RENEWABLE
ENERGY GENERATION

Annual Report and Accounts

For the year ended 30 June 2010

Highlights

Revenue £6.2 million

Total cash and restricted cash £22.1 million

Proposal to pay final dividend of 1.5p per Ordinary Share

Sale of AIM PowerGen Corporation for consideration of CAN$125 million

Construction of Goonhilly and Loscar wind farms (energised October 2010)

Purchase of High Haswell and St.Breock wind farms

Repayment of all the continuing Group's debt

Expansion of wind project pipeline to 560MW

Provisional approval gained for 10 MW Sancton Hill project post year end

9 operating wind projects with total capacity of 37.15MW (against 8 projects of 26.25MW at year end)

Contents

Chairman's Statement

Mike Liston
Chairman

Context

The global renewable energy scene in 2009/10 has shown it to be reassuringly resilient in the face of universal spending cuts in the wake of the financial crisis, with new investment at its second highest annual figure. Despite generally aggressive economic austerity policies, governments intervened like never before to preserve momentum in clean energy development, with almost $200bn of "green stimulus" commitments being activated. For the second consecutive year, global spending on new renewable power generating capacity was higher than for fossil-fuelled capacity. Wind maintained its position as the most dominant of the new energy capacity added, followed by solar.

Public market investment rose slightly, albeit remaining little more than half the record high level pre-crisis in 2007 and on average, clean energy share prices recovered around one-third of the losses experienced in 2008. Whilst these positive trends were skewed by dramatic growth in renewable energy activity in the developing countries, the addition of substantial new manufacturing capacity coupled with subdued demand in the West led to a collapse in the cost, particularly of wind and solar energy equipment, the latter falling by 50%. Price depression is thought likely to be sustained in the medium term to the benefit of developers like ourselves, and together with rising fossil-fuel prices will accelerate progress towards "grid-parity" at which the production costs of renewable energy equal those of conventional technologies – reducing reliance on price subsidies.

Closer to Home

We will remain focussed on the UK wind market, where we are uniquely placed as one of the few well capitalised independent wind power developers able to exploit the well-documented compound pressures in its energy sector. With more than one-third of conventional power plant being forced off the power system in the next five years for reasons of age or non-compliant emissions performance, and insufficient progress towards meeting its legal obligation to produce 15% of its energy needs from renewable energy by 2020 (requiring about 40% of electricity to come from renewables, compared with 7% achieved

to date) the UK's energy regulator OFGEM estimates that £200bn of new investment is needed in the next 10-15 years to secure energy supplies and meet carbon reduction targets. We expect that the anticipated power generating capacity shortages, together with the need to attract new investment, will sustain higher wholesale power prices and maintain policy support for renewables – both of which we will benefit from as a renewable energy developer and operator.

As Europe's windiest nation, the UK should be capable of de-carbonising almost all of its power sector in the next two decades, as called for by its government advisor, the Committee on Climate Change, and as recently declared as the target for on-shore wind by the government of Wales. The CAN$125M proceeds from the sale of our Canadian business in 2009 has proved to be a timely reinforcement of our balance sheet as we now see projects emerging successfully from the planning process in the UK, where as a result of our continuing activities during the past four years we have more than 70 projects being actively developed for planning submission totalling over 560MW.

Projects currently under construction or committed, will double our existing output of green energy during the next year and assuming the average planning approval rate we expect that we will add at least 25MW in each of the following two years. We have progressively strengthened our in-house project development resource which prepares, builds and operates our own projects, but in addition we have begun selectively acquiring consented projects from others. Well capitalised and skilled, we can build what smaller developers cannot finance and we can re-power or extend older operating projects being disposed of by the utilities as they focus on off-shore wind. Re-powering projects such as our successful Goonhilly scheme benefit from more favourable planning consideration and easier financing and we anticipate they will constitute a significant part of our built portfolio.

Focus

Whilst averse to the risks in significant diversification we remain alert to opportunities to leverage our capabilities in complementary activities, especially in response to supportive long-term policy initiatives. Our establishment of REG Bio-Power in 2008 reflected enhanced government incentives to develop bio-fuels and accelerate the use of good Combined Heat and Power by industry. Having secured patents for our Used Cooking Oil refining process and pioneered the attainment of approvals by the Environment Agency for the use of the resulting bio-fuel for power generation, we now have three plants in operation. Subject to the current review by government confirming present policy which recognises power production as an appropriate use for waste cooking oil, we have several more projects ready to build in the next few years offering attractive returns.

We are well-placed to take advantage of the Feed-In Tariffs introduced in the UK in April 2010 which provide attractive, inflation linked 25 year guaranteed tariffs for renewable energy projects up to 5MW. A number of our smaller wind projects are suitable for these tariffs and we have resurrected an additional small portfolio of wind projects in order to take advantage of them.

Philosophy, Future and Folk

Now five years old, I believe we have matured into an organisation with a sound "corporate memory" which has learned much from its early experiences in an environment of heady activity- ironically unsustainable in an industry pursuing energy sustainability. Our ambitions, post credit crisis, reflect our confidence that we can deliver shareholder value reliably without straying radically from familiar territories and technologies. I believe we can achieve robust growth from within the British Isles and are better placed to manage performance and risk, having built in-house a team of industry specialists whose objectives are more easily aligned with the company's than those of external service providers, upon whom we previously relied.

Our transition from an Investment Fund to an operating company has necessitated the building of corporate cultures, management disciplines and risk controls, which your Board believes now equip your company for its next stage of development as a mainstream player in renewable energy. We appreciate the confidence shown by our shareholders as we have strived for this position. The extraordinary meteorological conditions impacting wind patterns this year frustrated our expected entry into a future of profitable operations, but we expect that new projects entering service now, will herald that milestone in the coming year. Accordingly, whilst mindful of our many opportunities to deploy capital for project construction, we propose to pay a final dividend of 1.5 pence (2009; 1.5 pence).

Following the successful sale of our Canadian business we committed to invest at least £100m in new renewable energy projects in the UK over the next three years. The current year's construction programme together with the recent acquisition of St Breock and High Haswell have cemented £35m of this commitment. Post the end of the period we secured provisional approval for a 10MW wind farm at Sancton Hill in Yorkshire. The construction of this wind farm, following discharge of suitable planning conditions, will take us halfway to our target within the first year of the plan. We have been greatly encouraged by anticipatory negotiations with potential lenders, which indicate that we have several options for financing a bigger building programme than planned.

It has taken longer than expected to reach this point where we are now adding substantial value to the project pipeline which we have been preparing throughout recent years. We anticipate that earnings capacity will continue to accelerate quickly, having broken through the cost of the now complete but efficiently resourced in-house development team, able to execute the intensive build programme we see ahead.

Mike Liston
Chairman
18 October 2010

Andrew Whalley
Chief Executive

Strategy and key goals

We closed the sale of our Canadian subsidiary AIM PowerGen in October 2009 for CAN$125m providing a strong platform to fulfil our goal of investing at least £100m into new renewable energy projects in the UK over the next three years. Our principal strategy is to focus on the development, construction and operation of smaller onshore wind projects (typically between

5MW and 20MW) where the energy generated is fed into the local rather than national network. These projects, notwithstanding current low energy prices, still offer attractive equity returns whilst generally being below the threshold of interest for the larger utility companies. We believe that as we build operating MWs our return on equity will improve materially through economies of scale and more efficient use of technology.

In addition we also operate a number of renewable energy projects operating on waste cooking oil. This oil is converted to a fuel through a patented processing technology and is then used to generate power and heat.

So far we have allotted almost £35m of our £100m target into four wind projects which will almost double our output to over 100GWh per annum. We have invested into our development team which is now working on 43 new wind projects across the UK totalling over 560MW. The group now has the financial strength, not only to support this added development effort, but also to finance and build new projects upon consent. Thus we believe that REG is strongly placed to be able to continue to grow its operating portfolio.

Group Financial highlights

Group revenue from continuing activities rose by 11% from £5.6m to £6.2m with losses from continuing activities before tax and exceptional items of £2.4m (2009 - £1.9m). Earnings before exceptional items, interest, taxation, depreciation and amortisation ("EBITDA") from continuing activities was a loss of £0.9m (2009 – £0.7m). The Group recorded a profit after tax for the year of £2.5m (2009 – loss of £9.1m) following the disposal of its Canadian subsidiary and the recycling of foreign exchange reserves associated with the disposal.

Output from the wind business was some 20% below budget due to the abnormally low wind conditions across the UK. This statistic was reinforced by a Garrad Hassan report commissioned by REG that illustrated the wind indices at our operating sites (and indeed across the UK) were around 20% lower than normal. Assuming a "normalised" P50 wind year net earnings could have been some £1.3m higher, assuming all other factors remaining normal.

Wind - operational overview of period

At the end of the period REG operated eight projects totalling 26.25MW of capacity. Total output decreased slightly from 41.1GWh in 2009 to 39.3GWh. Total revenues from the wind business increased from £4.6m to £5.3m in 2010 due to improved power prices achieved under the existing Smartest power purchase agreement. Average power price achieved in the period was £76/MWh (2009 - £57/MWh) by the wind business.

Market prices for electricity over the period have improved although they remain substantially below the level at which we fixed our price back in 2008. Current ROC pricing is around £50/MWh and power prices £41/MWh. With LECs, Triads and REGOs, current all in pricing achievable in the market is around £90 to £95/MWh compared to the £130/MWh at which we fixed our price for the 2010 financial year. Our fixed price PPA rolls off in March 2011.

We believe UK power prices will increase over the next few years and a central core of our strategy in refinancing our operating portfolio is that shareholders should benefit from any price increases in future.

The poor wind resource we experienced during the period was mirrored by others in the industry. This appears to be due to the North Atlantic oscillation, in layman's terms the Atlantic's version of the Pacific El Nino/Nina cycle, which over the winter period dropped to the lowest value in a hundred years (records only go back about 150 years). This resulted in one of the coldest winters in years, wind speeds dropping by around 25% of the average winter wind speeds.

Availability over the period averaged 94.2% for our operating fleet. Capacity factors over the period averaged 21% (2009 – 22.5%) although this varied enormously from wind farm to wind farm. Goonhilly Downs displayed the lowest capacity factor at 15% (2009 – 16%) due to its low hub height and ageing technology. This compares to our nearby Roskrow Barton site where the capacity factor, from much newer technology, was 31% (2009 - 34%). Overall however, capacity factors were impacted by the poor wind resource across the UK.

During the second quarter we initiated a programme of in-sourcing of our maintenance and operations functions. This has now been centralised at our Truro office, the new Bath office being devoted to new project development. The Group's contract with Pure Energy Professionals was terminated, resulting in modest cost savings. More importantly, however, we now have direct operational control of our assets which should lead to better understanding of output patterns and maintenance requirements.

As well as in sourcing operations and maintenance, we have also initiated a comprehensive programme of meteorological data acquisition for our operating and late stage planning projects. As met data is acquired, typically using 15 metre met masts (but in some cases hub height met masts) supplemented by LIDAR, comprehensive output reports are being compiled by Garrad Hassan, the renewable energy consultants. This will enable REG to better qualify its projects, both operating and in development.

Bio-Power – operational overview of the period

REG Bio-Power operates combined heat and power plants utilising recycled waste cooking oil. During the period this business lost £1.6m compared to a loss last year of £1.2m. The business has spent heavily on research and development of the technology and this has now come to an end culminating in an excellent report from the engineers Mott MacDonald which concluded that our fuel from waste, called LF100 has no detrimental impact on engine performance compared to red diesel fuel. Indeed we have now operated our engines for over 31,000 hours with no significant failures.

A report published by the Department of Energy and Climate Change last year concluded that recycled waste cooking oil used in combined heat and power ("CHP") plants was the most efficient use for that material. REG Bio is now operating two projects as CHP at Hockwold

in Norfolk and Port of Dover Authority. Our largest project at Bentwaters is currently being converted to CHP, thus qualifying for an additional half a Renewable Obligation Certificate and will be operating by Q1 2011.

In order to supply oil for our existing power projects as well as an additional 10MW of CHP, we have constructed a state of the art processing plant at Hockwold. Total investment in this project has been £650,000 which will allow us to turn 18,000 tons of waste cooking oil into fuel every year, sufficient to operate 15MW of CHP plant.

The current DECC review into the long term grandfathering of bio liquids is unhelpful but we are confident that waste cooking oil will ultimately be grandfathered in line with DECCs own internal reports. We have developed a world beating technology which has now achieved many tens of thousands of operational hours and which has received an endorsement from a leading engineering consultancy. If the DECC consultation concludes that waste cooking oil should be grandfathered we have many projects that can be built in a very short timeframe.

Acquisitions

In December we paid £800,000 to acquire a fully consented wind site in County Durham called High Haswell. Work is now well progressed and the construction of this project and turbines are scheduled for erection during Q4 2010. We are likely to expand this site, subject to planning.

In June we purchased a 16 year old wind farm called St Breock in Cornwall from E.ON for an initial consideration of £2.8m, with an additional £1.2m payable dependent on a successful planning application being received for the repowering of the site. This project, which is highly energetic, utilises eleven Bonus 450KW machines. When the project was acquired it was done so with one turbine that had suffered a major technical failure. This was reflected in the price paid and it is testament to our new operational team that the machine was quickly repaired and has operated faultlessly since. We believe that the site should, like Goonhilly Downs, be able to accommodate new turbines thus producing a significantly greater output from the available wind resource. We have already started the process of developing a repowered scheme on the site and we hope to be able to make a submission next year.

We will continue to seek accretive acquisitions where REG's team can add significant value. St Breock and Goonhilly are good examples of this.

Staff

REG has an outstanding team of individuals and they have all worked tirelessly over the last year often under difficult conditions. I am extremely grateful to them for their forbearance and effort.

Outlook

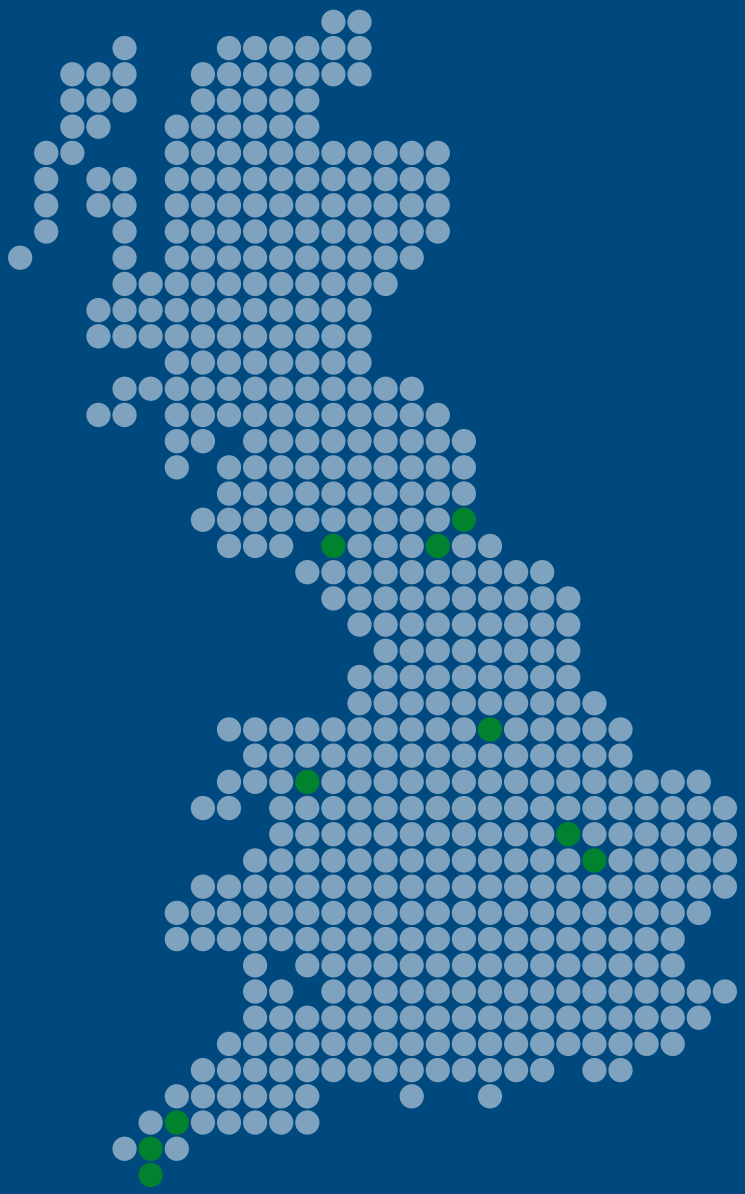
The construction of three new projects in the current period will almost double REG's output. We have started to put in place long term project finance on our first phase of operating projects built two years ago. This will release equity to invest in new wind developments. In tandem with this we will continue to review opportunities to acquire operating or consented sites but we will only do so where this adds tangible value.

REG has restructured its activities over the last year and has internalised key functions such as operations and meteorological data acquisition. This has resulted in modest cost savings allied to a better understanding and control of our assets. In addition, we have also expanded our development team to enable us to increase the pace of our project consenting programme.

Our strategic plan centres around the delivery of at least £100m of new renewable energy projects over the next few years. Our balance sheet is solid and we have a significant portfolio of short and long term opportunities. Thus we feel REG is well placed to benefit from the UK's continuing requirement for green electricity.

Andrew Whalley
Chief Executive Officer
18 October 2010

Construction of the first V80 turbine at Goonhilly Downs



High Sharpley - County Durham

Type: 2 x Nordex N60
Capacity: 2.6MW
Budgeted output: 7410 MWh

High Pow - Cumbria

Type: 3 x Nordex N60
Capacity: 3.9Mw
Budgeted output: 9800 MWh

Braich Ddu - Wales

Type: 3x Nordex N60
Capacity: 3.9MW
Budgeted output: 8500 MWh

Roskrow Barton - Cornwall

Type: Vestas V52
Capacity: 1.7MW
Budgeted output: 5500 MWh

Whittlesey - Cambridgeshire

Type: Vestas V90
Capacity: 1.8MW
Budgeted output: 4964 MWh

Ramsey - Cambridgeshire

Type: Vestas V90
Capacity: 1.8MW
Budgeted output: 5346 MWh

St Breock - Cornwall

Type: Siemens Bonus
Capacity: 4.95MW
Budgeted output: 10900 MWh

Operational Highlights

Goonhilly
Repowering of the Goonhilly site to maximise the potential energy production.

Loscar
Construction of a new wind farm at Loscar

Power Output
39,270MWh of energy produced in 2010

Portfolio
Expansion of development pipeline to 560MW

Revenue
A total revenue of £5.3million in 2010 compared to £4.6million in 2009

In Construction

Loscar - Yorkshire

Type: Acciona 1.5
Capacity: 4.5MW
Budgeted output: 11400 MWh

Goonhilly - Cornwall

Type: Vestas V80
Capacity: 12MW
Budgeted output: 29200 MWh

High Haswell - County Durham

Type: Vestas V80
Capacity: 4MW
Budgeted output: 12100 MWh

Goonhilly Downs after the construction of 6 new turbines

UK Coverage of HWRC Collections

Generation and CHP Sites

Location	Units	Capacity
Port of Dover (CHP)	1	0.15MW
Hockwold	1	0.4MW
Bentwaters	12	4.8MW

WVO Collections

County	HWRC Sites with Living Fuels WVO Tanks
Bedfordshire	7
Berkshire	2
Bridgend	4
Buckinghamshire	13
Buxton	1
Cambridgeshire	10
Derbyshire	7
Doncaster	6
East Sussex	4
East Yorkshire	1
Essex	1
Hertfordshire	14
Kent	23
Lancashire	2
Leicestershire	14
Lincolnshire	14
London	24
Norfolk	19
North Yorkshire	4
Northamptonshire	2
Nottinghamshire	9
Oxfordshire	1
Shropshire	5
Somerset	3
South Yorkshire	7
Staffordshire	13
Suffolk	18
Surrey	17
Warrington	3
Warwickshire	6
West Midlands	7
West Yorkshire	4
Wiltshire	13
Worcestershire	1

Highlights

Hockwold Processing Plant
The launch of our state of the art processing plant built using local UK companies

Power systems
An excellent independent engineers report on our technology with over 31,000 hours of engine operation to date.

Power Supply Contracts
The launch of two combined heat and power projects at Hockwold in Norfolk and the Port of Dover Authority

CHP
Strong pipeline of CHP projects

HWRC (Household Waste Recycling Centre)
WVO (Waste Vegetable Oil)
CHP (Combined Heat and Power)

The new REG Biopower WVO processing plant at Hockwold

Company Information

Directors

M. J. Liston - Chairman
A. N. Whalley
N. A. Le Quesne
M.W. Kennedy
J.J. Scally
C. Valeur
D.E. Crockford

Secretary

JTC Management
Elizabeth House
9 Castle Street
St Helier
Jersey
JE4 2QP

Bankers

Bank of Scotland
155 Bishopsgate Exchange
London
EC2M 3YB

Nominated Advisors

Smith & Williamson
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Registered Office

Elizabeth House
9 Castle Street
St Helier
Jersey
JE4 2QP

Independent auditors

Deloitte LLP
Chartered Accountants
Crawley

New Hockwold WVO recycling facility

Director Profiles

The board of Renewable Energy Generation Limited ("REG") comprises five Non-Executive directors and two Executive directors

Mike Liston OBE - Chairman, Non-Executive Director

Mike Liston is a chartered electrical engineer, with more than 30 years experience of UK and overseas power industries, in Policy, Operations and Technical functions.

He was for 17 years until 2009, Chief Executive of the power utility Jersey Electricity PLC, where he remains a Non-Executive Director. He is Chairman of the postal utility Jersey Post International Ltd., a director of Foresight Solar VCT PLC and a General Partner in that Group's European Solar business, as well as a director of Vital Bio-Energy, which produces bio-fuels in Kenya.

Mike's recent roles included Chairman of the energy infrastructure investor KSK Emerging India Energy Fund and Chairman of the Jersey Appointments Commission, which ensures probity in public sector appointments.

Mike is a Fellow of The Royal Academy of Engineering and is a Fellow of The Institution of Engineering and Technology.

Mike was awarded an OBE in the 2007 New Years Honours List, for services to the electricity industry.

He is a member of the Audit Committee of Renewable Energy Generation Limited.

Nigel Le Quesne - Non-Executive Director, Chairman of the Audit Committee

Nigel Le Quesne, is the Group 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 is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee of Renewable Energy Generation Limited.

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 and The Institute of Directors.

Dr Malcolm Kennedy CBE – Non-Executive Director, Chairman of the Nomination and Remuneration Committee

Dr Kennedy has held many high profile positions during his 40 years in the power industry, including his Presidency of the Institution of Electrical Engineers from 1999-2000. He is a fellow of the Royal Society of Edinburgh, the Royal Academy of Engineering, and in 1999 was awarded a CBE in recognition of his services to exports to developing markets. He was formerly Chairman of NEA, national energy action charity, and advises OFGEM (Office of Gas and Electricity Markets)/BIS on Renewables. Malcolm was formerly Chairman of international consulting engineers PB Power Ltd, formerly Merz and McLellan, which he joined in 1964. He was appointed a member of the Electricity Networks Strategy Group in 2005, sponsored by OFGEM and BIS. He is a Non-Executive director of the New and Renewable Energy Centre, and Applied Superconductor Limited.

Malcolm is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee of Renewable Energy Generation Limited.

John Scally – Non-Executive Director

John Scally MBA is a Fellow of the Royal Institution of Chartered Surveyors and has over 40 years experience in property development and investment. He has worked in both the private and public sectors in the UK and in Europe. Until recently he was Chief Executive of a Jersey based private property company and before that he was the Managing Director of the Jersey Waterfront Enterprise Board. In the UK he was Director of Development for the successful Tyne & Wear Urban Development Corporation.

Currently John is a Trustee of the CTJ Housing Trust, Chair of Trustees for Beaulieu Convent

School and a member of the board of Governors for De La Salle College in Jersey. In the past John has been Chair of an Arts Trust, Deputy Chair of a Health Trust and a Director in a number of Urban Initiatives set up by the UK Government.

Charlotte Valeur – Non-Executive Director

Charlotte Valeur Adu is a Managing Director of Brook Street Partners Ltd which she founded in 2003. She launched Global Governance Group in 2009 as a division of Brook Street Partners.

Charlotte currently serves on boards and committees of a number of listed and unlisted fund management and investment companies including 3i Infrastructure, a FTSE250 listed private equity fund, and single manager Hedge Funds.

Charlotte has in excess of 25 years experience in the financial markets.

Prior to founding Brook Street Partners Charlotte worked in The City of London as a Director in Capital Markets at Warburg, BNP Paribas, Societe Generale and Commerzbank. Charlotte began her career in Copenhagen in 1982 with Nordea A/S. In 1991 she moved to the London office of Nordea A/S as Head of the UK Fixed Income Sales group.

Charlotte is a member of The Institute of Directors and is regulated by the Jersey Financial Services Commission in the conduct of Trust Company business.

Andrew Whalley – Chief Executive

Andrew established REG in 2005 and took over as Chief Executive Officer in 2007.

Prior to establishing REG Andrew was a leading fund manager in the utility sector and managed the UK's first dedicated utility fund, launched in 1993. He was head of investments at Legg Mason Investments PLC where he was also on the main Board. Prior to this he was chief investment officer and a main Board director at Johnson Fry before the Company's sale to Legg Mason Inc, one of the US' largest fund management groups. He has over 20 years experience of financial markets.

Andrew also serves on the Board of ITI Energy which is a leading UK company involved in the manufacture of gasification plant for the waste to energy industry.

David Crockford – Finance Director

David commenced his career as a Chartered Accountant with Deloitte where he gained 10 years of experience in private and public sector business. Following his time at Deloitte, David moved overseas to work in the international petroleum sector. Prior to his appointment as Finance Director to Renewable Energy Generation, he was the Chief Financial Officer of Duchy Originals Limited.

The Directors present their annual report and the audited financial statements for the year ended 30 June 2010.

Principal activity

The principal continuing activities of the Company and its subsidiaries, ("the Group"), in the year under review was the development, construction and operation of renewable energy facilities across the UK.

Results and dividends

The results for the year are shown on page 26.

The directors recommended the payment of a final dividend of 1.5p (2009 – 1.5p).

Directors and their interests

The Directors in office during the period and their interests in the share capital of the Company are shown in the table below:-

		Ordinary share of 10p each		
		1 July 2009	30 June 2010	Latest date prior to publication
		No.	No.	No.
Mike Liston		48,131	48,131	48,131
Nigel Le Quesne		23,000	23,000	23,000
Nigel Syvret	(resigned 20 January 2010)	23,000	-	-
Malcolm Kennedy		13,500	13,500	13,500
John Scally	(appointed 20 January 2010)	-	-	-
Charlotte Valeur	(appointed 20 January 2010)	-	-	-
Andrew Whalley		262,017	262,017	262,017
David Crockford		-	13,185	13,185

Directors' interests in share options and warrants are disclosed on page 19.

Substantial shareholdings

Up to 18 October 2010, the Company had been notified of the following disclosable interests which amounted to 3 per cent or more of the issued share capital of the Company:-

	Number	Percentage held
Utilico Investments	21,973,682	21.28%
Henderson Global Investments	16,375,000	15.86%
Artemis Investment Management	10,605,675	10.27%
Fidelity Investments	9,774,244	9.47%
Aviva Investors	7,339,815	7.11%
RWC Partners	4,337,619	4.20%
Rathbones	3,434,305	3.33%

Payment policy

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

Going concern

The sale of the Group's Canadian wind business has resulted in a substantial cash inflow to the Group.

The immediate cash flow needs of the Group are amply covered by its current cash balances.

The Board have reviewed the Group's forecasts and budgets over the next 36 months and are satisfied that current cash balances in combination with cash generation from operating activities will provide excellent liquidity for the Group. Accordingly the accounts have been prepared on the basis of a going concern.

In order for the Group to pursue its strategy of the continued build out of its Wind and Bio-Power businesses the Board will continue to evaluate the opportunity to supplement cash balances with debt finance to enhance both liquidity and returns to shareholders.

Independent auditors and statement of provision of information to the independent auditors

Deloitte LLP were appointed as auditors of the company during the year and a resolution to reappoint them will be proposed as the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

D Crockford
Director
18 October 2010

Directors' Remuneration Report

The Directors present a Directors' Remuneration Report for the year ended 30 June 2010.

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

Nomination and Remuneration Committee

The Nomination and Remuneration Committee membership consists of Nigel Le Quesne and Malcolm Kennedy. The Committee meets at least once a year and is charged with advising on the nomination and remuneration policy for the Non-Executive directors.

Non-Executive Directors

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

Service Contracts and Letters of Appointment

The Letters of Appointment of the Directors who served during the period ending 30 June 2010 include the following terms:-

	Date of letter of appointment	Unexpired term (months)	Notice period (months)
Executive Directors			
Andrew Whalley	1 July 2007	12	12
David Crockford	4 December 2007	12	12
Non-Executive Directors			
Mike Liston	14 June 2010	8	1
Nigel Le Quesne	14 June 2010	8	1
Malcolm Kennedy	14 June 2010	8	1
Nigel Syvret (resigned 20 January 2010)	25 June 2009	-	-
John Scally	20 January 2010	3	1
Charlotte Valeur	20 January 2010	3	1

Non-Executives are generally appointed for terms of one year. The Letters of Appointment contain a notice period of 1 month.

Directors' Remuneration	Fees/ salary	Benefits in kind	Pension	Annual bonus	Exceptional bonus	Total 2010	Total 2009
	£	£	£	£	£	£	£
Executive directors							
Andrew Whalley	215,000	1,460	20,000	37,600	200,000	474,060	235,000
David Crockford	140,000	1,042	13,000	24,440	130,000	308,482	143,375
Non-Executive directors							
Mike Liston	50,000	-	-	-	-	50,000	50,000
Nigel Le Quesne	25,000	-	-	-	-	25,000	25,000
Malcolm Kennedy	25,000	-	-	-	-	25,000	25,000
Nigel Syvret	13,870	-	-	-	-	13,870	25,000
John Scally	11,694	-	-	-	-	11,694	-
Charlotte Valeur	11,694	-	-	-	-	11,694	-
Aggregate Remuneration	492,258	2,502	33,000	62,040	330,000	919,800	503,375

An exceptional bonus was paid to Andrew Whalley and David Crockford during the year for the successful conclusion of the sale of AIM Powergen Corporation. The bonus payment has been classified within the discontinued activities of the Group.

Directors' share options and warrants

The following rights to subscribe to warrant shares were held by Directors during the period to 30 June 2010.

	1 July 2009	Granted/ (Retired)	30 June 2010	Exercise price	Date from which exercisable	Expiry date
Warrants						
Andrew Whalley	527,159	(527,159)	-	100p	16 May 2008	16 May 2010
Options granted under Employee Share Option Plan						
Andrew Whalley	250,000	-	250,000	114p	5 December 2010	5 December 2017
	-	250,000	250,000	65.5p	26 November 2012	26 November 2019
	250,000	250,000	500,000			
David Crockford	100,000	-	100,000	114p	5 December 2010	5 December 2017
	-	150,000	150,000	65.5p	26 November 2012	26 November 2019
	100,000	150,000	250,000			

Share options are awarded by the Remuneration Committee under the Employee Share Option Plan. Options can only be exercised if certain Performance Conditions are satisfied. The Performance Conditions are measured once only at the end of the Performance Period, which commences on the date of grant of the Options and ends on the third anniversary of that date.

The value delivered to the Company's shareholders (total shareholder return) will be ranked in comparison with the value delivered to the shareholders of nine other similar companies which have been selected by the Board of Directors. The companies are placed together in a "Comparator Group".

If the Company's ranking is below the median of the Comparator Group then the Options shall not vest and shall lapse at the end of the Performance Period. If the Company's performance places it at the median of the Comparator Group, then the Options shall be exercisable as to 50%. If the Company's ranking places it above the median of the Comparator Group then, depending on its exact placing in the Comparator Group, a percentage above 50% and up to 100% of the Options shall vest.

The market price of the Company's shares on 30 June 2010 was 52 pence per share. The highest and lowest market prices during the year for each share under option that is unexpired at the year end were 69.75 pence and 28 pence respectively.

Approval

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

Nigel Le Quesne
Director
18 October 2010

Corporate Governance

The Company is committed to meeting high standards of corporate governance and as such the Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately to creating shareholder value. The Company has its listing on AIM and therefore does not need to comply with the Combined Code. However, we have chosen to report on Corporate Governance because in our view it constitutes best practice.

Operation of the Board

The Board of Directors comprises the Non-Executive Chairman, four other Non-Executive Directors and two Executive Directors. The Board is responsible to the Company's shareholders for the proper management of the Company. It met 18 times during the year. All Directors receive written reports prior to each Board meeting which enable them to make informed decisions on the corporate and business issues under consideration.

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

The Board has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. Operational decisions are delegated to the Executive Directors.

Evaluation of the Board's performance

Performance evaluation takes place at a number of levels, for individual Directors, Board committees and in assessing the effectiveness of the Board as a whole. The evaluation of individual Directors' performance is carried out by the Nomination and Remuneration Committee. Executive Directors' performance is evaluated using a balanced scorecard approach which combines business and personal performance objectives with financial and non-financial measures of achievement against those objectives.

The evaluation of Non-Executive Directors uses self-appraisal and interview with the Chairman to consider aspects of performance including attendance and participation at Board meetings, quality of involvement in committees, commitment and effectiveness of their contribution to Board activities, the adequacy of training and Director independence. The performance of the Chairman is reviewed annually in a meeting of the Executive and Non-Executive Directors.

Board Committees

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

Audit Committee

The Audit Committee consists of Mike Liston, Malcolm Kennedy, Charlotte Valeur and Nigel Le Quesne (Chairman). The Audit Committee met 3 times during the year to consider the annual and interim Financial Statements along with the appointment of new auditors and is charged with monitoring the adequacy and effectiveness of the systems of internal control and risk assurance function, reviewing the scope and results of the work carried out by external auditors and reviewing the Financial Statements and related policies and assumptions. The scope of the non-audit services provided is reviewed by the Audit Committee before engagement of the services.

The terms of reference of the Audit Committee will be available for inspection at the AGM.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee met 5 times during the year and comprises Malcolm Kennedy (chairman), John Scally and Nigel Le Quesne both of whom are Non-Executive Directors. The Committee keeps under review the composition of the Board and makes recommendations to the Board concerning appointments.

The Committee is also responsible for setting remuneration for all Executive Directors appointed by the Company, including pension rights and provision for compensation payments.

Communications and relationships with Shareholders

Communications with shareholders are given high priority. The board is accountable to the Company's shareholders and as such it is important for the Board to appreciate the requirements of shareholders and equally that shareholders understand how the actions of the board and short-term financial performance relates to the achievement of the Company's longer term goals.

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

Engineers working on a turbine hub during the Goonhilly repowering project

Directors' Responsibilities Statement

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

One of the blade hubs awaiting erection at Goonhilly Downs

Independent Auditors' Report to the Members of Renewable Energy Generation Limited

We have audited the group financial statements of Renewable Energy Generation Ltd for the year ended 30 June 2010 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statements of changes in equity and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2010 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Darren Longley (FCA)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Crawley, United Kingdom
18 October 2010

The first two turbines erected at Goonhilly

Consolidated Income Statement

	Notes	2010	2009
		£	£
Revenue	6	6,196,392	5,588,668
Cost of sales		(3,676,383)	(3,512,469)
Gross profit		2,520,009	2,076,199
Administrative expenses		(3,415,263)	(2,950,508)
Exceptional administrative expenses	11	(1,030,018)	(447,536)
Total administrative expenses		(4,445,281)	(3,398,044)
Development costs		(1,524,894)	(1,111,573)
Group trading loss		(3,450,166)	(2,433,418)
Other operating income	8	8,698	41,564
Group operating loss from continuing operations		(3,441,468)	(2,391,854)
Finance revenue	9	150,102	78,506
Finance costs	10	(197,025)	(41,297)
Loss on continuing operations before taxation	12	(3,488,391)	(2,354,645)
Tax credit	14	507,540	296,284
Loss for the year from continuing operations		(2,980,851)	(2,058,361)
Discontinued operations			
Profit/(loss)for the year from discontinued operations	7	5,440,203	(7,049,519)
Profit/(loss) for the year		2,459,352	(9,107,880)
Profit/(loss)for the year attributable to:			
Equity holders of the parent		2,459,352	(9,107,880)
Earnings/(loss) per share (pence)			
Basic and diluted LPS from continuing operations	16	(2.89p)	(2.00p)
Basic and diluted EPS/(LPS) on profit/(loss) for the year	16	2.38p	(8.83p)

A Living Fuels LF100 delivery to the CHP Generator at Port of Dover

Consolidated Balance Sheet

	Notes	2010	2009	2008
		£	£	£
ASSETS				
Non-current assets				
Goodwill	17	7,390,148	4,890,148	4,813,460
Development costs	17	3,820,397	3,870,496	3,920,595
Other intangibles		-	-	20,888,176
Property, plant and equipment	19	37,916,179	23,909,467	80,658,466
		49,126,724	32,670,111	110,280,697
Current assets				
Inventories	21	106,178	54,972	116,217
Trade and other receivables	22	7,908,082	918,222	1,219,098
Intangibles	23	1,827,688	940,670	316,982
Restricted cash	24	4,856,614	-	3,078,555
Cash and cash equivalents	24	17,223,702	705,922	16,453,225
		31,922,264	2,619,786	21,184,077
Assets of disposal group held for sale	7	-	109,292,064	-
Total assets		81,048,988	144,581,961	131,464,774
LIABILITIES				
Non-current liabilities				
Financial liabilities		-	-	16,915,481
Other long term liabilities	27	1,200,000	-	-
Deferred tax liabilities	29	154,181	698,322	5,797,775
		1,354,181	698,322	22,713,256
Current liabilities				
Trade and other payables	25	3,235,082	1,947,299	6,243,686
Financial liabilities	26	-	14,957,517	9,899,420
		3,235,082	16,904,816	16,143,106
Liabilities of disposal group held for sale	7	-	45,907,571	-
Total liabilities		4,589,263	63,510,709	38,856,362
EQUITY				
Share capital	30	10,325,101	10,325,101	10,310,101
Share premium	31	79,707,376	79,707,376	79,645,688
Share based payment reserve	34	1,102,229	1,037,685	994,872
Special reserve	34	-	-	10,000,000
Retained earnings		(14,674,981)	(15,069,313)	(12,352,148)
Foreign currency translation reserves relating to disposal group	7	-	5,070,403	4,009,899
Total equity attributable to the Company's equity holders		76,459,725	81,071,252	92,608,412
Total equity and liabilities		81,048,988	144,581,961	131,464,774

These consolidated financial statements were approved and authorised for issue by the Board on 18 October 2010 and signed on its behalf by

Andrew Whalley
Director

David Crockford
Director

Members of the public touring the Loscar turbines during a REG Windpower open day

Statement of Consolidated Cash Flows

	Notes	2010	2009
		£	£
Cash flows from operating activities			
Cash used in operations	35	(770,978)	(8,387,173)
Net cash used in operating activities		(770,978)	(8,387,173)
Cash flows from investing activities			
Purchase of property, plant and equipment		(29,140,194)	(25,804,244)
Business combinations	20	(2,550,000)	-
Net proceeds from sale of subsidiary before deferred consideration		51,600,311	-
Interest received		150,102	128,007
Movement in restricted cash accounts		(34,216,584)	(1,594,218)
Net cash used in investing activities		(14,156,365)	(27,270,455)
Cash flows from financing activities			
New borrowings	26	48,476,669	27,978,004
Repayment of borrowings	26	(15,957,517)	(915,468)
Interest paid (including interest rate swap)		(1,010,949)	(1,506,850)
Dividends paid to the Company's equity shareholders	15	(2,065,020)	(3,609,285)
Net cash generated from financing activities		29,443,183	21,946,401
Net increase/(decrease) in cash and cash equivalents		14,515,840	(13,711,227)
Cash at the beginning of the year		2,522,176	16,453,225
Exchange loss		185,686	(219,822)
Cash at end of year		17,223,702	2,522,176
Cash at end of year – continuing operations	24	17,223,702	705,922
Cash at end of year – discontinued operations	7	-	1,816,254
		17,223,702	2,522,176

One of the 11 wind turbines at the newly acquired St Breock site

Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Special reserve	Fair value and other reserves	Share based payment reserve	Retained earnings	Foreign currency translation reserves relating to disposal group	Total equity
	£	£	£	£	£	£	£	£
At 1 July 2008	10,310,101	79,645,688	10,000,000	4,009,899	994,872	(12,352,148)	-	92,608,412
Realised foreign exchange gain	-	-	-	(2,212,258)	-	-	-	(2,212,258)
Foreign currency translation	-	-	-	3,272,762	-	-	-	3,272,762
Net income and expense for the year recognised directly in equity	-	-	-	1,060,504	-	-	-	1,060,504
Loss for the year	-	-	-	-	-	(9,107,880)	-	(9,107,880)
Total income and expense for the year	-	-	-	1,060,504	-	(9,107,880)	-	(8,047,376)
Issue of share capital	15,000	61,688	-	-	-	-	-	76,688
Transfers	-	-	(10,000,000)	(5,070,403)	-	10,000,000	5,070,403	-
Share based payments	-	-	-	-	42,813	-	-	42,813
Dividend	-	-	-	-	-	(3,609,285)	-	(3,609,285)
At 30 June 2009	10,325,101	79,707,376	-	-	1,037,685	(15,069,313)	5,070,403	81,071,252
Foreign currency translation	-	-	-	-	-	-	4,772,017	4,772,017
Net income and expense for the year recognised directly in equity	-	-	-	-	-	-	4,772,017	4,772,017
Released on disposal	-	-	-	-	-	-	(9,842,420)	(9,842,420)
Profit for the year	-	-	-	-	-	2,459,352	-	2,459,352
Total income and expense for the year	-	-	-	-	-	2,459,352	(5,070,403)	(2,611,051)
Share based payments	-	-	-	-	64,544	-	-	64,544
Dividend	-	-	-	-	-	(2,065,020)	-	(2,065,020)
At 30 June 2010	10,325,101	79,707,376	-	-	1,102,229	(14,674,981)	-	76,459,725

Tower sections waiting to be erected at Goonhilly

1. General Information

Renewable Energy Generation Limited (the Company) and its subsidiaries (the Group) provide shareholders with the opportunity to participate in the growth of the renewable energy market through the development, construction and ownership of wind energy and other renewable power projects.

The Company is a limited liability company incorporated and domiciled in Jersey. The address of its registered office is Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP. The Company has its listing on the Alternative Investment Market.

The consolidated financial statements for the year ended 30 June 2010 were approved and authorised for issue by the Board of Directors on 18 October 2010.

2. Statement of Compliance

These consolidated financial statements of the Group are for the year to 30 June 2010.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2010.

In the current year the following new and revised standard and interpretations have been adopted and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

IAS 1 (revised) Presentation of Financial Statements - IAS 1 (2007) has introduced a number of changes in the format and content of the financial statements. In addition, the revised standard has required the presentation of a third balance sheet at 30 June 2008 because the entity has applied certain changes in accounting policies retrospectively.

IFRS 8 Operating Segments - IFRS 8 requires disclosure based on information presented to the board for evaluating the performance of operating segments.

Standards affecting the reported results and financial position

IFRS 3R Business Combinations (revised January 2008) - The key features of the revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill).

The following amendments were made as part of improvements to IFRSs (2008). Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 2 Amendment to IFRS 2 – Vesting Conditions and Cancellations

IFRS 5 Non Current Assets and Discontinued Operations

IFRS 7 Financial Instruments: Disclosures

IAS 23 Borrowing Costs (revised March 2007)

IAS 27 Consolidated and Separate Financial Statements (revised January 2008)

IAS 36 Impairment of Assets

IAS 38 Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Standards not affecting the reported results and financial position

IASB and IFRIC have issued the following relevant standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs)	Effective date*
IFRS 2 Share Based Payments	1 January 2010
IFRS 9 Financial instruments	1 January 2013
IAS 24 Related Party Disclosures	1 January 2011
IAS 32 Financial Instruments: Presentation	1 February 2010
Improvements to IFRSs (April 2009)	
Improvements to IFRSs (May 2010)	
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group has elected to prepare their financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

3. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2010. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2010.

The Group financial statements are presented in Sterling and all values are rounded to the nearest pounds (£) except when otherwise indicated.

Going Concern

The sale of the Group's Canadian wind business has resulted in a substantial cash inflow to the Group.

The immediate cash flow needs of the Group are amply covered by its current cash balances.

The Board have reviewed the Group's forecasts and budgets over the next 36 months and are satisfied that current cash balances in combination with cash generation from operating activities will provide excellent liquidity for the Group. Accordingly the accounts have been prepared on the basis of a going concern.

In order for the Group to pursue its strategy of the continued build out of its Wind and Bio-Power businesses the Board will continue to evaluate the opportunity to supplement cash balances with debt finance to enhance both liquidity and returns to shareholders.

Restatement of prior year balance sheets

The Group is presenting a restated prior year balance sheet due to the implementation of IFRS 8 Operating Segments. IAS 1 states that where a newly modified IAS does not include transitional provisions (which IFRS 8 does not) the accounting change must be applied retrospectively. This results in a re-disclosure of prior year balance sheets but no restatement of those prior year balance sheets.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2010.

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

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

The Group's interests in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting.

Disposal group held for sale and discontinued operations

Disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Revenue recognition

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

a. Generation revenue
Revenue from the sale of electricity represents the invoice value, pre sales tax, of electricity provided to third parties and is recognised when electricity is generated.

b. TRIADS revenue
Revenue from the sale of TRIADS (bonus for generating at peak demand times during the winter months) represents the invoice value, before sales tax, of TRIADS provided to third parties and is recognised when eligible electricity is generated.

c. ROCs, LECs revenue
Renewable Obligation Certificates (ROCs) are issued to qualifying renewable generators as evidence that a licensed electricity supplier has supplied qualifying electricity to their customers in Great Britain. These certificates may be traded separately from the electricity to which they relate. The ROCs are recorded as a current intangible at cost when the electricity to which they relate is generated, and then under the revaluation model permitted by IAS38 are re-valued to fair value. This revaluation is recorded in the income statement in revenue due to the linked nature of the generation of electricity to the issue of ROCs. As a result of the fact that these certificates may be traded separately from the electricity to which they relate, revenue may include an amount relating to un-realised ROC sales. See notes 6 and 23 for further details.

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

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

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

Exceptional administrative costs

Exceptional administrative costs are considered to be one off costs outside the normal operations of the business and are of a material nature.

Operating losses

Operating losses are stated after charging exceptional administrative costs and development costs expensed to the Income Statement but before investment income and finance costs.

Share-based payment transactions

Equity-settled transactions - Warrants

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

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined using a binomial model.

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

Equity-settled transactions – Employee Share Option Plan

Share options are awarded under the Employee Share Option Plan. Options can only be exercised if certain Performance Conditions are satisfied. The Performance Conditions are measured once only at the end of the Performance Period, which commences on the date of grant of the Options and ends on the third anniversary of that date.

The value delivered to the Company's shareholders will be ranked in comparison with the value delivered to the shareholders of nine other similar companies which have been selected by the Board of Directors. The companies are placed together in a "Comparator Group".

If the Company's ranking is below the median of the Comparator Group then the Options shall not vest and shall lapse at the end of the Performance Period. If the Company's performance places it at the median of the Comparator Group, then the Options shall be exercisable as to 50%. If the Company's ranking places it above the median of the Comparator Group then, depending on its exact placing in the Comparator Group, a percentage above 50% and up to 100% of the Options shall vest.

The cost of equity-settled transactions with employees under the Employee Share Option Plan is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Taxes

Current tax

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

Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

Sales tax

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

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

Goodwill

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes (usually at an operating segment level); and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IFRS 8 Operating Segments.

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

Intangible assets

With the exception of current intangible assets relating to ROCs, intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Development costs

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

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

A summary of the policies applied to the Group's development costs is as follows:

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

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

Impairment of assets

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

As assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the

asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Property, plant and equipment

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

Wind farm assets in the course of construction are stated at cost and are recognised only when it is probable that a project under development will be constructed by the Group. This decision is based on management judgement when the project meets key criteria required for its successful development, including planning permission and grid access.

Other assets in the course of construction are stated at cost and are recognised only when it is probable that the asset under development will be constructed, based on a management judgement of when the project meets key criteria required for its successful development, including grid access or the completion of commercial heads of terms.

Depreciation is charged so as to write off the cost or valuation of assets, other than assets in the course of construction and freehold land, over their estimated useful lives, using the straight line method, on the following bases;

- Operating wind sites — up to 20 years
- Other generation plant — 5 to 20 years
- Fixtures, fittings and other equipment — 5 to 10 years

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

Freehold land and assets in the course of construction are not depreciated.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials – purchase cost on weighted average basis,
- Processed fuel – cost of direct materials and labour plus attributable overheads based on a normal level of activity, excluding borrowing costs; processed fuel is principally used in the process of electricity generation.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Renewable Obligation Certificates

ROCs are accounted for using the revaluation model permitted by IAS 38 "Intangible assets". As such, following initial recognition at cost, the current intangible asset is revalued to its fair value and recorded on the balance sheet. The revalued amount is based on a market price in an active market at the revaluation date.

Trade receivables

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

Cash and cash equivalents

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

Restricted cash amounts comprise of cash balances held with the banks that are not available to the Group. The funds are used to provide security against cash backed letters of credit for the settlement of purchases of tangible fixed assets.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised while the asset is being constructed as part of the cost of that asset. Capitalisation of borrowing costs should commence when:

- Expenditures for the asset and borrowing costs are being incurred; and
- Activities necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

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

Derivative financial instruments and hedging

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

Any gains or losses arising from the changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement. There are no derivatives designated in a hedge.

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

The fair value of interest rate swap contracts is determined by discounting future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Company's functional currency and the Group's presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

The assets and liabilities of foreign operations are translated into sterling at the exchange rate ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Share capital

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

Dividend distribution

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

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

4. Financial risk management objectives and policies

The Group finances its activities with a combination of short term and long term bank loans, cash and short-term deposits. The group uses cash and short term loans from its bankers to finance the development and construction of its property, plant and equipment which is predominantly wind farms in the UK. Where needed, the Group employs letters of credit backed either by the group's cash balance or short term loan arrangements. On completion and successful commissioning of projects, the group refinances the assets with longer term debt that more suits the expected useful life of the asset.

The board actively monitor the cash and debt position of the group, and allocates funds to each of its cash generating units based on capital requirements, cash commitments and the most appropriate source of funding for each project.

Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is and has been throughout 2010 and 2009 the Group's policy that no trading in derivatives shall be undertaken.

Financial instruments give rise to foreign currency, interest rate, credit, and liquidity risk.

Information on how these risks arise is set out below, as are the objectives, policies and processes agreed by the board for their management and the methods used to measure each risk. Derivative instruments are used to change the economic characteristics of financial instruments in accordance with the Group's policies.

Foreign currency risk

The Group's transactional currency exposures arise from sales or purchases by an operating unit in currencies other than its functional currency. It is the Group's policy not to enter into forward contracts for purchases until a firm commitment is in place. Forward currency contracts must be in the same currency as the hedged item and it is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Interest rate risk

The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early as part of the liquidity management process. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

Credit risk

The Group trades only with recognised, creditworthy third parties, who are generally blue chip energy corporates. UK electricity generation is predominately sold under short term power purchase agreements to a single customer. Renewable Obligation Certificates are sold on the open market with little or no credit risk involved in the transactions. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation and investment by its operations. Cash forecasts identify the liquidity requirements of the business over a 36 month period and are regularly reviewed by management to ensure sufficient headroom exists. In its funding strategy, the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and bank loans.

Excess cash used in managing liquidity is only invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposit.

The Board continues to evaluate financing opportunities that will facilitate the continued build out of the Group's development portfolios over and above that allowed by cash balances on hand.

5. Critical accounting estimates and judgements

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

Critical estimates and assumptions

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

a. Estimated impairment of goodwill and development costs
The Group tests annually whether goodwill and development costs have suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates such as expected future cash flows from the cash generating units and choosing an appropriate discount rate in order to calculate the net present value of these cash flows. See note 18 for more detail.

b. Share-based payments
The estimation of share-based payment costs requires the selection of a suitable and appropriate valuation model and consideration as to the inputs necessary for the model. Details of the assumptions used in the binominal model for calculating the fair value of options and warrants are given in 34.

c. Valuation of ROCs
The value of ROC intangible assets has been revalued at the period end based upon publically available market data and recent transactions. These provide the most accurate anticipated sale price.

d. Useful economic life of assets
The estimation of the useful economic life of tangible fixed assets is based upon management's judgement and may include the design life of the asset concerned, the running regime it will be subjected to and site specific criteria that may impact it.

e. Criteria for the capitalisation of development spend
Initial capitalisation of development costs is based on management's judgement that technological and economical feasibility is confirmed, usually, but not exclusively, in conjunction with the achievement of certain development milestones such as planning permission, grid access or satisfactory commercial terms.

6. Segment information

(a) Primary reporting format – business segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segment and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment reporting) required the Group to identify two sets of segments (business and geographical), using a risks and return approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Since, the Group continues to operate in two key reporting segments, being wind energy generation and bio power generation, the identification of the Group's reportable segments has not been changed.

Following the disposal of the Group's interest in AIM PowerGen Corp as shown in note 7, that business segment has been disclosed as a discontinued operation at the year end.

	Continuing operations			Discontinued operation	
Year ended 30 June 2010	Wind Energy Generation	Bio Power Generation	Total	AIM PowerGen Corp.	Total
	£	£	£	£	£
Segment revenue – external sales	5,263,022	933,370	6,196,392	1,333,384	
Segment result	(1,075,431)	(1,593,586)	(2,669,017)	(684,635)	
Unallocated (expenses)/income			(772,451)	7,177,014	
Group operating (loss)/profit			(3,441,468)	6,942,379	
Net finance expense			(46,923)	(1,009,719)	
Loss before taxation			(3,488,391)	5,482,660	
Tax credit/(charge)			507,540	(42,457)	
(Loss)/profit for the year			(2,980,851)	5,440,203	
Electricity sales	2,987,246	174,957	3,162,203	1,333,384	
ROC sales				-	
Sold	487,239	112,260	599,499	-	
Unrealised	1,510,117	317,571	1,827,688	-	
Total ROC sales	1,997,356	429,831	2,427,187	-	
LEC sales	254,671	20,907	275,578	-	
TRIAD sales	23,749	72,687	96,436	-	
Other sales	-	234,988	234,988	-	
	5,263,022	933,370	6,196,392	1,333,384	
As at 30 June 2010					
Assets and liabilities:					
Segment assets	50,863,010	6,654,748	57,517,758	-	57,517,758
Unallocated assets			23,531,230	-	23,531,230
			81,048,988	-	81,048,988
Segment liabilities	(3,569,557)	(683,532)	(4,253,089)	-	(4,253,089)
Unallocated liabilities			(336,174)	-	(336,174)
Total liabilities			(4,589,263)	-	(4,589,263)
Other segmental information:					
Capital expenditure:					
Intangibles	2,500,000	-	2,500,000	-	2,500,000
Property, plant and equipment	14,225,019	1,244,516	15,469,535	-	15,469,535
Depreciation	1,308,859	152,740	1,461,599	935,522	2,397,121
Amortisation	50,099	-	50,099	-	50,099
Share based payments	-	-	64,544	-	64,544

Year ended 30 June 2009	Continuing operations			Discontinued operation	
	Wind Energy Generation	Bio Power Generation	Total	AIM PowerGen Corp.	Total
	£	£	£	£	£
Segment revenue – external sales	4,620,861	967,807	5,588,668	5,085,459	
Segment result	53,657	(1,178,755)	(1,125,098)	(5,051,490)	
Unallocated expenses			(1,266,756)	-	
Group operating loss			(2,391,854)	(5,051,490)	
Net finance revenue/(expense)			37,209	(3,780,412)	
Loss before taxation			(2,354,645)	(8,831,902)	
Tax credit			296,284	1,782,383	
Loss for the year			(2,058,361)	(7,049,519)	
Electricity sales	2,334,563	548,274	2,882,837	5,085,459	
ROC sales				-	
Sold	1,169,263	291,577	1,460,840	-	
Unrealised	903,909	36,761	940,670	-	
Total ROC sales	2,073,172	328,338	2,401,510	-	
LEC sales	177,724	26,140	203,864	-	
TRIAD sales	35,402	65,055	100,457	-	
	4,620,861	967,807	5,588,668	5,085,459	
As at 30 June 2009					
Assets and liabilities:					
Segment assets	28,638,138	4,988,972	33,627,110	107,475,810	141,102,920
Unallocated assets			1,662,787	1,816,254	3,479,041
			35,289,897	109,292,064	144,581,961
Segment liabilities	(941,956)	(130,362)	(1,072,318)	(1,620,689)	(2,693,007)
Unallocated liabilities			(16,530,820)	(44,286,882)	(60,817,702)
Total liabilities			(17,603,138)	(45,907,571)	(63,510,709)
Other segmental information:					
Capital expenditure:					
Intangibles	-	-	-	-	-
Property, plant and equipment	3,495,905	910,462	4,406,367	22,193,247	26,599,614
Depreciation	1,203,276	115,288	1,318,564	2,399,922	3,718,486
Amortisation	50,099	-	50,099	-	50,099
Share based payments	-	-	42,813	-	42,813

Segment assets consist primarily of property, plant and equipment, intangible assets, receivables and operating cash. Segment liabilities comprise operating liabilities. Unallocated liabilities represent financial liabilities and non-current liabilities.

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

All revenue in the current and prior year derives from one revenue stream being energy generation.

b) Secondary reporting format – geographical segments

The Company is domiciled in Jersey. The following table represents revenue, expenditure and certain asset information regarding the Group's geographical segments:

	Continuing operations	Discontinued operation	
	UK	Canada	Total Group
	£	£	£
Year ended 30 June 2010			
Revenue from operations	6,196,392	1,333,384	7,529,776
Other segmental information:			
Segment assets	81,048,988	-	81,048,988
Capital expenditure on:			
Intangible fixed assets	2,500,000	-	2,500,000
Property, plant and equipment	15,469,535	-	15,469,535
Year ended 30 June 2009			
Revenue from operations	5,588,668	5,085,459	10,674,127
Other segmental information:			
Segment assets	36,094,924	108,487,037	144,581,961
Capital expenditure on:			
Property, plant and equipment	4,448,688	22,193,247	26,641,935

c) Information about major customers

Included in revenues arising from continuing operations are revenues of £3,422,243 (2009 - £3,187,158) which arose from sales to the Group's largest customer. These sales arose from both wind and bio power generation.

Furthermore, revenues of £2,427,187 (2009 - £2,401,510) arose from sales to the Group's second key customer.

7. Discontinued operations

On 22 October 2009 the group entered into a sale agreement to dispose of AIM PowerGen Corporation, which carried out all of the group's Canadian operations. The disposal was effected in order to generate cash flow for the expansion of the group's other businesses. The disposal was completed for an initial cash consideration of C$124.8 million.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	AIM PowerGen Corp 2010 £	AIM PowerGen Corp 2009 £
Revenue	1,333,384	5,085,459
Cost of sales	(1,332,108)	(3,499,173)
Gross profit	1,276	1,586,286
Exceptional administrative expenses	-	(3,718,155)
Gain on disposal of discontinued activity	7,177,014	-
Fair value impairment on discontinued activity	-	(2,586,936)
Administrative expenses	(500,487)	(1,481,963)
Development costs	(185,424)	(1,062,980)
Trading profit/(loss)	6,492,379	(7,263,748)
Other operating income	-	2,212,258
Operating profit/(loss)	6,492,379	(5,051,490)
Finance revenue	-	49,501
Finance costs	(1,009,719)	(3,829,913)
Profit/(loss) before tax from discontinued operation	5,482,660	(8,831,902)
Tax (charge)/credit	(42,457)	1,782,383
Profit/(loss) for the year from discontinued operations	5,440,203	(7,049,519)
Earnings/(loss) per share from discontinued operations		
Basic and diluted EPS/(LPS) from discontinued operations (note 16)	5.27p	(6.83p)

During the year, AIM PowerGen Corporation contributed £3,647,560 (2009: (£7,034,093)) to the group's net operating cash flows, received £5,223,004 (2009: £(23,737,964)) in respect of investing activities and paid £1,009,719 (2009: £19,831,869) in respect of financing activities.

During December 2008, the Group terminated a turbine supply agreement with General Electric Corp as a direct result of the credit market conditions. This resulted in a write off of £2,913,128 which has been recognised as an exceptional administrative expense. Also included within exceptional administrative expenses are £805,027 of costs incurred during the year in relation to the sale of AIM Powergen Corp, including bonuses paid to directors of Renewable Energy Generation Ltd, which were specifically in relation to activities in supporting the sale.

The net assets of AIM PowerGen Corporation at the date of disposal and at 30 June 2009

	22 October 2009	30 June 2009
	£	£
Assets		
Intangibles	23,518,237	21,506,667
Property, plant and equipment	103,390,720	80,422,748
Trade and other receivables	30,856,119	5,526,395
Cash and cash equivalents	6,826,253	1,816,254
	164,591,329	109,292,064
Liabilities		
Trade and other payables	(1,803,504)	(1,620,689)
Deferred tax liabilities	(3,601,487)	(3,267,410)
Financial liabilities	(92,414,071)	(41,019,472)
	(97,819,062)	(45,907,571)
Net assets associated with the disposal group	66,772,267	63,384,493
Loss on disposal	(2,665,406)	
	64,106,861	
Satisfied by:		
Cash	58,426,564	
Deferred consideration	5,680,297	
	64,106,861	
Net cash inflow arising on disposal	58,426,564	

8. Other operating income

	2010	2009
	£	£
Continuing operations		
Consultancy and other fees	-	13,261
Government grants	8,698	28,303
	8,698	41,564

9. Finance revenue

	2010	2009
	£	£
Continuing operations		
Bank interest receivable	150,102	78,506

10. Finance costs

	2010	2009
	£	£
Continuing operations		
Bank loans	1,230	41,297
Foreign exchange losses	195,795	-
	197,025	41,297

11. Exceptional items – continuing operations

	2010	2009
	£	£
Legal and professional fees relating to offer to acquire the Group	-	(447,536)
Migration costs	(142,880)	-
IFRS 3 acquisition costs	(447,974)	-
Foreign exchange losses	(439,164)	-
	(1,030,018)	(447,536)

During April 2009, the Group received an offer for its entire issued share capital. On 30 July 2009, the board announced that offer talks had closed. During the financial year, the Group expensed £nil (2009 - £447,536) of legal and professional costs in relation to the offer process.

As announced on 16 October 2009, the approval of the Company's shareholders was attained at an Extraordinary General Meeting held on that date in relation to, inter alia, the proposals to cease the Company's designation as a fund and the moving of the Company's domicile from Guernsey to Jersey (the "Migration"), subject, amongst other things, to the consent of the authorities in Guernsey and Jersey. The migration became effective on 6 January 2010.

IFRS 3 (2008) Revised became effective for accounting periods beginning on or after 1 July 2009. Following its implementation, the Group expenses deal costs relating to business combinations. The Directors have determined that the acquisition of the St. Breock wind farm from E.ON Climate and Renewables UK Operations Limited in June 2010 satisfies the definition of a business combination under IFRS 3.

12. Loss on continuing operations before taxation

		2010	2009
		£	£
Loss on continuing operations before taxation is stated after (charging)/crediting:			
Government grants		9,208	28,303
Amortisation of intangibles		(50,099)	(50,099)
Depreciation	– owned assets	(1,461,599)	(1,320,680)
Auditors' remuneration	– audit of the accounts	(81,000)	(76,500)
	– taxation services	(1,750)	(22,273)
	– other services	(18,500)	-
Operating lease rentals	– minimum lease payments	(204,151)	(177,976)
	– contingent rents	(29,498)	(28,731)

Auditors' remuneration

The analysis of auditors' remuneration is as follows:	2010	2009
	£	£
Fees payable to the company's auditors for the audit of the company's annual accounts	22,000	25,000
Fees payable to the company's auditors and their associates for other services to the group		
- The audit of the company's subsidiaries pursuant to legislation	59,000	51,500
Total audit fees	81,000	76,500
- Tax services	1,750	22,273
- Other services pursuant to legislation	18,500	-
Total non-audit fees	20,250	22,273

13. Staff costs and directors' emoluments

Continuing operations	2010 £	2009 £
Staff costs		
Wages and salaries	1,603,063	1,197,490
Social security costs	167,513	118,659
Other staff costs	126,251	109,913
Share based payments	64,544	42,813
	1,961,371	1,468,875
Directors' emoluments	589,800	503,375

Directors' emoluments do not include the exceptional bonus paid to Andrew Whalley (£200,000) and David Crockford (£130,000) for the successful conclusion of the sale of AIM Powergen Corporation. The bonus payment has been classified within the discontinued activities of the Group.

The average monthly number of employees during the year was made up as follows:		
Directors	7	6
Operations	9	7
Development	8	3
Administration and finance	5	3
	29	19

Full details of Directors' emoluments and share options are given within the Directors' Remuneration Report on pages 18 to 19.

14. Taxation

a) Tax on loss on ordinary activities

	Continuing operation		Discontinued operation		Total	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Corporation tax						
Current year	600	600	42,457	69,443	43,057	70,043
Prior year adjustments	36,000	-	-	-	36,000	-
Total current income tax	36,600	600	42,457	69,443	79,057	70,043
Deferred taxation						
Current year	(346,458)	(97,537)	-	(2,143,854)	(346,458)	(2,241,391)
Prior period adjustment	(197,682)	(199,347)	-	292,028	(197,682)	92,681
	(507,540)	(296,284)	42,457	(1,782,383)	(465,083)	(2,078,667)

b) Reconciliation of total tax credit

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise under the weighted average tax rate applicable to profits of the consolidated companies of 39.5% (2009: 31.5%) as follows:

	2010	2009
	£	£
Loss from continuing operation before taxation	(3,488,391)	(2,354,645)
Profit/(loss) from discontinued operations before taxation	5,482,660	(8,831,902)
Profit/(loss) before taxation	1,994,269	(11,186,547)
Tax calculated at domestic tax rates applicable to profits of the respective countries	788,196	(3,526,792)
Effects of:		
- Deferred tax movement on fixed assets not recognised	45,290	-
- Losses carried forward on which deferred tax is not recognised	849,615	122,331
- Profit on disposal not taxable	(2,009,564)	-
- Notional Jersey/Guernsey tax charge	600	600
- Canadian capital taxes	42,457	69,443
- Prior year adjustments in current and deferred tax	(161,682)	92,681
- Expenses not deductible/income not taxable	(19,995)	1,163,070
Total credit	(465,083)	(2,078,667)

The weighted average tax rate is based on the following tax rates: UK 28% (2009: 28%); Canada 28% (2009: 29%); Jersey 0% (2009: 0%).

c) Unrecognised tax losses

The Group has accumulated a deferred tax asset on tax losses of £562,866 (2009 - £208,680) and a deferred tax asset on depreciation in excess of capital allowances of £67,399 which have not been recognised. Deferred tax assets have not been recognised in respect of these as profits have yet to be declared in the entities in which the losses are held to suggest that a tax benefit will be realised in the foreseeable future.

15. Dividends per share

	2010	2009
Declared and paid during the period	£	£
Equity dividends on ordinary shares		
Final paid for 2009 of 1.5p (2008 – 3p) per ordinary share	1,548,765	3,093,030
Interim Dividend for 2010 paid of 0.5p (2009 – 0.5p) per ordinary share	516,255	516,255
	2,065,020	3,609,285

A dividend of 1.5p per ordinary share, amounting to a final dividend of £1,548,765 was proposed by the directors at their meeting on 18 October 2010. The proposed dividend has not been recognised as a liability as at 30 June 2010.

16. Earnings/Loss per share (EPS/LPS)

The calculations of loss per share are based on the following loss and numbers of shares.

		Basic and diluted
	2010	2009
	£	£
Losses for the financial year		
Loss for the year from continuing operations	(2,980,851)	(2,058,361)
Loss for the year from discontinued operations	5,440,203	(7,049,519)
Loss for the financial year	2,459,352	(9,107,880)

	2010	2009
	Number of shares	Number of shares
Weighted average number of shares:		
For basic and diluted loss per share	103,251,010	103,108,473

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: warrants and options.

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted loss per share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options and warrants would have the effect of reducing the loss per ordinary share and is therefore not dilutive.

Discontinued operations

Loss per share for the discontinued operations is derived from the net loss attributable to equity holders of the parent from discontinued operations of £5,440,203 (2009: loss of £7,049,519), divided by the weighted average number of ordinary shares for both basic and diluted amounts as per the table above (see note 7)

17. Intangible assets

	Development costs	Other intangibles	Goodwill	Total
	£	£	£	£
Cost				
At 1 July 2008	4,156,424	20,888,176	4,813,460	29,858,060
Acquisition of subsidiary	-	-	76,688	76,688
Exchange differences	-	1,164,216	-	1,164,216
Discontinued operations (note 7)	-	(22,052,392)	-	(22,052,392)
At 30 June 2009	4,156,424	-	4,890,148	9,046,572
Additions	-	-	2,500,000	2,500,000
At 30 June 2010	4,156,424	-	7,390,148	11,546,572
Amortisation and impairment				
At 1 July 2008	235,829	-	-	235,829
Amortisation charge	50,099	-	-	50,099
At 30 June 2009	285,928	-	-	285,928
Amortisation charge	50,099	-	-	50,099
At 30 June 2010	336,027	-	-	336,027
Net book values				
At 30 June 2010	3,820,397	-	7,390,148	11,210,545
At 30 June 2009	3,870,496	-	4,890,148	8,760,644
At 1 July 2008	3,920,595	20,888,176	4,813,460	29,622,231

Development costs include the acquired cost of £4,156,424 (2009 - £4,156,424). This cost is amortised over the period of expected future sales from the related project which would normally be expected to be 20 years. Amortisation is charged to cost of sales.

Additions to goodwill of £2,500,000 (2009 - £nil) relate to the acquisition of the St. Breock wind farm from E.ON Climate and Renewables UK Operations Limited in June 2010.

18. Impairment of goodwill and intangible assets not yet available for use

Goodwill acquired through business combinations, development costs and other intangibles not yet available for use have been allocated for impairment testing purposes to two cash-generating units as follows:

- UK based wind farms operated through The Cornwall Light & Power Co. Limited,
- UK based Vegetable oil to power generation through the REG Bio-Power UK Limited sub group that comprises, Living Power Limited and Living Fuels Limited.

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Carrying amount of goodwill, development costs and other intangibles not yet available for use allocated to cash-generating units

	UK wind farms		Vegetable oil to power		Total	
	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£
Development costs	3,820,397	3,870,496	-	-	3,820,397	3,870,496
Goodwill	5,509,914	3,009,914	1,880,234	1,880,234	7,390,148	4,890,148
	9,330,311	6,880,410	1,880,234	1,880,234	11,210,545	8,760,644

Key assumptions used in value in use calculations

UK Wind Farms

The recoverable amount of the UK wind farms unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 25 year period, being a 5 year timeframe to develop and build the projects in addition to the expected 20 year operational lives of the wind turbines. No terminal values have been applied at the end of the 20 year operations cycle.

All UK projects are assumed to be contracted on Power Purchase Agreements with prices based on independent pricing forecasts for the UK power market. ROC prices are estimated using current market information to evaluate the likely ROC recycle price on top of the ROC buyout prices. All operational and maintenance costs in the projects are fully index linked.

The discount rate applied to cash flow projections is 12% (2009 - 15%) and cash flows are extrapolated using a 2.5% rate of inflation (2009 - 2.5%).

The calculation of value in use for UK wind farms is most sensitive to the following assumptions:

Discount rates	discount rates reflect the weighted average cost of capital of the group adjusted for appropriate risk.
Electricity price	the electricity price is based on current market data, or current contracted power purchase agreements where applicable.

Wind resource – estimates are made from various independent sources, along with site data where applicable to estimate the level of wind resource at each project.

Capital costs – turbines and balance of plant costs are based on historic data assimilated by the Group and known industry averages. These costs are themselves dependent on variables such as commodity prices and exchange rates.

Right and ability to construct – the UK wind farm portfolio is subject to successful planning permission. The Board reviews the portfolio on a regular basis to ensure that projects will meet the various requirements to succeed through the UK planning process. The Board also monitor the sites to ensure they are viable to build in terms of a firm grid connection and ensuring they meet the various environmental standards expected of them.

Vegetable oil to power generation

The recoverable amount of the Vegetable oil to power generation is also determined on a value in use basis using cash flow projections based on financial budgets covering a 10 year period being the assumed life cycle of the generating equipment. The discount rate applied to the cash flow projections is 12% (2009 - 15%) and cash flows are extrapolated using a 2.5% rate of inflation (2009 - 2.5%).

Future project capital costs estimates are based on capital costs already incurred by the Group. Growth rates for the business are assumed to be high in this new market in the first 2 years.

All projects are assumed to be contracted on Power Purchase Agreements with prices based on independent pricing forecasts for the UK power market. ROC prices are estimated using current market information to evaluate the likely ROC recycle price on top of the ROC buyout prices. Combined Heat and Power projects earn ROCs at 2 ROCs per MWh. Fuel costs are based on a mix of vegetable oils from varying sources that cover those traded on the open market to smaller distribution channels. All operational and maintenance costs in the projects are fully index linked.

The calculation of value in use for the Vegetable oil to power generation is most sensitive to the following assumptions:

Discount rates	discount rates reflect the weighted average cost of capital of the group adjusted for appropriate risk.
Electricity price	the electricity price is based on current market data, or current contracted power purchase agreements where applicable.
Fuel prices	prices are based on known open market prices and estimates, along with known negotiated prices for certain fuels.
Capital costs	generation plant costs are based on historic data assimilated by the Group.
Growth rate estimates	are based on the Board's estimation of the size of the market and its plan to gain a substantial share with the Group's first mover advantage.

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

Sensitivity to changes in assumptions

With regards to the assessment of value in use of the UK Wind farms, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

For the vegetable oil to power unit, management has considered the following sensitivities of note:

Fuel prices	– management has considered the possibility of greater than budgeted increases in raw material costs for the vegetable oil to power generation unit. The value in use calculation considers a fuel mix biased towards the higher costs fuels the unit can use. Management is confident that the mix of fuels available could be reweighted away from higher priced fuels to offset their impact on the value in use model. Should the Group be unable to pass on, absorb or reweight the fuel mix, additional, cost increases of 22% (2009: 30%) would reduce the value in use calculation to a value equal to the carrying amount.
Power prices	– substantial changes in power prices in the UK have a marked effect on the value in use cal culation with all other assumptions remaining constant. Management are confident that marked changes in power prices would be offset by an according change in the price of fuels and the ability to reweight the mix of fuels employed, and so as such are confident that the margin between power prices and fuel costs can be managed such that the value in use calculation is not impacted by reasonably possible changes. Should the Group be unable to pass on, absorb or reweight the fuel mix, decreases in UK power prices of 45% (2009: 50%) would reduce the value in use calculation to a value equal to the carrying amount.

19. Property, plant and equipment

	Operating wind sites	Other generation plant	Assets in the course of construction	Freehold land	Fixtures, fittings and equipment	Total
	£	£	£	£		£
Cost						
At 1 July 2008	76,867,519	-	7,772,457	925,500	1,095,708	86,661,184
Additions	248,181	-	25,995,554	-	398,200	26,641,935
Exchange differences	3,193,082	-	(476,995)	-	46,030	2,762,117
Movements	6,034,220	2,360,020	(8,394,240)	-	-	-
Discontinued operations (note 7)	(60,482,835)	-	(23,315,604)	-	(1,248,878)	(85,047,317)
At 30 June 2009	25,860,167	2,360,020	1,581,172	925,500	291,060	31,017,919
Additions	1,536,538	1,016,335	12,064,542	-	852,119	15,469,535
Movements	-	307,118	(307,118)	-	-	-
Disposals	-	-	-	-	(6,750)	(6,750)
At 30 June 2010	27,396,705	3,683,473	13,338,596	925,500	1,136,430	46,480,704
Depreciation						
At 1 July 2008	5,764,065	-	-	-	238,653	6,002,718
Depreciation charge	3,400,234	80,423	-	-	239,945	3,720,602
Exchange differences	(58,454)	-	-	-	6,944	(51,510)
Discontinued operations (note 7)	(2,151,029)	-	-	-	(412,329)	(2,563,358)
At 30 June 2009	6,954,816	80,423	-	-	73,213	7,108,452
Depreciation charge	1,276,479	100,500	-	-	84,620	1,461,599
Disposals	-	-	-	-	(5,526)	(5,526)
At 30 June 2010	8,231,295	180,923	-	-	152,307	8,564,525
Net book value						
At 30 June 2010	19,165,410	3,502,550	13,338,596	925,500	984,123	37,916,179
At 30 June 2009	18,905,351	2,279,597	1,581,172	925,500	217,847	23,909,467
At 1 July 2008	71,103,454	-	7,772,457	925,500	857,055	80,658,466

During the year an amount of £2,929 (2009 - £1,178,860) of borrowing costs were capitalised into property, plant and equipment. Capitalisation of borrowing costs has reduced as a result of new additions being funded from the group's cash reserves.

20. Business combinations

Business combinations year ended 30 June 2010

During June 2010, the Group acquired the St. Breock wind farm from E.ON Climate and Renewables UK Operations Limited for an initial cash consideration of £2.55 million. A further cash consideration of up to a maximum of £1.45 million will be payable subject to the achievement of certain operating performance criteria and the receipt of planning permission to repower the site.

Following the guidance in IFRS 3 (2008) Revised, the Directors have determined that the acquisition of the St. Breock wind farm satisfies the definition of a business combination given it is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of economic benefits directly to the Group. As a consequence, under IFRS 3 (2008), deal costs on business combinations are expensed to the income statement when incurred.

The details of the assets acquired and goodwill are as follows:

	£
Purchase consideration	
Cash paid	2,550,000
Contingent consideration	1,450,000
Total purchase consideration	4,000,000
Fair value of assets acquired	(1,500,000)
Goodwill	2,500,000

Contingent consideration of £1,450,000 has been recognised in other payables in respect of the deferred consideration.

The assets acquired constitute an operating wind farm at St. Breock with all the associated electrical infrastructure, turbines and land agreement. A fair value of £1,500,000 has been placed on these assets.

The St. Breock acquisition contributed £21,000 to the group's revenue and £7,000 to profit before tax for the period between the date of acquisition and the balance sheet date.

Minority interest acquired year ended 30 June 2009

On 30 December 2008, the Group acquired the remaining 10% of the share capital of its 90% owned subsidiary undertaking REG Bio Power UK Limited, a UK based renewable energy company for a consideration of £76,688 paid in shares of REG. The shares were issued at fair value of 150,000 ordinary shares at 51.13p each, being the closing share price on 30 December 2008.

21. Inventories

	2010	2009
	£	£
Inventories – fuel	106,178	54,972

22. Trade and other receivables

	2010	2009
	£	£
Trade receivables	154,762	82,048
Social security and other taxes	570,641	-
Other receivables	6,407,118	64,416
Prepayments and accrued income	775,561	771,758
	7,908,082	918,222

Accrued income of £369,357 (2009: £309,631) represents LEC's, TRIADs and generation not yet billed.

Included in other receivables is an amount of £6,311,932 (2009 - £nil) of contingent consideration relating to the sale of AIM PowerGen Corporation during the year. The consideration is receivable in 2 parts, £3,618,511 is due on conclusion of the 12 months post sale warranty period and £2,693,421 is due following a performance evaluation of 39.6MW of operational wind farms owned and operated by Aim PowerGen Corporation.

As at 30 June 2010 there were £27,501 of trade receivables (2009: £26,664) that were considered to be impaired due to the financial status of the debtor. As at 30 June the ageing analysis of trade receivables is as follows:-

	Total	Neither past due nor impaired	Past due but not impaired			
			30-60 days	60-90 days	90-120 days	>120days
	£	£	£	£	£	£
2010	154,762	122,762	-	-	-	32,000
2009	82,048	48,026	-	-	-	34,022

23. Current intangibles

	£
Net book value	
At 1 July 2008	316,982
Revaluation to fair value of ROCs generated through operating activities	2,401,510
ROCs sold	(1,777,822)
At 30 June 2009	940,670
Revaluation to fair value of ROCs generated through operating activities	2,427,187
ROCs sold	(1,540,169)
At 30 June 2010	1,827,688

ROCs sold include certificates received as a result of electricity generated in prior periods.

24. Cash, cash equivalents and restricted cash

	2010	2009
	£	£
Cash at bank and in hand	17,223,702	705,922
Restricted cash amounts	4,856,614	-
	22,080,316	705,922

Restricted cash amounts comprise of cash balances held with the banks that are not available to the Group. The funds are used to provide security against cash backed letters of credit for the settlement of purchases of tangible fixed assets.

25. Trade and other payables

	2010	2009
	£	£
Trade payables	1,773,045	806,165
Social security and other taxes	-	114,796
Other payables	250,244	59,233
Accruals	1,211,793	967,105
	3,235,082	1,947,299

26. Financial liabilities

	2010	2009
	£	£
Current		
Bank loans and overdrafts	-	14,957,517
Bank loans comprise the following:		
£ variable rate loan under the revolving credit facility	-	12,741,231
Cdn$4,238,869 variable rate loan under the revolving credit facility	-	2,216,286
	-	14,957,517
Less current instalments due on bank loans	-	(14,957,517)
	-	-

£sterling and Canadian dollar variable rate loans under the revolving credit facility

These loans were repaid in full and cancelled during October 2009. The loans bore interest at LIBOR+3.5% (2009: +3.5%).

27. Other long term liabilities

The other long term liability is the contingent amount of £1.2m relating to the deferred consideration payable following the acquisition of the St. Breock windsite.

28. Derivatives and other financial instruments

An explanation of the Group's financial instruments risk management objectives, policies and strategies are set out in note 4 to the accounts 'Financial risk management objectives and policies'.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. The sensitivity analysis excludes all non-derivative fixed rate financial instruments carried at amortised cost but includes those recognised at fair value as well as all non-derivative floating rate financial instruments.

	Increase/(decrease) in basis points	Impact on profit before tax
		£
2010		
£sterling	+50	53,901
Euro	+100	66,055
£sterling	-50	(53,901)
Euro	-100	(66,055)
2009		
£sterling	+50	(60,177)
Canadian dollar	+100	(102,768)
£sterling	-50	60,177
Canadian dollar	-100	102,768

Credit risk

The Group trades only with recognised, creditworthy third parties, who are generally blue chip energy corporates. UK electricity generation is predominantly sold under short term power purchase agreements to a single customer. Renewable Obligation Certificates are sold on the open market with little or no credit risk involved in the transactions. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against the Canadian dollar exchange rate with all other variables held constant, of the Group's profit before tax (due to changes in monetary assets held by operations with a different functional currency).

	Increase/(decrease) in sterling vs Cdn Dollar rate	Effect on Profit before tax
	%	£
2010		
Canadian dollar	+5%	186,564
Euro	+5%	573,107
Canadian dollar	-5%	(186,564)
Euro	-5%	(573,107)
2009		
Canadian dollar	+5%	(49,224)
Euro	+5%	nil
Canadian dollar	-5%	49,224
Euro	-5%	nil

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2010 based on contractual undiscounted payments.

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
30 June 2010	£	£	£	£	£
Continuing activities					
Trade and other payables	2,985,082	250,000	-	-	3,235,082
Other long term liabilities	-	-	1,200,000	-	1,200,000
30 June 2009					
Continuing activities					
Interest bearing loans	15,182,522	-	-	-	15,182,522
Trade and other payables	1,607,498	-	-	-	1,607,498
	16,790,020	-	-	-	16,790,020
Discontinued activities					
Interest bearing loans	-	3,651,136	14,380,120	47,143,023	65,174,279
Trade and other payables	1,620,689	-	-	-	1,620,689
Interest rate swap	-	1,530,918	2,221,824	(1,729,252)	2,023,490
	1,620,689	5,182,054	16,601,944	45,413,771	68,818,458
	18,410,709	5,182,054	16,601,944	45,413,771	85,608,478

Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder return.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years end 30 June 2010 and 30 June 2009.

The Group monitors capital management by using detail financial information provided to key management personnel. The Group has complied with all externally imposed banking covenants on its loans during the current and preceding years.

Fair values of financial assets and financial liabilities

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	2010	2009	2010	2009
	Book value	Book value	Fair value	Fair value
Continuing activities	£	£	£	£
Financial Assets				
Foreign currency option agreement	-	-	64,605	-
Renewable obligation certificates	1,827,688	940,670	1,827,688	940,670
Power purchase agreements	-	-	1,093,229	4,130,375
Financial liabilities				
Floating rate borrowings	-	(14,957,517)	-	(14,957,517)
Discontinued activities				
Financial liabilities				
Floating rate borrowings	-	(38,298,259)	-	(35,748,359)
Derivative financial instruments	-	(2,549,900)	-	(2,549,900)

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of the derivative financial instruments are estimated by discounting future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of the power purchase agreements is the difference between the attainable market rate for electricity and the rate as agreed within the power purchase agreements, assuming P50 forecasts are met.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				2010
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	£	£	£	£
Foreign currency option agreement	64,605	-	-	64,605
Renewable obligation certificates	-	1,827,688	-	1,827,688
	64,605	1,827,688	-	1,892,293

There were no transfers between levels in the year.

29. Deferred tax liabilities

	2010	2009
	£	£
At 1 July	3,965,732	5,797,775
Disposal of subsidiary undertaking	(3,601,487)	-
Exchange movements	334,076	316,667
Income statement credit	(346,458)	(2,241,391)
Prior period adjustment	(197,682)	92,681
At 30 June	154,181	3,965,732

Deferred tax is provided as follows:

	2010	2009
	£	£
Acquisition fair value adjustments	95,827	6,522,042
Accelerated capital allowances	58,354	(151,768)
Tax losses available	-	(2,404,542)
	154,181	3,965,732

Reflected in the balance sheet as follows:

		2010	2009
		£	£
Deferred tax liability	– continuing operations	154,181	698,322
	– discontinued operations	-	3,267,410
		154,181	3,965,732

The deferred tax included in the Group income statement is as follows:

	2010	2009
	£	£
Accelerated capital allowances	(544,140)	(805,110)
Movement in tax losses	-	(1,343,600)
	(544,140)	(2,148,710)

Temporary differences associated with Group investments

At 30 June 2010, there was no recognised deferred tax liability (2009: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future and the Group is registered in Jersey.

30. Share capital

	2010	2009
	£	£
Authorised		
103,251,014 Ordinary shares of 10p each	10,325,101	10,325,101
Issued and fully paid		
103,251,014 Ordinary shares of 10p each	10,325,101	10,325,101

The Company has one class of ordinary shares which carry no right to fixed income.

31. Share Premium Account

	2010	2009
	£	£
At 1 July	79,707,376	79,645,688
Issue of 150,000 ordinary shares of 10p each	-	61,688
At 30 June	79,707,376	79,707,376

32. Special reserve

A resolution to reduce the Share Premium account by £10,000,000 was proposed and passed at an Extraordinary General Meeting on 3 April 2006. The application to reduce the Share Premium account was approved by the Royal Court of Guernsey on 21 April 2006. The £10,000,000 was treated as a distributable reserve created for the purpose of paying the annual dividend. Following a change in legislation this was transferred to retained earnings on 30 June 2009.

33. Fair value and other reserves

	Fair value and other reserves
	£
At 1 July 2008	4,009,899
Realised foreign exchange gain	(2,212,258)
Foreign currency translation	3,272,762
Total income and expense for the year	1,060,504
Transferred to disposal group	(5,070,403)
At 30 June 2009 and 30 June 2010	-

34. Share based payments

	2010	2009
Share based payments reserve	£	£
At 1 July	1,037,685	994,872
Charged to the income statement	64,544	42,813
At 30 June	1,102,229	1,037,685

The Group operates two equity settled share based payment schemes. A warrant program that is without market conditions attached and a share options scheme under the Employee Share Option Plan. Options can only be exercised if certain Performance Conditions are satisfied (see the Directors' Remuneration Report). The Performance Conditions are measured once only at the end of the Performance Period, which commences on the date of grant of the Options and ends on the third anniversary of that date.

The fair value of the granted warrants and options is reported as an administrative expense with a corresponding increase in shareholders' equity. Fair value is calculated at the grant date and allocated over the period during which the benefit is earned. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. The charge is based on the market value of the award as at the date of grant.

	2010		2009	
	Weighted Average exercise price	Outstanding warrants and options	Weighted Average exercise price	Outstanding warrants and options
	£		£	
Outstanding at 1 July	1.006	5,905,051	1.016	5,770,051
Granted	0.655	710,000	0.572	135,000
Granted	0.545	30,000	-	-
Retired	1.000	(4,417,269)	-	-
Outstanding at 30 June	0.897	2,227,782	1.006	5,905,051
Exercisable at 30 June	1.000	737,782	1.000	5,155,051

During the year 710,000 share options were granted to directors and staff under the Group's Employee Share Option Plan, exercisable between 26 November 2012 and 26 November 2019 and a further 30,000 share options were granted to directors and staff under the Group's Employee Share Option Plan, exercisable between 15 April 2013 and 15 April 2020.

During the year to 30 June 2009, 135,000 share options were granted to directors and staff under the Group's Employee Share Option Plan, exercisable between 9 December 2011 and 9 December 2018.

The fair value of options granted during the period and the prior period, determined using the Binomial model and the significant inputs into the model were as follows:

2010	Fair Value	Share price at grant date	Exercise price	Volatility	Risk free rate	Expected option life
710,000 options	10.41p	65.50p	65.50p	17.0%	5%	36 months
30,000 options	10.80p	54.50p	54.50p	18.8%	5%	36 months
2009						
135,000 options	20.98p	57.25p	57.25p	52.0%	2%	36 months

For the share options outstanding as at 30 June 2010, the weighted average remaining contractual life is 5.99 years (2009 – 0.90 years).

Options outstanding at the year end had the following exercise prices:

	2010		2009	
	Exercise price	Outstanding warrants and options	Exercise price	Outstanding warrants and options
	£	No.	£	No.
Options and warrants issued at 100p	1.000	737,782	1.000	5,155,051
Options and warrants issued at 114p	1.140	615,000	1.140	615,000
Options and warrants issued at 57.25p	0.572	135,000	0.572	135,000
Options and warrants issued at 65.50p	0.655	710,000	-	-
Options and warrants issued at 54.50p	0.545	30,000	-	-
		2,227,782		5,905,051

35. Reconciliation of cash flows from operating activities

	2010	2009
	£	£
Loss before taxation from continuing activities	(3,488,391)	(2,354,645)
Loss before taxation from discontinued activities	(1,736,811)	(8,831,902)
Loss before taxation	(5,225,202)	(11,186,547)
Adjustments for:		
Net finance costs	860,847	3,743,203
Realised foreign exchange gains	(2,150,501)	(2,253,822)
Depreciation and impairment of property, plant and equipment	2,397,081	5,761,814
Amortisation and impairment of intangible assets	50,099	595,824
Share based payments	64,544	42,813
Changes in working capital:		
Inventories	(51,206)	61,245
Trade and other receivables	2,543,761	(914,734)
Trade and other payables	776,170	(4,166,926)
Income tax paid	(36,571)	(70,043)
	(770,978)	(8,387,173)

36. Financial commitments

Capital commitments

As at the year end there were capital commitments amounting to £7,545,408 (2009 - £3,652,154) relating to the purchase of wind turbines.

Operating lease commitments

The Group has entered into commercial leases on certain properties. These leases have an average duration of between 5 and 25 years. Some of the property lease agreements contain an option for renewal, with such options being exercisable before the expiry of the lease term at rentals based on market prices at the time of exercise. Various property lease agreements include contingent rental payments that are based on either the output of the associated wind farm or its revenue. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2010	2009
	£	£
Not later than one year	131,700	121,930
After one year but not more than five years	379,500	294,908
After five years	4,750,000	3,311,120
	5,261,200	3,727,958

37. Related party transactions

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

Name of Company	Holding	Country of incorporation	Proportion of voting rights and shares held	Nature of Business
REG Holdings Limited	Ordinary shares	UK	100%	Holding company
The Cornwall Light & Power Co. Limited	Ordinary shares	UK	100%*	Wind farms
AIM Powergen Limited	Ordinary shares	UK	100%	Holding company
AIM Powergen Corp.	Ordinary shares	Canada	100%*	Wind farms
AIM Phase I SOP LP	Ordinary shares	Canada	100%*	Wind farms
AIM Phase I SOP GP	Ordinary shares	Canada	100%*	General partner
REG Power Management Limited	Ordinary shares	UK	100%	Dormant
REG Bio-Power UK limited	Ordinary shares	UK	100%*	Vegetable oil to power
Living Power Limited	Ordinary shares	UK	100%*	Vegetable oil to power
Living Fuels Limited	Ordinary shares	UK	100%*	Vegetable oil to power

* Held by a subsidiary undertaking

Renewable Energy Generation Limited is the ultimate parent entity.

The Group has incurred consultancy fees, management fees and expenses with certain related parties as follows:

	Amounts charged to the income statement		Amounts payable at the year end	
	2010	2009	2010	2009
	£	£	£	£
Pure Energy Professionals Limited [1]	580,401	425,143	200,000	41,326
Nth Power Limited [2]	35,811	193,380	-	16,069
Green Peninsula Renewables Limited [1,2]	109,321	93,012	-	15,629
JTC Management [3]	135,614	130,267	-	28,164

[1] Bruce Woodman, director of Pure Energy Professionals and Green Peninsula Renewables Limited was also a director of REG Holdings Limited, a subsidiary of Renewable Energy Generation Limited.

[2] Neil Harris, director of Nth Power Limited and Green Peninsula Renewables Limited is also a director of The Cornwall Light and Power Co and REG Holdings Limited, subsidiaries of Renewable Energy Generation Limited.

[3] N Le Quesne and N Syvret, directors of Renewable Energy Generation Limited with significant voting rights in the Jersey Trust Company.

Compensation of key management personnel (including directors):

	2010	2009
	£	£
Short-term employee benefits	919,800	471,250
Share based payments	34,162	21,246
	953,962	492,496

Designed and Produced by Flowmedia
www.flow-media.co.uk
Printed by Green Light Print Solutions
www.greenlightprintsolutions.co.uk
FSC certified and CarbonNeutral©