

Renewable Energy Holdings Plc

Report and Financial Statements

Six months ended 31 December 2006

Chairman's Statement

Once again I am pleased to be reporting to you.

Whilst the Group's reporting period is, on this occasion, a short one, I believe it provides an important basis for communication to shareholders.

During this period we have gained valuable experience operating a fully commissioned wind farm in Germany and have commissioned a 4.6MW expansion.

Also, during this period, necessary engineering works were undertaken to our landfill gas project in Wales, allowing better capture of methane and a consequent increase in electricity output.

I am now delighted to report that these two original investments are capable of sustaining our corporate office overheads, a key target set out in our original proposition two years ago.

Refinancing, referred to in the CEO's report, will allow us to increase our income producing asset base further and secures the Group for the next stage of growth.

CETO, the Group's unique wave energy device has matured significantly during this reporting period and we now have an Independent Engineer's Report, which supports the Board's view as to the likely timing and costs of producing a commercial prototype. This activity is on-going in Perth, Australia, where the device is receiving increasing publicity, in particular within Australia, for its desalination capability.

The Board is committed to ensuring maximum value as this exciting technology is developed for our shareholders.

The Group continues to follow best practice in Corporate Governance and we continue to work closely with our Nominated Advisor, Nabarro Wells and Brokers, Panmure Gordon, in order to develop the Group to its fullest potential.

Renewable Energy Holdings plc

The global business community continues to focus on the reduction of carbon emissions along with the promotion of clean technologies, and it is my belief, that renewables will continue to build a sustainable part of the solution within this debate.

My fellow Board members and I remain enthusiastically committed to capturing this opportunity and growing the size and profitability of your Company.

John W Baker
Chairman

Chief Executive's Report

As reported in the Company's last Annual Report, the Board elected to change the Group's year end to December 31st. Accordingly, this Annual Report covers 6 months of activities to December 31st 2006.

Administration expenses of £2,013,114 include £1,108,868 of depreciation and project operating costs.

Corporate office running costs for the six month period were £496,733 in salaries and Directors remuneration, and £407,513 in legal, travel, project task, rental and other general and administrative costs.

Looking at the revenue side, the Group's German Wind Farm had a disappointing first year, due to the winds over the region being well below anticipation, and one of the poorest wind years in Germany for the last fifteen years. The Board is not expecting a repeat of this performance in 2007, and is confident that the anticipated revenues will be realised.

The 4.6MW expansion of the Kesfeld wind farm was completed by the year end and the further expansion of 8.0MW is on schedule for completion July 1st 2007. These expansions bring a significant uplift to return on investment as all necessary infrastructure is already in place.

The Group has now demonstrated itself as an owner and operator of wind assets and has recently agreed a €135,000,000 credit facility with Standard Chartered Bank.

The facility will be used to refinance the Kesfeld wind farm and to finance future expansion of wind assets in Europe and the UK. This strategic banking relationship will significantly assist in the next stage of the group's growth.

During the six months to December 31st 2006 the Landfill Gas operation in Wales underwent considerable re-engineering with pumps being replaced and extra piping installed. This has seen a marked increase to the flow of gas throughout the period, and currently the gas flow is reaching the engine's capacity.

We have now reached the point where the cash flows from the Group's two existing income producing assets should be sufficient to meet the corporate office running costs. This is a target that was set at the Group's formation and one we are pleased to recognise has been met.

CETO, the Group's wave energy device prototype, successfully completed field tests during the period, and the Board sought to obtain the findings of an Independent Engineer's Review. The review, undertaken by Parsons Brinkerhoff, was completed in November 2006 and their report has confirmed the Board's view that CETO is a viable proposition at costs, both capital and operating, that suggest commercial success.

The plan to build a commercial prototype of CETO II has now been finalised and work is underway to obtain appropriate financing. The test site is planned to be in Perth, Australia, where CETO's dual desalination and electrical capacity has attracted immense interest.

With management's hands on experience and the agreed debt facility, your Company is now ready to take advantage of its potential in a growing sector of the economy.

Michael J Proffitt
Chief Executive Officer

Directors' Report

Report of the directors for six months ended 31 December 2006

The directors present their report together with the audited financial statements for the six months ended 31 December 2006.

The year end has changed to 31 December so as to achieve consistency across all group members.

Accordingly, comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable, as they represent a twelve month period.

Results and dividends

The results of the Group for the period are set out on page 12 and show a loss for the six months ended 31 December 2006 of £1,538,967 (30 June 2006: £2,165,330).

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. Currently the Group owns and operates the Kesfeld Windpark, Germany and the Gwynt Cymru Landfill Gas site in Wales.

The Group 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 recent acquisitions.

Substantial shareholdings

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

Name	Number of shares	% of shareholding
Morstan Nominees Ltd	4,510,500	9.96
The Bank of New York (Nominees) Ltd	4,416,666	9.76
Chase Nominees Ltd	4,108,298	9.08
Roy Nominees Limited	4,000,000	8.84
Pacific Hydro Ltd	3,700,000	8.17
LBPB Nominees Ltd	3,324,417	7.34
HSBC Global Custody Nominee (UK) Ltd	2,373,344	5.24
Vidacos Nominees Ltd	2,302,192	5.09
Credit Suisse Client Nominees (UK) Ltd	2,200,000	4.86
Carnegie Corporation Ltd	1,667,000	3.68

Directors

The directors of the Company during the period 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 and the 2006 Executive Scheme were as follows at 31 December 2006 and 30 June 2006.

	Options & similar interests	Ordinary shares
Mr M Proffitt	1,425,000	200,000
Mr A Burns *	774,300	
Mr J Baker	580,000	40,000
Mr J Harding	290,000	

* *Held on trust.*

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 5 which also shows the movements during the period. Details of any directors' interest in transactions of the group are given in note 25.

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Isle of Man Companies Acts 1931 to 2004.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Isle of Man Companies Acts 1931 to 2004. The directors have chosen to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

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. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the Isle of Man governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

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

Audit Report

Independent Auditors' Report to the Shareholders of Renewable Energy Holdings Plc

We have audited the group and parent company financial statements (the "financial statements") of Renewable Energy Holdings Plc for the six months ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 (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 have been 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The 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 section 15 of the Isle of Man Companies Act 1982 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 Act 1982 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 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 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.

Opinion

In our opinion:

- the group 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 31 December 2006 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Isle of Man Companies Acts 1931 to 2004, of the state of the parent company's affairs as at 31 December 2006; 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

25 May 2007

Renewable Energy Holdings plc

Consolidated income statement for the six months ended 31 December 2006

		Six months ended 31 December 2006	Year ended 30 June 2006
	Note	£	£
Revenue & gross profit	2,6	1,456,035	1,468,178
CETO development expenses		555,310	612,289
Administrative expenses		2,013,114	2,773,925
		<hr/>	<hr/>
Loss from operations	3	(1,112,389)	(1,918,036)
Finance costs	7	(411,988)	(333,560)
Finance income	7	70,926	194,702
		<hr/>	<hr/>
Loss before tax		(1,453,451)	(2,056,894)
Tax expense	8	85,516	108,436
		<hr/>	<hr/>
Loss after tax attributable to the equity holders of the parent	21	(1,538,967)	(2,165,330)
		<hr/>	<hr/>
Basic and diluted loss per share	9	(3.40p)	(5.98p)
		<hr/>	<hr/>

The notes on pages 19-54 form part of these financial statements.

Renewable Energy Holdings plc

Consolidated statement of recognised income and expense for the six months ended 31 December 2006

	Note	Six months ended 31 Dec 2006 £	Year ended 30 June 2006 £
Loss after tax		(1,538,967)	(2,165,330)
Foreign exchange loss on retranslation of overseas operations		(71,873)	(518)
Total recognised income and expense for the period	22	<u>(1,610,840)</u>	<u>(2,165,848)</u>

The notes on pages 19-54 form part of these financial statements.

Renewable Energy Holdings plc

Consolidated balance sheet at 31 December 2006

		31 December 2006	30 June 2006
	Note	£	£
Non-current assets			
Property, plant & equipment	12	26,677,929	23,293,606
Intangible assets	13	7,596,806	7,649,485
Current assets			
Trade and other receivables	16	1,271,266	765,658
Cash and cash equivalents	18	2,698,789	5,678,840
Total current assets		<u>3,970,055</u>	<u>6,444,498</u>
Total assets		<u>38,244,790</u>	<u>37,387,589</u>
Current liabilities			
Trade and other payables	17	4,442,834	789,178
Tax liability		88,384	-
Other financial liabilities	18	1,356,277	1,458,063
Total current liabilities		<u>5,887,495</u>	<u>2,247,241</u>
Non current liabilities			
Financial liabilities	18	14,952,785	16,067,108
Deferred tax liability		93,497	109,531
Other creditors		-	70,000
Total non current liabilities		<u>15,046,282</u>	<u>16,246,639</u>
Total liabilities		<u>20,933,777</u>	<u>18,493,880</u>
TOTAL NET ASSETS		<u>17,311,013</u>	<u>18,893,709</u>

The notes on pages 19-54 form part of these financial statements.

Renewable Energy Holdings plc

Consolidated balance sheet at 31 December 2006 (*Continued*)

		31	30
		December	June
	Note	2006	2006
		£	£
Capital and reserves attributable to equity holders of the company			
Share capital	20	452,666	452,666
Share premium reserve	21	16,583,898	16,583,898
Foreign exchange reserve	21	(82,169)	(10,296)
Share based payment reserve	21	984,715	956,571
Merger reserve	21	4,410,000	4,410,000
Retained earnings	21	(5,038,097)	(3,499,130)
		<hr/>	<hr/>
TOTAL EQUITY		<u>17,311,013</u>	<u>18,893,709</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2007. They were signed on its behalf by:

John Baker, Chairman

Michael J Proffitt, Director

The notes on pages 19-54 form part of these financial statements.

Renewable Energy Holdings plc

Company balance sheet at 31 December 2006

	Note	31 December 2006 £	30 June 2006 £
Non-current assets			
Investment in subsidiaries	14	7,385,392	6,833,157
Amounts due from subsidiaries	15	10,727,212	9,639,622
Current assets			
Trade and other receivables	16	99,273	163,143
Cash and cash equivalents	18	915,757	3,536,736
Total current assets		<u>1,015,030</u>	<u>3,699,879</u>
Total assets		<u>19,127,634</u>	<u>20,172,658</u>
Current liabilities			
Trade and other payables	17	119,909	349,140
Total current liabilities		<u>119,909</u>	<u>349,140</u>
Total liabilities		119,909	349,140
TOTAL NET ASSETS		<u>19,007,725</u>	<u>19,823,518</u>
Capital and reserves attributable to equity holders of the company			
Share capital	20	452,666	452,666
Share premium reserve	21	16,583,898	16,583,898
Share based payment reserve	21	984,715	956,571
Merger reserve	21	4,410,000	4,410,000
Retained earnings	21	<u>(3,423,554)</u>	<u>(2,579,617)</u>
TOTAL EQUITY		<u>19,007,725</u>	<u>19,823,518</u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2007. They were signed on its behalf by:

John Baker, Chairman

Michael J Proffitt, Director

The notes on pages 19-54 form part of these financial statements.

Renewable Energy Holdings plc

Consolidated and company cash flow statement for the six months ended 31 December 2006

	Six months ended 31 December 2006 Group	Six months ended 31 December 2006 Company	Year ended 30 June 2006 Group	Year ended 30 June 2006 Company
	£	£	£	£
Operating Activities				
Net loss from operations	(1,112,389)	(928,463)	(1,918,036)	(1,920,304)
Adjustments for :				
Depreciation	621,867	-	601,056	-
Amortisation	52,679	-	17,560	-
Foreign exchange losses	542,426	141,461	577	3,604
Equity settled share based payment	28,144	28,144	114,038	114,038
	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit/(loss) before changes in working capital and provisions	132,727	(758,858)	(1,184,805)	(1,802,662)
Decrease in deferred expenditure	-	-	196,569	196,569
(Increase)/decrease in trade and other receivables	(505,608)	63,870	(513,129)	(122,418)
Decrease in other financial assets	-	-	1,276	-
Increase/(decrease) in trade and other payables	3,583,656	(229,231)	611,730	319,400
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated/(absorbed) from operations	3,210,775	(924,219)	(888,359)	(1,409,111)
Income taxes paid	(13,166)	(4,878)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash flows from operating activities	3,197,609	(929,097)	(888,359)	(1,409,111)

The notes on pages 19-54 form part of these financial statements.

Renewable Energy Holdings plc

Consolidated and company cash flow statement for six months ended 31 December 2006 (*continued*)

		Six months ended 31 December 2006 Group £	Six months ended 31 December 2006 Company £	Year ended 30 June 2006 Group £	Year ended 30 June 2006 Company £
	Note				
Cash flows from operating activities (brought forward)		3,197,609	(929,097)	(888,359)	(1,409,111)
<i>Investing activities</i>					
Acquisition of property, plant & equipment		(4,620,489)	-	(23,601,806)	-
Acquisition of subsidiary – net of cash acquired		-	-	(2,481,926)	(124,136)
Investment in subsidiary – by loan	14	-	(626,450)	-	(620,349)
Increase in advances to subsidiaries		-	(1,154,836)	-	(9,639,622)
Finance income received		70,926	89,404	194,702	169,485
		<u>(4,549,563)</u>	<u>(1,691,882)</u>	<u>(25,889,030)</u>	<u>(10,214,622)</u>
<i>Financing activities</i>					
Issue of ordinary shares		-	-	8,550,000	8,550,000
Issue costs		-	-	(505,861)	(505,861)
Proceeds from bank borrowing		-	-	18,655,165	-
Issue costs for bank borrowing		-	-	(500,572)	-
Repayment of bank borrowing		(1,277,068)	-	(661,212)	-
Finance costs paid		(351,029)	-	(301,770)	-
		<u>(1,628,097)</u>	<u>-</u>	<u>25,235,750</u>	<u>8,044,139</u>
Decrease in cash and cash equivalents	26	<u>(2,980,051)</u>	<u>(2,620,979)</u>	<u>(1,541,639)</u>	<u>(3,579,594)</u>

The notes on pages 19-54 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 as adopted by the European Union.

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

International Accounting Standards (IAS/IFRS)	Effective Date
IAS 1 Presentation of Financial statements amendment	01/01/2007
IFRS 7 Financial instruments: Disclosures	01/01/2007
IFRS 8* Operating Segments	01/01/2007
IAS 23* Borrowing costs amendment	01/01/2009
International Financial Reporting Interpretations Committee (IFRIC)	Effective Date
IFRIC 10* Interim Reporting and Impairment	01/11/2006
IFRIC 11* IFRS 2 'Group and Treasury Share Transactions'	01/03/2006
IFRIC 12* Service Concession Arrangements	01/01/2008

* These standards and interpretations are not endorsed by the EU at present.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the period of initial applications.

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

Revenue

Revenues comprise electricity sold. Sales are recognized at the time electricity is fed to the distribution/transmission grid.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Accounting policies (*continued*)

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 in subsidiary companies 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 or were not yet in use, are undertaken annually on 31 December (up to 30 June 2006: 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).

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.

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 recognized 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 recognized directly in equity (the "foreign exchange reserve"). Exchange differences recognized 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.

Accounting policies *(continued)*

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 recognized 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 recognized in the income statement.

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

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 significant 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 recognized in the income statement.

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

- Trade payables and other short-term monetary liabilities, which are recognized at amortised cost.
- Bank borrowings and the debt element of convertible debt issued by the group are initially recognized 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.

Accounting policies (continued)

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 recognized 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.

Operating Leases

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rental payable under the lease are charged to the income statement on a straight-line basis over the lease term.

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised from the point at which they are available for use, over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the income statement.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Accounting policies (*continued*)

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

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 CETO Device	Not available for use	Purchase price
Landfill Gas Rights	20 years	Purchase price

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

Amortisation of gas rights for the period have been charged to administrative expenses.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*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.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs, including the capitalisation of interest during construction, and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives, at the following rates:

Leasehold land	-	evenly over the length of lease
Plant and machinery	-	5% - 20% per annum straight line

Accounting policies (continued)

Estimates, judgements and critical accounting policies

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. 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. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Intangible assets and property, plant and equipment impairment review

Assets that are required to be valued annually to assess the requirement for potential impairment are assessed on an ongoing basis to determine whether circumstances exist that could lead to the conclusion that the carrying value of such assets is not supportable. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in a particular market as well as short term business performance. The directors draw upon experience as well as external resources in making these judgements.

Share-based payments

The charge for share-based payment is calculated in accordance with the analysis described in note 23. The option valuation models used require highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield, risk-free interest rates and expected staff turnover. The directors draw upon a variety of external sources to aid in the determination of the appropriate data to use in such calculations.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

2 Revenue from electricity generation

Included within Group revenue is income from the generation of electricity from its windparks in Germany at a fixed price of Euro 85.3 per KiloWatt hour under the conditions of German renewables legislation. This price is fixed for a period of 20 years.

Amounts receivable from this arrangement in the period are £1,363,081 (30 June 2006: £584,710).

3 Loss from operations

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
This has been arrived at after charging/(crediting) :		
Staff costs (see note 4)	616,563	1,098,350
Exchange differences	67,286	(65,208)
Research and development costs – CETO (excluding staff costs)	446,080	488,044
Depreciation charge	621,867	595,154
Amortisation expense	52,679	17,560
Operating lease expense	180,475	217,719
Audit fees	72,106	74,296
Fees paid to the company's auditors for non-audit services provided to the company and UK subsidiaries	2,900	-

Audit fees include an amount of £45,688 in respect of the company (30 June 2006: £51,696).

No interest costs have been capitalised within fixed assets in the period (30 June 2006: £47,112)

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (Continued)

4 Staff costs

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
Staff costs (including directors) comprise:		
Wages and salaries	410,133	762,858
Paid to third parties	73,600	107,800
Defined contribution pension cost	37,666	75,972
Share-based payment expense (see note 23)	28,144	34,392
Employer's national insurance contributions and similar taxes	67,021	117,328
	<u>616,564</u>	<u>1,098,350</u>

5 Directors' remuneration

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
Directors' emoluments	142,500	333,749
Paid to third parties	73,600	107,800
Defined contribution pension cost	10,250	24,946
Share-based payment expense (see note 23)	7,908	4,069
	<u>234,258</u>	<u>470,564</u>

There was one director in the Company's defined contribution pension scheme during the period (30 June 2006: one).

The following share options were granted to Directors (see note 23)

Name	31 December 2006 Number	30 June 2006 Number
Mr M J Proffitt	-	265,000

The above disclosures in respect of directors are considered to cover all key management personnel.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

6 Segment information

The group's primary reporting format for reporting segment information is business segments, and the segments are defined as Head Office, CETO development, Windfarm and Landfill gas. This split coincides with a geographical origin split of activities; Head Office being in the Isle of Man, CETO development taking place in Australia, Windfarm being in Germany and Landfill gas being in Wales.

Six months ended 31 December 2006

	Head Office Isle of Man £	CETO Development Australia £	Windfarm Germany £	Landfill gas Wales £	Total £
<i>Income</i>					
Revenue	-	-	1,374,575	81,460	1,456,035
Finance income	49,281	4,078	17,567	-	70,926
<i>Expenses</i>					
Operational expenditure	998,317	507,310	280,774	153,548	1,939,949
Finance costs	-	-	411,988	-	411,988
Depreciation & amortisation	-	-	590,883	83,663	674,546
Other non-cash charge	28,144	-	-	-	28,144
Retranslation	(74,215)	-	-	-	(74,215)
Total profit/(loss) before taxation	<u>(902,965)</u>	<u>(503,232)</u>	<u>108,497</u>	<u>(155,751)</u>	<u>(1,453,451)</u>
<i>Balance Sheet</i>					
<i>Assets</i>					
Property, plant & equipment	-	-	26,476,201	201,729	26,677,929
Intangible assets	-	5,559,878	-	2,036,927	7,596,806
Current assets	1,015,030	206,811	2,622,357	125,857	3,970,055
Liabilities	(119,909)	(110,582)	(20,555,921)	(147,365)	(20,933,777)
Net assets	<u>895,121</u>	<u>5,656,107</u>	<u>8,542,637</u>	<u>2,217,148</u>	<u>17,311,013</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>4,620,489</u>	<u>-</u>	<u>4,620,489</u>

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Segment information (*Continued*)

Year ended
30 June 2006

	Head Office Isle of Man £	CETO Development Australia £	Windfarm Germany £	Landfill gas Wales £	Total £
<i>Income</i>					
Revenue	-	-	1,427,280	40,898	1,468,178
Finance income	169,485	4,666	20,551	-	194,702
<i>Expenses</i>					
Operational expenditure	1,952,471	479,146	249,572	39,877	2,721,066
Finance costs	-	-	333,560	-	333,560
Depreciation & amortisation	-	-	584,826	27,888	612,714
Other non-cash charge	114,038	-	-	-	114,038
Retranslation	(61,604)	-	-	-	(61,604)
Total profit/(loss) before taxation	(1,835,420)	(474,480)	279,873	(26,867)	(2,056,894)
<i>Balance Sheet</i>					
<i>Assets</i>					
Property, plant & equipment	-	-	23,060,893	232,713	23,293,606
Intangible assets	-	5,559,878	-	2,089,607	7,649,485
Current assets	3,699,879	125,477	2,455,506	163,636	6,444,498
Liabilities	(349,140)	(35,839)	(17,979,178)	(129,723)	(18,493,880)
Net assets	3,350,739	5,649,516	7,537,221	2,356,233	18,893,709
Capital expenditure	-	-	23,601,500	-	23,601,500

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

All intercompany balances are excluded from the above analysis.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

7 Finance income and expense

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
<i>Finance expense</i>		
Bank borrowings	411,988	333,560
<i>Finance income</i>		
Bank interest received	70,926	194,702

8 Tax expense

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
<i>Current tax expense</i>		
Income tax on loss for the period	101,550	-
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(16,034)	108,436
Total current tax	85,516	108,436

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

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
Loss before tax	1,453,451	2,056,894
Expected tax charge based on the standard rate of income tax in the Isle of Man of nil% (30 June 2006: nil%)	-	-
Expenses not deductible for tax purposes	-	-
Unutilised tax losses	151,800	219,000
Different tax rates applied in overseas jurisdictions	(66,284)	(110,564)
	85,516	108,436

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Tax expense (*Continued*)

A deferred tax asset has not been recognised for unused tax losses totalling £2,161,000 (30 June 2006: £1,655,000), due to the uncertainty regarding recoverability.

9 Loss per share

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
<i>Numerator</i>		
Loss used in basic and diluted EPS	1,538,967	2,165,330
<i>Denominator</i>		
Weighted average number of shares used in basic and diluted EPS	45,266,669	36,230,870

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

	Six months ended 31 December 2006	Year ended 30 June 2006
Total share options in issue (see note 23)	5,594,167	5,594,167

The effect of all the above share options granted is anti-dilutive.

10 Loss for the financial period

The Company has taken advantage of the exemption allowed under Part 1 section 3(5) of the Isle of Man Companies Act 1982 and has not presented its own profit and loss account in these financial statements. The Group loss for the period includes a loss for the Company of £843,937 (year ended 30 June 2006: £1,747,215).

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

11 Operating lease commitments

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

Group

Land & property rental:	Six months ended 31 December 2006	Year ended 30 June 2006
	£	£
Within one year	354,262	325,059
Within two to five years	1,061,710	1,049,042
Over five years	3,579,482	3,432,574
	<u>4,995,454</u>	<u>4,806,675</u>

Plant & equipment:

	Six months ended 31 December 2006	Year ended 30 June 2006
	£	£
Within one year	66,144	66,144
Within two to five years	264,576	264,576
Over five years	88,192	55,120
	<u>418,912</u>	<u>385,840</u>

Company

Land & property rental:	Six months ended 31 December 2006	Year ended 30 June 2006
	£	£
Within one year	47,850	47,850
Within two to five years	3,988	27,913
Over five years	-	-
	<u>51,838</u>	<u>75,763</u>

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

12 Property, plant and equipment

	Group £
<i>At 30 June 2005</i>	
Cost or valuation	-
Accumulated depreciation	-
Net book value	-
<i>At 30 June 2006</i>	
Cost or valuation	23,894,662
Accumulated depreciation	601,056
Net book value	23,293,606
<i>At 31 December 2006</i>	
Cost or valuation	27,884,327
Accumulated depreciation	1,206,398
Net book value	26,677,929
<i>Year ended 30 June 2006</i>	
Opening net book value	-
Additions	23,601,500
Acquisitions	293,162
Depreciation	(595,154)
Exchange differences	(5,902)
Closing net book value	23,293,606
<i>Period ended 31 December 2006</i>	
Opening net book value	23,293,606
Additions	4,620,489
Depreciation	(621,867)
Exchange differences	(614,299)
Closing net book value	26,677,929

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

13 Intangible assets

Group	Landfill gas rights	In-process research & development Ceto device	Total
	£	£	£
<i>At 30 June 2005</i>			
Cost	-	5,559,878	5,559,878
Accumulated amortisation	-	-	-
Net book value	-	5,559,878	5,559,878
<i>At 30 June 2006</i>			
Cost	2,107,167	5,559,878	7,667,045
Accumulated amortisation	17,560	-	17,560
Net book value	2,089,607	5,559,878	7,649,485
<i>At 31 December 2006</i>			
Cost	2,107,167	5,559,878	7,667,045
Accumulated amortisation	70,239	-	70,239
Net book value	2,036,928	5,559,878	7,596,806
<i>Year ended 30 June 2006</i>			
Opening net book value	-	5,559,878	5,559,878
Additions	2,107,167	-	2,107,167
Amortisation	(17,560)	-	(17,560)
Closing net book value	2,089,607	5,559,878	7,649,485
<i>Period ended 31 December 2006</i>			
Opening net book value	2,089,607	5,559,878	7,649,485
Amortisation	(52,679)	-	(52,679)
Closing net book value	2,036,928	5,559,878	7,596,806

The cost of landfill gas rights are being amortised over the period to 30 April 2026.

In-process research & development is assessed for impairment on the basis of an estimate of the assets value in use.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

14 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%
REH Verwaltung GmbH	Germany	100%
REH Beteiligung GmbH & Co KG	Germany	100%
Windpark Kesfeld Heckhuscheid GmbH & Co KG*	Germany	100%
Windpark Kirf GmbH & Co KG*	Germany	100%
REH Landfill Gas (Wales) Ltd	Isle of Man	100%
REH Global Ltd	Isle of Man	100%
Gwynt Cymru Limited*	UK	100%

* These subsidiaries are owned indirectly by Renewable Energy Holdings plc, via the Company's directly owned subsidiaries.

The principal activity of Seapower Pacific Pty Ltd 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.

The principal activities of Windpark Kesfeld Heckhuscheid GmbH & Co KG and Windpark Kirf GmbH & Co KG is the ownership and operation of windparks in Germany. REH Verwaltung GmbH and REH Beteiligung GmbH & Co KG are intermediate holding companies.

The principal activity of Gwynt Cymru Limited is the operation of a landfill gas site. REH Landfill Gas Wales Ltd is an intermediate holding company.

REH Global Ltd is dormant.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (Continued)

Subsidiaries (Continued)

Company

<i>Investments</i>	31 December 2006 £	30 June 2006 £
Opening net book value - acquired	5,612,042	5,487,906
Opening net book value - loan	1,221,115	600,766
Total opening net book value	<u>6,833,157</u>	<u>6,088,672</u>
Additions		
-through acquisition:		
REH Landfill Gas (Wales) Limited	2,000	100,000
REH Verwaltung GmbH	-	17,230
REH Beteiligung GmbH & Co KG	-	6,906
-By loan	550,235	620,349
Total closing net book value	<u>7,385,392</u>	<u>6,833,157</u>
Closing net book value - acquired	5,614,042	5,612,042
Closing net book value - loan	1,771,350	1,221,115

15 Intercompany Accounts

	31 December 2006 £	30 June 2006 £
Windpark Kesfeld Heckhuscheid GmbH & Co KG	2,103,370	7,218,876
Windpark Kirf GmbH & Co KG	67,289	69,132
REH Beteiligung GmbH & Co KG	6,184,723	44,936
REH Verwaltung GmbH	7,402	6,913
REH Landfill Gas (Wales) Limited	2,242,303	2,244,303
Gwynt Cymru Limited	122,125	55,462
	<u>10,727,212</u>	<u>9,639,622</u>

Long term intercompany balances with the German subsidiaries of £6,170,358 (30 June 2006:£1,000,417) attract an interest rate of 0.5%. Intercompany balances with the other subsidiaries are interest free.

There is no fixed date for repayment of intercompany balances, but there is no expectation that they will be repaid within a year of the balance sheet date.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

16 Trade and other receivables

	Group 31 December 2006 £	Company 31 December 2006 £	Group 30 June 2006 £	Company 30 June 2006 £
Sales tax	465,357	19,851	222,503	97,839
Accounts receivable	483,438	34,305	279,804	32,554
Other receivables	220,298	15,430	80,597	-
Prepayments	102,173	29,687	182,754	32,750
	<u>1,271,266</u>	<u>99,273</u>	<u>765,658</u>	<u>163,143</u>

17 Trade and other payables

	Group 31 December 2006 £	Company 31 December 2006 £	Group 30 June 2006 £	Company 30 June 2006 £
Accounts payable	4,013,752	-	55,161	-
Sales and social security taxes	19,864	14,046	16,387	14,608
Accruals and other payables	409,218	105,863	717,630	334,532
	<u>4,442,834</u>	<u>119,909</u>	<u>789,178</u>	<u>349,140</u>

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

18 Financial assets and liabilities-numerical information

a) Maturity of borrowings

The carrying amounts of borrowings, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

<u>Group</u>	31 December 2006	30 June 2006
	£	£
In less than one year	1,356,277	1,458,063
In more than one year but not more than two years	1,278,520	1,372,264
In more than two years but not more than three years	1,293,053	1,302,679
In more than three years but not more than four years	1,283,318	1,334,903
In more than four years but not more than five years	1,185,464	1,257,718
In more than five years	9,912,430	10,799,544
	<u>16,309,062</u>	<u>17,525,171</u>

There is an undrawn loan facility of £3,351,053 at 31 December 2006 (30 June 2006: £nil).

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

b) Currency and interest profile

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

31 December 2006	Interest Free Assets £	Floating Rate Assets £	Fixed rate Assets £	Total Assets £
<u>Group</u>				
Sterling	40,888	963,683	-	1,004,571
Euros	442,550	1,588,223	-	2,030,773
Australian Dollars	-	146,883	-	146,883
Total	483,438	2,698,789	-	3,182,227
<u>Company</u>				
Sterling	2,398,733	915,757	-	3,314,490
Euros	2,192,426	-	6,170,358	8,362,784
Australian Dollars	-	-	-	-
Total	4,591,159	915,757	6,170,358	11,677,274
31 December 2006	Interest free liabilities £	Floating rate liabilities £	Fixed rate liabilities £	Total Liabilities £
<u>Group</u>				
Sterling	93,062	-	-	93,062
Euros	3,829,168	3,610,314	12,698,748	20,138,230
Australian Dollars	91,522	-	-	91,522
Total	4,013,752	3,610,314	12,698,748	20,322,814
<u>Company</u>				
Sterling	-	-	-	-
Euros	-	-	-	-
Australian Dollars	-	-	-	-
Total	-	-	-	-

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Financial assets and liabilities-numerical information (*continued*)

30 June 2006	Interest Free Assets	Floating Rate Assets	Fixed rate Assets	Total Assets
	£	£	£	£
<u>Group</u>				
Sterling	-	3,576,192	-	3,576,192
Euros	-	2,006,949	-	2,006,949
Australian Dollars	-	95,699	-	95,699
Total	-	5,678,840	-	5,678,840
<u>Company</u>				
Sterling	2,332,319	3,536,736	-	5,869,055
Euros	1,000,417	-	6,339,440	7,339,857
Australian Dollars	-	-	-	-
Total	3,332,736	3,536,736	6,339,440	13,208,912
30 June 2006	Interest free liabilities	Floating rate liabilities	Fixed rate liabilities	Total Liabilities
	£	£	£	£
<u>Group</u>				
Sterling	28,606	-	-	28,606
Euros	-	4,433,600	13,091,571	17,525,171
Australian Dollars	26,555	-	-	26,555
Total	55,161	4,433,600	13,091,571	17,580,332
<u>Company</u>				
Sterling	-	-	-	-
Australian Dollars	-	-	-	-
Total	-	-	-	-

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Financial assets and liabilities-numerical information (*continued*)

As at 31 December 2006 floating and fixed rate liabilities incurred interest rates as follows:

Group	31 December 2006		30 June 2006	
Euros	£		£	
Floating	3,610,314	5.05%	4,433,600	4.491%
Fixed	8,851,804	4.300%	9,094,351	4.300%
	2,092,465	5.000%	2,225,422	5.000%
	2,180,821	3.900%	2,240,581	3.900%
	426,343	0.000%	468,783	0.000%
	<u>12,698,748</u>		<u>13,091,571</u>	

At 31 December 2006 floating rate assets attracted interest rates as follows:

	31 December 2006	30 June 2006
Sterling	4.20%	4.22%
Euros	1.84%	1.33%
Australian Dollars	5.43%	5.12%

c) Fair value

The fair value of the financial assets and liabilities analysed in part b) above is not significantly different to the book value shown above.

d) Security and restrictions

All the assets and shares in the German subsidiaries are pledged as security for the euro-denominated loans above. The total net assets of the subsidiaries have a book value of £8,542,637 (30 June 2006 £7,537,222).

Group cash balances include a Debt Service Reserve Account balance of £994,501, (30 June 2006 £993,138) which is not available to the Group until the loan is repaid, and a further restricted cash balance of £560,042 (30 June 2006 £1,013,811), which is not available to the Group at 31 December 2006.

19 Financial Instruments – Risk Management

The group is exposed through its operations to foreign currency, liquidity and interest rate risk.

Foreign currency risk

Foreign exchange risk arises because the group has operations located in various parts of the world whose functional currency is not the same as the group's primary functional currency (sterling). Although its global market penetration arguably reduces the group's risk in that it has diversified into several markets, the net assets from such overseas operations is exposed to currency risk giving rise to gains or losses on retranslation into sterling. Only in exceptional circumstances will the group consider hedging its net investments in overseas operations as generally it does not consider that the cash flow risk created from such hedging techniques warrants the reduction in volatility in consolidated net assets.

Liquidity and interest rate risk

The company holds or issues financial instruments to finance its operations. Operations are financed by a mixture of equity and long term loans. Long term loans carry interest rates as shown in note 18 and are used to finance capital expenditure. Working capital requirements are met principally out of equity. In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations. The company does not enter into any hedging arrangements.

The main risk arising from the company's financial instruments is liquidity risk.

The directors monitor the liquidity and cash flow risk of the company carefully. Cash flow is monitored by the directors on a regular basis and appropriate action is taken where additional funds are required, for example the arrangement of a new bank loan in the year to purchase a large piece of capital equipment.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

20 Share capital

	Authorised 31 December 2006 Number	31 December 2006 £	Authorised 30 June 2006 Number	30 June 2006 £
<i>Ordinary shares of 1p each</i>				
At the end of the period	150,000,000	1,500,000	150,000,000	1,500,000
	Issued and fully paid up 31 December 2006 Number	31 December 2006 £	Issued and fully paid up 30 June 2006 Number	30 June 2006 £
<i>Ordinary shares of 1p each</i>				
At the beginning of the period	45,266,669	452,666	29,000,002	290,000
Issues for cash during the period	-	-	16,266,667	162,666
At the end of the period	45,266,669	452,666	45,266,669	452,666
<i>Warrants</i>				
At the beginning of the period	11,900,000		-	
Issues during the period	-		12,000,000	
Exercised during the period	-		(100,000)	
Outstanding at the end of the period	11,900,000		11,900,000	

During the prior period, the following shares were issued by the Company:

Date	Number	Price
2 September 2005	4,155,557	59 pence per share
6 March 2006	12,000,000	50 pence per share
10 April 2006	100,000	50 pence per share

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (Continued)

20 Share capital (continued)

Each warrant was issued with each share issue made on 7 March 2006 and entitles the holder to acquire an ordinary share at a price of 50 pence.

Additional shares will be issued if share options, as described in note 23, are exercised.

21 Reserves

Group

	Share premium reserve	Foreign exchange reserve	Share based payment reserve	Merger reserve	Retained earnings
	£	£	£	£	£
At 30 June 2005	8,702,425	(9,778)	897,633	4,410,000	(1,388,900)
Proceeds on share issue -cash	8,387,333	-	-	-	-
Share issue costs	(505,860)	-	-	-	-
Translation differences on overseas operations	-	(518)	-	-	-
Share-based payment expense	-	-	114,038	-	-
Options forfeited	-	-	(55,100)	-	55,100
Loss for the period	-	-	-	-	(2,165,330)
At 30 June 2006	16,583,898	(10,296)	956,571	4,410,000	(3,499,130)
Translation differences on overseas operations	-	(71,873)	-	-	-
Share-based payment expense	-	-	28,144	-	-
Loss for the period	-	-	-	-	(1,538,967)
At 31 December 2006	16,583,898	(82,169)	984,715	4,410,000	(5,038,097)

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (Continued)

Reserves (Continued)

Company

	Share premium reserve	Share based payment reserve	Merger reserve	Retained earnings
	£	£	£	£
At 30 June 2005	8,702,425	897,633	4,410,000	(887,502)
Proceeds on share issue -cash	8,387,333	-	-	-
Share issue costs	(505,860)	-	-	-
Share-based payment expense	-	114,038	-	-
Options forfeited	-	(55,100)	-	55,100
Loss for the period	-	-	-	(1,747,215)
At 30 June 2006	16,583,898	956,571	4,410,000	(2,579,617)
Share-based payment expense	-	28,144	-	-
Loss for the period	-	-	-	(843,937)
At 31 December 2006	16,583,898	984,715	4,410,000	(3,423,554)

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

Share premium	Amount subscribed for share capital in excess of nominal value, less directly attributable share issue costs
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 recognized in the consolidated income statement
Merger reserve	Share premium arising on share for share acquisition

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

22 Changes in shareholder's equity

	Group	Company	Group	Company
	Six months ended 31 December 2006 £	Six months ended 31 December 2006 £	Year ended 30 June 2006 £	Year ended 30 June 2006 £
Total recognized income and expense	(1,610,840)	(843,937)	(2,165,848)	(1,747,215)
Issue of new ordinary shares for cash (net of expenses)	-	-	8,044,139	8,044,139
Share based payment expense	28,144	28,144	114,038	114,038
Total change in the period	<u>(1,582,696)</u>	<u>(815,793)</u>	<u>5,992,329</u>	<u>6,410,962</u>
Capital and reserves attributable to equity holders of the parent at the beginning of the period	<u>18,893,709</u>	<u>19,823,518</u>	<u>12,901,380</u>	<u>13,412,556</u>
Capital and reserves attributable to equity holders of the parent at the end of the period	<u><u>17,311,013</u></u>	<u><u>19,007,725</u></u>	<u><u>18,893,709</u></u>	<u><u>19,823,518</u></u>

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

23 Share-based payment

The Company operates a share option scheme for employees. The only vesting condition being that the individual remains an employee as at the vesting date.

The group did not enter into any share-based transactions during the period.

Options granted in prior periods

Options over 507,500 shares have been granted to Directors and Employees at an exercise price of 56p per share being the average price over the three days following the award. The options were granted on 28 March 2006 with a vesting period of three years and a ten year contractual term from the date of the grant.

Nabarro Wells (nominated advisors) were issued an option for 451,667 shares at an exercise price of 59p per share. The option was granted on 6 April 2006 with an option period of five years.

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

	Six months ended 31 December 2006 Weighed average exercise price (pps)	Six months ended 31 December 2006 Number	Year ended 30 June 2006 Weighted average exercise price (pps)	Year ended 30 June 2006 Number
Outstanding at the beginning of the period	55.23	5,594,167	50.38	4,925,000
Exercisable at the beginning of the period	55.07	4,801,667	50.00	4,640,000
Granted during the period	-	-	57.41	959,167
Forfeited during the period	-	-	55.00	290,000
Exercised during the period	-	-	-	-
Outstanding at the end of the period	55.23	5,594,167	55.23	5,594,167
Exercisable at the end of the period	55.07	4,801,667	55.07	4,801,667

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Share-based payment (*Continued*)

As at 31 December 2006 and 30 June 2006	Number of options	Grant date	Exercise price (pps)	Vesting period (yrs)	Option period (yrs)
Founder option (Exercise price increasing by 10% each period)	4,060,000	11/02/05	55	-	10
Company nominated advisors (2005)	290,000	11/02/05	50	-	5
Staff options (2005)	285,000	10/05/05	56	3	10
Company nominated advisors (2006)	451,667	06/04/06	59	-	5
Staff Options (2006)	507,500	28/03/06	56	3	10
Total options	<u>5,594,167</u>				

The weighed average remaining contractual life of the share options at 31 December 2006 is 7 years 8 months (30 June 2006: 8 years 2 months).

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

Equity-settled

Option pricing model used	Black Scholes
Risk-free rate of return	4.4%

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.

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 weighed average issue prices were factored in to the model in accordance with the option descriptions above.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

	Six months ended 31 December 2006 £	Year ended 30 June 2006 £
The share-based remuneration comprises :		
Equity-settled schemes	28,144	114,038

All options of the same class have been valued on the same basis.

24 Acquisitions during the prior period

On 20 July 2005 and 12 August 2005 the group acquired 100% of the equity interest in both Windpark Kesfeld Heckhuscheid GmbH & Co. KG (Windpark Kesfeld) and Windpark Kirf GmbH & Co. KG (Windpark Kirf) respectively. There have been no acquisitions in the period ended 31 December 2006.

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

	Windpark Kesfeld £	Windpark Kesfeld Euro	Windpark Kirf £	Windpark Kirf Euro
Fair value of assets acquired				
Planning permission and leases	27,484	40,000	22,331	32,500
Cash	6,871	10,000	1,718	2,500
Consideration paid as cash	34,355	50,000	24,049	35,000
Book value prior to acquisition by the group	6,871	10,000	1,718	2,500
Post acquisition profit	171,437	250,486	-	-

The difference between the book value and fair value relates to a fair value adjustment made in respect of planning permission and leases.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

Acquisitions during the prior period (*continued*)

On 12 May 2006 the Group acquired 100% of the voting equity instruments of Gwynt Cymru Limited, a Company whose principle activity is the production of electricity from landfill methane gas.

	£
Fair value of assets acquired	
Fixed tangible assets	243,041
Gas rights (intangible)	2,107,167
Cash	(17,808)
Debtors	194,422
Creditors	(112,519)
	<hr/>
	2,414,303
	<hr/> <hr/>

	£
Consideration paid	
Cash	1,950,000
Costs of acquisition	464,303
	<hr/>
	2,414,303
	<hr/> <hr/>

Book value of net assets prior to acquisition by the group	307,136
	<hr/> <hr/>

Post acquisition loss	(26,867)
	<hr/> <hr/>

The difference between the book value and fair value relates to a fair value adjustment made in respect of gas rights.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

25 Related party transactions

Group

During the period to 31 December 2006 a net amount of £9,505 (30 June 2006: £13,042) 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 4,425,325 (£1,771,350) (30 June 2006: AUD 3,039,965 (£1,221,115)) to Seapower Pacific Pty Ltd. This is long term and interest free and has been shown as an investment (note 14).

An amount of £10,228 (30 June 2006: £7,872) has been paid to BPC Ltd in respect of office costs and rent.

Mr Alan Burns and Mr Michael Proffitt are Directors of both Renewable Energy Holdings plc and BPC Ltd.

Included in debtors is £34,305 (30 June 2006: £15,888) due from BPC as repayment of travel costs incurred on BPC business and office rent paid on behalf of BPC.

The Company has balances with subsidiaries as shown in note 15.

Renewable Energy Holdings plc

Notes forming part of the financial statements for the six months ended 31 December 2006 (*Continued*)

26 Notes supporting cash flow statement

<u>Group</u>	31 December 2006 £	30 June 2006 £
<i>Cash and cash equivalents comprises:</i>		
Cash available on demand	741,620	521,160
Short-term deposits	1,957,169	5,157,680
	<u>2,698,789</u>	<u>5,678,840</u>
	<u>2,698,789</u>	<u>5,678,840</u>
Net decrease in cash and cash equivalents	(2,980,051)	(1,541,639)
Cash and cash equivalents at the beginning of the period	<u>5,678,840</u>	<u>7,220,479</u>
Cash and cash equivalents at end of period	<u>2,698,789</u>	<u>5,678,840</u>

Some £1,588,223 (30 June 2006: £2,006,948) of cash and cash equivalents held in Germany are restricted under the terms of the loan agreement covering borrowings disclosed in Note 18.

<u>Company</u>	31 December 2006 £	30 June 2006 £
<i>Cash and cash equivalents comprises:</i>		
Cash available on demand	-	-
Short-term deposits	915,757	3,536,736
	<u>915,757</u>	<u>3,536,736</u>
	<u>915,757</u>	<u>3,536,736</u>
Net decrease in cash and cash equivalents	(2,620,979)	(3,579,594)
Cash and cash equivalents at the beginning of the period	<u>3,536,736</u>	<u>7,116,330</u>
Cash and cash equivalents at end of period	<u>915,757</u>	<u>3,536,736</u>

27 Post balance sheet event

Subsequent to the period end the Group has concluded a facility agreement with Standard Chartered Bank providing the Group with a project finance facility of up to €135,000,000. The facility will fund the refinancing of the Group's existing assets in Germany and subsequently, subject to meeting certain investment criteria and conditions, the 4.6MW expansion to its German windfarm, a further 8MW expansion in Germany and the Group's windfarm pipe-line in Europe and the UK. It is expected that the first drawdown under this facility will take place in June 2007.