

Renewable Energy Holdings Plc

Report and Financial Statements

Period from 8 October 2004 to

30 June 2005

Renewable Energy Holdings Plc

Contents

Page:

2 - 3	Directors & Advisors
4	Chairman's Statement
5	Chief Executive's Report
6 - 7	Directors' Report
8 - 9	Audit Report
10	Consolidated income statement
11	Consolidated statement of recognised income and expense
12	Consolidated and Company balance sheet
13	Consolidated and Company cash flow statement
14 - 31	Notes forming part of the financial statements

Renewable Energy Holdings Plc

Directors & Advisors

Country of incorporation of parent company

Isle of Man

Legal form

Public limited company

Directors

	Appointed	Resigned
Michael J Proffitt FCA	15/10/04	
James Cunningham-Davis	15/10/04	23/11/04
John Baker CBE	23/11/04	
Rear Admiral Roger Lane-Nott CB	23/11/04	
Alan Burns	11/02/05	
Jeff Harding	11/02/05	

Company Secretary

Clive Wilcox ACA,CPA

Registered Office

IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP
British Isles

Company number

111938C

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Legal Advisors

Laurence Keenan	Herbert Smith LLP
Victoria Chambers	Exchange House
47 Victoria Street	Primrose Street
Douglas	London
Isle of Man	EC2A 2HS
IM1 2LD	

Renewable Energy Holdings Plc

Nominated Advisors and Nominated Brokers

Corporate Synergy Plc
30 Old Broad Street
London
EC2N 1HT

Principal Bankers

Barclays Private Clients International
PO Box 9
Barclays House
Victoria Street
Douglas
Isle of Man
IM99 1AJ

Registrar

Computershare Investor Service (Channel Islands) Limited
Ordnance House
31 Pier Road
St Helier
Jersey
JE4 8PW

Chairman's Statement



On behalf of the Board, it gives me great pleasure to be writing the first Chairman's Statement for the Company.

In our start-up year much effort has gone into establishing the Group as a business, as described in the CEO's report, and also securing good Corporate Governance in order to properly oversee the Group's affairs in shareholders' interests.

The management team is fully in place. The Board meets bi-monthly. Audit and Remuneration Committees have both been established with appropriate Terms of Reference and are active. Attention has been given to the control framework within which management operates, including formal delegations.

At the time of writing, the Company has substantially invested its original capital within the renewable energy sector on the basis we outlined when the Company was launched.

Reinforced by concerns about high fossil fuel prices, climate change and energy security, the sector itself is proving to be one of strong interest in both the corporate and domestic communities in the UK and more widely. The Board is accordingly optimistic that its focused approach to investment in the renewable energy market offers significant prospects for profitable growth.

John W Baker
Chairman

Chief Executive's Report



A start-up year for any company is a busy period and REH has been no exception. This, however, has been a deeply rewarding time as the organisational structure has gone from planning to reality.

Since inception in February, REH has assembled a strong team of professionals and established offices in Douglas, Isle of Man.

In August 2005 the company signed agreements to purchase wind assets in Germany with a total capacity of 41.7MW, and in October 2005 rights to methane gas from a landfill site in Wales.

At the time of writing, turbine towers are being erected in Germany and substantial completion is expected by the end of 2005. This will see power flowing into the German grid and the project earning its first revenues.

Strategic alliances have been developed with Boeing Corporation, Climate Change Capital Plc, Standard Chartered Bank and NEL Power. These alliances have already brought value to the company and enabled our rapid route to market.

At the time of the Company's floatation, £1.5million was put aside to continue the commercialisation of the Company's wave to energy device, CETO.

Since then and with approximately half the budget spent, a prototype device has been launched, taken to a sea-bed site, and tested successfully. Water has been reported onshore at pressures of 620 – 850 PSI. This proves the concept and paves the way for further commercial design and production engineering, which is expected to be completed in 2006 with the remaining half of the budget. We remain on plan to develop a commercial CETO by the end of 2006.

Michael J Proffitt
Chief Executive Officer

Directors' Report

Report of the directors for the period from 8 October 2004 to 30 June 2005

The directors present their report together with the audited financial statements for the period ended 30 June 2005.

Results and dividends

The results of the Group for the year are set out on page 10 and show a loss for the year of £1,388,900.

The results neither justify nor allow the payment of a dividend. The Directors are therefore not able to recommend the payment of a dividend.

Principal activities, review of business and future developments

The Group's strategy is to be an owner and operator of both proven and innovative renewable energy technologies.

We continue to develop the CETO wave energy device with a view to commercial operation in due course and are progressing a number of renewable energy projects to add to a number of recent acquisitions.

Substantial shareholdings

The following table represents share holdings of 3% or more as at the date of this report.

Name	Number of shares	% of shareholding
The Bank of New York (Nominees) Ltd	2,416,666	7.29
Barclays Capital Nominees No.3 Ltd	3,268,333	9.85
Carnegie Corporation Ltd	1,667,000	5.03
Chase Nominees Ltd	3,400,094	10.25
Credit Suisse First Boston Client Nom. Ltd	1,200,000	3.62
HSBC Global Custody Nominee (UK) Ltd	1,827,744	5.51
Morstan Nominees Ltd	3,310,500	9.98
Pacific Hydro Ltd	4,000,000	12.06
Pershing Keen Nominees Ltd	2,916,667	8.79
Dr John Taylor	1,000,000	3.02
Vidacos Nominees Ltd	1,263,596	3.81

Renewable Energy Holdings Plc

Directors

The directors of the company during the year and their beneficial interests (unless otherwise stated) in the ordinary share capital of the parent company and options to purchase such shares under the Founders' Share Option Scheme at 30 June 2005 were as follows:

	Options and similar interests	Ordinary Shares
Mr M Proffitt	1,160,000	200,000
Mr A Burns *	774,300	
Mr J Baker	580,000	
Mr J Harding	290,000	
Rear Admiral R Lane Nott	290,000	

* *Held on behalf of the vendors of Seapower and Proportion(see note 12)*

No director has any interest in the shares of any of the subsidiary companies.

Further details of the directors' share options and long term incentive scheme are shown in note 4, which also shows the movements during the year. Details of any directors' interest in transactions of the group are given in note 22.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the company's website. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

BDO Stoy Hayward LLP were appointed as auditors during the period. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

Clive J Wilcox

Secretary

23 December 2005

Audit Report

Independent auditors' report to the shareholders of Renewable Energy Holdings Plc

We have audited the financial statements of Renewable Energy Holdings Plc for the period ended 30 June 2005 on pages 10 to 31 which have been prepared under the accounting policies set out on pages 14 to 18.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) 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 United Kingdom Auditing Standards. As auditors, we have agreed that our responsibilities in relation to the annual report will be those set out below.

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 Isle of Man Companies Acts 1931 to 2004. 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, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Chief Executive's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Isle of Man Companies Acts 1931 to 2004 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Isle of Man Companies Acts 1931 to 2004 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Renewable Energy Holdings Plc

Opinion

In our opinion:

the group financial statements give a true and fair view, in accordance with IFRS, of the state of affairs of the group at 30 June 2005 and of the loss of the group for the period then ended;

the parent company financial statements give a true and fair view, in accordance with IFRS and the Isle of Man Companies Acts 1931 to 2004, of the state of affairs of the company at 30 June 2005; and;

the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

23 December 2005

Renewable Energy Holdings Plc

Consolidated income statement for the period from 8 October 2004 to 30 June 2005

	Note	£
Revenue & gross profit		-
CETO development expenses		535,809
Administrative expenses		988,722
		<hr/>
Loss from operations	2	(1,524,531)
Finance cost		-
Finance income	6	135,631
		<hr/>
Loss before tax		(1,388,900)
Tax expense	7	-
		<hr/>
Loss after tax	18	(1,388,900)
		<hr/> <hr/>
Basic and diluted loss per share	8	(8.86p)
		<hr/> <hr/>

The notes on pages 14 to 31 form part of these financial statements.

Renewable Energy Holdings Plc

Consolidated statement of recognised income and expense for the period from 8 October 2004 to 30 June 2005

	Note	£
Loss after tax		(1,388,900)
Foreign exchange loss on retranslation of overseas operations		(9,778)
		—————
Total recognised income and expense for the year	19	(1,398,678)
		=====

The notes on pages 14 to 31 form part of these financial statements.

Renewable Energy Holdings Plc

Consolidated and company balance sheet at 30 June 2005

	Note	Group £	Renewable Energy Holding Plc £
Non-current assets			
Intangible assets	11	5,559,878	-
Investment in subsidiary	12	-	6,088,672
Current assets			
Trade and other receivables	13	255,952	237,294
Cash and cash equivalents		<u>7,220,479</u>	<u>7,116,330</u>
Total current assets		7,476,431	7,353,624
Total assets		<u>13,036,309</u>	<u>13,442,296</u>
Current liabilities			
Trade and other payables	14	134,929	29,740
Total current liabilities		134,929	29,740
Total liabilities		<u>134,929</u>	<u>29,740</u>
TOTAL NET ASSETS		<u>12,901,380</u>	<u>13,412,556</u>
Capital and reserves attributable to equity holders of the company			
Share capital	17	290,000	290,000
Share premium reserve	18	13,112,425	8,702,425
Foreign exchange reserve	18	(9,778)	-
Share based payment reserve	18	897,633	897,633
Merger reserve	18	-	4,410,000
Retained earnings	18	(1,388,900)	(887,502)
TOTAL EQUITY		<u>12,901,380</u>	<u>13,412,556</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2005. They were signed on its behalf by:

John Baker, Chairman

Michael Proffitt, Director.

The notes on pages 14 to 31 form part of these financial statements.

Renewable Energy Holdings Plc**Consolidated and company cash flow statement for the period from 8 October 2004 to 30 June 2005**

	Note	Group	Renewable Energy Holdings Plc
		£	£
Operating activities			
Net loss from ordinary activities		(1,524,531)	(1,020,897)
Adjustments for:			
Foreign exchange gains		-	(4,968)
Equity-settled share based payment		445,233	445,233
		<u> </u>	<u> </u>
Operating loss before changes in working capital and provisions		(1,079,298)	(580,632)
Increase in loan to subsidiary		-	(595,798)
Increase in deferred expenditure		(196,569)	(196,569)
Increase in trade and other receivables		(58,107)	(40,725)
Increase in other financial assets		(1,276)	-
Decrease in trade and other payables		12,273	29,740
		<u> </u>	<u> </u>
Cash absorbed from operations		(1,322,977)	(1,383,984)
Income taxes paid		-	-
		<u> </u>	<u> </u>
Cash flows from operating activities		(1,322,977)	(1,383,984)
Investing activities			
Acquisition of intangible asset		(561,300)	-
Acquisition of subsidiary	21	-	(602,206)
Interest received		<u>135,631</u>	<u>133,395</u>
		(1,748,646)	(1,852,795)
Financing activities			
Issue of ordinary shares		10,000,000	10,000,000
Issue costs		(1,030,875)	(1,030,875)
		<u> </u>	<u> </u>
Increase in cash and cash equivalents	24	<u>7,220,479</u>	<u>7,116,330</u>

The notes on pages 14 to 31 form part of these financial statements.

1 Accounting policies

These financial statements have been prepared under the historical cost or fair value basis as appropriate in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

These are the first company statements and cover the period since incorporation on 8 October 2004.

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 30 June. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Accounting policies (Continued)

Foreign currency

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the group or the overseas operation concerned.

Financial assets

The group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. The group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at fair value on recognition less any provision for impairment.

Held-to-maturity investments: These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale- financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

The group had no hedges at any point in the period.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Accounting policies (Continued)

Financial liabilities

The group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The group had no hedges at any point in the period. The group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only out-of-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings, certain preference shares and the debt element of convertible debt issued by the group are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Accounting policies (Continued)

Operating Leases

Operating lease rentals are charged in the profit and loss account in equal quarterly amounts over the lease term.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development costs above are not met.

The significant intangibles recognised by the group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
In-process Research & Development	Not available for use	Purchase price

Whilst the above project continues to be developed and therefore is not available for use the Board will review the carrying value for impairment at least annually.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Accounting policies (Continued)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the group.

Where retention of a government grant is dependent on the group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention has been satisfied, the deferred income balance is released to the income statement or netted against the asset purchased as appropriate.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

2 Loss from operations

	2005
	£
This has been arrived at after charging:	
Staff costs (see note 3)	801,185
Exchange differences	-
Research and development costs - CETO	535,809
Operating lease expense	30,227
Audit fees	23,327
Fees paid to the company's auditors for non-audit services provided to the company and UK subsidiaries	-
	<hr/>

Audit fees include an amount of £22,500 in respect of the company.

3 Staff costs

	2005
	£
Staff costs (including directors) comprise:	
Wages and salaries	316,774
Defined contribution pension cost	7,068
Share-based payment expense (see note 20)	445,233
Employer's national insurance contributions and similar taxes	32,110
	<hr/>
	801,185
	<hr/>

4 Directors' remuneration

	2005
	£
Directors' emoluments	174,521
Company contributions to money purchase pension schemes	1,667
Share-based payment expense (see note 20)	440,800
	<hr/>
	616,988
	<hr/>

There was one director in the company's defined contribution pension scheme during the period.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Director's remuneration (Continued)

The following Founders' Share Options were granted to Directors (see note 20)

Name

Mr M J Proffitt	1,160,000
Mr A R Burns	774,300
Mr J W Baker	580,000
Mr J Harding	290,000
Rear Admiral R Lane-Nott	<u>290,000</u>
	<u>3,094,300</u>

5 Segment information

The group's primary reporting format for reporting segment information is business segments, and the segments are defined as Renewables Portfolio, together with corporate overhead, and CETO device development. This split coincides with a geographical origin split of activities; CETO device development taking place in Australia and Renewables Portfolio and corporate overhead in the Isle of Man.

	Renewables Portfolio/ Group Office Isle of Man	CETO Development Australia	Total
	£	£	£
<i>Revenue</i>			
Finance Income	133,395	2,236	135,631
	_____	_____	_____
<i>Expenses</i>			
Continuing Operations	543,489	535,809	1,079,298
Non-cash charge	445,233	-	445,233
	_____	_____	_____
Total loss	855,327	533,573	1,388,900
	_____	_____	_____
<i>Balance Sheet</i>			
Assets	9,032,296	4,004,013	13,036,309
Liabilities	29,740	105,189	134,929
	_____	_____	_____
Net Assets	9,002,556	3,898,824	12,901,380
	=====	=====	=====

The group's secondary reporting format for reporting segment information is geographic segments.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

6 Finance income and expense

	£
<i>Finance income</i>	
Bank interest received	135,631
	<u> </u>

7 Tax expense

	2005 £
<i>Current tax expense</i>	
Income tax on loss for the period	Nil

The reasons for the difference between the actual tax charge for the year and the standard rate of income tax in the Isle of Man applied to profits for the year are as follows:

	2005 £'000
Loss before tax	1,388,900
Expected tax charge based on the standard rate of income tax in the Isle of Man of 10%	(138,890)
Expenses not deductible for tax purposes	45,750
Unutilised tax losses	193,174
Different tax rates applied in overseas jurisdictions	(100,034)
	<u> </u>
	Nil
	<u> </u>

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

8 Loss per share

	£
<i>Numerator</i>	
Loss used in basic and diluted EPS	1,388,900
	<u> </u>
<i>Denominator</i>	
Weighted average number of shares used in basic and diluted EPS	15,684,827
	<u> </u>

The loss figure used in this calculation is the loss for the period.

Total share options issued 4,925,000 (see note 20).

The effect of any share options granted are anti-dilutive.

On 2 September 2005 4,166,667 ordinary shares were issued at 60 pence per share.

9 Loss for the financial period

The loss for the Company for the period ended 30 June 2005 is £887,502.

10 Operating lease commitments

The total of future minimum lease payments are due as follow:

	£
Office Rent:	
Within 1 year	47,850
Within 2-5 years	75,763
	<u> </u>
	123,613
	<u> </u>

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

11 Intangible assets

	In-process development
	£
Additions	
- Through business combinations	5,559,878

Closing net book value	5,559,878
	=====

The development project addition is on acquisition, rather than the capitalisation of internally generated costs. The asset is not yet available for use.

The Group, through its investment in Seapower Pacific Pty Limited, is developing a wave energy device (see note 12). In-process development costs are all in respect of this project.

12 Subsidiaries

Group

The principal subsidiaries of Renewable Energy Holdings Plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Seapower Pacific Pty Limited	Australia	100%
Proportion Holdings Pty Limited	Australia	100%
Seapower Pty Limited	Australia	100%

Seapower Pacific PTY Ltd was incorporated on 24 February 2003. The principal activity of the company is research and development for the purposes of developing technology to capture energy produced by ocean waves to generate electricity and produce as a by-product, desalinated water.

Proportion Holdings Pty Limited and Seapower Pty Limited are dormant intermediate holding companies.

Company

<i>Investments</i>	£
Additions	
- Through acquisition (note 21)	5,487,906
- By loan	600,766

Closing net book value	6,088,672
	=====

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

13 Trade and other receivables

	Group 2005	Renewable Energy Holdings Plc 2005
	£	£
Prepaid expenses	255,952	237,294
	-----	-----
	<u>255,952</u>	<u>237,294</u>

14 Trade and other payables

	£	£
Accounts payable	95,935	-
Sales and social security taxes	17,456	8,202
Accruals	21,538	21,538
	-----	-----
	<u>134,929</u>	<u>29,740</u>

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

15 Financial assets and liabilities – numerical information

The currency and interest profile of the Group's financial assets after taking account of interest rate swaps are as follows:

	Floating Rate Assets	Interest Free Assets	Total Assets	Interest Free Liability	Total Liability
<u>Group</u>					
Sterling	7,116,330	-	7,116,330	-	-
AUD\$	104,149	-	104,149	95,935	95,935
Total	<u>7,220,479</u>	<u>-</u>	<u>7,220,479</u>	<u>95,935</u>	<u>95,935</u>
<u>Company</u>					
Sterling	7,116,330	-	7,116,330	-	-
AUD\$	-	600,766	600,766	-	-
Total	<u>7,116,330</u>	<u>600,766</u>	<u>7,717,096</u>	<u>-</u>	<u>-</u>

Sterling floating rate assets attracted interest of 4.46% at the year end. AUD\$ floating rate assets attracted interest of 4.90% at the year end.

All financial assets and liabilities fall due within one year.

The fair value is not significantly different to the book value shown above.

The current level of financial assets and liabilities is such that management do not employ risk management strategies such as hedging.

16 Deferred tax

A deferred tax asset has not been recognised for unused tax losses totalling £925,000, due to the uncertainty regarding recoverability.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

17 Share capital

	Authorised	
	2005 Number	2005 £
Ordinary shares of 1p each on incorporation	100,000,000	1,000,000
Increase in authorised share capital	50,000,000	500,000
	<u> </u>	<u> </u>
At the end of the period	150,000,000	1,500,000
	<u> </u>	<u> </u>
	Issued & fully paid up	
	2005 Number	2005 £
<i>Ordinary shares of 1p each</i>		
On incorporation	2	-
Issues for cash during the period	20,000,000	200,000
Issues for other consideration during the period (note 21)	9,000,000	90,000
	<u> </u>	<u> </u>
At end of the period	29,000,002	290,000
	<u> </u>	<u> </u>

Additional shares will be issued if share options, as described in note 21 are exercised.

18 Reserves

<u>Group</u>	Share premium reserve £	Foreign exchange reserve £	Share based payment reserve £	Retained earnings £
Proceeds on share issue				
- cash	9,800,000	-	-	-
- acquisition of subsidiary	4,410,000	-	-	-
Share issue costs	(1,097,575)	-	-	-
Translation differences on overseas operations	-	(9,778)	-	-
Share-based payment expense	-	-	897,633	-
Loss for the year	-	-	-	(1,388,900)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2005	13,112,425	(9,778)	897,633	(1,388,900)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

18 Reserves (Continued)

Company

	Share premium reserve £	Share based payment reserve £	Merger reserve £	Retained earnings £
Proceeds on share issue				
- cash	9,800,000	-		-
Acquisition of subsidiary	-	-	4,410,000	-
Share issue costs	(1,097,575)	-		-
Share-based payment expense	-	897,633		-
Loss for the year	-	-		(887,502)
	-----	-----	-----	-----
At 30 June 2005	8,702,425	897,633	4,410,000	(887,502)
	=====	=====	=====	=====

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Share based payment	Equity created to recognise share based payment expense.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

19 Changes in shareholders' equity

	Group 2005 £	Renewable Energy Holdings Plc 2005 £
Total recognised income and expense	(1,398,678)	(887,502)
Issue of new ordinary shares for cash (net of expenses)	8,902,425	8,902,425
Issue of new ordinary shares other than for cash (net of expenses)	4,500,000	4,500,000
Share based payment expense	897,633	897,633
Capital and reserves attributable to equity holders of the parent at the end of the period	----- 12,901,380	----- 13,412,556
	=====	=====

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

20 Share-based payment

The company has issued options to founder shareholders. Options over 4,350,000 shares have been granted at an exercise price of 50p, the exercise price increasing by 10% each year. The option period is ten years from the date of issue.

Corporate Synergy were issued an option for 290,000 shares at an exercise price per share being equal to the lower of the placing price or the average weighted price at which shares were subscribed for cash up to the point of exercise. The option was granted on 11 February 2005 with an option period of five years.

The options described above were granted at the time shares were issued at a price of 50p.

The valuation of these options has been used to price the services received due to the uncertainties involved in valuing the services directly.

Options over 285,000 shares have been granted to Directors and Employees at an exercise price of 56.5p per share being the mid market price on that day. The options were granted on 10 May 2005 with a vesting period of three years and a ten year contractual term.

	2005	2005
	Weighted average exercise price	Number
Granted during the year and outstanding at the end of the period	50.38pps	4,925,000
Exercisable at the end of the period	50.00pps	4,640,000

The weighted average remaining contractual life of the share options at 30 June 2005 is 9 years and 4 months.

The following information is relevant in the determination of the fair value of options granted during the year.

	2005
	£
<i>Equity-settled</i>	
Option pricing model used	Black-Scholes
Risk free rate of return	4.6%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices since flotation, where relevant, and otherwise by comparison with the volatility of comparable shares. A volatility of 45% has been used for all option valuations.

The Board as yet have not set a dividend policy. Accordingly the options have been valued on the basis of no dividend being paid.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

20 Share-based payment (Continued)

An assumption has been made that all options will be exercised at the economically optimum time but no later than six years after granting. Exercise prices and weighted average issue prices were factored in to the model in accordance with the option descriptions above.

2005
£

The share-based remuneration expense (see note 3) comprises:

Equity-settled schemes	445,233
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The group did not enter into any share-based payment transactions with parties other than employees during the period, except for the issue of founder options and the Corporate Synergy Options as described above. All options of the same class have been valued on the same basis.

21 Acquisitions during the period

Group

On 11 February 2005 the group acquired 100% of the voting equity instruments of Seapower Pacific Pty Limited, a company whose principal activity is the development of the CETO wave energy device.

Details of the fair value of identifiable assets and liabilities acquired and purchase consideration are as follows:

Fair value of assets acquired	£
Intangible Asset, being Intellectual Property concerning the CETO device	5,559,878
Cash	40,906
Payables	(112,878)
	<u>5,487,906</u>

The fair value of the shares issued was determined by reference to the issue price of £0.50, this being the listing price which occurred at the same time as the date of acquisition. The fair values of payables is the same as the IFRS carrying amount immediately prior to the acquisition. The IFRS carrying amount of identifiable intangibles immediately prior to acquisition would have been zero.

Included in the total loss for the group of £1,388,900 is a loss of £496,430 incurred by Seapower Pacific Pty Limited. Had the acquisition of this company been made at the commencement of the period the loss included in the group results would have been £607,000.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Acquisitions during the period (Continued)

Consideration paid

	<u>Group</u>	<u>Company</u>
Cash	500,000	500,000
9 million ordinary shares of 1p each	4,500,000	4,500,000
Options issued	385,700	385,700
Costs of acquisition	102,206	102,206
Loan to subsidiary	-	600,766
	<u>5,487,906</u>	<u>6,088,672</u>

22 Related party transactions

Group

During the period to 30 June 2005 an amount of £24,055 was paid to Carnegie Corporation in respect of administration services received. Mr Alan Burns, a Director of Renewable Energy Holdings Plc and Seapower Pacific Pty Limited is Chairman of Carnegie Corporation.

Company

The company has made a loan of AUD 1,412,702 (£600,766) to Seapower Pacific Proportion Ltd. This is long term and interest free and has been shown as an investment (note 12).

23 Events after the balance sheet date

On 2 September 2005 4,166,667 Ordinary Shares were placed at 60pence per share, raising £2,500,000

Windpark Kesfeld Heckhuscheid

On 20 July 2005 the Group purchased 100% of the equity of Windpark Kesfeld-Heckhuscheid GmbH & Co KG at a cost of €50,000. The construction of a windfarm is currently in progress under a turnkey contract at a contract price of €33,000,000.

On 26 September 2005 a Facility Agreement for €27,189,000 was entered into by Windpark Kesfeld – Heckhuscheid GmbH & Co KG in relation to the financing of the Kesfeld-Heckhuscheid Windfarm Project. The balance of project costs will be funded from Group resources.

Windpark Kirf

On 12 August 2005 the Group purchased Windpark Kirf GmbH & Co KG at a cost of €30,000. The construction of a Windpark is planned during 2006.

Landfill Gas Wales

On 30 September 2005 the Company entered into a shareholders agreement with Purepower Egni Ltd and REH Landfill Gas (Wales) Ltd. On the same date REH Landfill Gas (Wales) Ltd signed a conditional Sale and Purchase Agreement with Howard Evans for the purchase of Gwynt Cymru Limited, a company generating electricity from Landfill Gas, at a price of £1,600,000.

Renewable Energy Holdings Plc

Notes forming part of the financial statements for the period from 8 October 2004 to 30 June 2005
(Continued)

Events after the balance sheet date (continued)

This transaction is conditional upon concluding financing arrangements that are presently under negotiation. The Group intends to complete this transaction once financing is in place.

24 Notes supporting cash flow statement

Cash and cash equivalents comprises

	£
Cash available on demand	77,953
Short-term deposits	7,142,526
	<u>7,220,479</u>
Net cash increase in cash and cash equivalents	<u>7,220,479</u>
Cash and cash equivalents on incorporation	<u>-</u>
Cash and cash equivalents at end of the period	<u>7,220,479</u>