the Directors must be raised by the Company to provide sums required in respect of the matters specified in paragraph 21(a) of Schedule 1 to the POS Regulations is £25 million, which will be applied as follows:
- (a) preliminary expenses payable by the Company and any commission so payable to any person in consideration of his procuring or agreeing to subscribe for, or his procuring or agreeing to procure subscriptions for any shares in the Company: approximately £1,251,360;
  - (b) working capital (available for investment): £23,748,640.
- There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in this paragraph 9.7.
- 9.8 The total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, the costs of printing and the other fees payable, excluding placing commission) will be approximately 5 per cent. of the gross amount raised.
- 9.9 The Company is not dependant on any patents or other intellectual property rights or licences.
- 9.10 The Company currently has no significant investments in progress.
- 9.11 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 25 April 2005 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 9.12 The accounting reference date of the Company is 30 June.
- 9.13 Collins Stewart has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.14 Probyn & Company has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.15 Premier has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.16 Eastgate Power has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.17 Pure Energy Professionals has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

- 9.18 First International Advisors, LLC has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.19 Cardona Lloyd & Co has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

#### **10. Documents Available for Inspection**

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Stephenson Harwood, One St. Paul's Churchyard, London, EC4M 8SH during business hours on any weekday from the date of this document (Saturdays and public holidays excepted) until the date of Admission:

- 10.1 the Memorandum and Articles of the Company;
- 10.2 the material contracts referred to in paragraph 7 of this Part X;
- 10.3 the Companies (Guernsey) Law 1994, (as amended);
- 10.4 the Accountants' Report set out in Part VIII of this document;
- 10.5 the consent letters referred to in paragraph 9 of this Part X; and
- 10.6 this document.

Dated: 5 May 2005